



Managing Overtime in China

Determinants of Overtime Culture in a Labor Intensive
Manufacturing Facility in Guangdong, China.
- A Case Study

Ole Jørgen Larsen & Harald Schulstad

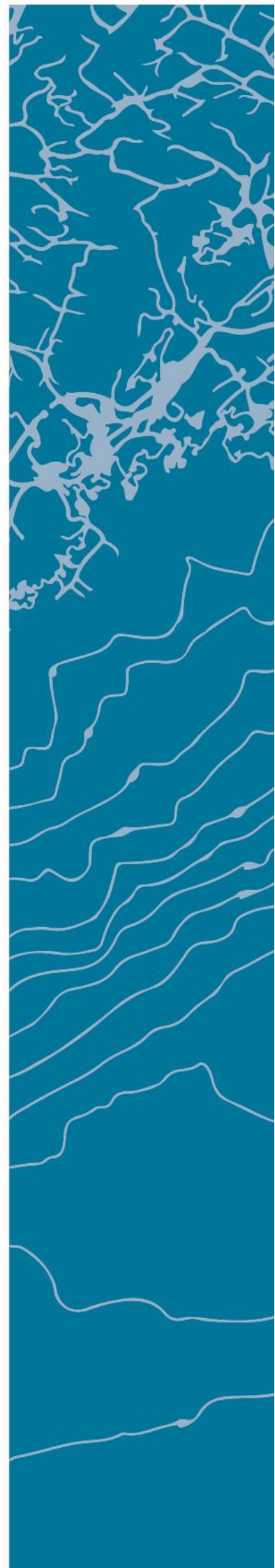
SUPERVISOR

Stein Oluf Kristiansen

University of Agder, 2017

School of Business and Law

Department of Economics and Finance





AGREEMENT OF CONFIDENTIALITY IN RELATION TO EXECUTION OF THESIS IN COOPERATION WITH EXTERNAL BUSINESS

Student name: OLE JORGEN LARSEN Study: MSc BUSINESS ADMINISTRATION

Student name: HARALD SCHULSTAD Study: MSc BUSINESS ADMINISTRATION

External business: FOSHAN NORATEL ELECTRIC CO. LTD.

Type of thesis:

- X Master
Bachelor
Other (specify):

Supervisor: STEIN KRISTIANSEN

Current title of the thesis: MANAGING OVERTIME IN LABOR-INTENSIVE PRODUCTION; A CASE FROM FOSHAN CHINA

- 1. The student will write the thesis in cooperation with the external business as part of his/her study at UiA, and in accordance to UiA's guidelines for the specific type of thesis.
2. The student(s) will commit him/her -self to maintain confidentiality regarding what he/she in relation to the thesis get to know, about technical devices and progress methods as well as operating- and businessconditions which are of competitive significance for the external business to keep secret. It is the external business' responsibility to clarify what information this includes.
3. The student(s) will commit to maintain confidentiality regarding this in the specified period. If nothing else is specified, the standard period of 5 years will be calculated from the submitting of the thesis.
4. The obligation of confidentiality does not pertain to information that:
a) Was publicly available when received
b) Was received legally from a third-party without agreement of confidentiality
c) Was developed by the student(s) independently of the information received.
The parties are obliged to give information about in accordance with laws or regulation or by order of the public authority

5. The supervisor is committed to maintain confidentiality in relation to information covered by this agreement for the same duration as the student(s).
6. It will be evident from the cover of the thesis that it is confidential. UiA is committed to save/store the thesis in a satisfactory manner. After the period of confidentiality is over, the thesis can be published per the university's guidelines.

Period of confidentiality: (number of years), cf. section 3 in this agreement:

UiA, Kristiansund, 14.03.2017 *Olav Jørgen Luse*
 place, date student

UiA Kristiansand, 14.03.2017 *Harald Schulstad*
 place, date student

FOSHAN, 19 May 2017 *for In*
 place, date for external business
 stamp/name and signature

21/3 17 *[Signature]*
 place, date supervisor

Kr sand 21/3-2017 *LBH Frestad*
 Place, date for UiA (head of department)

Managing Overtime in China

Determinants of Overtime Culture in a Labor Intensive

Manufacturing Facility in Guangdong, China

- A Case Study

**Ole Jørgen Larsen
&
Harald Schulstad**

Supervisor:

Stein Oluf Kristiansen

This master's thesis is carried out as part of the education at the University of Agder and is therefore approved as part of this education. However, this does not imply that the University is responsible for the methods that are used or the conclusions that are drawn.

University of Agder, 2017
School of Business and Law
Department of Economics and Finance

Abstract:

China's economic rise over the past 40 years has been unprecedented and earned China the title of "manufacturing powerhouse of the world". The economic rise has been driven by the Chinese government lifting entry barriers in Special Economic Zones (SEZs), thereby allowing international enterprises to utilize the relatively low labor costs in manufacturing products. We explore determinants of current overtime practices among minimum wage migrant workers in a manufacturing facility in Guangdong, China. We first apply a deductive approach of addressing 5 propositions that focus on the determinants; wages increase, enforcement, perceived effectiveness of legal rules, embedded cultural norms, and finally generational differences. Building on our deductive findings, we apply an inductive approach which discovered that the main determinants of overtime are related to the contradicting demands of worker's and customers.

A mixed-method triangulation of quantitative overtime observations, interviews of managers and small-sample questionnaires distributed to team leaders is used to explore and validate determinants. Our empirical findings allow for confirmation of all but one proposition. Wage increase is unconfirmed as a determinant, while lacking enforcement, perceived ineffectiveness of laws, Confucian based norms, and age are all found to impact the overtime willingness of minimum wage migrant workers. Based upon our findings we conclude with four suggestions for managerial actions, and three interesting areas for future research.

Acknowledgments

First of all, we would like to express our sincerest gratitude and appreciation to the company that granted us the opportunity to explore the topic of this thesis without other restrictions or stipulations than signing an agreement of confidentiality. Without the managers, this entire thesis would not have been possible. Their interest, knowledge and willingness to participate surpassed our expectations, and we feel privileged for our interactions.

We would also like to thank the University of Agder for providing us with the incredible opportunities and experiences of the internship programs in Indonesia and China. The lessons learned from being part of both the universities and companies have challenged and humbled us in our understanding of, and interaction with, the world.

Finally, we would like to give a special thanks to our supervisor and teacher, Stein Oluf Kristiansen, whose insights, lessons and discussions truly have been invaluable. Without your recommendations, this thesis would be a book.

Kristiansand May 31, 2017

Harald Schulstad and Ole Jørgen Larsen

DETERMINANTS OF OVERTIME CULTURE IN A LABOR INTENSIVE MANUFACTURING FACILITY IN GUANGDONG, CHINA	4
- A CASE STUDY.....	4
1 INTRODUCTION.....	12
2 ECONOMIC CHALLENGES AND LABOR MARKETS IN TRANSITION.....	14
2.1. EMERGING MARKETS.....	14
2.2. TRANSITION ECONOMIES	16
2.3. INSTITUTIONS	18
2.3.1. <i>Evolving institutions.....</i>	19
2.4. LABOR INSTITUTIONS.....	19
2.5. TRUST AND NORMS	20
2.6. FORMAL INSTITUTIONAL VOIDS	21
2.6.1. <i>Relative Importance Informal vs Formal Institutions</i>	22
2.7. LABOR MARKETS IN TRANSITION ECONOMIES	23
3 THE CHINESE CONTEXT.....	24
3.1. HISTORICAL ORIGINS AND ANCIENT VALUES.....	24
3.1.1. <i>Confucianism</i>	25
3.1.2. <i>Key Changes Before the Transitioning Period (1800 – 1978).....</i>	26
3.1.3. <i>Transition Period and ‘Opening-up’ Policies (1978 – 2010).....</i>	27
3.2. THE GOVERNMENT	29
3.3. GUANXI	30
3.4. RISING WAGES.....	31
3.5. CHINA’S AGING WORKFORCE.....	32
3.6. HUKOU AND THE MIGRANT WORKFORCE.....	33
3.7. LABOR LAWS	34
3.7.1. <i>Contractual arrangements</i>	34
3.7.2. <i>Enforcement</i>	35
3.8. TRADE UNIONS	36
3.9. STRIKE WAVES SINCE 2010	37
3.10. INCREASED FOCUS ON SUPPLY CHAIN TRANSPARENCY.....	39
3.11. CONCLUDING THE CONTEXT OF CHINA	39
4 THEORETICAL FOUNDATION AND PREVIOUS EMPIRICAL FINDINGS	40
4.1. LABOR THEORY	40
4.1.1. <i>Labor-leisure tradeoff and the Backward-bending supply curve of labor</i>	42
4.1.2. <i>Overtime: The Hours-of-work Decision.....</i>	45
4.2. NEW INSTITUTIONAL ECONOMICS	47
4.2.1. <i>Institutional Determinants of Overtime.....</i>	48
4.2.2. <i>Labor law enforcement</i>	51
4.2.3. <i>Labor law perception.....</i>	54
4.2.4. <i>The impact of embedded cultural norms</i>	55
4.2.5. <i>The impact of Chinas generational gap on overtime-inclination.....</i>	57
4.3. PROPOSITIONS.....	57
5 METHODOLOGY	59
5.1. THE SCOPE AND PURPOSE OF OUR RESEARCH.....	59
5.2. RESEARCH DESIGN	59
5.2.1. <i>Philosophical standing.....</i>	60
5.3. RESEARCH APPROACH	62
5.4. DATA COLLECTION METHOD.....	62
5.5. RESEARCH STRATEGY.....	63
5.5.1. <i>Enhanced Single-Case Study.....</i>	63

5.6. MIXED METHODS & METHOD TRIANGULATION:	64
5.6.1. <i>Analyzing method triangulation</i>	64
5.7. STRUCTURED OBSERVATIONS	65
5.7.1. <i>Analyzing the data</i>	66
5.8. SEMI-STRUCTURED INTERVIEWS	66
5.8.1. <i>Sampling, Preparing and Conducting the interviews</i>	67
5.8.2. <i>Analyzing the data</i>	68
5.9. QUESTIONNAIRES	69
5.9.1. <i>Design</i>	69
5.9.1.1. What should be asked?	70
5.9.1.2. How should questions be phrased?	70
5.9.1.3. In what sequence, should the questions be arranged?	71
5.9.1.4. What questionnaire layout will best serve the research objectives?	71
5.9.1.5. How should the questionnaire be pretested? Does the questionnaire need to be revised?	71
5.9.2. <i>Analyzing the data</i>	72
5.10. QUALITY OF RESEARCH	72
5.10.1. <i>Validity and Reliability</i>	73
5.10.2. <i>Case and Mixed Methods</i>	73
5.10.3. <i>Observations</i>	74
5.10.4. <i>Interviews</i>	74
5.10.5. <i>Questionnaires</i>	76
5.10.6. <i>Doing thorough literature reviews and reviews of 'cultural categories'</i>	77
6 FINDINGS AND DISCUSSION	78
6.1. BACKGROUND AND CONTEXTUAL FINDINGS	78
6.1.1. <i>Migrant Workers</i>	78
6.1.2. <i>Hukou</i>	79
6.2. PROPOSITION 1	79
6.2.1. <i>Findings</i>	79
Quantitative Results	79
Interviews:	83
Questionnaires:	85
6.2.2. <i>Discussion</i>	86
Quantitative Results:	86
Interviews:	86
Questionnaires:	87
6.2.3. <i>Conclusion:</i>	88
6.3. PROPOSITION 2	89
6.3.1. <i>Findings:</i>	89
Interviews:	89
Questionnaires:	92
6.3.2. <i>Discussion:</i>	93
Interviews:	93
Questionnaires:	94
6.3.3. <i>Proposition 2 Conclusion:</i>	94
6.4. PROPOSITION 3	94
6.4.1. <i>Findings:</i>	95
Interviews:	95
Questionnaires:	97
6.4.2. <i>Discussion:</i>	98
Interviews & Questionnaires:	98
6.4.3. <i>Proposition 3 Conclusion:</i>	98
6.5. PROPOSITION 4	99
6.5.1. <i>Findings:</i>	99
Interviews:	99
Questionnaires:	101
6.5.2. <i>Discussion:</i>	102

Interviews:	102
Questionnaires:	104
6.5.3. <i>Proposition 4 Conclusion</i>	105
6.6. PROPOSITION 5.....	105
6.6.1. <i>Findings</i> :	105
Interviews:	105
Questionnaire:.....	107
6.6.2. <i>Discussion</i> :	107
Interviews:	107
Questionnaire:.....	108
6.6.3. <i>Proposition 5 Conclusion</i> :	108
6.7. INDUCTIVE FINDINGS AND DISCUSSION	109
7 CONCLUSION	114
7.1 MANAGERIAL IMPLICATIONS	116
7.2. LIMITATIONS AND FUTURE RESEARCH	117
SOURCES	119
8 APPENDIXES:	124
APPENDIX 1: QUESTIONNAIRE QUESTIONS AND RESPONSES	124
APPENDIX 2: PILOT QUESTIONNAIRE	131
APPENDIX 3: RELEVANT LABOR LAWS.....	135
APPENDIX 4: FORMALIZED CLARIFICATION LETTER.....	136
APPENDIX 5: INTERVIEW AGENDA.....	137
APPENDIX 6: REFLECTIVE NOTE.....	139
APPENDIX 7: REFLECTIVE NOTE.....	142

List of Figures

Figure 3.1 - *The five Confucian relationships*

Figure 3.2- *Strike map between 2011-2017*

Figure 3.3 - *Rising wages China 2006 – 2017*

Figure 3.4 - *Rising Chinese wages, “A tightening grip”*

Figure 4.1 - *Supply and Demand in the Engineering Labor Market*

Figure 4.2 - *Upward sloping supply curve*

Figure 4.3 - *Lower part of the inverted “S”*

Figure 4.4 - *The inverted “S”*

Figure 4.5 - *An Interior Solution to the Labor-Leisure decision*

Figure 4.6 - *Optimal choice of utility concerning overtime*

Figure 4.7 - *Frequency of change*

Figure 4.8 - *From “a dyadic relationship toward multi-actor interactions in labour regulation”*

Figure 4.9 - *Conceptual relationships between Confucian culture and overtime*

Figure 5.1 - *The research ‘onion’*

Figure 5.2 - *Illustration of this study’s Method Triangulation*

List of Graphs

Graph 3.1 - *Chinese annual GDP growth rate*

Graph 3.2 - *GNI PPP development*

Graph 3.5 - *Registered strikes in Guangdong since 2011*

Graph 3.6 - *Registered strikes in China since 2011*

Graph 6.1 - *Number of Observed Individuals*

Graph 6.2 - *Average Overtime Separated by Income Levels*

Graph 6.3 - *Actual Payments*

Graph 6.4 - *Actual Overtime Average versus Impressions and Statements*

List of Tables

Table 2.1 - MSCI ACWI & Frontier markets index

Table 2.2 - Institutional conditions

Table 5.1 - Sources according to propositions

Table 5.2 - Research design and types of interviews

Table 5.3 - Questionnaire Questions per Proposition

Table 6.1 - *Interview Specifics*

Table 6.3 - *Interviewee response for Proposition 1*

Table 6.2 - *Sample Base Wages*

Table 6.4 - *Questionnaire response for Proposition 1*

Table 6.5 - *Interviewee response for Proposition 5*

1 Introduction

The topic of this master thesis was chosen as a result of both researchers participating in the University of Agders' Internship Exchange Program to emerging markets. This sparked the interest in the topic of China, and the unique situation of managing overtime in the Guangdong Province.

China's decisive role in the modern world of exporting manufactured goods has attracted throngs of researchers investigating its exponential growth the past three decades. However, much of the research is now outdated, and many new challenges have emerged over the past few years as consequence of its expedited economic growth. As such, this study focuses on the topic of excessive overtime among China's minimum wage migrant workers.

China's growth has been fueled by a seemingly endless supply of unskilled labor, credited in significant part to Mao Zedong's disastrous steel and coal investments in the 'Great Leap Forward'. Also, the Cultural Revolution created an immense workforce of unskilled labor. Since Deng Xiaoping's initiation of the 'opening up' policies in December 1978, this workforce has been extensively utilized by foreign enterprises, whose investments have fueled China's economic rise.

After the 2008 financial crisis, and frequent strike waves since 2010, growth has declined in China. The future growth rate is still positive, although the relative size of the unskilled workforce is shrinking. The increasing cost of labor has resulted in companies experiencing a reduced profit margin. Due to various cases of mismanagement uncovered by media, the value chain transparency has become a hot issue for customers. The pressure to reduce overtime has increased significantly, as the total overtime hours among the workers are far beyond the formally stipulated legal limits. Further elaboration is presented in Chapter 3.

The main objective of this study is therefore to explore the determinants of overtime utilization and culture in Guangdong, as represented by the two following research questions:

1. *Do current practices of increasing base wages impact overtime willingness of minimum wage migrant workers?*
2. *What are the main institutional determinants of overtime culture?*

As we focus on a single company, this is an enhanced single-case study. We use method triangulation to combine and analyze data collected from quantitative observations, interviews and small-sample questionnaires. This will be elaborated in Chapter 5. The findings will be presented in Chapter 6, and have been categorized through five propositions respectively. These propositions were derived from our research questions and the theoretical framework in Chapter 4. The propositions explore the topics of base wage, overtime limiting labor laws, embedded cultural norms and generational differences.

The topic of this study is highly relevant today, as labor markets, the manufacturing industry, and China as a whole, is changing faster than ever. The results of this research will complement understanding of responsible managerial practices in China, as well as benefit future research on overtime practice, labor intensive innovation and Chinas' minimum wage migrant workers. Following details on results, managerial implications and prospects of future research will be presented in Chapter 7.

'Reflective notes' are included in the appendix, and discuss how this topic further relates to Internationalization, Innovation and Responsibility, and can be found in the appendix.

2 Economic Challenges and Labor Markets in Transition

In this chapter, we present the terms '*emerging markets*', '*transition economies*', and '*institutions*'. The terms will be presented from the perspective of New Institutional Economics. We will then focus on labor institutions and how their unfavorable *fit* results in 'institutional voids' – areas in the formal institutional systems that are not covered by effective and respected formal rules. Finally, we present characteristics of labor markets in transition economies.

2.1. Emerging Markets

Emerging markets are characterized by institutional voids (Khanna & Palepu, 1997). As noted by Marquis and Raynard (2015), emerging markets are not to be equated to the traditional term '*developing*' or '*developed*' markets. Emerging markets are defined by certain key characteristics, with no clear-set 'condition' for how many of said characteristics must be met for the market to be defined as such. Due to the lack of a consistent use of parameters, the term 'emerging markets' tends to be unclear.

As can be seen below, Greece is listed as an 'emerging market' by Morgan Stanley Capital International, a leading provider of equity indexes. However, Greece was recently downgraded from 'developed' to 'emerging', thereby illustrating the sometimes ill-fitting and inconsistent use of the term.

Table 2.1 – MSCI ACWI & Frontier markets index (MSCI, 2017)

MSCI ACWI & FRONTIER MARKETS INDEX										
MSCI ACWI INDEX						MSCI EMERGING & FRONTIER MARKETS INDEX				
MSCI WORLD INDEX			MSCI EMERGING MARKETS INDEX			MSCI FRONTIER MARKETS INDEX				
DEVELOPED MARKETS			EMERGING MARKETS			FRONTIER MARKETS				
Americas	Europe & Middle East	Pacific	Americas	Europe, Middle East & Africa	Asia	Americas	Europe & CIS	Africa	Middle East	Asia
Canada United States	Austria Belgium Denmark Finland France Germany Ireland Israel Italy Netherlands Norway Portugal Spain Sweden Switzerland United Kingdom	Australia Hong Kong Japan New Zealand Singapore	Brazil Chile Colombia Mexico Peru	Czech Republic Egypt Greece Hungary Poland Qatar Russia South Africa Turkey United Arab Emirates	China India Indonesia Korea Malaysia Philippines Taiwan Thailand	Argentina	Croatia Estonia Lithuania Kazakhstan Romania Serbia Slovenia	Kenya Mauritius Morocco Nigeria Tunisia WAEMU ²	Bahrain Jordan Kuwait Lebanon Oman	Bangladesh Pakistan ³ Sri Lanka Vietnam
MSCI STANDALONE MARKET INDEXES ¹										
				Saudi Arabia		Jamaica Trinidad & Tobago	Bosnia Herzegovina Bulgaria Ukraine	Botswana Ghana Zimbabwe	Palestine	

The inconsistency is an example of the sometimes ill-fitting and inconsistent use of terms when applying institutional theory in the context of emerging and transitioning markets.

‘*Emerging Markets*’ was first introduced in 1981 by Antoine van Agtmael, with the specific meaning being ‘the third world’ and ‘developing world’ (Rottig, 2016). The most common definition of recent years belong to Hoskisson *et al.* (2000), who understood emerging markets as being low income and rapidly growing countries that achieve said growth by opening up trade barriers and increasing freedom.

This was recently recategorized by the same authors into the groupings of ‘traditional emerging economies’, ‘emerging economies’ and ‘newly developed economies’ (Hoskisson *et al.*, 2013). The characteristics needed for a country to be stapled an ‘emerging economy’ remains disputed. Therefore, we refer to Daniel Rottig, who recently and concluded:

“[...]there seems to be a consensus in the literature that, from an institutional perspective, emerging markets are characterized by a number of institutional idiosyncrasies that developed markets do not possess.” (Rottig, 2016, p. 4).

Rottig elaborate that said idiosyncrasies can be grouped into ‘institutional change and transitions’, ‘institutional voids’ and ‘relative importance of informal vs formal institutions’.

As such, we present mentioned idiosyncrasies, with added labor institutions and labor markets. In the table below, you can see the key institutional conditions for developed, emerging and developing countries, as depicted by Marquis and Raynard (2015):

Table 2.2 – Institutional conditions (Marquis & Raynard, 2015, p. 303)

Institutional conditions (political, legal, socio-cultural, and technological)

<ul style="list-style-type: none"> • Formal regulatory infrastructure in place (e.g. market regulation, corporate governance, transparency and accounting standards) • Moderate to high standard of living High • Moderate to high Human Development Index (HDI) levels (education, literacy, and health) • Advanced technological and commercial infrastructure • High degree of political freedom • Little government intervention in business 	<ul style="list-style-type: none"> • Non-transparent political and regulatory environment • Improving standard of living • Young population and expanding working population • Moderate to high Human Development Index (HDI) levels • Increasing urbanization • Burgeoning middle class • Growing demand for consumer goods • Prevalence of state-owned firms • Low to moderate degree of political freedom • Moderate to high levels of government intervention in business 	<ul style="list-style-type: none"> • Absence of specialized intermediaries and regulatory systems • Low standard of living • Low Human Development Index (HDI) levels • Poor education system and high illiteracy • High unemployment • Lack of adequate health care • Low degree of political freedom • Moderate to high risk of social unrest and war • Constraining government policies hinder economic develop and global integration
---	---	--

2.2. Transition Economies

When visualizing economies as adhering to various points on a scale that goes from a pure market based economy on one end to a centrally planned economy on the other, a ‘*transition economy*’ is in the process of either moving from one half to the other, or changing the direction in which it is moving. Economies rapidly transitioning are rare. As Groenewegen *et al.* (2010) elaborate, the only real instances in newer times are transitions from a system where the state has significant influence on the economic freedom, towards a new system in which the government plays a more modest role. As the radical transitions that occurred in the east bloc after the fall of the Soviet Union, and the gradual transition of China since Deng Xiaoping’s initiation of the ‘opening up’ policies. Although both instances are ‘*market transitions*’, their inherent processes and outcomes differ vastly.

In relation to New Institutional Economics, we perceive an economic system as being a structure of interdependent institutions influencing how people regulate consumption, production and distribution of products and services within a specific society. This economic system is categorized on a scale, somewhere between the following two ‘ideals’:

- I. A pure capitalist system, or *pure market economy*.
- II. A centrally planned economy.

Any nation’s institutional system consists of economic, political and cultural sub-groups. As there in reality are no economic systems that can be classified as purely being either of the two ‘ideals’, all economic systems are ‘*hybrids*’ of both. Typical comparisons are the largely capitalist influenced free-market economy of USA on the one side, and the largely centrally planned economy of China on the other (Morgan *et al.*, 2010). Currently, China’s ideological, political and economic system is termed ‘*Socialism with Chinese characteristics*’ (An, 2016). And China is transitioning.

Differences between China’s transition and the transition witnessed in the collapse of the Soviet Union primarily revolve around the events that catalyzed them (Murrell, 2005). While the fall of the former Soviet Union resulted in a collapse and change of both political and economic systems, China’s transition is markedly different. Gradual transition was initiated by Deng Xiaoping’s economic reforms. However, it was also coupled with enduring governmental structure and political system. This government had recently arisen as China’s new leadership after a decade long civil war, was both strong and unopposed, and had still strong ambitions of cementing their governing foothold (Murrell, 2005).

The result was a flexible and cautious willingness to adopt new and foreign measures to improve the economic situation, if said measures were incremental and tested in Special Economic Zones. This contributed to shaping China’s institutional change, by only allowing small variations to already existing institutions, rather than creating new ones (Murrell, 2005). By maintaining a strong government, the country’s new leaders could effectively choose specific formal transitional institutions to adopt and impose or discard and ignore, as opposed to the situation in the former Soviet Union.

The main lessons to take from transitional economies are that institutions require specific complements to function optimally, that there is a need to facilitate the change with both

institutions and complements that are not intended to last long, and that institutions rarely are easily transferable. This is true regardless of transition rate. This indicates that identical institutions might work in one environment while not in another. While informal institutions can be steered in varying degrees, both on a national and corporate level, they typically change at an incremental and slow pace, as indicated by Williamson's overview of institutional change (Williamson, 2000). The formal institutions' pace of change is significantly higher in a transition economy than in a developed economy, as Murrell stated below;

“The transitional institutions are, of necessity, institutions that must be designed to work in the environment in which they are to be implemented. But these transitional institutions outlive their usefulness, as seems to have been the case of managerial incentives in China.”

(Murrell, 2005, p. 690)

At China's current state of transition, the former low-cost, labor intensive 'manufacturing powerhouse of the world' no longer holds that title. The heavy handed formal constraints imposed on the citizenry are outliving their usefulness, as can be seen in the household registration system – 'Hukou' – which will be elaborated in Chapter 3. Nevertheless, to understand and explore specific determinants for overtime culture in a transitioning economy, we first clarify and explain the dynamic function and relationships of institutions.

2.3. Institutions

Institutions, both formal and informal, are humanly devised constraints that shape human interaction (North, 1990) . They govern both individual and collective behavior and social interactions. These factors influence countries, organizations, economies and individuals alike. These factors norms, motivations and rules which can be seen in the form of culture, behavior, laws, regulations, licenses, social networks etc.

Helmke and Levitsky (2004), conducted a study on informal institutions and comparative politics, explaining how informal institutions are widely accepted ideas represented through culture, unwritten rules, societal behavior, codes of conduct and norms. Formal institutions are, as argued by North (1990), a crystallization of these informal rules. They are represented by established laws, contracts, licenses, written agreements, regulations, and innumerable others.

We therefore draw a distinction between ‘formal’ and ‘informal’ institutions – the two main groups of separable commonalities. By understanding the presence of specific institutions in specific contexts, new theory will be elaborated and created on the topic of general institutional determinants for the labor-leisure tradeoff among Chinese workers.

2.3.1. Evolving institutions

Building on the previous, we consider institutions to be constantly evolving and changing. From a New Institutional Economic perspective, they can be seen as primarily being driven by demands of individuals and organizations that seek to minimize transaction costs. According to Shirley and Menard (2005), ‘*new institutionalists*’ have narrowed their focus from that of Old Institutional Economics to the levels of individuals in the search for explanations of the institutional environment and its continuous change. This trend has continued up until today (Scott, 2014).

The presence of organizations at any given time and place is determined by their inherited structure of institutions, and organizations who are unable to integrate with local institutions are unable to survive Murrell (2005). Informal institutions have a tendency of persevering and influencing aspects of operation in ways that are unfamiliar to foreign organizations. This can be observed in China today, through what we refer to as ‘overtime culture’. Wage growth, technological development, China’s aging workforce, international customers’ increased demands of Value Chain Transparency, strikes, and increasing competition from local actors, all demand the norms of constant ‘*labor-change*’ to change. The existing institutions in China are under increasing pressure to change, due in large part to the overall positive internal effects of transition and growth over the past 40 years. These pivotal changes will be elaborated further in Chapter 3.

2.4. Labor institutions

In 1990, Douglass North first classified institutional determinants into the three groups; informal institutions, formal institutions, and enforcement. Formal rules are the most easily comprehended, as they are written down, usually as clearly and unambiguously as possible. Informal institutions are dynamic and flexible, as they are tacit and intangible. This results in them also having the inherent possibility of being incredibly pervasive. Therefore, they both shape and adapt to the formal institutions. Labor institutions are institutions that directly affect the labor market, and are the result of a complex system of national labor laws, production, and

social relations (Berg & Kucera, 2008). We focus on the following institutional determinants of overtime among migrant workers in China:

- The minimum wage, and actual paid amounts
- Institutional pressure from local governments, primarily via enforcement activities
- Collective bargaining, primarily via labor unions
- Relative importance of informal over formal institutions, represented by perceptions
- Trust and norms, specifically certain embedded Confucian values
- Generational differences, due to rising wages and increasing demand for workers

2.5. Trust and norms

According to Hadden and Seybert (2016), norms originate from being immersed with the relations of a defined community. This shared understanding influence individuals to act in accordance with given behavioral standards. This establishes a shared identity. The higher the number of actors who see themselves constrained by shared understanding, the greater the constraining impact of a norm is understood to be. Additionally, a norm can be a strong behavioral influence within a group, if its members trust the group more than the external society (Hadden & Seybert, 2016).

Elahee and Minor (2015, p. 102) define trust both as “[...] *a belief and as a behavioral intention that determine the nature of relationship between or among exchange partners*”. Trust is a key factor in negotiations, relationships, and actual conduct, and it is based on expectations. These expectations can either be based in formal rules, or they can be relation based. This is why differences in trust are attributed to differences in both social relations and formal rules (Ménard & Shirley, 2005). Whereas rule based trust is dependent upon enforcement, relation-based trust is a result of norms created from reputation, familial and social ties, religious affiliation et cetera. Thus, relation based trust is dictated more by informal than formal institutions, and is equated by D. Chen *et al.* (2017) to the ancient term ‘*Guanxi*’ in China. However, rule based trust is more common in developed countries, and was found by D. Chen *et al.* (2017) to increasingly substitute *Guanxi* in the future.

2.6. Formal Institutional Voids

First identified by Khanna and Palepu (1997) as being a complete lack of institutions, ‘institutional voids’ has since been restated to describe institutions that are either underdeveloped or completely missing (*Daniel Rottig, 2016; Khanna et al., 2005*).

The ‘creation’ and continued presence of institutional voids are observable sources of market-failures through three main forms (Khanna & Palepu, 1997, 2013; Khanna et al., 2005):

1. Unwise local governmental regulations that favor political goals at the cost of economic efficiency.

The steady wage growth observed in China over the past decade has resulted in increased budgetary constraints for international enterprises. With the financial crisis affecting most international Western based firms and comparatively cheaper labor intensive production opportunities in alternative emerging markets, the increasing tension and opposing interests of state and private enterprises have widened the institutional voids considerably.

2. Inefficient rule of law, or law enforcement, that is incapable of upholding both regulations and contractual obligations in a fair and reliable manner.

The difference in perceptions regarding contracts and negotiations are notably different between the high-context country of China, and the low-context region of western Europe. As a result, the prenegotiated price and timeframe of projects, deliveries, services, and products, are still considered to be relative rather than absolute for typical local enterprises. Additionally, quality may often require closer inspection. Still, ethical and financial requirements of international enterprises obligated to report back to stakeholders prevent them from initiating contracts and agreements that are clearly impracticable, even if the intention would be to gradually stall and increase both the payout and timeframe of the project after signing.

3. Insufficient availability of actionable information for actors to assess the quality of goods prior to purchase.

As value chain transparency, has been increasingly emphasized by international firms over the past decade, the evaluation of suppliers’ activities and books have become an increased focus. When enforcers of the judicial systems themselves are considered unreliable, the confirmation of information is often done via several audits and inspections. Additionally, within the

minimum wage labor markets of China, the competence and prior experience of workers is seldom checked up on and confirmed prior to hiring.

Consequently, each of the above factors contributes to heighten the uncertainty, risk, and thereby also transaction costs significantly. Oftentimes, based on the lacking procedures and elevated risks, international actors deem it necessary to privately conduct surveys, data-collection and analyses among other activities. This is identified as another significant separation between conducting business in a ‘developed’ and an ‘emerging’ market (Khanna & Palepu, 1997, 2013; Khanna et al., 2005). The cost of insufficient trust is considerable both in the corporate conduct of business as well as in the relationship between employer and employee. ‘Trust’ is therefore identified as being a substantial determinant for the current ‘overtime culture’ in China.

2.6.1. Relative Importance Informal vs Formal Institutions

When an institutional void has developed, informal institutions will ‘adapt’ and create unpredictable norms and accepted practices. Regardless of their origin, informal institutions develop out of a collectively perceived necessity over longer time. This necessity is also the reason for why and how they are difficult to change - they facilitate and constrain economic and social activity in a manner which is deemed valuable. Whereas there in developed countries are *“functioning capital markets and reliable and predictable formal regulatory, political, legal and economic institutions,”* according to London and Hart (2004), the situation is different in emerging markets where *“social contracts and social institutions dominate [...] and social performance matters”*(Rottig, 2016).

In short, informal and tacit social contracts and institutions are the determining ‘rules of the game’ in emerging and transitioning economies. This is due to the explicit formal institutions often perceived as lacking and not adequately enforced. Incorporating this relationship into the focus of our thesis, we choose to focus on the present informal institutional determinants in exploring the current void between legal constraints and international customers’ requirements on one side, and the perceived demand for overtime utilization of migrant workers, as represented by the workforce in Guangdong, on the other. The specific company with a production facility in Guangdong we use as our sample, gets stuck in the middle thus, and is therefore required to continually mediate and compromise to the best of their abilities.

2.7. Labor markets in transition Economies

A 'labor market' is defined relationally by Fligstein and Fernandez (1988) as a market where several individual actors compete for the same job, and several places in a process of production compete for these individuals. Labor markets are therefore complimentary mechanisms where each side acts as a distributive instrument for units of the opposite. A labor market segmentation is defined as an occupational mobility between sectors, due to institutional barriers (Gindling, 1991). This would imply how a worker in a 'lower' sector may have difficulty gaining access to an adjacent, or 'higher' sector held by a professedly identical worker.

Rutkowski (2006) argues that the two signature labor market problems in transition economies are 'scarcities of productive job opportunities' and 'growing labor market segmentations'. In the former Soviet Union, this has typically led to persistent unemployment and low-productivity jobs. Labor market segmentation has led to increases in earnings differentials and an increased complimentary demand for low-paying jobs (Rutkowski, 2006). The findings of Svejnar (1999) correspond. According to him, one of the central issues facing transition economies are a "*...rapid rise of unemployment from zero to double-digit rates...*" in the majority of the Central and Easter European economies (Svejnar, 1999, p. 2). These changes affect the growth of any give economy in transition from a former planned economy to an open market economy.

China's labor markets have gone through a transition as well. According to Christiansen (1992), the relationship between the rural and urban labor market is almost exclusively manifested in the private sphere, suggesting that there is a clear divide in Chinas previous centrally planned economy. China may today be considered both an emerging market and a transition economy. In order to get a better understanding of our research sample; minimum wage workers in the Guangdong province of China, we need to dive deeper into the vast context of Chinese institutions and its history. By doing this we will come closer to determining which factors affect the worker's relationship towards working excessive amounts of overtime.

3 The Chinese Context

This chapter will outline the historical backdrop of China, related persevering institutional values, as well as the current and future labor situation private enterprises in Guangdong are facing. We will do this by first briefly describing Chinese history and Confucian heritage, the economic transition period of China, influence of the Chinese Communist Party, present day situation of wage growth, the aging workforce, migrant workers, strike waves, supply chain transparency in China, and the company we use as a representative. This is necessary to construct the context tapestry that attempts to aid the readers understanding of the challenge of managing overtime in China.

3.1. Historical Origins and Ancient Values

“Study the past if you would divine the future” – Confucius (551-479 BCE) (Yeats & Prentice, 1996, p. 5847)

China has a long and extensively documented culture, language and history which reach back to the Shang dynasty of 1523-1028 BCE and even further. China was ruled by numerous overlapping dynasties, and these dynasties are what Chinese history mainly is divided into, where each dynasty tended to be defined by the most notable rulers of their respective periods. Chinese history is often defined by principal agents, but their customs and norms can be defined by their collectivism. As such, relational customs and trust ensuring mechanisms, such as *Guanxi*, *Yin Yang* and *Face*, are well known terms (Goodrich, 2002).

Emperors and empresses frequently raised large families to ensure dynastic continuation, where most of the extended family became prominent members of society who established and utilized close familial ties through trust-based collaborations and rewards. This custom was adopted by the society as well. One’s own extended family became trustworthy allies and potential venture partners, and the exchange of favors developed into an accepted conduct of both expecting and rewarding behavior favors. This is what eventually developed into *Guanxi* – which will be elaborated on later.

Yin Yang thinking has similar origins, and is said to have influenced almost all ancient Chinese scholars (Fang, 2012). It is the ancient view of dynamic and holistic unity of opposing and interdependent natures, and the core dialectical thinking is transferred to Confucianism (Fang,

2012). Most Chinese history is reported by Confucian scholars whose own philosophical standing had their narrative influenced through its values. Dynastic transitions were reported as being due to uprisings against ‘un-Confucian’ leaders, rather than various other influences. In short: the way history has been reported has contributed to the perseverance of Confucian values to this day.

3.1.1. Confucianism

Confucianism is oriented towards venerated values for rulers, subjects, family and friends (Shun, 2013). In deciding how to live, Confucianism accentuate that one should strive to become ‘*Junzi*’, the ideal morally virtuous person, rather than a ‘*Xiaoren*’ – a small minded person. Becoming ‘*Junzi*’ happens by embodying the three key considerations; ‘*ren*’, ‘*yi*’, and ‘*li*’.

1. ‘*Ren*’ is broadly understood as true concern for the wellbeing of humanity. A person committed to embracing ‘*ren*’, will both desire to do good, as well as to focus on, and study, the “good of others” (Shun, 2013).
2. ‘*Li*’ refers to respect of others, both external expression and internal attitude. It is equated to rituals.

The combination of ‘*Ren*’ and ‘*Li*’ is the core Confucian reason for being modest and sincere in respecting others, and the importance of showing said respect by means of rituals and conduct, and not criticizing, as this will result in loosing face.

3. ‘*Yi*’ refers to the intellect, and to exercise righteous actions that will result in the greater good.

The combination of ‘*Li*’ and ‘*Yi*’ shows how to be trustworthy, by respecting others and acting on said respect. This combination will also result in obeying honorable people, which can combine with ‘*ren*’ and state that you will honor honorable people -regardless of if you understand or agree with their actions (Shun, 2013).

These Confucian values are essentially embodied by knowing and respecting one’s own relative place in society, while practicing obedience to those in a higher position than oneself (Shun, 2013). Thus, the hierarchical structure of ‘the five relationships’ emerge, which systemize relation based trust, and reduces uncertainty by clarifying codes of conduct. The five relationships originate from a patriarchic time, so the arrows indicate the relative power relationship, as can be seen below:

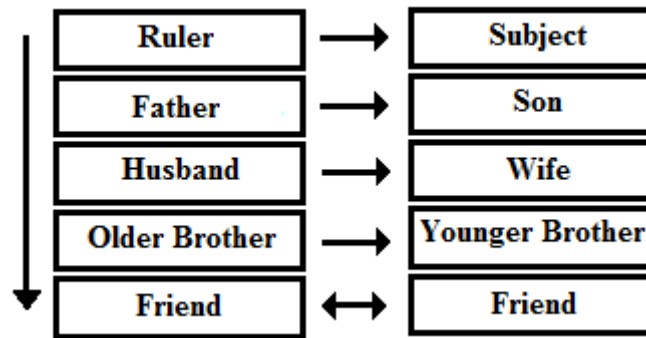


Figure 3.1

The five Confucian relationships, based on Shun (2013)

3.1.2. Key Changes Before the Transitioning Period (1800 – 1978)

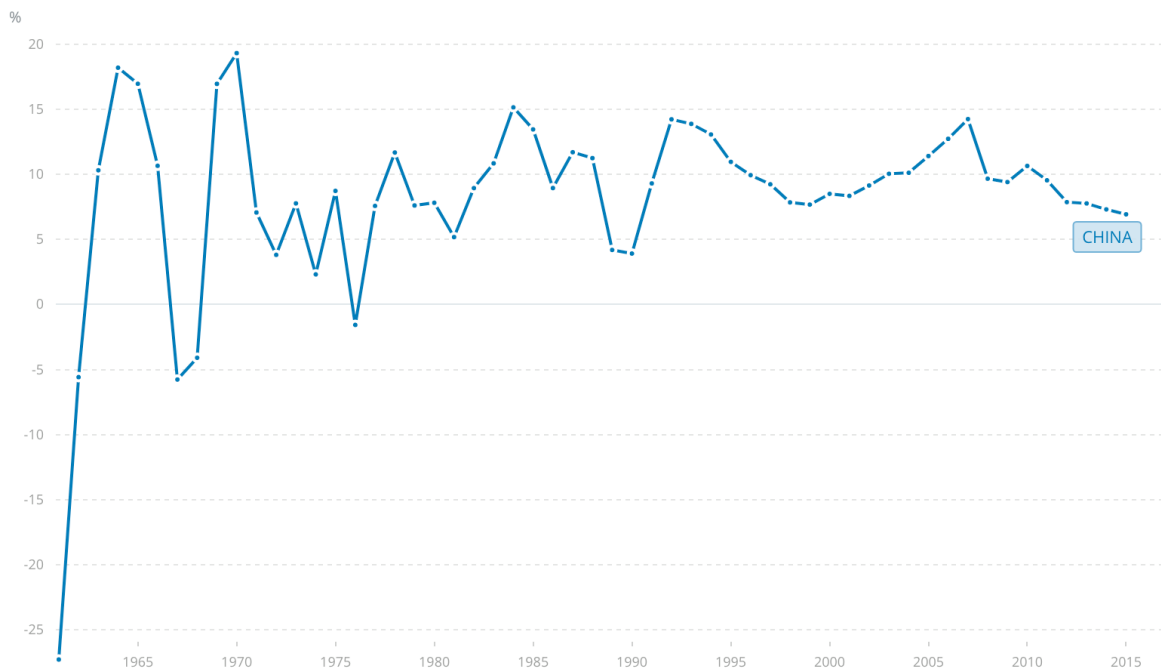
- China lost the opium wars against the British Empire in the 1800s, thereby effectively ending a 3000-year long pattern of dynastic rule, and eventually resulted in an uprising spearheaded by Dr. Sun Yat-Sen, who today is venerated as ‘the father of the nation’. Shortly after, a civil war broke out and eventually ended with communistic forces on top. Following, we present some key dates and events (Yueh, 2010):
- The communist victory resulted in the creation of ROC (Republic of China) on Taiwan, while Mao Zedong became the first chairman of China’s Communist Party’s central committee, essentially ruling the People’s Republic of China from 1945 until his death in 1976. Several factors that have changed China occurred during Mao’s rule. A rectification program was initiated in 1942, sending students and intellectuals into the farmlands for them to experience ‘the real china’ through hard labor to ‘re-educate’ them.
- In 1953, the first Five-Year Plan was initiated. It is a Stalinist-inspired planned economy administration effort which continues to this day, and provides some clarity in which areas the government will focus the next five years.
- Between 1958 – 1962, the Chinese Communist Party launched a campaign known as the ‘Great Leap Forward’, where the prices of agricultural commodities were administered rather than determined by market forces. Additionally, Mao intended China to become an industrial powerhouse, so 20 million urban citizens were

relocated to the countryside to produce steel and coal, and to avoid unemployment. The Great Leap resulted in large scale famines and an estimate of over 20 million deaths.

- The Cultural revolution between 1966-76 was a student movement initiated by Mao who had lost his position as chairman after the fiasco of the ‘The Great Leap’ The revolution focused on starting anew by severing ties with the four old’s; old culture, habits, customs and ideas. Vast amounts of priceless historical literature, artifacts and temples were thereby destroyed (Yueh, 2010).

3.1.3. Transition Period and ‘Opening-up’ Policies (1978 – 2010)

China initiated substantial market oriented reforms from 1978 and onwards. China’s GDP has experienced an average annual growth rate of 9.4% between 1979 – 2008, and 9.74% between 1989 – 2017. During this period, China became both the world’s most populous nation and a world leading manufacturer and exporter (Trading Economics, 2017; Yueh, 2010). This can be seen in the overview of annual GDP growth below:



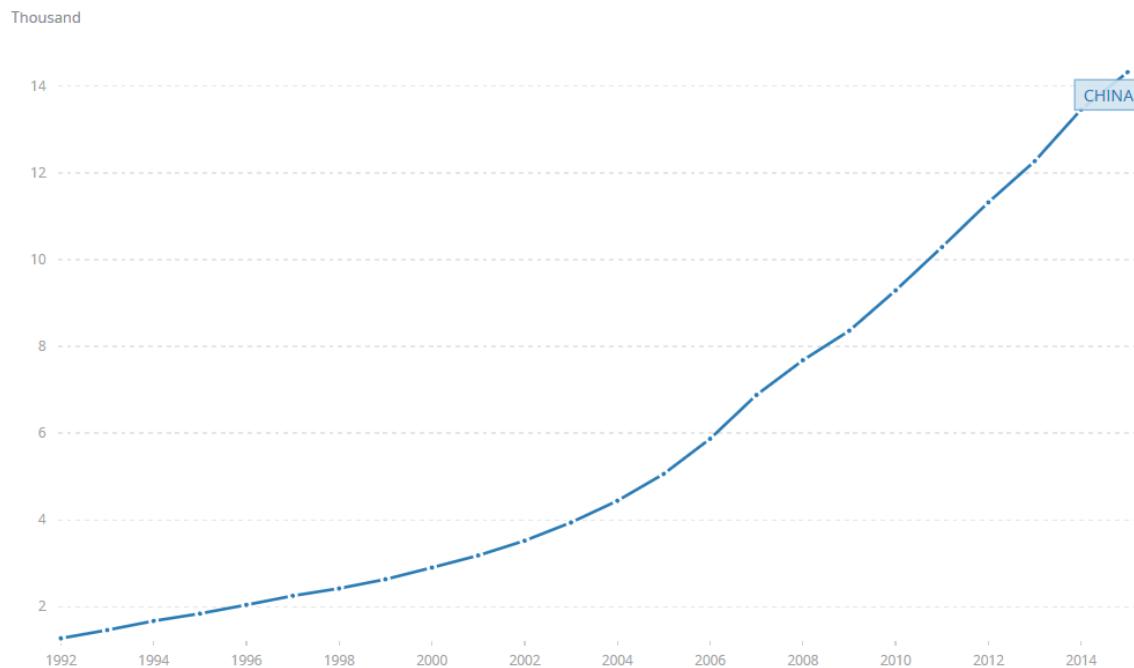
Graph 3.1

Chinese annual GDP growth rate (The World Bank, 2017)

Under the leadership of Deng Xiaoping (1978 – 1983), China experienced significant and stable economic development. Several communist doctrines were discontinued, e.g. lifetime employment. Typical free market functions were adopted and implemented, such as laws protecting the rights of workers and institutional intermediaries. The labor laws were developed for China in collaboration with the International Labor Organization, and were mostly modeled on developed Western countries (Wan, 2007).

By initiating the ‘Opening-up’ policies, Deng Xiaoping introduced incremental but extensive economic reforms without political change. The political transition after Mao was not the result of radical cultural change. It was the outcome of adjusting to the damages of the failed Great Leap and Cultural Revolution (Lemoine, 2000). China required an influx of capital to import food, forcing the government to ‘opening up policies’ to avoid starvation and recover from the failed leap. As such, the ‘opening-up’ policies were not an ideological transition by Chinese citizens, but rather an economical transition made by a new centralized governing power. The policies took the approach of establishing trading and production posts in Special Economic Zones (SEZ’s) (Yueh, 2010).

In the SEZ’s, revisions and reforms were conducted with the result of unequalled growth over the past three decades. The SEZs operate today as near free-market sectors, and are special customs areas in China. The reforms were implemented in 1979, and have produced significant since 1992. This is seen in the development of GNI PPP per capita below:



Graph 3.2

GNI PPP development (The World Bank, 2017)

China's path towards becoming a world leading economic powerhouse is vastly different than that of the United States or prominent European nations. The pivotal changes it has gone through in the last century are in stark contrast to its 3000-year old history and heritage. This has undoubtedly impacted the perceptions of all citizens, including the present day working class. Confucian values are, according to Williamson (2000), likely to have persisted regardless of the significant impact of Zedong's cultural purge on the citizens' identities. It is therefore possible to assume that Chinese people today have a pluralistic perspective that affects their behavior.

3.2. The Government

The 'National People's Congress' (NPC) is China's largest legislative body, comprising 2987 members who are required to exercise complete loyalty to the leadership (Beja *et al.*, 2015). Members are elected by lower level 'People's Congresses' for their respective areas. Regular citizens can participate in elections at the lowest levels, while only members of the National People's Congress can participate in elections higher up. The Chinese Communist Party's (CCP's) political influence permeates the 'democracy' in China to the point where it is nearly impossible to get a seat in the NPC if a family member previously has criticized the CCP.

Still, the People's Republic of China is technically a pluralist society. Certain parties other than the CCP are represented in the congress, although they possess no actionable power due to their leaders being decided by the CCP (Beja et al., 2015). Neither the Chairman nor the Secretary-General are term- or time- constrained for positions in office. This ensures continuation of 'communitistic values', free from short-term dissatisfaction, in addition to careful selection of successors. Selection of successors is unclear and in large part influenced by members' Guanxi within the CCP. (Beja et al., 2015).

The relation based codes of conduct present in the government trickles down to provincial, municipal, prefecture and local government-levels. As this happens, the relative importance of informal institutions over formal ones' result in a norm wherein the continuous 'vetting' of members ensure continued legitimacy of the CCP. Thus, the members' loyalty and actions are ensured by the presence and use of personal trust ensuring networks (*Guanxi*) in an otherwise volatile environment (Guo, 2010).

3.3. Guanxi

The Chinese concept of Guanxi is a relationship orientation which is similar to what is known as social capital, literally meaning '*connections or relationships*' (Xiaoxin, 2013). It is a social investment essential for information exchange, introducing contacts, pooling resources and general business cooperation (Tong, 2014). Arguably, most trust is limited within close friends and family members.

"Where there is general distrust due to the great uncertainty in the environment, there will be a greater reliance on personal relations to buffer one from wider insecurities." (Tong, 2014, p. 113).

Personal relations are maintained as a reliable way to reduce risk. Guanxi is essential in an environment of lacking formal institutions where task delegation and business with unknown people are unavoidable when faced with a limited capacity of family members and close friends.

The ‘social capital’ an individual procures is expected to alleviate risk and uncertainty. Guanxi, perception of trust and norms all function as different substitutes for formal institutional voids. Both in mainland China and the places Chinese business opportunists emigrated, such as Malaysia and Singapore, local laws and institutions were perceived as insufficient and untrustworthy. Due to the long traditions of relation based trust, Tong (2014) argue that relationships and trust are more easily established with persons of similar ‘Guanxi base’ – i.e. networks. Tong elaborate that perceived trustworthiness is closely correlated with both social and locational distance, resulting in Chinese typically preferring to work with people from the same areas as themselves. ‘Social distance’ is dependent upon both affective and normative conditions. Changes are nevertheless expected to form over time in Chinese culture. Local institutions may improve, as they have done in Singapore. This will ensure greater trust and reliance on formal institutions, e.g. the legal system, reliance on contracts, and the development of normative professionalism and *formalism*, opposed to today’s *personalism* (Tong, 2014).

3.4. Rising Wages

Up until the end of the 90s, Chinese labor was cheap relative to productivity when compared to other countries. Since then, the relative price of Chinese labor has risen significantly, mostly due to institutional reforms in the labor market (H. Li *et al.*, 2012). China is becoming a middle income economy, and so labor intensive production is moving to cheaper countries, like Vietnam and India (H. Li *et al.*, 2012). An analysis of the 12th Five Year Plan stated that China’s traditional factors of production have weakened due to an ageing population and a rising cost of labor as the average wage of migrant workers rose from 1690 Yuan (RMB) in 2010 to 2864 Yuan in 2014 (An, 2016). Wages in China have risen substantially the past ten years as illustrated:

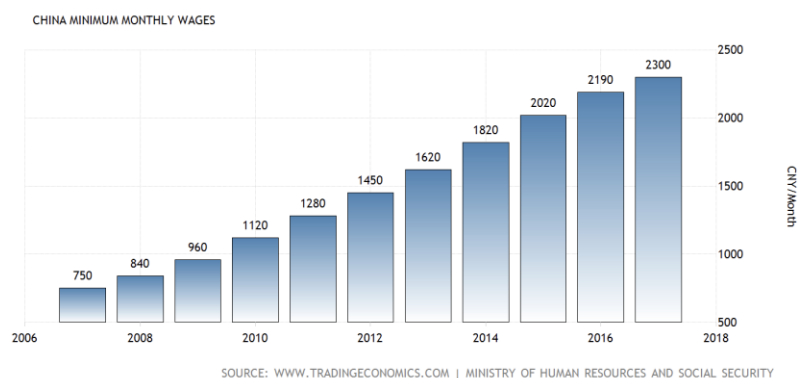


Figure 3.3

Rising wages China 2006 – 2017 (TradingEconomics, 2017)

The average hourly base wages in China has today surpassed Mexico and Brazil, and are nearing those of Greece and Portugal (Winther, 2017). The average Chinese factory worker earned \$ 27.5 per day compared to \$ 8.60 or \$ 6.70 in Indonesia and Vietnam in 2012 respectively (Yangon, 2015). The graph below illustrates comparative wages in low end production industries relative to South East Asian countries:



Figure 3.4

Rising Chinese wages, “A tightening grip” The Economist (Yangon, 2015)

Despite how average monthly wages having risen substantially, factors such as developed infrastructure, labor mobility and low tariff barriers are today significantly more accommodating in China than the remaining ASEAN countries. China’s increased consumption and purchasing power compliments local manufacturers which also reduces the average distance travelled and prices of consumer goods (Yangon, 2015). Rapid rising income levels suggests living standards have followed. These changes may however affect Chinas competitive advantage of a cheap labor intensive production in the future

3.5. China’s Aging Workforce

The one-child policy has been in effect since 1979, and only recently changed into a two-child policy January 1. 2016 (Wang, 2016). It was implemented to ensure that population growth did not negate economic development (Rosenzweig & Zhang, 2009), in addition to reducing the environmental impact of a population of then 1.084 billion (now 1.3712 billion). The social effects of this policy are consequential, as indicated by today’s low fertility rate and high

dependency ratio. A high dependency ratio indicate a great burden on the working age population (ages 15-64), as they are required to support the remainder of the populations age groups (CIA, 2017). Chinas working population shrunk from 72% in 2010, to 61% in 2015. Based on this along with a rapidly declining fertility rate estimated at around 1.56 per woman, the article concluded that China will grow old before it grows rich (Parker, 2012).

According to a recent study on the rural Chinese populations, the income inequality has become worse since 2012 (L. Chen *et al.*, 2016). It reports the rapidly ageing population having become a key factor of poverty in most rural areas, regardless of overall economic growth. When said ageing population is observed in relation to minimum wage workers', the Confucian norm of providing and taking care of one's own parents can be seen as a factor of financial pressure for working individuals.

3.6. Hukou and the Migrant Workforce

'*Hukou*' is a residence registration system which registers citizens and constrains their movements and rights to their places of birth and familial ties. This served to manage the masses of workers while preventing them from overflowing cities Chan (2010). In many cases, rural peasants could earn the equivalent of a year's wage within one month in the city (Washington, 2012). Previously, the Hukou system required a 'clean record' and continuous employment for the past three years, in addition to extensive medical records. Rural citizens have therefore been inclined to migrate to the cities for work. At the same time the workers keep official residence in their hometowns, only returning on the 'Golden Week' in October and Chinese New Year in February. This migration has driven an exponential industrial expansion, in turn increasing the urbanization rate. An example of this is Shenzhen, a town of a few thousand in 1978, which has grown into a city of over 12 million in 2010 (Washington, 2012).

Migrant workers are classified as 'temporary citizens', and they are permitted entrance into SEZ to work, not to live. This Hukou has enabled China to mobilize masses of low skilled labor for production in selected areas. It is therefore possible to define one segment of the working population as *minimum wage migrant workers*. This segment is argued by Franceschini *et al.* (2016) to have preferences for working hours that cannot be explained by *individual choice* due to subjection to labor regimes they are unable to negotiate with. An

example of this is how the local government has an incentive to freeze or slow the adjustment of minimum wages in order to attract firm investment (Huang *et al.*, 2014). This reflects the Chinese centrally planned economy.

3.7. Labor Laws

One cannot evaluate a nation's rule of law in isolation from their social and historical context (Kaufmann *et al.*, 2009). The presence of labor laws are to be perceived as an institutional prerequisite for market development, and cannot be reduced to the generalization of customs or private arrangements (Périsse, 2017). We have attached the main articles regarding overtime in China in the appendix (STATE COUNCIL, 2017). For the Chinese labor laws to accommodate and facilitate the desired effect of sustained economic development, they were subjected to extensive reforms in the 1980's (Périsse, 2017). These reforms were largely based upon the recommendations of the ILO (International Labor Organization) and the World Bank, while being modelled after a Western standard. The adopted legal constraints and standards were intended to reflect, fit, and encourage an ideal end goal. In so doing, currently established customs and conditions were not sufficiently accounted for, because the gap between current practice and legal constraints was so large that certain laws were never even perceived as valuable or realistic.

As Périsse (2017) states, there were no guarantee that the '*imported*' laws actually would produce the desired effect and end goal. Social conflict, as represented by the strike waves, is ascribed to the missing presence of legal rules intended to facilitate social order. For China and the migrant workforce, the path dependency observed in institutional transition comes, according to Froissart (2011), directly from the selection and formalization of socialist rules. Therefore, current labor rules and Hukou reflect the intention of ruling citizens for the benefit of the centralized state rather than the intention of pursuing improved living standards and security for all citizens (Choukroune & Froissart, 2013).

3.7.1. Contractual arrangements

The economic exchange between employer and minimum wage migrant worker revolves primarily around the exchange of time for money in China. This compensation must be formalized and specified through both general laws and individual contracts between actors

(Périsse, 2017; Supiot, 1999). The function of a labor contract is therefore to clarify specific compromises and tradeoffs between parties who already are constrained by existing laws. Contractual arrangements in one country can therefore be vastly different from contractual arrangements in another, just as they can be different for similar transactions in similar firms (Deakin & Wilkinson, 2005). Contractual arrangements thereby portray a formalized compromise between two parties and their expectations of conduct that arise from the combination of existing formal and informal constraints.

3.7.2. Enforcement

The presence of laws and contractual obligations themselves not enough to make them relevant - their effectiveness is dependent upon the presence and perception of enforcement mechanisms and repercussions. In China, the functioning of formal institutions have been shaped by inherited institutional deficits from communistic rule (Grzymala-Busse, 2010). Recently corroborated by Alon & Hageman (2017), posed by Li (2009), and based upon McKnight et al. (1998), the ability to depend upon a country's legal infrastructure results in firms relying on laws and government regulation to resolve disputes and enforce contracts, rather than to exhaust one's own resources. This is considered rule based trust, which Kramer (1999) characterizes as being both depersonalized and driven by the predictability of institutional action. Trust, certainty and risk are all substantial sources of transaction costs in emerging markets (Williamson, 2000).

However, in the case of the Chinese migrant workers of Guangdong, governmental enforcement of overtime addressing labor laws is rarely prioritized, unless the presence of child labor or labor contract law violations have been reported (Elfstrom & Kuruvilla, 2014; Franceschini et al., 2016; Périsse, 2017). Rule based trust regarding overtime is therefore low in China, so formal rules are not perceived as valid stipulations of accepted codes of conduct. Alon & Hageman (2017) pose that while formal rules are of particular importance for organizational conduct, the public's perception of - and belief in - the existing rules and their enforcement are potentially of greater import. This supports the matter of informal versus formal institutions.

The enforcement of adopted labor laws has been lax and sporadic, as the Five Year Plans are unreliable and unable to establish trust in China's law enforcement. Thus, there exist substantial

uncertainty and mistrust among both minimum wage migrant workers and employers in international private enterprises regarding laws, enforcement and collective representation (D. Chen et al., 2017; P erisse, 2017).

3.8. Trade Unions

Trade unions are present at three levels in China; national, regional and company levels (Kim & Chung, 2016). The ‘All-China Federation of Trade Unions’ (ACFTU) is the national level ‘collective’ for trade unions in China. Only ACFTU affiliated unions are legally permitted, and the ACFTU is itself formally affiliated with the CCP (Kim & Chung, 2016). ACFTU is therefore an extension of the centralized government’s power, rather than being an independent representation of their members (Zhu, 2004). They are technically biased, as their primary and intention has been previously to exact social control on behalf of the Chinese Communist Party, rather than to actually fight for employers’ compliance to existing laws (M. Liu, 2010).

Yuchao Zhu (2004) argue the demands of migrant workers are impossible for the ACFTU to provide due to two main reasons:

- The state intends unions to appease and manage workers towards reaching the state’s future goal of development in a time where both technological and societal development increases the demands of workers.
- Until unions act on the behalf of workers against both the state and private enterprises, most protesting workers will perceive official unions as both ineffective and incapable.

However, the ACFTU has increased favorability among NGO’s and foreign press in recent years. This has been largely due to the ACFTU’s role in the case of Foxconn’s excessive use of overtime, where they publicly accused Foxconn of:

“[...]requiring employees to work excessive hours beyond the legal limit, causing serial suicides among employees.”(Kim & Chung, 2016).

Howell (2015), in addition to Kim and Chung (2016), argue that the ACFTU’s increased presence and role since Foxconn has had a positive impact on reducing excessive use of overtime regardless. Therefore, the unions’ affiliation to the CCP is not the primary cause of their lacking effectiveness. They still function as catalysts for labor law compliance (Kim & Chung, 2016). The bottom-up pressure among workers is found to partially determine the

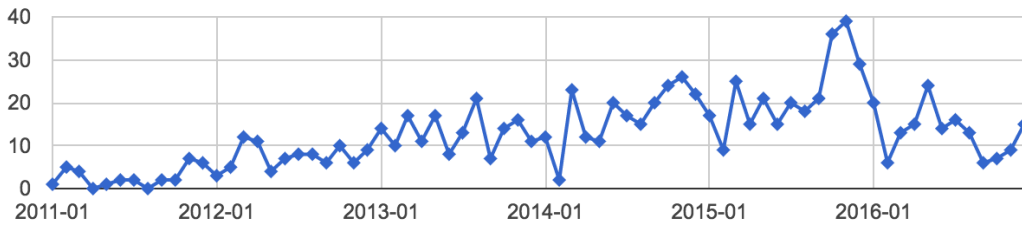
priorities of the labor unions, as in the case of compliance to the revised labor contract law. So, the primary cause of ineffectiveness is that unions do not appear to be subjected to significant pressure from workers on increasing compliance to overtime related labor law.

3.9. Strike Waves since 2010

The right to strike was removed from the Chinese constitution in 1982, so the strike waves that have rippled through the country since 2010 have not been officially organized by the ACFTU (Pringle, 2016). They are walkouts organized outside of trade unions, primarily over Chinese social media and networking, e.g. via 'WeChat'. They are informal organizations outside of the government's control, and can be considered an indicator of workers' perception of the ACFTU's effectiveness. Walkouts at Foxconn and Honda were unsuccessfully censored in Chinese media, and their effectiveness are believed to have contributed to the strike waves still occurring today (Elfstrom & Kuruvilla, 2014).

In 2016, over 1000 incidents occurred in the first quarter, with the largest concentration coming from manufacturing facilities in Guangdong (S.-D. Liu & Shi, 2017). Liu and Shi elaborate that the future is uncertain in terms of worker's dissatisfaction taking the forms of walkouts, or develop into challenging authorities with a politicization of the movement. Social media channels such as 'Weibo', 'WeChat' and 'QQ' are increasingly used to organize walkouts independent of the ACFTU, and facilitates collective bargaining. The strike waves also reflect the newer generations' increased awareness of legal rights, as well as their increasing willingness to oppose the government (Yangon, 2015).

It is possible to obtain an insight into the scale of these protests through the Hong Kong based 'China Labor Bulletin', who have mapped an exponential increase in frequency of labor protests across mainland China (CLB, 2016). CLB performs data sampling twice a week, and have recorded a total of 907 incidents in the manufacturing industry in Guangdong since 2011:



Graph 3.5

Registered strikes in Guangdong since 2011 *Source: China Labour Bulletin, Interactive Strike map, 2017*

These maps of China and the below graph illustrates all registered strikes occurring in all industries nationwide through 01.2011 – 12.2013 and 01.2014 – 12.2016 respectively:

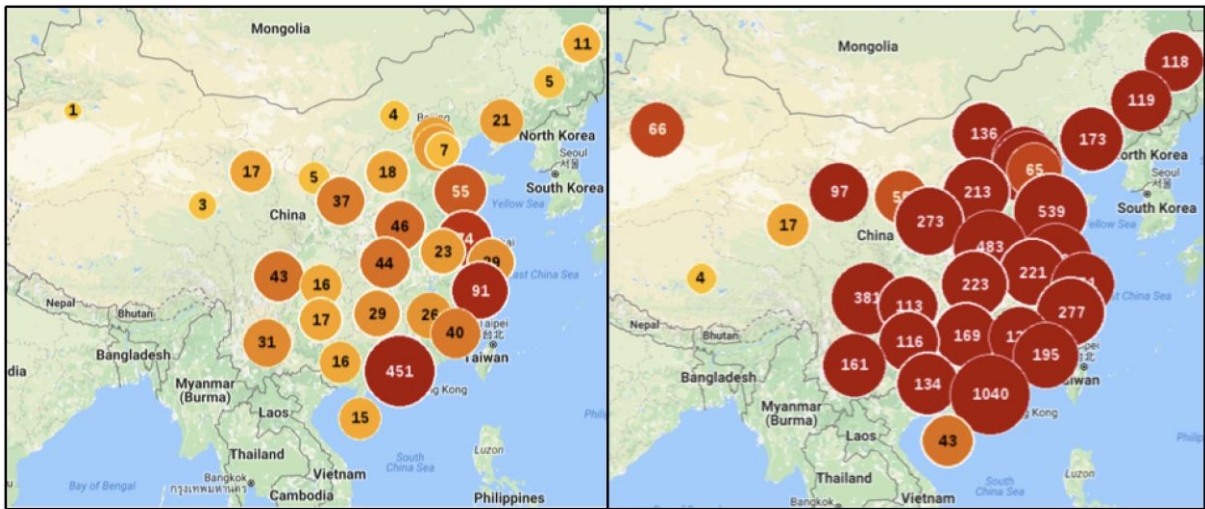
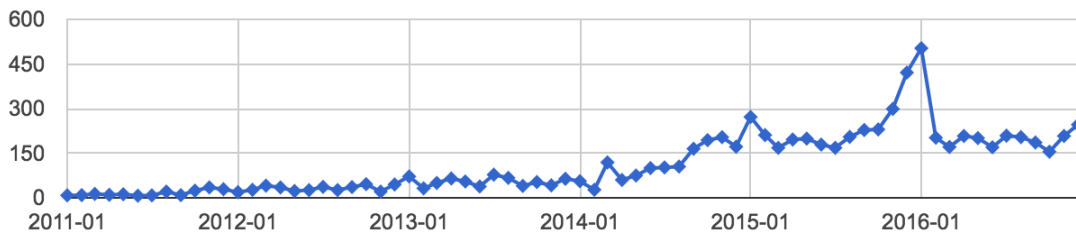


Figure 3.2

Strike map between 2011-2017



Graph 3.6

Registered strikes in China since 2011 *Source for maps and graph: China Labour Bulletin, Interactive Strike map, 2017*

Guangdong is located immediately north west of Hong Kong. CLB's strike map recorded over 5000 incidents since 2015 alone (CLB, 2017). The Ministry of Human Resources and Social Security (MOHASS), stated there were over 1.77 million 'incidents' in 2016 alone. The Chinese government show concern for rising workplace tensions. However, the continued enabling of collective voice and bargaining remains essential to minimize and prevent disputes (CLB, 2017). The critical viewpoints of this Hong Kong based publisher have valid arguments. Further perspectives on these strikes was difficult to find as the controlled Chinese media has little to report on this matter.

3.10. Increased focus on supply chain transparency

Global manufacturing has evolved through the past twenty years, due to reduced focus on price and increased focus on supply chain transparency (Fine, 2013). A firm is required, regardless of product end user opinions, to increase their focus on 'social compliance' in the forms of supply chain transparency, in order to manage reputational uncertainty and trust (Martin, 2013). Strikes and accounts of mismanaged workers in China has contributed to increased focus on supply chain transparency among international enterprises operating in China. This can, in turn, pressure both workers and their employers.

3.11. Concluding the context of China

This chapter has elaborated on the context of china and the migration workforce which concludes in the setting of present day. We have defined the term minimum wage migrant worker in the context of Guangdong China. Vast historical changes that China has gone through the past hundred years have left the modern economic superpower in a peculiar situation. Radical changes in leadership form and framework, and an additional extreme occurrence with transitioning towards open market policies, have impacted the markets for both labor and consumption. Institutional progress appears to have been lagging economic growth. The Chinese working man and foreign enterprises experience difficulties in accordance with their rights, transparent practice and mutual trust. These lacking institutions affect decision making, bargaining power and many other factors that once were more favorable. Simultaneously, the increasing pressure to manage reputational risk appears to become unavoidable from an external company's' perspective. Rapid changes occurring today may be the beginning of mutual disadvantages for all economically rational actors involved.

4 Theoretical foundation and previous empirical findings

4.1. Labor Theory

Labor is a central resource in production of most goods. The labor intensive production facility in Guangdong, is at present heavily reliant on the Chinese labor market. Micro- and macroeconomic perspectives are part of the foundation of how to approach the issue of overtime management. For this reason, we are required to elaborate and update the reader on basic theory to gain necessary knowledge. This will be introduced through the perspective of neoclassical economics before building upon this further. Stanley Jevons defined labor in 1871 as:

“an exertion of mind or body undergone partly or wholly with a view to do some good or other than the pleasure derived directly from the work itself” (Muth, 1966, p. 701).

The complementary *labor theory of value*, is the notion that all value is created by physical labor. This theory emerged in the late 18th century and was mostly contributed to by Adam Smith, David Ricardo and Karl Marx (Foley, 2000). However reasonable this perspective is figuratively, it becomes greatly challenged e.g. when introducing a new technology. Nevertheless, one can arguably assume that the basic perspective of labor that Smith, Ricardo and Marx all shared, was labor as part of a commodity's value, and that it was something that could be measured objectively by the average number of hours necessary to produce it (Foley, 2000). This implies that the value of goods produced may be directly correlated to the number of working hours required to produce that good, establishing the central purpose and worth of labor.

Labor is traded in a labor market, much in the same way one would trade commodities. Labor markets are as previously stated, competitive where firms and workers are free to enter and leave them which theoretically establishes an equilibrium where firms and workers maximize their total gains and accumulate when trading with each other. The participants search for their own selfish goals which results in a market situation no one consciously sought to achieve (Borjas & Van Ours, 2000). This is based on Adam Smith's 'invisible hand' theorem and

essentially means that individuals strive to supply a skill that someone else demand where the result may be difficult to predict. The labor market can be illustrated by figure 4.1:

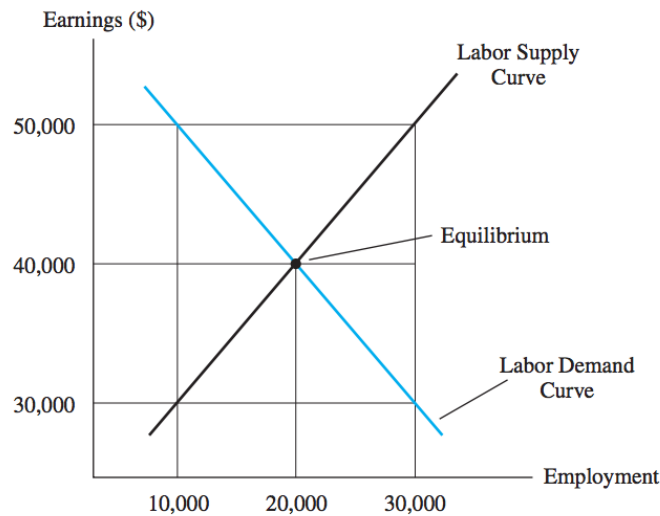


Figure 4.1

Supply and Demand in the Engineering Labor Market, Labor Economics, 2000, Figure 1-1, p.4

We assume people generally desire to maximize their utility which inclines them to supply more time and effort to activities that yields a higher payoff (Borjas & Van Ours, 2000). The labor supply curve is therefore typically upward-sloping. The relationship between price and the number of persons willing to supply their services result in a downward-sloping demand curve of labor (Borjas & Van Ours, 2000). According to Marjit & Kar, the labor force in an economy can be divided into skilled and unskilled labor and argued for a general equilibrium model of a dual sector economy (Marjit & Kar, 2005) Both the classical and neoclassical perspective share the distinction of skilled and unskilled labor is part of what classifies the demand for a given worker. A theoretical study of employment in firms from the previous decade, e.g. assumed that the labor market is divided into workers with high formal education (skilled or high skilled labor) and workers without higher education (unskilled or low skilled labor) to determine how firms could best utilize them (Falkinger, 2002). Skilled and unskilled labor is arguably highly contextual, to workplace and industry.

4.1.1. Labor-leisure tradeoff and the Backward-bending supply curve of labor

The labor-leisure tradeoff theory is a fundamental economic theory that can be explained through the supply of labor. Recently updated literature on labor theory explains the supply of labor during the aggressive expansion of the labor market as a result of the industrial revolution in the mid-1800s (Johnson, 2017).

According to the utilitarian perspective of Jeremy Bentham (1748-1832), people willingly become dependent on the harmful effects of labor because it is only through work they are able to have an actual income which in turn gives them greater utility through the consumption of goods (Johnson, 2017). This provides them with greater utility than the utility lost through excess work. This is because leisure is also considered utility, which means that there is a tradeoff between earning money and retaining free time. The assumption that the individual's dilemma of a wage increase which causes him/her to face an increased price/opportunity cost (by choosing leisure), can be illustrated by the neoclassical upward sloping supply curve of labor (Johnson, 2017). W and L represents wage and labor (use of time) respectively:

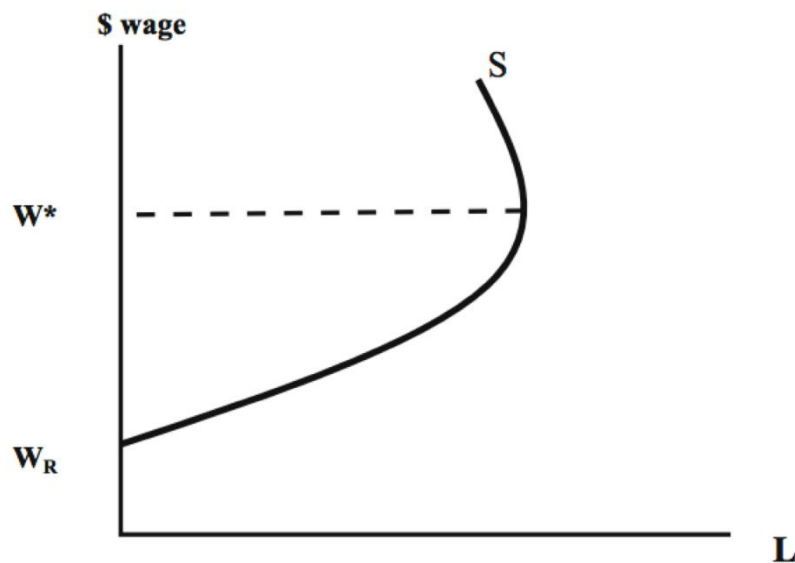


Figure 4.2

Upward sloping supply curve Rediscovering Social Economics, Johnson, 2017, Figure 8.1, p.107

The W^* line suggests that excess leisure beyond this point will be greater than the appeal of a further increase in income (Johnson, 2017). It is therefore possible to argue that the wage offered needs to cover the opportunity cost of the worker. There will supposedly be a constant tradeoff type choice for the individual. Henry Farber conducted an empirical study of New York taxi drivers in the 1990s that showed a parallel behavior to the behavior typically predicted by assuming a backward sloping supply curve (Johnson, 2017), as sighted by (Farber, 2004). Although this fits well to the neoclassical model, the fact that most taxi drivers are self-employed and can choose the number of hours they work on a daily basis makes this example very precise and quite different from other labor markets (e.g. production and manufacturing facilities) that typically have a fixed number of working hours (Johnson, 2017).

People in poverty are unlikely to see lack of employment as a given opportunity for leisure, and would doubtfully choose free time over more low wage work, as they would spend excess utility on income (Johnson, 2017). This will lead to a more dismal labor supply curve that slopes downward from the left. This implies that the supply of labor will be so high that the “buyer” of labor can continuously reduce his costs (worker wage) as the supply of desperate individuals remains constant.

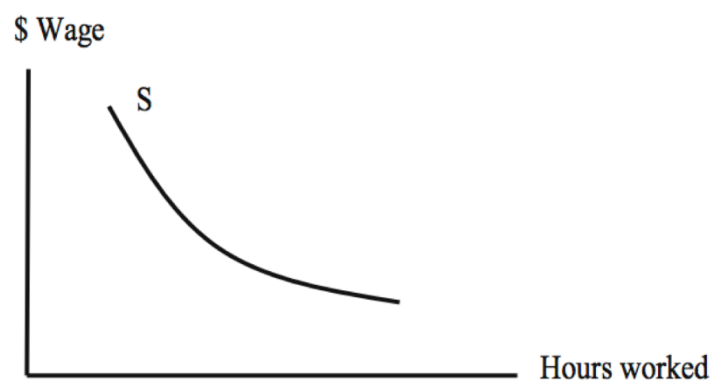


Figure 4.3

Lower part of the inverted “S” *Rediscovering Social Economics, Johnson, 2017, Figure 8.2, p.109*

This may suggest a labor market segmentation, which may be defined as a historical process where political and economic forces encourage division of the labor market into separate

segments with differing behavioral traits (Reich *et al.*, 1973). These segments may be divided horizontally across hierarchies as well as vertically between industries. The complex behavior of labor supply can be explained through the *inverted S model*, which was debated before and after the 1930s recession, suggesting it is possible to segment labor markets (Johnson, 2017). Figure 4.4 represents the segmentation of labor markets.

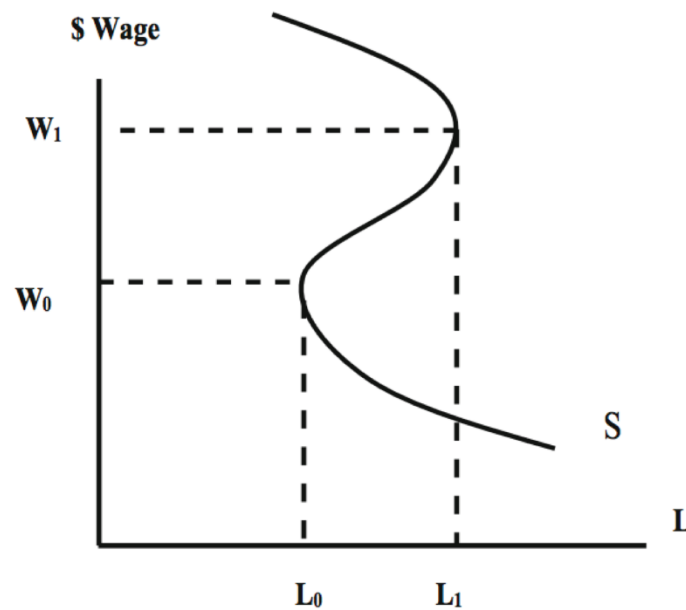


Figure 4.4

The inverted “S” *Rediscovering Social Economics, Johnson, 2017, Figure 8.3, p.110*

The normal upward sloping labor supply curve over is still represented between W_0 and W_1 , with a continuing backward sloping curve above W_1 . Here individuals can choose between excessive income or excessive leisure since they can afford to relatively maximize their utility either way. Below W_0 is the boundary that separates the traditional market views and the views that include poverty, where individuals are likely to accept additional work regardless of an insufficient wage (in terms of utility), supposedly in order to ‘get by’ (Johnson, 2017). As previously stated in Chapter 3, China lifted millions out of poverty over the past 25 years. It is reasonable to assume that the average worker in Foshan is above the relative poverty line within the boundaries of their economy anno 2017. This argues that the average worker in Guangdong is inclined to follow the theoretical model above the W_0 point. Nevertheless, it may also suggest

a possibility of market segmentations e.g. in accordance to skilled and unskilled labor, and/or migrant workers.

Neoclassical economists typically assume the following factors to be the cause of shifts in the supply curve of labor: Population, human capital, wealth and non-wage income, social wealth, preference for market goods, non-market efficiency, risk, labor mobility and employee preferences (Johnson, 2017). This means that e.g. the rising age of China's *population* may affect the supply of labor (smaller share of the population representing the working age). Another example are the increasing wages or China's high labor mobility. Several of these factors are highly relevant in the setting of managing a production facility in China and they may be considered within the neoclassical economic perspective.

4.1.2. Overtime: The Hours-of-work Decision

By basing our research on the following labor theory, we can assume that the workers as individuals wish to choose a certain combination of goods and leisure in order to maximize their utility (Borjas & Van Ours, 2000). This means that a given worker will choose the highest level of utility when balancing between income producing hours (work) and time off (leisure).

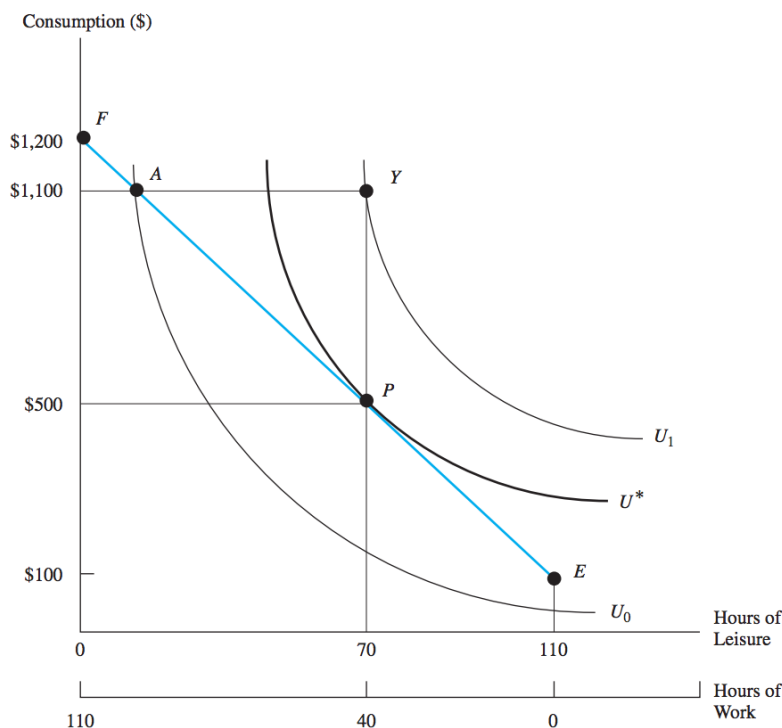


Figure 4.5

An interior Solution to the Labor-Leisure decision, Labor Economics, 2000, Figure 2-6, p.34

Consumption represents the utility derived from income and leisure is time spent away from work. Assuming the preference for overtime of a given worker is to be based on the neoclassical perspective where one values both labor *and* leisure, one can argue the continuation of overtime as an individual preference and choice.

An individual will always adapt what best suits him/her unless there are constraints e.g. a fixed number of hours for a given work day, the typical case for most people. In the case of overtime, the budget line for a given worker will become steeper. This assumes that the worker has already completed a full day's work. The opportunity to work overtime is illustrated by the graph below. Income by overtime is represented by the alternative orange budget lines. The budget line will therefore have an abrupt change of pace, yielding a higher income per hour. Overtime offer 2 gives a higher income than offer 1. We rank utility from high-to-low respectively; U_3 , U_2 , U_1 and U_0 . The individual will adapt to the choice that gives maximum perceived utility.

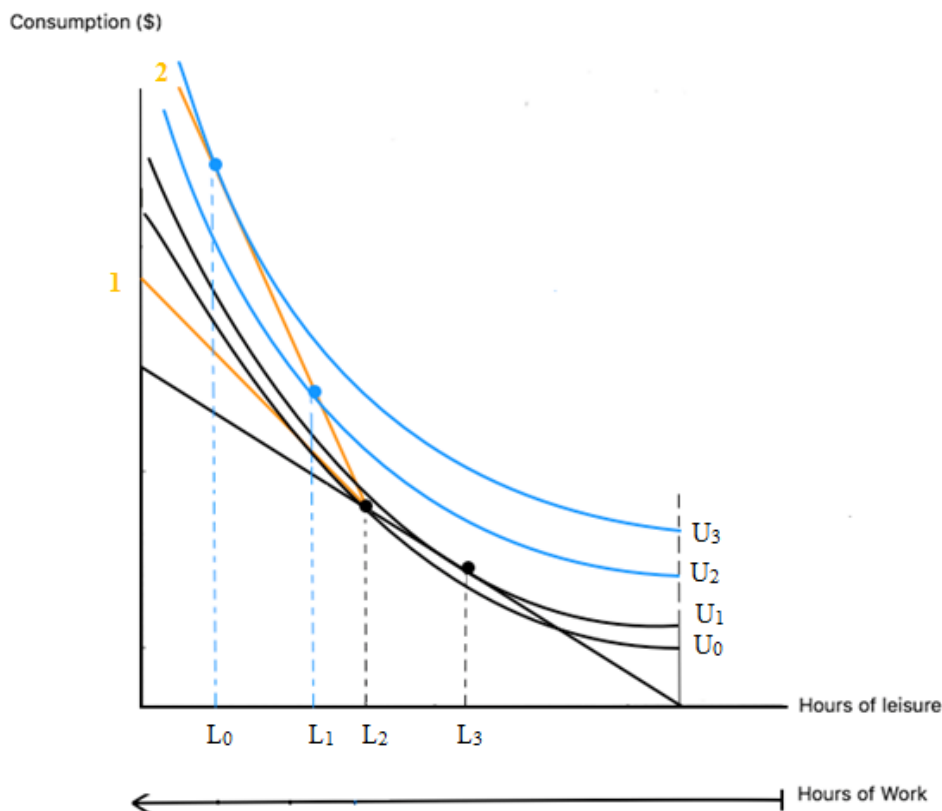


Figure 4.6

Optimal choice of utility concerning overtime, 2017, based on Labor Economics, (2000)

U_0 , the lowest possible utility, represents a regular working day without overtime resulting in

L_2 and a regular daily wage. The optimal tradeoff in regards to free time is L_3 , represented by U_1 . This illustrates that the optimal desired utility is not always an option. L_1 yields an even higher utility (U_2). L_0 shows a tradeoff that yields a relatively high income which represents the highest utility option (U_3). In this illustration, the clear choice would be $L_0 = U_3$; working overtime when faced with the leisure options L_2 , L_1 and L_0 .

The result of determining overtime as a choice for enterprises and individuals using these labor theories illustrates a clear theoretical picture. However, this perspective may be distorted by the complex context of China and the theories discussed in this chapter have all been developed under mindsets within the sphere of Western countries and cultures. Nevertheless, we base our first proposition on this perspective where we may determine whether an increase in base wage will change the overtime willingness of migrant workers. This assumes that an increased base wage will result in a decreased preference for overtime work.

P1. Increasing base wages for minimum wage migrant workers in Guangdong will result in altered overtime inclination

This study is focused on giving a better understanding of why excessive use of overtime is so vastly utilized in this setting and how this is arguably contradictory to the concept of individual labor leisure choice. Our premature speculations incline a linkage in the labor market between individual preference and humanly devised constraints in the form of Chinese institutions. This may be explored and defined within the school of New Institutional Economics.

4.2. New Institutional Economics

The neoclassical perspective on economic theory in the previous chapter assumes that competition exists due to a scarcity of resources. However, it also perceives transactions as absent of cost and time lag, that individuals are rational actors that have complete access to information, and that firms were black boxes transforming inputs into outputs (Ménard & Shirley, 2014). New Institutional Economics does not share these perceptions. Instead, these factors are assumed to be limited by uncertainty, and that acquiring near complete information has an additional cost.

The institutional perspective of North (1990), as previously elaborated, defines formal and informal institutions as humanly devised constraints, which impacts and models all human interaction. Informal institutions consist of well-known and widely accepted ideas embedded in cultures and various codes of conduct. Formal institutions can be seen as a crystallization of these informal rules, which are represented by regulations, contracts and an established system of laws (North, 1990).

The New Institutional theory of today propose that the structure, actions and level of success of organizations are all influenced by their external and internal social environment (Daniel Rottig, 2016). These social environments consist of a vast variety of actors, all of which essentially can be grouped into the following three:

1. The society - state and local governments, regulatory authorities, customers, suppliers, the media, the financial community, the general public and other organizations.
2. The formal laws, rules and regulations established by a government and regulatory authorities (North, 1990).
3. The informal rules and constraints - shared values, norms and beliefs often collectively identified as ‘social capital’(Daniel Rottig, 2016; Powell & DiMaggio, 2012).

4.2.1. Institutional Determinants of Overtime

In the following section, we present four main ‘institutional determinants’, along with a related proposition for each. The determinants we focus on have been decided based on previous empirical findings and related academic literature. The main theoretical foundation will briefly be presented, before focusing on specific ‘institutions’ with related empirical findings and previous studies on the topics.

Institutional theories have become substantially more accepted and present now than ever before, with the past decade as one of particular mention (Rottig, 2016). This can be interpreted as being a result of a general pragmatism among academic economists, where the tendency of accepting and considering consequential findings while providing valid empirical data generally more prominent and fast-paced than in other scientific fields (Williamson, 2000). Following the notion of Williamson, who again builds on Kenneth Arrow’s positive assessment of NIEs value and application, our theoretical foundation and goal is to explicate NIE in a specific section, as Williamson himself states:

“The NIE has progressed not by advancing an overarching theory but by uncovering and explicating the micro-analytic features to which Arrow refers and by piling block upon block until the cumulative value cannot be denied.” (Williamson, 2000, p. 596).

Our decision to explore the main institutional determinants of ‘overtime-culture’ from an institutional perspective, is in accordance with both Williamson (2000) and (Whitson *et al.*, 1986), who state two central assumptions of NIE. The first assumption clarifies that institutions *do* matter, while the second states that institutions’ determinants can be analyzed by the tools of economic theory. Thus, we use Williamson’s model as a tool to both clarify the scope of our research, as well as to categorize institutional determinants into four groups. Each group will be represented by a proposition.

Williamson’s model depicts the relative longevity, importance and constraining power of four main groupings of institutions. As indicated in Figure 4.7 by the solid arrows and frequency of change, the higher-level institutions dictate and constrain the lower-level institutions. Dashed arrows indicate a feedback-loop.

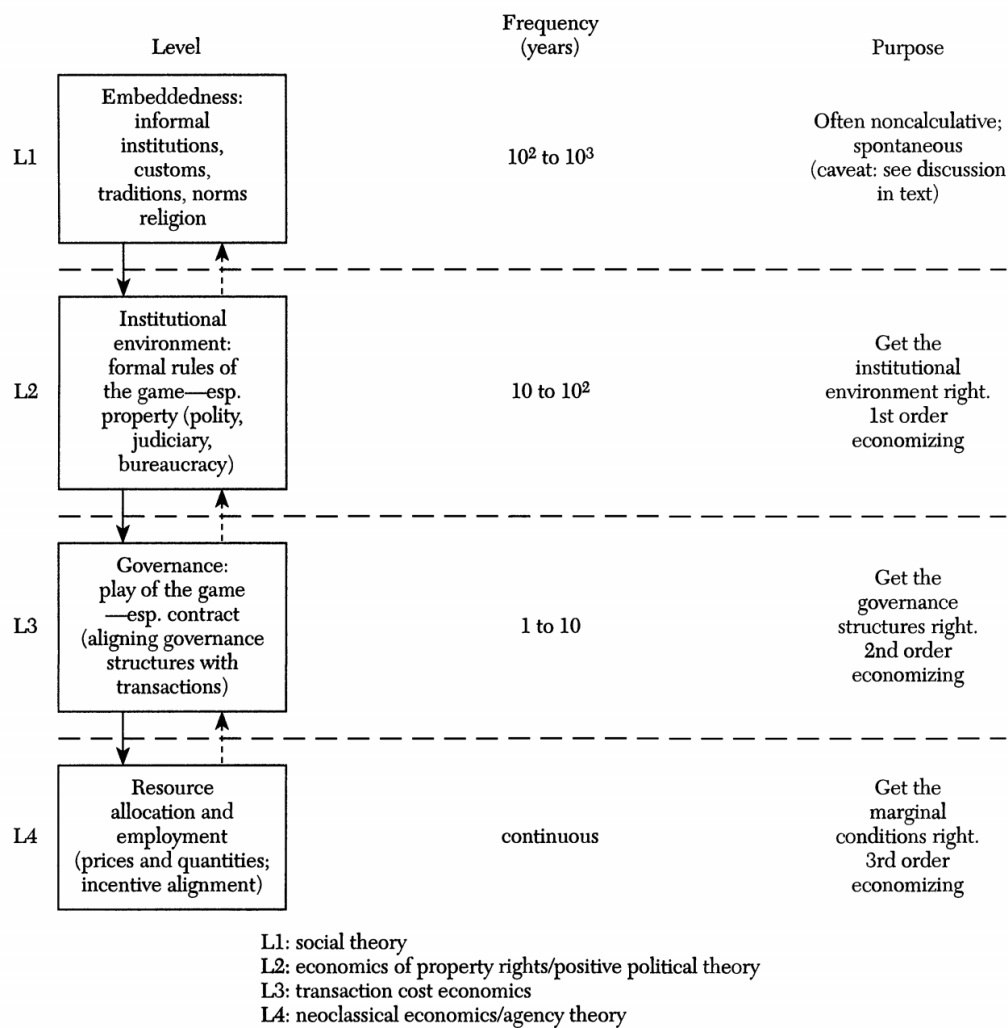


Figure 4.7

Frequency of change, (Williamson, 2000, p. 597)

- L1: Informal institutions, such as Confucius-rooted norms and traditions adhere to this level. With the slow frequency of change, 100-1000 years, they are generally considered a given. Focused, yet explorative studies are considered to be helpful in illuminating “*the mechanisms through which informal institutions arise*” (Williamson, 2000). This can be considered a representation of current conflicts and links to both opposing and complementary institutions.
- L2: Formal institutions, such as Labor laws and the legislative and executive functions of a government are classified as characteristics of the clear institutional environment. The frequency of change, being 10-100 year, indicate both a more rigid and less

pervasive nature. Property rights, through initial definition and following enforcement, is represented on this level.

- L3: This level concerns contractual arrangements and governmental enforcement of legal rules. The frequency of change at this level is given as anywhere between 1-10 years.
- L4: On the lowest level, the frequency of change is to be considered relatively continuous. At this level we find neoclassical economics, which typically focus on price/demand/production-adjustments being implemented on a short-term basis. P1, can hypothetically be placed in L4 of this model.

Based in the above overview, we draw on the accepted NIE assumption that organizations tend to ultimately adopt routines and practices accepted by stakeholders over those that are objectively confirmed as being most efficient and effective (Kim & Chung, 2016; Meyer & Rowan, 1977; Tolbert & Zucker, 1983). In the specific situation of minimum-wage workers in China, they have a perceived stake in current overtime-practices that surpass that of other stakeholders, such as the customers.

4.2.2. Labor law enforcement

Introduction and use of the 2008 Labor Contract Laws are credited by Gallagher *et al.* (2015) to be the primary cause of strike waves since 2008. They found that the successful implementation of the 2008-revisions was due to significant and serious governmental efforts, both in terms of governmental authorities and ACFU-led unions. From comprehensive empirical findings, they found that strikes and disputes are indicators of a high level of disagreement regarding interpretation of some of the new law's clauses/articles, which then required increased efforts to set a precedence of compliance. The conflicting interpretations of the law, and the underlying disputes of the law's value, illustrate Williamson's level 1 impact on the successful implementation of a level 3 constraint, primarily in two ways:

- In how active and dedicated enforcement is necessary for successful implementation, and;
- In how actors' perception of formal constraints are dictated by the norms they have adopted in their past.

Consequently, Gallagher et al. (2015) stated that the 2008 global economic crisis, in combination with the new labor contract law, contributed to the immediate effect of firing 20 million migrant workers, and the strike-waves described in the previous chapter. The mass terminations of employees was a measure both state owned and private enterprises were able to do, and forced the government to divert funds and personnel to solving labor contract law - related disputes (Gallagher et al., 2015). This increased and prioritized governmental focus was found to have resulted in local labor bureaus ‘temporarily’ recruiting staff from other governmental bureaus.

The introduction and implementation of the Labor Contract Law was due to governmental efforts of abating unrest as present day migrant workers were becoming an increasing challenge for China's state-society relationship (Zhu, 2004). As found by Franceschini et al. (2016), migrant workers are becoming increasingly aware of their exposed position in society and their actual legal rights, and have over the past 30 years increasingly begun to perceive the government as restricting their inclusion into urban society. Assuming China continues its development in a ‘corporatist-oriented’ direction, trade unions may extend their influence and demonstrate protective functions for workers. This would in turn distance the direct governmental control, despite unions’ legal requirements of being under the ACFU-umbrella. Thus, the institutional ties and constraints of current trade unions would loosen, thereby making them more independent and effective as representative labor unions (Zhu, 2004).

Based on the findings of Zhu, we interpret that unions predominantly require some degree of faith to be effective. Said results would typically be in the form of the realization of their members’ interests, while said support or ‘faith’, would come from their potential members from a market-based economy’s standpoint. From a centralized economy’s standpoint, the faith would come from the governing organ, and the intended results would typically be the management of citizens. Basing ourselves on level 3 “Governance” in Williamson’s institutional levels and frequency of change, we may consider the prospect of union participation and perception and how it affects expectation towards overtime work.

Building on how imperative trust, typically from either faith or understanding, appears to be for both compliance to formal institutions and the actual enforcement of them (D. Chen et al., 2017), we finally include the empirical findings of Sunwook Chung. Chung, who between 2009

and 2011 collected similar data to us, appears to be the most recent and extensive source of generalizable data. On the issue of excessive use of overtime, he found that labor intermediaries were “[...] united in their lack of interest in violations of OT rules.” (Chung, 2015, p. 251). This was tied to the level of interest-convergence across multiple stakeholders, and then analyzed as being determinant of compliance to labor laws. From the perspective of New Institutional Economics, we can clearly see the relative importance and impact of informal institutions over formal institutions in Chung’s depiction of China’s past and present labor market -regulating interactions. Said depiction can be seen below:

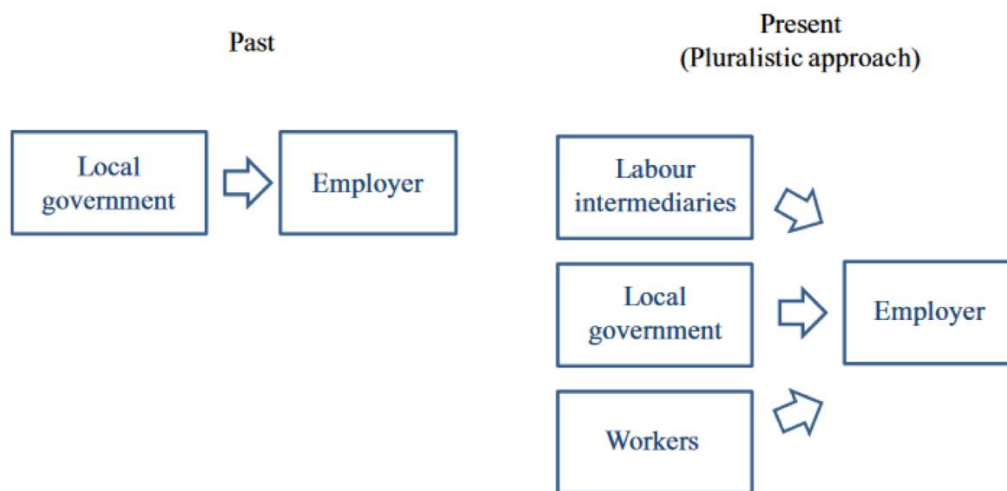


Figure 4.8

From “a dyadic relationship toward multi-actor interactions in labour regulation”, Figure 1, (Chung, 2015, p. 243)

China’s past labor-regulation was the result of the state being the single source of pressure, as the workers were fractioned, not allowed to express a collective voice and unable to change employment due to lifetime employment, in addition to several of the employers either being state-owned or selectively permitted by the state. Today, labor regulation is constrained by primarily three sources of pressure;

- individual workers who can choose employment independently, the state who still decide and divert funds to prioritized,
- formal constraints,
- various labor intermediaries.

Labor intermediaries are understood as actors who engage in labor law enforcement and have a relatively high level of technical relevant knowledge, such as unions, NGO's or media (Chung, 2015). The past precedence of centralized regulation of rules is therefore a code of conduct we identify as belonging to Williamson's level 1, while the current enforcement belongs to level 3, and the actual labor laws belong to level 2. Thus, we present the following proposition:

P2: The recently increased enforcement of overtime limiting labor laws is not primarily driven by governmental agencies or representative unions

4.2.3. Labor law perception

Shanahan argues in his research on Australian labor market institutions, that changes in individuals' ideological beliefs and acceptance of norms are vital factors in explaining changes in labor law institutions (Shanahan, 1999). This suggests that the way laws are interpreted affect how they will continue to be formed. The perception of Chinas' 'irrelevant' labor law has apparently existed for some time, as limited law enforcement has occurred over time. Rooij *et al.* (2013) argue that regulation of environmental laws in the Guangdong province has decentralized due to an increased influence of societal forces on regulatory enforcement. They discovered that society's increased support impacts authorities' efforts of enforcement. When governmental enforcement was low, societal forces positively influenced actual law-abiding behavior, and when it was high, the existing rise of social support resulted in a negative effect on law enforcement. This suggests that collective perception of legal rules can affect actual law-abiding behavior.

However, the rural migrant workforce is a fractioned minority, only represented by the ACFU, and has therefore previously not possessed the collective societal force necessary to affect neither legal rules nor enforcement-practices (Kim & Chung, 2016). According to Chung (2015), neither minimum wage migrant workers, nor their managers were interested in adhering to the Labor Law regarding overtime hours. Chung found local governments generally perceived overtime hour laws as "*only an ideal to be realized 'one hundred years from now or perhaps never'*" (Chung, 2015, p. 251).

Placing said empirical findings in an institutional context, through Williamson's model, we address the same levels as in Proposition 2. To confirm expected perceptions and norms regarding the current legal rules, and further explore reactions to continued overtime reducing efforts regardless of said mutual perception, we present the following proposition:

P3: Labor laws regarding overtime limitations are perceived by both workers and managers as unrealistic and ineffective

4.2.4. The impact of embedded cultural norms

Chen et al., concluded that Chinese communism is based in classical Chinese traditions, such as Confucianism, and is therefore a continuation of Confucian values rather than a replacement of them (L. Chen et al., 2016). This is reflected in Williamson's 'Frequency of change'-model (2000). As previously elaborated, Confucianism is a central aspect of Chinese culture and traditions (L. Chen et al., 2016). This is despite Mao's Cultural Revolution, described in Chapter 3. Kang et al. (2015) establish four conceptual orientations that connect Confucian culture with overtime work, thereby exploring Confucian orientations in the workplace. These orientations were divided into either normative- or affective motives, and were positively correlated with overtime inclination. Normative motives are impacts from the external environment, and affective motives are impacts that affect the individuals' decision-making from within. Their framework linked workers' psychological motives towards overtime work through the following Confucian orientations:

Seniority orientation resembles strong feelings of loyalty to superiors, and was depicted in figure 3.1. In a simplified manner, this includes a powerful hierarchical social structure emphasizing authority, status and prestige. It may also include institutional collectivism and a focus on societal stability (Kang et al., 2015). **Relationship orientation** or *Guanxi*, is primarily one of the most recognized concepts derived from Confucianism known today, as previously elaborated. These motives are both transactional and closely interpersonal as it focuses on long term investment through personal relationships. **Righteousness orientation** is led by the concept of 'Yi', which was previously elaborated, an expectation that all people should be righteous, faithful and care for all social interactions. It resembles self-cultivation and diligence through an ongoing pursuit. **Benevolence orientation** or 'Ren', embodies altruism, filial piety, care and trust (Kang et al., 2015) as sighted in (G. M. Chen & Chung, 1994). This requires a

great deal of personal sacrifice from the practicing individual. The mentioned orientations are illustrated in the figure below:

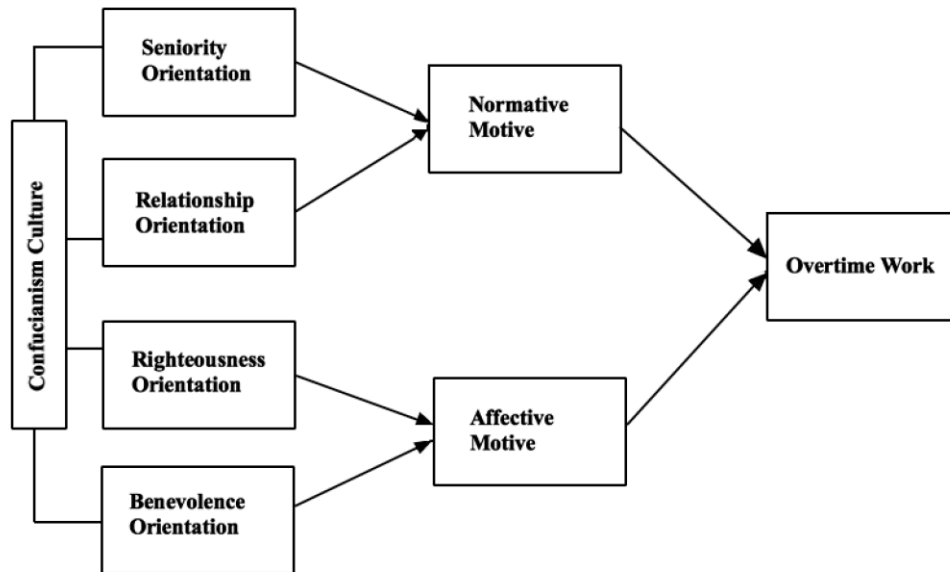


Figure 4.9

Conceptual relationships between Confucian culture and overtime, fig.3, four cultural orientations from Confucian ethics, Kang et al. (2015, p. 125)

Basing ourselves on the framework of Kang et al. (2015), we will be able to determine if various aspects of Confucian culture impact the overtime inclination of minimum wage migrant workers. Additionally, we include the importance of ‘social adaptability’, as explained by (Zhao et al., 2014), on the basis of Daniel Rottig’s (2016, p. 3) conclusion that multinational corporations’ successfulness in emerging markets is dependent upon their ability to understand and interpret both “[...] *the formal regulatory and informal normative and cultural rules of a foreign institutional environment* [...]”. This is under the institutional assumption that organizations’ compliance to existing constraints is enforced by the social environment.

Thus, turning our focus towards determining the presence of informal institutional determinants, we categorize them in Williamson’s level 1, and present the following proposition:

P4: Embedded Confucian cultural norms affect the overtime willingness of minimum wage migrant workers

4.2.5. The impact of Chinas generational gap on overtime-inclination

Franceschini et al. (2016) found that younger generations of minimum wage migrant workers are willing to work fewer overtime hours. This was due to their wage expectations being lower, and their awareness of legal regulations being slightly higher than that of older generations (Franceschini et al., 2016).

‘Generational differences’ indicate shifting norms and perceptions, and is therefore identified as an institutional determinant belonging to level 1 in Williamson’s model. Chinese globalization has combined with technological development and expedited the adoption of international norms and cultures by younger generations. We therefore deduce there being a difference in overtime inclination between older and younger minimum wage migrant workers. (Franceschini et al., 2016) This is to gauge a potential shift in norms and expectancies of overtime because of the younger generations growing up in a vastly different transitioning China than the older generations did. Our final proposition becomes:

P5: There is a clear difference in overtime inclination between older and younger minimum wage migrant workers

4.3. Propositions

The result of our theoretical foundation has yielded propositions that will be addressed in Chapter 6. As required by Zikmund *et al.* (2013), we clarify the purpose of our research using research questions, which we have developed into deductive propositions. Our research questions are stated below:

- *Do current practices of increasing base wages impact overtime willingness of minimum-wage migrant workers?*
- *What are the main institutional determinants of overtime culture?*

These have been developed into the following five propositions listed below:

Proposition 1. - *Increasing base wages for minimum wage migrant workers in Guangdong will result in altered overtime inclination*

Proposition 2. – *The recently increased enforcement of overtime limiting labor laws is not primarily driven by governmental agencies or representative unions*

Proposition 3. – *Labor laws regarding overtime limitations are perceived by both workers and managers as unrealistic and ineffective*

Proposition 4. – *Embedded Confucian cultural norms affect the overtime willingness of minimum wage migrant workers*

Proposition 5. – *There is a clear difference in overtime inclination between older and younger minimum wage migrant workers*

5 Methodology

In this chapter, we describe and evaluate the specific choice of methodology best suited for finding answers to our research questions. We present the research process, the method foundation and collection of data. Finally, we present the way we analyze our data and findings. The analysis will be presented in the next chapter.

5.1. The Scope and Purpose of our Research

According to Zikmund et al. (2013), a concept is a generalized idea about occurrences or attributes. Concepts are therefore abstractions of reality which form the basic units of any theory. The level of abstraction differs. As generalization increases, so the scope widens, and vice versa. Our concept is ‘overtime among Chinese migrant workers’, and the phenomenon we describe is ‘determinants of excessive overtime use among labor intensive manufacturing facilities in Guangdong, China’. By adhering to Jacobsen’s (2005) three step process of problem definition, which is divided into the scope, the variables, and the context:

1. The research units will be defined as the migrant workers in one representative production facility in Guangdong.
2. The variables we limit ourselves to measure is expressed through the specific propositions we posed in Chapter 4.
3. The context is the current situation for migrant workers in China.

We have chosen to conduct an in-depth research of one specific company due to the need for future research, expressed by sources of our theoretical foundation, and due to this allowing us to obtain information from two seemingly opposing sides; the manager's’ and the workers’.

5.2. Research Design

“The research design section gives an overall view of the method chosen and the reasons for that choice.” (Saunders, 2012, p. 43). Research design is essentially a detailed overview and game plan for the collection, measurement and analysis of data, which is tailored to the research questions (Sekaran & Bougie, 2013). The design concerns the choice of philosophy, approach, strategy, choice, time horizon, and finally techniques and procedures. In the following sections, we will specify the subsequent steps of our research, as well as the reasoning behind them. This

is done in accordance with the model below, developed by Saunders (2012). The model illustrates the buildup of research design as a way of deciding the best suited strategy and method for data collection and analysis.

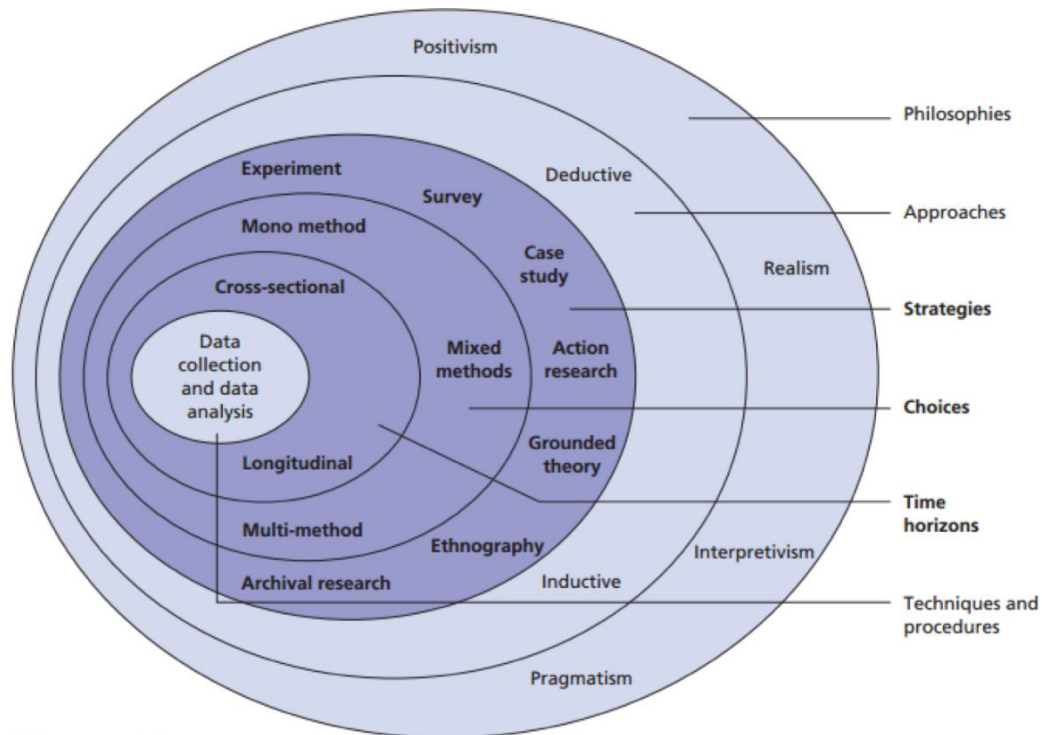


Figure 5.1

The research 'onion'. (Source: Figure 4.1, Saunders, Lewis and Thornhill, 2008, p. 108)

5.2.1. Philosophical standing

The philosophical standing we adopt is reflected in inherent assumptions of how we choose to perceive the world. Therefore, philosophical standing impacts both our choice of method and our understanding of what we are seeking to uncover. As research questions rarely fit neatly into a single philosophical stance, the choice of method needs to consider the assumptions of our philosophical stance. This is important for the critical evaluation of our methods, findings, and conclusions (Saunders, 2012, p. 109). This philosophical standing is generally divided into ontology and epistemology.

Ontology, which concerns the nature of reality, is again separated into *objectivism* and *subjectivism* (Saunders, 2012). We mainly adopt the perspective of subjectivism, due to its fit with the institutional focus on social constructivism in the perception of reality (Saunders,

2012). Conclusively, roles, environments and actors are perceived as constructed from social relationships.

It is our role as institutional researchers to seek to understand the subjective reality of the Chinese migrant workers in Guangdong. This is indicated by their actions, motives and perceptions. Our approach to understanding said workers and their environment rely primarily on the managers' perspectives and recollections regarding the changes they have observed, followed up by specific questions to representative via a questionnaire. We understand the organizational culture in Guangdong not as something they 'have', but rather as something they 'are'. Therefore, our subjectivist perspective is summarized best by Saunders:

“The subjectivist’s viewpoint would be to argue that culture is something that is created and re-created through a complex array of phenomena which include social interactions and physical factors such as office layout to which individuals attach certain meanings, rituals and myths. It is the meanings that are attached to these phenomena y social actors within the organization that need to be understood in order for the culture to be understood. Furthermore, because of the continual creation and re-creation of an organization’s culture it is difficult for it to be isolated, understood and then manipulated.” (Saunders, 2012, p. 111)

Furthermore, we are *realists* in our pursuit of institutional determinants. However, our approach is primarily *pragmatic*, due to the pragmatic epistemological standing's view of 'mixed methods' as highly appropriate (Tashakkori & Teddlie, 1998). Realism, both direct and critical, is the perception of what 'truth' is. We, as business and management researchers identify with Bhaskar (2013) in that researchers only can understand social reality if we understand the underpinning social structures that have given rise to the phenomena we seek to understand. The specific phenomena we seek to understand is the current overtime-willingness in China, which we aim to understand by the underpinning institutions that affect it.

5.3. Research Approach

Due to the complex nature of our study, we have chosen a research design that includes a mix of both quantitative and qualitative methods. Our approach is first deductive (using theory to explain empiricism) in our propositions, followed by an inductive approach (using empiricism to explain theory) to the implications of our findings. This combination is referred to as an *abductive* approach.

We employ an explorative qualitative approach by conducting semi-structured interviews with selected managers. Concurrently, we employ a positivistic quantitative approach in our analysis of logged overtime hours. Accounting for the possibility of having our qualitative data only being representative of one side's perspective, we also include use of two open ended surveys. Our final argument for choosing this combination of research approaches is the availability of literature, as most literature is either outdated or unspecified to our concepts. This is due to the rapid pace of institutional and economic change in the transition economy of China. Furthermore, we are first deductive in our utilization of specific propositions, but are also inductive in posing open explorative questions to all research participants, which we include in answering our research questions.

5.4. Data collection method

When differentiating between data collection methods, the separation into either *quantitative* or *qualitative* is common. This differentiation is based on the numerical aspect of research units. The tradeoff in choice is between either achieving a wide and shallow research, or a narrow and deep one (Saunders, 2012). Quantitative research methods are predominantly focused on the use of data collection or analysis that either generate or rely on numerical data, rather than words and perceptions. The quantitative processes are typically more structured in nature, relative to the qualitative one. By having a wide scope with a large sample, generalization and external validity is made possible. However, generalization of findings and relationships can typically come at the cost of the study being shallow and superficial, relative to a qualitative method.

Qualitative research is ideal for gaining deep understanding of both the social and cultural contexts in which people live (Myers, 2013). This method relies largely on collection

techniques and analysis procedures that generate or use either non-numerical or small-sample data (Saunders, 2012, p. 151). The benefits of using a qualitative research revolve around the ability to gain in-depth understanding, explore complexities and context, and to account for intangible variables such as human motivation and perception (Jacobsen, 2005). A consequence of choosing this focus is that findings are far less likely to be applicable and valid externally to the specific study. Additionally, closeness between researcher and both data and participants make the qualitative method significantly more researcher-dependent and subjective than the quantitative method. Specific research strategies typically associated with the qualitative method include interviews, observations, case studies, and the researcher's perceptions. These methods are generally more adaptable and of a freer form than quantitative methods (Myers, 2013).

5.5. Research Strategy

Focusing specifically on one company, and using an explorative approach, we will rely on the specific strategies of case study through a mix of interviews, data observations, and questionnaires. This will bring us closest to the 'solution' to our research questions.

5.5.1. Enhanced Single-Case Study

Robert Yin is quoted by Robson and McCartan in their definition of a case study as being:

“a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence”
(Robson & McCartan, 2016, p. 150).

Yin (2013) emphasize that context is an important determinant of any studied phenomena. In case based studies, context usually becomes inseparable from the phenomena. We use a *mixed method research* approach, which employ both quantitative and qualitative data collection techniques and analysis procedures (Saunders, 2012). This combination will secure a high level of validity, as quantitative methods can accomplish what qualitative cannot, and vice versa (Curran & Blackburn, 2000). We, as researchers, have determined what data to gather and what techniques to utilize in advance of our research, concurrently with the establishment of research

questions. Furthermore, the use of mixed methods to explore the same propositions is referred to as *triangulation*.

5.6. Mixed Methods & *Method Triangulation*:

Method Triangulation refers to the combination of multiple data sources and techniques as a measure to safeguard that the data obtained is correctly understood. (Sekaran & Bougie, 2013). By correctly addressing the research from multiple perspectives, the results will be more valid, given that they produce corroborative results. We illustrate it in the following way for a more comprehensive overview on how this method collects and analyses data from multiple perspectives:

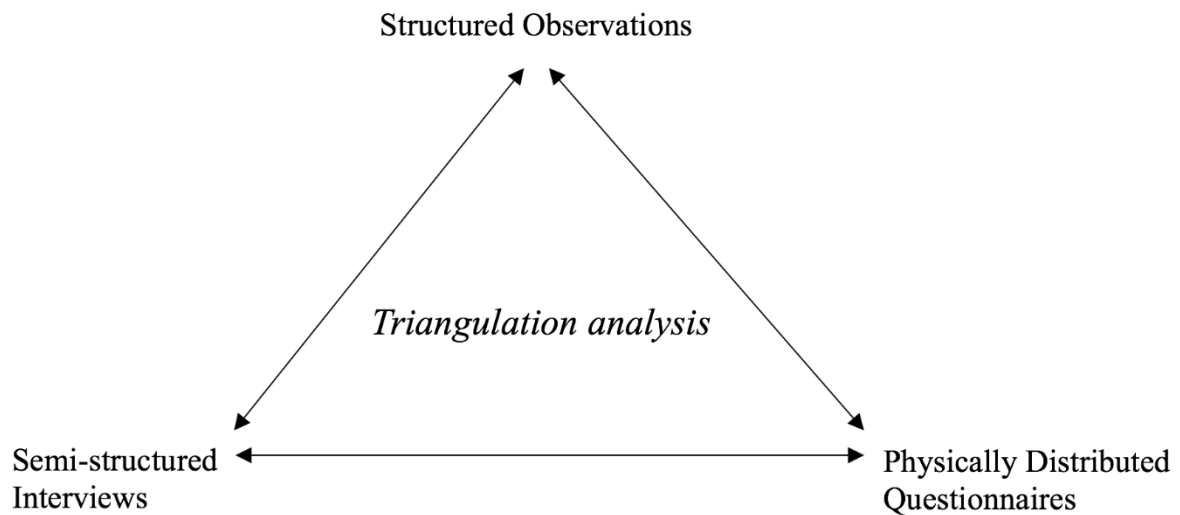


Figure 5.2

Illustration of this study's Method Triangulation

5.6.1. Analyzing method triangulation

The propositions will be addressed through our structured observations, semi-structured interviews, and questionnaires. Each method's contribution to specific propositions can be seen below:

Table 5.1 – Findings according to propositions (Observations) (Interviews) (Questionnaire)

P1	O ₁	I ₁ , I ₂ , I ₃ , I ₄	(Q ₆), (Q ₇), (Q ₈)
P2		I ₁ , I ₂ , I ₃ , I ₄	(Q ₉), Q ₁₀ , (Q ₁₅)
P3		I ₁ , I ₂ , I ₃ , I ₄	Q ₁₃
P4		I ₁ , I ₂ , I ₃ , I ₄	(Q ₉), Q ₁₁ , Q ₁₂ , Q ₁₄ , (Q ₁₅), (Q ₁₈), (Q ₁₉)
P5		I ₁ , I ₂ , I ₃ , I ₄	Q ₂ , Q ₅

5.7. Structured Observations

The quantitative data we organized into structured observations were obtained from comprehensive hour-logs which the company has utilized to calculate actual payments. We processed data from 12 monthly reports, where each individual worker's overtime was presented per worker and per day. According to Sekaran and Bougie (2013, p. 132), it is considered a *structured observational study* if the observer has a predetermined set of categories of activates or phenomena planned to be studied. The analysis of the wage-sheets can therefore be considered as predetermined coding-schemes that enables us to collect data in a structured manner. They are highly structured observations as the decided observations are focused in nature, and the categories are precise with a concrete observation-plan (Sekaran & Bougie, 2013).

The data was made available to the researchers on the condition of confidentiality, and was best served to provide an overview of the current practices and situation. In order to increase reliability, as well as to avoid biases and reduced internal validity, our first proposition was constructed in order to confirm a crucial characteristic of the phenomenon we focus on: that current overtime-practices result from the workers themselves pushing for more hours, and not the managers. The quantitative data is structured into an overview of total overtime collectively, per base-wage levels, and per month, for twelve consecutive months. The overtime is also averaged, and broken down into separate sections of weekend- and workday-overtime. Additionally, as another indicator of wage-increases not impacting observable overtime-practices, the observations centered around a wage-increase for all workers, which was implemented from the beginning of the sixth month of observation.

5.7.1. Analyzing the data

The quantitative dataset was not analyzed via elaborate statistical methods, as statistical analysis techniques would not provide reliable findings. For reliable findings to be possible for our research focus, observations (i.e. Overtime and total pay-out per worker) would have to be “free”. Elaboration on why will be given in Chapter 6, in the findings and discussion of Proposition 1. Our quantitative findings will, however, allow us to continue to the next level of our research. The aim is therefore to compare actual payout and use of overtime among two wage-levels, in order to determine differences in overtime inclination at base-wage level, and to map the average actual payout for each base-wage level for twelve consecutive months. In place of statistical tests for confirmation of the quantitative findings’ implications, we include information obtained from interviews, as well as survey-questions 6,7 and 8.

5.8. Semi-structured Interviews

According to Yin (2013), interviews are generally superior to alternative sources of information as a method of collecting data for case studies. He argues that interviews therefore should be the principal source of data in a case study, because the researcher is enabled to explore complex situations and relationships, thereby presenting more detailed data than any other data collection techniques (Boyce & Neale, 2006).

Interviews can be identified as adhering to one of three main categories; structured, semi-structured and unstructured interviews (Saunders, 2012). Chosen ‘Interview-category’ must *fit* the purpose of the research, as the different categories have different characteristics. After having decided upon interview-formats, we developed interview guides which we organized on the basis of themes, where each theme had key questions we wanted to have answered. The use of a flexible interview schedule with main questions and probes is common and intended to promote discussion and elaboration. It is also ideal when operating with a small sample of participants who differ in both current role and previous background (Saunders, 2012). The questions are, with the exceptions of specific closed alternative or short list questions, exclusively open-ended, with the intention of both exploring and seizing new knowledge as well as keeping the conversation within the main themes. Saunders (2012) pose that this specific interview format is chosen in order to gain the answers to ‘what’ and ‘how’, and ‘why’. As this research is a qualitative, non-standardized and both exploratory and explanatory enhanced case-study, in addition to us interviewing managers in different positions with

different areas of responsibilities and insights, we have chosen the semi-structured interview format. The relationship between interview-format and research category can be observed below:

Table 5.2 – Research design and types of interviews *Research Methods for Business Students*.

	Exploratory	Descriptive	Explanatory
Structured		**	*
Semi-structured	*		**
Unstructured	**		

** = more frequent * = less frequent

Pearson Education Limited 6th Ed. P (2012, p. 377)

While we have predetermined themes, as representing specific institutions and environmental factors, we also have specific questions related to each theme. This is a requirement for our enhanced case study, as the findings from both the former and latter stages of the research process are intended to be combined and compared to the data obtained from the interviews themselves. Our interview-guide can be seen in the appendix.

In order to ensure the flow of information in addition to optimizing the time-utilization, we followed the suggestions of Rose (1994) in informing and preparing the managers prior to the actual interview. The main points, all reflecting those of Rose (1994), can be found in the appendix.

5.8.1. Sampling, Preparing and Conducting the interviews

After having decided upon a semi-structured interview format, we determine the key participants to interview. Then identifying what specific data (or themes) are necessary to explore, followed by developing a list of intended interview objects (Boyce & Neale, 2006).

Determining the participants to interview is crucial in the process of an enhanced case-study, as the validity of the research relies on finding the ‘right’ participants (2005). We therefore use a non-probability sampling method, and chose participants that fulfilled the minimum requirements of Janice M. Morse(1991) in that they were:

- Knowledgeable about the topic.

- Able to reflect and provide detailed experiential information about the topics and areas under investigation.
- Willing to talk.

We did not pursue interviews of all managers, as this would take up considerable time for both the researchers and the company. Our chosen sample, and their qualifications, will be presented in Chapter 6. Having decided upon the ideal participants, we continued preparation and execution of the interviews by following the suggestions of Boyce and Neale (2006). We therefore developed individual interview guides that reflected the following key requirements of semi-structured interviews:

- There should be no more than 15 questions, not including probes.
- Duration should be limited to 60 - 90 minutes.
- Sequencing and structure of questions must be carefully considered.
- Potential biases must be reflected upon and made aware of.

The number of posed questions varied between 14 and 20, as some needed to be rephrased to ensure the managers understood and the topics we focused on. We therefore had a flexible interpretation the '15 questions' -requirement. The structure of our interviews were carefully elaborated with specific themes that reflected our propositions and research questions. We prepared the guides and ourselves by conducting 'test interviews' with each other and acquaintances. After finishing the final adjustments, the managers received a reminder of the appointment and intended general topics of the interview in advance of the interviews.

Confidentiality contracts were distributed and signed in advance, thereby ensuring formalized rule based trust. Additionally, the already established relationship between one researcher and the managers contributed to additional relation based trust. This combination enabled us to also distribute questionnaires and review overtime data in addition to conducting interviews.

5.8.2. Analyzing the data

There are specifically two criteria that are essential for the research to be valid. They are to ensure that the data is presented in the right context and from a clear theoretical perspective, and to follow detailed steps for methodology and analysis (Boyce & Neale, 2006).

With intentions of analyzing the interviews, we sectioned our questions into groups that either represented institutions, or aspects that the participants were believed to possess a unique perspective on, prior to the interviews. All interviews were transcribed from allowed recordings and processed multiple times. Irrelevant information was omitted from further process, while the remaining data was sorted into specific groups that reflected our propositions. Thus, interview data was processed, interpreted and coded multiple times. The importance of avoiding over-quantifying the results was, in accordance with Boyce and Neale (2006), also taken into account. Interview findings will be presented and analyzed in accordance with each proposition in Chapter 6, and additionally in a final inductive discussion.

5.9. Questionnaires

Questionnaires are typical tools for collecting data from a representative sample when constrained by time or budgets (Saunders, 2012). We distributed two small-sample surveys to a representative and knowledgeable sample of the population. The sample was the team leaders, and the population were minimum wage migrant workers. The first questionnaire was distributed approximately four months prior to the second, and served to prepare the team leaders for the process of answering questionnaires, as this was something completely new to them. The first questionnaire was also intended to remove the respondents' potential uncertainty tied to consequences of answering truthfully. Lastly, the first questionnaire was intended to encourage reflection on minimum wage migrant workers' situation, and to grant the team leaders an additional channel for addressing concerns. When collecting the first questionnaire, the team leaders were informed that they would be inquired further about their workers in the future. This was done in accordance with the guides of Saunders (2012) and Zikmund et al. (2013).

5.9.1. Design

The design of a questionnaire is essential for the quality and successfulness of their purpose, which is to collect primary data specifically for the research project, and in the context of the theoretical framework (Zikmund *et al.*, 2010). Their objectives are commonly to either identify characteristics of current practices, or to learn the rationale and reasons for a certain business activity.

In the design of the questionnaires, especially in this case, the importance of wording and sequencing of questions is essential for the success of the process (Zikmund et al., 2010). As Zikmund et al. goes on to elaborate, it is not just a question of being grammatically correct, but to also carefully consider the context, the background of respondents, the length of the survey, as well as the types of questions, and to ideally pretest the questionnaire and respondents. Poor questions, yields poor answers. Furthermore, the benefits of composing a survey correctly, is that it allows researchers to operationalize and standardize certain statements and response alternatives, thus fulfilling the researcher's goals in terms of accuracy, as well as comparisons of fulfilled surveys (Zikmund et al., 2010). In order to fulfil said goals as being both accurate and relevant, Zikmund et al. (2010) present the following five considerations when designing a questionnaire:

5.9.1.1. What should be asked?

The process of deciding what to ask came fluently to us with a foundation from previous chapters, research questions, interview findings and the pilot questionnaire. The task became to limit the number questions and obtaining responses to the preferred topics. To ensure relevancy of the questionnaire, all questions were considered by the researchers to be necessary. The questionnaires had more specific scope and posed certain questions with open ended answers and fixed alternatives with multiple choices. Language was kept as simple as possible. This was done to both hedge against errors in translation and exhibiting clear intention.

5.9.1.2. How should questions be phrased?

We had two focus areas in order to avoid confusion; steering away from overly complex words and ensuring proper translation (Zikmund et al., 2010). Answering boxes on open-ended questions included three bullet points to limit size of handwriting and to encourage further response. Arranging proper translation was necessary as the respondents were understood to not speak much English. The Quality Control Manager was therefore asked to be responsible for translation, distribution, collecting and retranslating the questionnaire.

Furthermore, we were careful to avoid both leading and loaded questions, as these are identified as being two major sources of bias in questionnaires (Zikmund et al., 2010). This proved to be more of a challenge than originally anticipated when certain questions were required to be

rephrased two to three times in the interviews. Additionally, the ‘split-ballot technique’ was utilized. Said technique was utilized by having the respondents answer only for their workers on some questions, and only for themselves on others. This technique is effective when participants address sensitive topics, because it allows participants to remove their own answers from answers that potentially are more controversial (Wouters *et al.*, 2014).

The issue of potential ambiguity in translation between a heavily context based language like Mandarin and English, was addressed by utilizing concise language and grouping certain questions, with probing questions intended to remove uncertainty when explored through Mandarin and retranslated to English again. While the ‘grouping’ of certain questions can be considered posing ‘double-barreled questions’, this was already considered and concluded with carrying more positive in terms of removing ambiguity than negative in terms of increased uncertainty to answers and their respective inference. This was covered by Zikmund *et al.* (2010), and will also be addressed in the next chapter.

5.9.1.3. In what sequence, should the questions be arranged?

By varying between both open-ended and fixed alternative questions, the qualitative survey required us to consider the potential impacts of different sequencing, resulting in the final draft, which can be found in the appendix.

5.9.1.4. What questionnaire layout will best serve the research objectives?

Questionnaires are normally used as a quantitative method of acquiring primary data. As our questionnaire was intended for six respondents, we could use the option of triangulating through designing and analyzing the questionnaire in a qualitative manner. This resulted in the participants being able to answer freely through open-ended questions impracticable with a large sample.

5.9.1.5. How should the questionnaire be pretested? Does the questionnaire need to be revised?

The pilot questionnaire asked the participants about the workers’ opinions and perceptions. By the end of the pilot questionnaire, the participants were asked if they would be willing to participate in another questionnaire regarding migrant workers, overtime and wages. All

participants accepted, and were then given the opportunity to communicate with the workers on their wishes in the meantime.

With this gained experience the researchers realized the necessity of controlling translations, providing the participants with small indicators of how many alternatives are expected in certain answers, as well as the importance of establishing trust to ensure future participation. The pilot questionnaire can be found in the appendix. The questionnaire was revised extensively before coming up with the final issue.

5.9.2. Analyzing the data

The analysis of data from the questionnaire was conducted to posed each question in relation to the propositions, some questions contributed to multiple propositions. This can be seen in the table on the following page. Additionally, some questions, specifically Question 16, 20 and 21, reflected certain interview questions. This was done to ensure we also get pointed answers to what we identified as the core issues. Lastly, two questions were intended to reveal the number of migrant workers at the company, respectively Question 1 and 18. Questions in parenthesis imply that they are used for multiple propositions.

Table 5.3 – Questionnaire Questions per Proposition

Survey questions:	
P1	(Q6), (Q7), (Q8),
P2	(Q9), Q10, (Q15)
P3	Q13
P4	(Q9), Q11, Q12, Q14, (Q15), (Q18), (Q19),
P5	Q2, Q5

5.10. Quality of research

We have chosen the following criteria as a basis for evaluating the quality of our research; reliability and validity. Additionally, we evaluate the techniques used for data collection. Possible limitations of the procedures used for analyzing will be addressed in the next chapter.

5.10.1. Validity and Reliability

“Validity refers to the extent to which the researcher has gained access to a participant’s knowledge and experience, and is able to infer meanings that the participant intends from the language used by that person.” (Saunders, 2012, p. 382).

This essentially refers to the accuracy of a measure, or how truthfully it represents a measurable concept. Reliability is according to Zikmund et al. (2010) an indicator of a measure’s internal consistency, or ability to generalize the measurement.

“Generalizability refers to the extent to which the findings of a research study are applicable to other settings” (Saunders, 2012, p. 382).

According to Sekaran and Bougie (2013), the reliability of a measurement also ensures consistency, indicating the extent of which it is without bias. It is therefore possible to achieve reliability through minimizing bias. Based on the interpretations of Saunders (2012), Zikmund et al. (2006), and Sekaran and Bougie (2013), we considered the validity and reliability of the methods chosen for this study.

5.10.2. Case and Mixed Methods

Single case study as a research method receives criticism of the inherent inability to provide a generalizing conclusion. This inability stems from the study’s high contextual reliance as well as the limited variation in sample sources. One way of accounting for this inability is to triangulate the case study with other research methods. Assuming successful completion, both the external and internal validity will be confirmed. For our mixed method, single case research design, the following weaknesses need to be noted:

- External validity is difficult. Although we employ different methods of obtaining and analyzing data, they are all from the same organization. As such, for generalization and external validity to be possible - it is not. Yet. This leaves room and potential for future research of the same nature to be conducted with basis in similar organizations, of which there are several. Once this is done, researchers can treat the single cases as a multiple, and either conduct a meta-analysis or conduct a new multiple case study of the same firms to explore the common challenges and successes uncovered.

- There is a limited time horizon for our study. This combines with the fast-paced changes observed in Chinese labor markets. Considerations need therefore to be made of the limited time for analysis and reflection upon results.
- The researchers themselves are MSc Business and Administration students with a specialization in International Management and Strategy. We therefore realize that there are experts within of labor economics, China, institutional economics, and management theory that may be more adept at measuring the concepts chosen.
- Linguistic and cultural knowledge. None of the researchers are fluent in mandarin, the only language used by the migrant workers. This leaves researchers with the necessity of using translators when communicating with a significant population of our sample. The fact that several of the interview objects are native Chinese speakers is also noteworthy. Meanings, intentions and understanding may be lost in translation, especially in the case of the translations done by a third party.

We perceive the findings and research to be of value to both the organization as well as for future scientific research.

5.10.3. Observations

Our first research questions are based primarily on results from the quantitative data obtained as observations. This ensures strengthened validity as there is little room for bias in this concrete data collection. The sample we used was over the scope of one year. Often when observing larger trends, tendencies, etc., i.e. wage increases, several years are usually required to depict a proper picture. The scope of one year may introduce a bias perspective, as fluctuations in this period may appear far more significant than they would when considering a broader scope. The two wage levels were nevertheless sufficiently comparable in the scope we had access to.

5.10.4. Interviews

According to Saunders (2012), there are generally three types of potential biases: interviewer bias, interviewee bias and participation bias. Interviewer bias is related to tone, body language, influence from personal beliefs, the interviewer may want to impose their understanding, and even in the way they choose to interpret the response, for example due to a lack of significant

results. All these factors may raise doubts about the validity and reliability of the research (Saunders, 2012). Interviewee bias could mean that the response from the people being interviewed is intended to 'prove' that a program or an organization is working because it is beneficial to them. Their interview responses might therefore be biased (Boyce & Neale, 2006).

Perceptions about the interviewer might also influence the way the interviewee chooses to respond. The interviewee may want to "*cast him or herself in a socially desirable role*" that could affect the response in their favor (Saunders, 2012, p. 381). Participants who agree to interview and be interviewed may also result in a form of bias called participation bias. Often this could mean a lack of participants simply since interviews are known to be time consuming.

The steps we took to safeguard against bias were also reflected upon, as these issues concern the reliability of the research. The geographical distance was one such area of significant consideration, as it essentially excluded the possibility of conducting the interviews in person. The interviews were carried out over skype, allowing the researchers to observe more than conducting interviews over the phone would. In preparation of the interviews, which were scheduled at times suggested by us and then confirmed or changed according to the interviewees' wishes. We sent out two separate emails containing the overviews of topics to be discussed. The first overview was sent as an e-mail in the initial interview invitation, and the second reminder was sent one day prior to the interviews. In the specific interviews, we followed a predetermined and individual agenda, all of which also can be found in the appendix. This was in order to reduce uncertainty and misunderstanding around questions to be asked. The interviews were scheduled to be conducted during the interviewees' workdays.

There was a time zone difference of seven hours, and the quality of the internet connection varied occasionally. The potential of biases and decreased awareness of the researchers as a result of the time difference was accounted for by the researchers changing their circadian rhythms in the days prior to the collection of data. In addition to recording the interviews, we took notes which were used to probe further as well as to underline answers and thoughts of specific import. All interviews were conducted successfully without major interruptions. Probing questions were not prepared, as we had prepared and practiced on each interview beforehand and decided that prepared probing questions rarely felt natural. Instead, the conversations were steered towards the areas of focus.

All interviews focused on the same topics, although the questions were individualized to best extract relevant knowledge from each individual. Thus, several of the interviews did not follow the interview agendas directly, as the interviewees at varying points started talking on topics we initially had planned to explore later in the agendas. This is not deemed to have had a negative effect on the answers of the interviewees, as all respondents were welcoming, positive and engaged in the topics and process of our research. Furthermore, the participants are not presently colleagues, and the prior relationship was one built over the course of six months, not several years. We take this into account by having both researchers conduct the interviews, which also bring other desired effects, such as the reduction of interviewer and participation bias.

5.10.5. Questionnaires

Personally administered questionnaires were chosen as they are best suited to collecting data from subjects that can conveniently be assembled within a close proximity. According to Sekaran and Bougie (2013), there are three areas of potential bias when conducting personally administered questionnaires. The first is establishing a rapport with the respondents when introducing the survey, second is providing ad hoc clarity, and third, to collect the questionnaires immediately after completion.

The questionnaires were distributed by a native Chinese manager, securing these advantages. This is why the method has previously been presented as ‘physically distributed questionnaires’. Obviously, the reasons for why the researchers did not distribute them personally were time and money constraints due to geographical distance. Additionally, there were the language and cultural barrier that would deprive us of all the personally administered advantages. The advantage of this method was how distribution was achieved by a colleague the respondents were familiar with, securing a 100% response rate. The disadvantage is heavy reliance on this intermediary. Additionally, to ensure the quality of translation, a third neutral party fluent in both English and Chinese was used to confirm the quality of translations before and after distribution. This provided us with unique hedging against unintentional use of personal assumptions in phrasing and understanding both questions and answers.

Other potential biases were related to the questionnaire format. The potential issues could derive from questions lost in translation, respondents misunderstanding the format, respondents misunderstanding the actual questions, and respondents being reluctant to answering. Thanks to our previously mentioned pilot questionnaire, we gained experience what types of questions worked the best and which topics were too sensitive to yield an honest response. This was necessary as we discovered that most respondents were unfamiliar with answering surveys. Nevertheless, when retrieving the final questionnaire, we noticed a few cases of lacking willingness to answer and a few who misunderstood the limit in ‘tick’ options, i.e. ‘choose max three answers’.

5.10.6. Doing thorough literature reviews and reviews of ‘cultural categories’

The reviewing and reflection of available literature is natural, and has already dominated the start of our research. What McCracken (1988) identifies as being ‘cultural categories’ must not be mistaken for the informal institutions of our theoretical framework. In reviewing cultural categories, McCracken call for the researchers to examine associations, incidents, and assumptions that the researchers have about the specific topic (McCracken, 1988). McCracken further elaborates the intention of this being to ensure that the researchers recognize and reflect upon possible assumptions that stem from their cultural background, as these assumptions might bias the conduct and analysis of the interviews.

6 Findings and Discussion

In the following chapter, we present findings and discussion pertaining to each separate proposition. We will first present the data and results we have found, in sectioned order, followed by a short conclusion for each proposition. The chapter follows the same structure as Chapter 4, and the methods are presented in the same order as in Chapter 5. Following proposition one, which contains data from all three methods, each subsequent proposition will contain findings from interviews and questionnaires. Furthermore, as we follow an abductive case approach, we also present inductive findings which will complement each proposition, in addition to combined and concluding findings of the analysis at the end of the chapter.

6.1. Background and Contextual Findings

The following table summarizes a general overview of the duration of interviews, in addition to the expected areas of expertise:

Table 6.1 – *Interview Specifics*

Company Role	Time, Date and Duration of Interview	Additional Area of Expertise
I ₁ : Quality Control Manager	10:00, March 20 th – 01:12:13	External Relationships; Government, Competitors, etc.
I ₂ : HR & Administration Manager	14:00, March 20 th – 01:08:37	Hiring & Firing Process, Unions, HR Responsibilities
I ₃ : Managing Director	14:00, March 21 st – 01:07:00	External- and Future perspective (Non-Chinese)
I ₄ : Production Manager	10:00, March 29 th – 01:09:10	Law Enforcement, Team and Trust, General Perceptions and Orientations

6.1.1. Migrant Workers

Information obtained from the questionnaire-respondents found that around 10% of the company's workers live with their families, thereby indicating that 90% of current workers are migrants.

6.1.2. Hukou

The context of the Hukou system was elaborated by the managers of Quality Control and HR & Administration. The Quality Control Manager explained that the Hukou system no longer was in effect, and that the difference between rural and urban residents remained. The Quality Control Manager elaborated on how the Hukou system previously had mostly limited labor-class citizens, and that they are limited by the high and rising housing prices today. As a result, the Quality Control Manager concluded that establishing a life in the cities remained near-impossible for the new generation of migrant workers.

The HR & Administration Manager elaborated on how all employers are legally obligated to provide a ‘housing fund’, which matches that of individual workers’ reserving 4% of their own base wages to said fund. Additionally, the company provides various bonuses that amount to an achievable total of 400 RMB per month, in addition to overtime compensation. Further, the interviewee explained that the recent changes to the Hukou system will make educational support and health-care more accessible for both workers and their families.

These findings were, by the managers themselves, suggestive of minimum wage migrant workers in Guangdong previously have focused on remaining for a limited time with the purpose of earning money for their family in their home province before moving back. This tendency was believed to continue, however to be in decline.

6.2. Proposition 1

P1. Increasing base wages for minimum wage migrant workers in Guangdong will result in altered overtime inclination

6.2.1. Findings

Quantitative Results

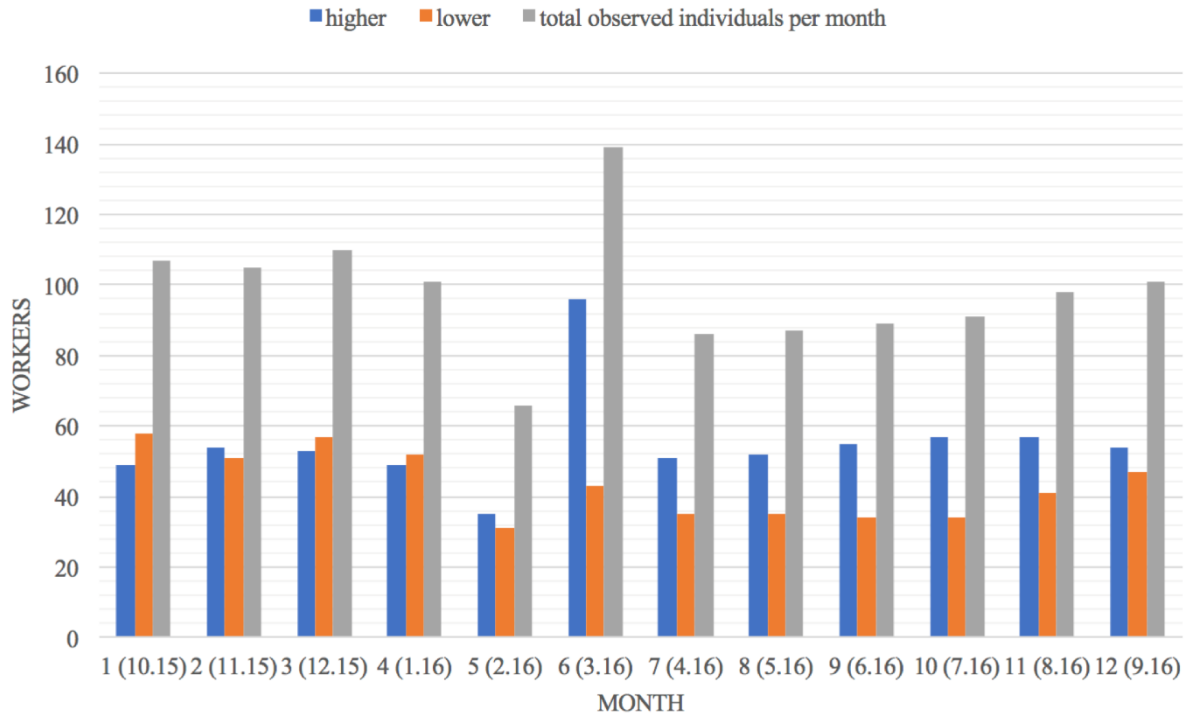
Different wage levels should reflect different overtime inclinations, as per the labor-leisure tradeoff under ‘free conditions’ presented in Chapter 4. Our observations show average overtime per workers for twelve successive months (between 01.10.2015 and 30.09.2016), with base wages increasing from 01.03.2016.

We grouped observations on the basis of ‘higher’ or ‘lower’ base wage, as well as ‘weekday’ or ‘weekend’ overtime. There were several variations on a weekly and monthly basis. Below, we present an overview of registered months and working-days, in addition to base wage levels before and after the wage increase. Additionally, we present the number of observed workers, both separated by base wages and combined, in relation to the total number of registered workers for each month.

Table 6.2 – Sample Base Wages

Month	Calendar month	Working days	Regular hours	Base-wages	Observed workers
1	10.15	17	136	1750 /1650	49+58=107 /133
2	11.15	23	184	1750 /1650	49+52=101/136
3	12.15	21	168	1750 /1650	53+57=110/126
4	1.16	22	176	1750 /1650	96+43=139/145
5	2.16	15	120	1750 /1650	35+31=66/146
6	3.16	21	168	1820 /1720	96+43=139/154
7	4.16	23	184	1820 /1720	52+35=86/145
8	5.16	18	144	1820 /1720	57+34=91/125
9	6.16	21	168	1820 /1720	55+34=89/140
10	7.16	21.75	174	1820 /1720	57+34=91/125
11	8.16	21	168	1820 /1720	57+41=98/125
12	9.16	21	168	1820 /1720	54+47=91/155

As indicated by the proposition’s theoretical foundation, there should be an observable difference in both registered overtime and payment, before and after the registered wage increase, as well as between the two wage levels. First, we present an overview of our sample. Both are separated and combined into groups dependent on respective base wage levels.

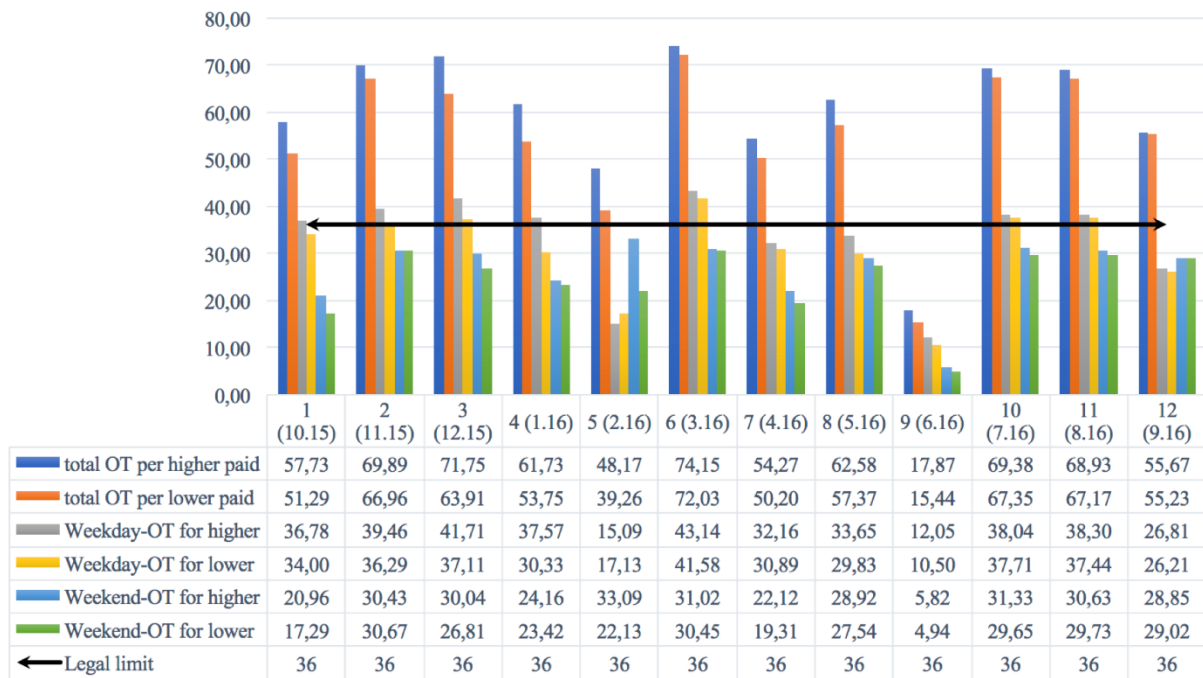


Graph 6.1
Number of Observed Individuals

We constrained the sample-size in three manners, to ensure internal validity:

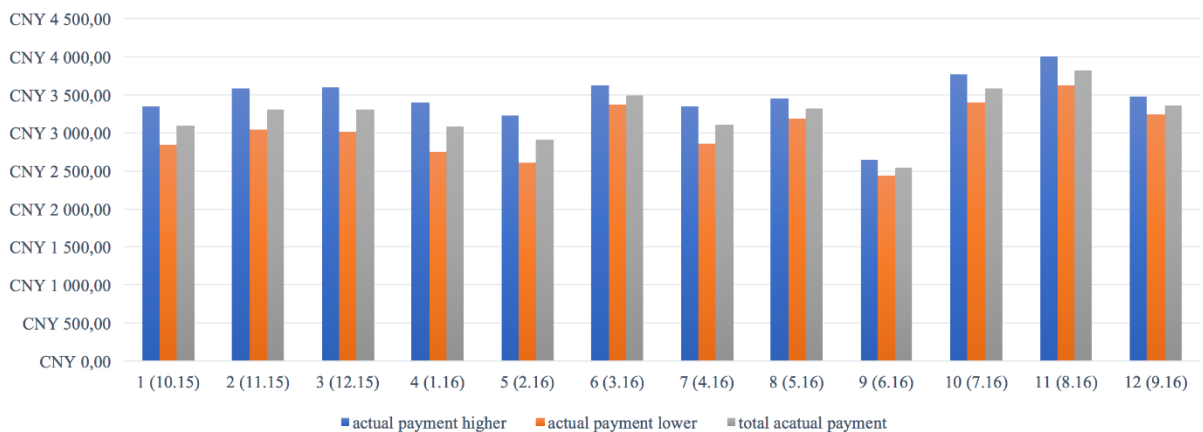
- We limited the months to total one calendar year. This was due to the time constraint of our research, in combination with the amount of data. Our specific interval, 01.10.2015 - 30.09.2016, was decided as it centers on a wage-increase implemented at the beginning of March 2016.
- We limited the workers we focused on by excluding observations where the total amount of missed working days surpassed 3. This was done to increase our findings' validity.
- We limited the workers observed by excluding those who had been with the company for less than one month. This was both due to new workers being less efficient, therefore costlier. New hiring's occurring in the middle of the month are also excluded.

The overview of registered overtime-hours, separated by income-levels can be seen below:



Graph 6.2
Average Overtime Separated by Income Levels

The labor-leisure tradeoff theory, and the inverted ‘S’ labor supply curve, essentially portray how a worker will seek to adjust hours dedicated to earning money vs hours dedicated to ‘leisure activities’, which are all hours not dedicated to work. Therefore, we also present average actual payouts per income levels for each month, as the potential inclusion of bonuses might illustrate variations which the overtime hours cannot explain. The actual payments, also separated into groups of equal wage levels, can be seen below:



Graph 6.3
Actual Payments

Interviews:

The interview with the Production Manager yielded the most relevant information for Proposition 1. However, two questions were raised to all participants:

- How many hours of overtime do the workers want to work per month?
- What amount of actual payments per month do the workers seek?

Additionally, the managers were asked several questions about the increasing base wage and if it had affected their company over the past ten years. The Quality Control Manager claimed that while there had been changes in overtime utilization over the recent ten years, most of these have occurred over the past six. The interviewee recalled in detail how most companies operated with an average of 100-120 hours of overtime per month a few years back. Furthermore, average companies are reportedly still willing to use workers for up to 100 overtime hours, in addition to the regular 133 working hours per month. The company's average monthly overtime hours in this case has been reduced from approximately 90 in 2011, to 60 per month today.

Workers were reported as frequently quitting, and their reasons were understood to be related to seeking alternative employment with a higher monthly payout. Monthly actual payout consists of primarily base wages, allowed overtime hours and additional monetary bonuses. These factors were reported as being the workers' main interests. The Quality Control Manager elaborated that, from the workers' perspective, the actual payment was perceived as their rightful wage. Therefore, reducing the allowed overtime is taken as a reduction of their rightful income. Any wage increase that do not result in the workers reaching their desired amount of actual payments is perceived as inadequate and will not influence workers' attitude towards working overtime.

The Quality Control Manager reported that most migrant workers secure a job before they even arrive in the area, and that they in the first months after arrival seek out the employers who ultimately will provide the largest paychecks for them to send back home. The desired amount was believed to be minimum 4000 RMB per month, which equaled the average wage level in the area. The largest paychecks in local companies were not a result of substantially higher base wages, but unconstrained overtime practices. Finally, statements such as "*it is too easy for workers to find alternative jobs*", were repeated frequently.

The HR & Administration manager had an understanding of how the wage increase had been proportionate to the country's increased position on the Consumer Price Index. When probed about how wage increases had impacted the company, the respondent stated it was far easier for minimum wage workers to change jobs today than it was before. This was reportedly due to an increased number of employers, reduced number of job seeking employees. Moreover, while companies are trying to reduce overtime, the workers still feel a need for over 100 hours of overtime per month.

According to the Managing Director, the company is in a situation where the cost of production continuously rises, with the labor component accounting for 12-15%. This was considered comparatively low, as other local companies' labor component usually reach 30% of production costs. The Managing Director continued explaining how the increasing labor costs therefore are less alarming for their company than for others. It was therefore believed that increasing base wages will have little effect on reduction of overtime. This was due to current practices among other companies resulting in workers achieving wages close to the official average of the area. Increasing the workers' base wages to the point where they are given actual payments equal to the average middle-income citizen, was expressed to be highly unrealistic. Thus, recent development of wage and overtime were understood to be summarized by the workers' demands for both increased base wage and overtime, and employers' decreasing willingness to grant them either. The Managing Director also stated that the actual payments 'demanded' by the workers had reflected the local average of Guangdong over the past eight years.

The Production Manager expressed that the government has increased wages almost constantly over the past ten years, and that it is not going to continue at the same rate. The company had been consistently increasing base wages to current levels of approximately 15% over the legal minimum wage. The additional 15% were given in order to improve attract and retain workers. Despite the current practices of increasing the base wage, many workers still quit within a six-month period. Within this period, the workers would get acquainted with both the area and employers who are less compliant with the overtime limiting labor laws. The wage increases of the company did not make up for the less constrained overtime practices of several other employers in the area.

The Production Manager explained in detail how the company recently had lost 30% of their work-force over the Chinese New Year this February. The reason was believed to be a combination of two reasons: the norm among Chinese migrant workers of finding new employers and locations to work via their social networks over the course of the holidays, and the company's increased dedication to reducing overtime over the past two years, despite attempts of mitigation through several measures. When probed about what these measures were, the Production Manager listed the following two approaches:

- The company had in September moved away from allowing a maximum of three hours of overtime on weekends, and eight hours of overtime on weekdays. The new practice allowed no more than two hours of overtime on weekdays, and partially compensated for this by allowing ten hours of overtime on Saturdays. This was assessed as a successful overtime- and cost reducing step.
- Since the second half of 2016, the company had gradually begun to introduce experimental per piece bonuses and payments for workers in certain bottleneck stations where increasing the productivity and efficiency of workers was considered crucial. This had yielded positive results up until now, despite being a slow adjustment process. It was also noteworthy that the process had been perceived as unfair by workers in neighboring stations, as they were “*impatient*” and “*demanding*” in being given what they thought were raises.

Questionnaires:

Three questions focus on desired overtime and payout per month. Question 6 explored number of overtime hours preferred by the minimum wage workers. Question 7 explored the team leaders' own preferences. The respondents provided the same answers to both questions, with the exception of the two first respondents. The first respondent's answers show that the workers wanted ten hours more than what the respondent claimed to want. The second respondent was simply more specific in Question 7 than in Question 6. Question 8 essentially asked the respondents to give a monetary value to W_1 in Figure 4.4, and was intended to be combined with the answers of the managers. As the team leaders earn a higher salary than the minimum wage level, this question explore their perception of colleague's behavior and motivation, specifically towards expected payout and labor-leisure tradeoff. The answers ranged between 3800 RMB and 5000 RMB, with an average of 4516.67 RMB.

Question 20 allowed the participants to clarify or provide their own perspective on what they understood as the main reasons of overtime among minimum wage migrant workers. Five out of six responded that “*workers want to earn additional income*” as one of the main reasons of overtime, while the sixth responder responded “required/expected”. Question 22 was an open question where respondents had the opportunity to comment and give constructive feedback in areas we might lack understanding or have been unable to cover. Except for one, all respondents were unwilling to comment further. This respondent commented: “*My suggestion is to increase salary*”.

6.2.2. Discussion

Quantitative Results:

Our observations indicate too large of a monthly variation to clearly confirm our first proposition. The variations before and after the income-increase of March 2016 are not indicative of workers’ potentially altered overtime inclination, and neither are the differences in overtime between the different wage levels. Furthermore, calculating correlation and robustness tests were not necessary, as the observations were limited by the company’s own rules regarding daily and weekly accepted overtime. Specifically, the observations were constrained by a ceiling of two to three hours of overtime on weekdays, eight to ten hours’ total workday on Saturdays, and one day off each Sunday. Said rules closely overlap with the labor-laws mentioned in Chapter 3. Certain ‘*plunges*’ in average overtime observed in February and June were addressed in the interview with the production manager, and will be explained in the next section, in addition to the observations’ volatility on a monthly basis.

Interviews:

Table 6.3 –*Interviewee response for Proposition 1*

Quality Control Manager	70-80 hours	4000 RMB
HR & Administration Manager	80 hours	3500-4000 RMB
Managing Director	80-90 hours	3500 RMB
Production Manager	70 hours	4000 RMB

According to the interviews with management presented above, the consensus is that workers either desire 70-90 hours of overtime, or a total payout of 3500-4000 RMB per month. These

expectations are consistent with the actual payments for a worker whose base wage is equal to 1720 RMB and has an overtime-distribution of respectively 40 and 35 hours for weekdays and weekends. The above representation is a reflection of an average worker. All managers expected unnoticeable changes in workers' overtime inclinations in the event of a standard wage increase. The expectations of managers may provide a somewhat one-sided recollection of events, and is also why we arranged to have the workers represented prior to the interviews.

Questionnaires:

Table 6.4 – *Questionnaire response for Proposition 1*

Respondents	Perceived worker preference	Team Leader preference
1	80 – 90 h	70 – 80 h
2	60 – 80 h	76 h
3	80 – 100 h	80 – 100 h
4	70 – 80 h	70 – 80 h
5	60 – 80 h	60 – 80 h
6	60 – 80 h	60 – 80 h

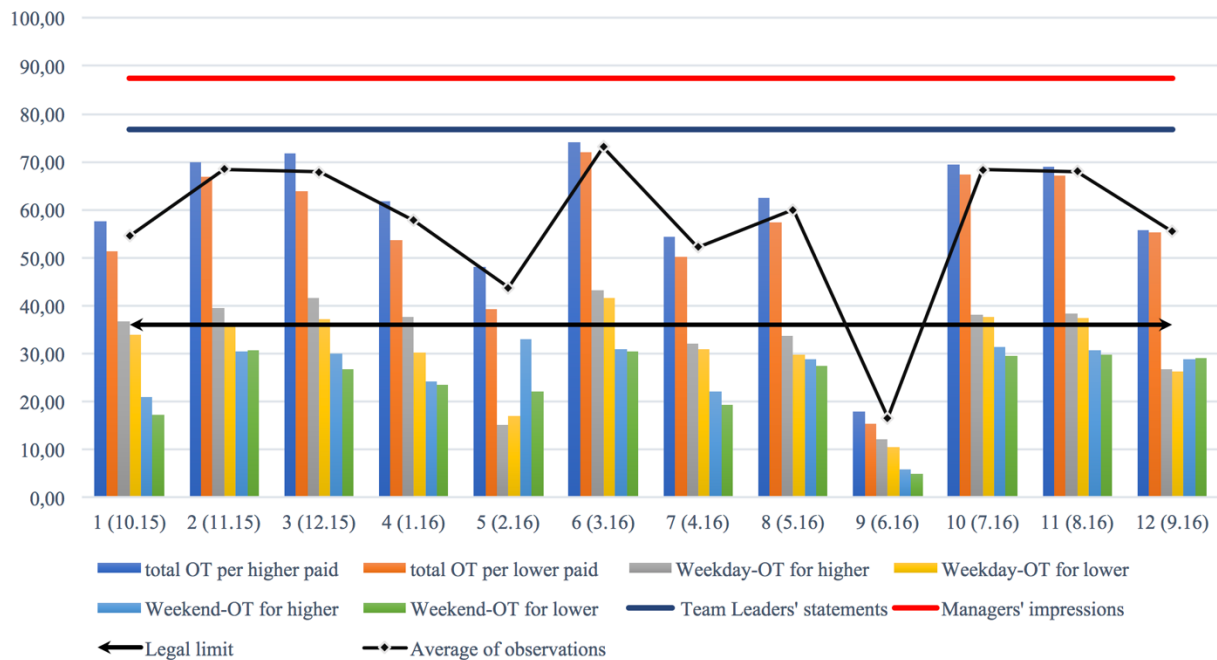
Questions 6 and 7 were deliberately separated, to capture practice and inclinations that the team leaders might not want to admit in a questionnaire. This separation of questions was built on the 'pilot questionnaire' distributed to the same team leaders six months ago. Questions 6 and 7 were designed to produce a more honest answers, thereby increasing validity. This may suggest that the team leaders are less inclined to working more overtime because they earn more than their colleagues, but said assumption would not be sufficiently empirically founded.

The perceived desire for overtime hours of workers averaged 76.7 hours per month. The expressed desire of total monthly overtime for the respondents themselves were 76.0 hours on average, slightly lower than their colleagues. The general understanding of desired payout at the end of the month was interestingly estimated to be over 4500 RMB. This appears to be the general turning point in the labor-leisure tradeoff for the minimum wage workers.

There appears to be some understanding of increasing the salary to reduce excessive use of overtime, regarding Question 20 and one respondent's feedback in Question 22. It is therefore possible to assume that the central motivation behind work is an excessive payout and that this is difficult to change since most workers appear to believe the only way to increase their salary is through working longer hours.

6.2.3. Conclusion:

To conclude the presentation and discussion of proposition one, we present in addition to the actual overtime average in this time period, the graph below, which also illustrates the impressions of the managers and the statements of the team leaders:



Graph 6.4

Actual Overtime Average versus Impressions and Statements

When limiting our quantitative sample by applying the three aforementioned constraints, our findings present a significantly lower overtime utilization than that found by Kim and Chung (2016). Kim and Chung’s sample of 208 separate companies, presented monthly OT-logs similar to ours for 23 companies over three years. 19 of 23 companies were found to regularly allow overtime hours of more than 100 hours. Chung’s sample was collected between 2009 and 2011, so time differences both in their observations, and between our findings and theirs show that wages have increased while observed monthly overtime hours have been reduced. The correlation between wage increase and overtime reduction can be explained with employers becoming disinclined to grant as much overtime as before. Reduced overtime can therefore not be attributed to increased wages. Based upon our observations, interviews and questionnaires, we can say that an increased base wage would not result in altered overtime

inclination, unless the increase results in workers reaching a monthly received actual payment of approximately 4000 RMB.

In conclusion, our findings indicate where we can place the migrant workers of Guangdong in relation to the inverted 'S' curve: Their unchanged inclination towards seeking more overtime indicate they are to be placed on the middle of the inverted 'S', or between W_0 and W_1 in Figure 4.4. Proposition 1 is therefore not confirmed, on account of the necessary increase in base wages for overtime inclination to be measurably altered. The proposition can neither be confirmed nor rejected – it is simply 'unconfirmed'.

6.3. Proposition 2

P2: The recently increased enforcement of overtime limiting labor laws is not primarily driven by governmental agencies or representative unions

As the first proposition effectively was rejected, we continue to explore additional institutional determinants for the documented overtime presented in the previous graph. 'Enforcement of formal institutions' is one such institutional determinant, covered in Chapter 3 under 'Chinese Labor Law', and Chapter 4. We focus on the two most prominent enforcers of legal labor rights; governmental agencies and trade unions. We thereby continue the actions of Kim and Chung (2016), who identified use of illegal overtime hours as being influenced by these, which they referred to as 'institutional filters'.

6.3.1. Findings:

Interviews:

The Quality Control Manager expressed to be well acquainted with the general practices of assessing buyers and suppliers. In relation to this, there appeared to be more concerns regarding overtime practices. Governmental enforcement on the other hand, was not experienced as particularly concerned with overtime. A notable factor in recent shift towards reducing overtime was the focus on labor unions. The perception of labor unions was summarized as being an important factor, however also expressed that their interests primarily were centered around companies and situations where there were multiple workers who had reported

employer-grievances in not fulfilling the stipulations of the ‘recently’ revised Labor Contract Law. Unions prioritized that workers were compensated correctly when terminating their contractual commitments to their employees, and did not focus on topics related to overtime.

The HR & Administration Manager stated that there had been an increased focus on providing formalized and registered labor contracts for workers within a timely limit over the recent years. This was, however, expressed not to be an issue for our company, as *“such practices had been standardized long ago”*. Providing and processing contracts was prioritized when new workers were employed, as a common issue was regarding their rights to various bonuses (perfect attendance, efficiency, meal subsidies, high-temperature subsidies etc.) which could amount to significant amounts both for the workers and for the company. Labor unions were reported by the respondent as being both present and active in the company. The workers who have chosen to be represented by a union have appointed a chairman and deputy in the company. The labor unions were reported as *“[...] regularly organizing activities, such as trips for all the workers, in addition to ensuring that they are provided with welfare-benefits and proper training”*. The presence of unions was seen as a win-win, although their concern with overtime was expressed as missing and warmly welcomed, as the potential focus of a labor union in reducing overtime could help the company in both convincing the workers to accept fewer overtime-hours, and address reasonable requirements in a collective manner. When probed about the specific demands and stances that labor unions had in relation to overtime-practices, the representative said *“From the labor union side, they want more overtime.”*. Further elaborating that the topic of overtime had not even been raised, although they were a good and available alternative channel for workers to express themselves in addition to being a source of company and governmental rules in the off chance that this information was not sufficiently provided to them. The respondent emphasized that they were fully compliant in most aspects of following legal rules, and that overtime unfortunately was not asked to be reduced, but rather increased.

The Managing director stated that the company was legally obliged to have a labor union represented. This was explained as a natural aspect of running a company from a European standpoint.

“Through the union, the workers have a platform where they can complain, but it’s not that effective. This is because they are not used to working in that way, and very few workers are complaining – if they are unhappy then they just leave.”

The lacking use of unions were stated as being something the workers were not used to. Complaints received by the management were only concerning “*small stuff*”, as opposed to fighting for rights. The behavior of the migrant workers was perceived as people who would just leave if they were dissatisfied or received better employment opportunities. Concerning governmental involvement, the interviewee summarized the situation as:

“the authorities are not bothered, because there are many rules and regulations in China, but not everything is implemented, because if you go to implement all the rules then it would be too hard to do business here for both foreign and local firms”.

The general impression among companies in China was stated as being: “*where the rules are lax, then you go with it, while always having a plan for complying as quick as possible in case the situation were to change*”. The participant further elaborated, referring specifically to personal experiences, that the authorities usually give companies a warning about which rules they are in the process of beginning to seek compliance with. Thus, companies tend to be warned about which aspects the authorities are going to increase enforcement of in approximately one year.

To summarize the compliance of governmental enforcement of labor-law, the Managing Director stated that the ‘overtime issue’ neither had been a huge issue before, nor was it now, because the rules of implementation were poor as nobody really care about laws regarding overtime. While the authorities remain ignorant, international customers grow increasingly concerned, through questioning and auditing closely followed by requiring progressive measures to be taken for them to decrease average and total overtime granted to their workers. The Managing Director confirmed the statements of both the Quality Control Manager as well as the HR & Administration Manager regarding unions. Labor unions were perceived as generally being concerned with increasing overtime, rather than reducing it, as this interviewee stated: “*I am generalizing, but they have openly said that overtime is not enough*”. The Production Manager confirmed the expressions of the other respondents; that although the

Chinese Labor Law stipulates a maximum monthly ceiling for overtime, this law is not considered as relevant today:

“I can tell you that the government is not really controlling it, because they know the actual situation – the problem is our customers who are forced by media and stakeholders to only look at the difference between law and practice, and pose strict requirements of us”.

The Production Manager elaborated that the company had, as a result of being a publicly listed company with international customers, put in significant effort to reducing overtime. The current situation is one the respondent identified as posing significant constraints on the penetration of the local market. This was reported as being due to local competitors operating with practices that allow their workers to labor for “100-200” hours each month. Authorities and unions, were understood to prioritize companies that break the Labor Contract Law, and only enforcing the overtime-related articles of the Chinese Labor Law in public cases where government run unions have to stop unrest and ‘save face’. The perception of law enforcement was summarized as:

“the government has never come to our company to check on our overtime-practices, or even if we compensate the workers for all their hours. That is something we do ourselves, on our own accord, and that is something that many-many other companies either don’t do, or do wrong on purpose.”

When probed about unions, it was stated that they either act together with the authorities, or that they want more overtime, depending on the level of union representatives. The respondent added that this was similar to the environmental situation, where authorities not really enforced significant compliance unilaterally for all companies, but rather focused on selected companies or shut down production for a week before measuring pollution.

Questionnaires:

In validating the data gathered from the interviews, as pertaining to Proposition 2’s presence and enforcement of authorities and unions, we asked included Question 13 regarding unions in the final questionnaire given to the team leaders. This question also asked whether they see the potential value of unions. A clear majority of the responses stated an understanding of the value

of unions, even though they were not actively a part of one themselves. One out of six admitted to actively be a part of a union. Grounded in personal observations in relation to developing and distributing the pilot questionnaire, we learned that workers were confused when asked about governmental involvement on overtime related issues. Therefore, we did not include a question aimed at gauging the presence and activeness of governmental authorities in the final questionnaire.

6.3.2. Discussion:

The consensus among interviewee's regarding governmental authorities is that they not only are lax in enforcement, but completely inactive unless already setting their sights on a company for different reasons. Based on the responses from the managers, we find validation of the conclusions of *Chung (2015)* regarding labor intermediaries' lacking interest in violations of overtime rules.

Interviews:

We uncovered that there had not been any governmental inspection or interest at all, since the company entered nine years ago. Our findings substantiate the pretense that labor unions and governmental enforcement-agencies in China possess the presence and discretion to be able to establish precedence and determine legitimacy of specific articles of the current labor law. Said precedence is the same today as eight years ago, as our findings reflect the converged interest of 'noncompliance' found by *Chung's* study of the same area between 2009-2011. Furthermore, the suggested reason we uncovered in the interview with the production manager does not confirm, yet still can be understood as being a notable topic for further research, as suggested by *Gallagher et al. (2015)* in Chapter 4. The identification of governmental authorities' and unions' presence in the most public cases, primarily after a practice had been uncovered, as coming from the intention of the government 'saving face' is noteworthy, despite us not focusing on said concept.

When exploring the presence and role of 'representative unions' in the company, our findings are clear in determining that labor unions are present. However, our findings confirm the findings of *Cooke et al. (2016)*, in that the role of unions in grievance management is minimal. Specifically, the apparent prioritization made by both governmental authorities and legal

unions make it clear that there not only is a substantial focus on enforcing compliance to the Chinese Labor Contract Law's revision of 2008, but also that there still is substantial violation of said law. A notable point is that all managers reported labor unions as actually pushing for more overtime, despite it already being near to double the legally stipulated limit. The findings pertaining to the presence and role of unions within the company mirror those of Kim and Chung (2016), addressed in Chapter 4, in that they cannot prove that *"unions enhance employee's well-being; however, they do suggest that Chinese trade unions can function as catalysts for labor law compliance."* The suggested function of a catalyst for compliance is one we ground in the unilateral agreement among all participants – both interviewees and questionnaire-respondents – in that they believe in the role of unions.

Questionnaires:

The fact that only one out of six team leaders revealed being unionized is indicative of the current trust placed in them more than the current need for unionized representation. This was surprising, as the presence of unions already had been determined from the interviews. Taking the elaboration of all questionnaire responders at face value, we surmise that they do have faith in them and their intended function, despite this possibly only being ideological rather than realistic faith.

6.3.3. Proposition 2 Conclusion:

Chapter 2 covered the topic of the relative importance of informal over formal institutions, where we first posed that formal institutions need to be considered as having worth and value for them to function. The trust and hope that unions are necessary and welcome for both sides is promising, especially when we consider the Confucian tendency of not reporting dissatisfaction. On the basis of labor intermediaries unanimously lacking interest in violations of overtime-rules, as explained by Chung (2015), and the aforementioned findings, we confirm our second proposition; recent enforcement of labor law is not primarily driven by governmental agencies or representative unions.

6.4. Proposition 3

P3: Labor laws regarding overtime limitations are perceived by both workers and managers as unrealistic and ineffective

This proposition compliments Proposition 2. The implications are institutionally different however, as elaborated in Chapter 4. The institutional determinant with this proposition on the other hand, reflects the ‘institutional void’ – or rather clash - covered in Chapter 2, and the relative importance of informal over formal institutions reflected in Williamson’s model in Chapter 4. Propositions 2 and 3 are therefore dissimilar and reflect important distinctions of correlated institutional determinants of legal compliance. A law can be both ineffective and unrealistic while being actively enforced, and a law can also be effective and realistic while not being enforced. The *perception* and attributed value to constraints are essential for compliance, regardless of formality level.

6.4.1. Findings:

Interviews:

The Quality Control Manager stated that the laws were unrealistic for both sides, where the migrant workers themselves stood on one side with opposing customers on the other, and the management in the middle. The laws pertaining to overtime are today closer to the levels they are on in reality, however were still perceived as unrealistic as when they first were introduced. The interviewee reflected on how the current reality probably would be different if article 41 of the revised labor law of 1994 constrained total monthly overtime at 50, rather than 36 hours. This was a rhetorical question which the respondent quickly answered personally, in the short word “*kěnéng*” – which is a word and expression whose meaning is variably taken as “*probably*”, “*maybe*”, or somewhere in between depending on the context. The Quality Control Manager recalled that companies generally reported to new hires that they allow 60 overtime hours per month. The specific amount varies, just as the actual amount varies. However, common for all employers of minimum-wage workers in Guangdong was that actual overtime-hours far exceeded the formally stipulated maximum of the Labor Law. When asked if there was any belief in the labor laws pertaining to overtime becoming realistic limits in the future, or effective despite being broken, the reply was:

“The overtime maximum of 36 hours is not realistic – it is impossible for workers to earn enough to not work as much overtime, and it is impossible for companies to use as many workers for as long with the increasing wage-rates. Daily maximum of overtime is ok, though.”

Further elaboration on constraints stipulated how certain sections and articles were realistic and effective, such as the section stipulating the legal daily maximum in article 41, in addition to articles 7, 37, 38 and 44, which can be found in the appendix. In contrast, the second statement of article 41, stipulating the total monthly overtime limit being 36 hours, is neither realistic nor considered so by anyone besides oblivious customers. Specifically, new and high profile customers, who neither can take the “chance” of indirectly using illegally excessive overtime, nor have taken the time to understand the situation properly.

The HR & Administration Manager reported that the current labor law the company had set as an absolute limit was 60 hours of overtime in total per month. This is the point they have reached, and after the company recently lost 30% of workers over the Chinese New Year, this limit had now become accepted by the new workers. Furthermore, the respondent stated that the current company-set maximum limit in no way was because the legal rule was ‘fitting’ or ‘realistic’. The current success in reducing overtime was deemed to be the result of a long struggle of doing what the customers wanted while also ‘treating their workers correct’.

The Managing Director remarked on the increasing labor cost was not taken as severely impacting their production facility due to the relatively low labor component of production, which has been described in proposition 1. This was understood to be an important distinction from other companies in the area. The general response from enterprises who utilized a higher labor component and now were more pressured, was recalled by the Managing Director as being to either ‘outsource’ to neighboring countries, automate for those that were able and sufficiently funded, or to completely remove the ‘overtime ceiling’. Financial pressure resulted a more flexible perception of lacking formal institutions. Automating production explained to be impossible due to the highly specialized and diverse products. The cost would be too great.

The Production Manager, who in large part was the creator of the company’s current work-schedule, elaborated the process for us in detail. The work schedule is finalized and made available two weeks before it goes into effect. Approximately 70% of the company’s orders are either confirmed, idle or outset in production one month before work schedules take effect. Accounting for rescheduling and urgent orders are reasons for why only 70% is certain one month in advance, assuming conservative estimations. In developing these work schedules, the interviewee stated that the current system estimated daily required number of workers under

the assumption of ten hour workdays. Daily overtime constraints were thereby reported as being both effective and realistic. When elaborating on the customers' role in driving increased compliance to the legal rules regarding overtime, frustration was expressed with typical customers who were new to the Chinese markets:

“Customers who are foreign and new to Asia – they don't accept any reasonable compromises, and demand that we follow the rules of 36 hours per month, even though they know that 36 hours is ridiculous!”

When asked specifically about perception and opinions of overtime laws, the Production Manager clarified that the company followed most rules. Time off on Sundays and ten hour workdays were reported as being the two main conditions the company has managed to pose as ceilings. This had been a struggle, due to the daily maximum overtime per weekday even allowed for a total of three hours, as opposed to the two hours the company operates with now. The second struggle had been with convincing workers that they could not be allowed the total 80 hours of overtime which they felt was deserved. 80 hours of overtime is a limit derived from the $(2*5*4)$ 40 hours of monthly weekday overtime, plus $(4*10)$ 40 hours of monthly weekend overtime. These calculations were based in the first part of article 41 of Chapter IV in the labor law, which only specifies daily maximum limits. The recently implemented monthly limit of 60 hours had been 'the final straw' for most workers who still remembered previous practices of a lot more. The 'new generation' of workers were believed to be more compliant and flexible in the continued reduction of monthly overtime. Nevertheless, the respondent finished the topic by stating that the legal limit of 36 hours was completely unnecessary and ridiculous, while the two laws concerning daily overtime and weekly rest days were considered to be “good” laws.

Questionnaires:

We sought an indicator of the workers' perception of trust in laws focused on overtime by asking about their perception of the current overtime limit of 36 hours in Question 10. None of the respondents believed this limit is realistic. Other answers included that they would be unable to meet the delivery schedule under these constraints and that this also would reduce their wage.

6.4.2. Discussion:

In seeking to shed additional light upon the topic of how the labor laws concerning overtime is perceived among both workers and management, we found difficulties in accessing objective and generalizable indicators. To circumvent using objective measures as an indicator of legal effectiveness, both in terms of the enforcement gauged in Proposition 2, and a limited sample number (n), we explored the topic in detail primarily through the interviews.

Interviews & Questionnaires:

Basing ourselves on Rooij et al. (2013), who found that increased societal forces and support positively affect law abiding behavior, we have reason to believe that the perception of the laws affect how they will continue to be managed and implemented. The responses are also as confirmed by Rooij *et al.*, subject to bias, and so we coupled the questions of general perceptions with the questions of personal perception. Findings were therefore analyzed depending on the responses we collected. Therefore, the focus on the interview responses were handled as subjective assessments of perceived realization and effectiveness of current labor laws. Unfortunately, our findings appear to suggest that the labor laws are not taken earnestly and that there is no indication of these changing soon. The questionnaire response especially appeared to have a unanimous response. There were no one who appeared to think the current labor laws for overtime were realistic. As was clarified by the Production Manager, the monthly limit of 36 hours expressed in article 41, was perceived as unrealistic because the daily limits of the same article were accepted as an indirect limit of 80 hours of overtime per month.

6.4.3. Proposition 3 Conclusion:

We found clear opinions on the current labor laws regarding overtime, with article 41 being both the most and least followed constraint. The second part of the article, which limits total monthly overtime at 36 hours, is perceived as unrealistic and irrelevant. This is largely because of the first part of the same article, which is perceived as realistic and therefore the relevant part of the law. In total, most laws pertaining to overtime were followed by the company, with the big exception of article 41. The answers from the questionnaire confirm the total impressions of the managers. We therefore accept Proposition 3; labor laws regarding overtime limitations are perceived by both workers and managers as unrealistic and ineffective.

6.5. Proposition 4

P4: Embedded Confucian cultural norms affect the overtime willingness of minimum wage migrant workers

6.5.1. Findings:

Interviews:

The Quality Control Manager states that Guanxi may be less relevant for very large international companies, however remains an important aspect in China's SEZ for small to medium sized companies, in relation to hiring, promotion, deciding who to 'include' and which partners (buyers/suppliers) to do business with.

"I work with a small team, so I have a close relationship with my workers. This is necessary because I have to be on top of everything they do - sometimes there are problems with the external suppliers, and then I have to contact the different suppliers in the right way to get the right results."

When asked about colleagues' relation and ability to voice complaints, the reply was: *"In my department, there are no such problems"* and suggested that this may be different in the production-department. Nevertheless, the interviewee continued to elaborate changes over the past year through personal observation, due to pressure to reduce overtime. In regards to training and skill building, new workers are trained on the job, taking around one month before they are assumed to be sufficiently skilled in their new position. In some few cases, applicants bring documentation from previous jobs and accomplishments, in which case the training requirement may be less.

When asked about the workers voicing complaints about overtime, the HR & Administration Manager replied that they have reacted to previous complaints about overtime and that most workers today accept their current overtime arrangement. The respondent also ensured us that workers are free to ask for leave or a break in the event of special plans, if they feel sick, etc. The HR & Administration Manager firmly stated: *"[...] from HR side I think we must be responsible for workers' health, so we do in fact control this and report it to our Managing Director"*. There were also frequent comments on how most of the workers are migrant

workers with obligations to their families by sending financial support home while they are away working. As the Managing Director is not natively Chinese and has an education and most experience from Europe, prior to this position. The third interviewee stated that there is a general level of trust between workers from the same areas: *“Generally, people tend to trust people who are Chinese over foreigners, and Chinese people from the same provinces over others, and people from the same cities over others, and so on.”* As a result of this, they work towards separating workers who have the same geographical origin, in order to create a common culture where every team consists of a diverse group of people. This is done as a precaution, to avoid internal groupings in the working environment. Due to issues such as the language- and cultural barriers, the Managing Director also relies on a trust based relationship with the managers, there was a clear reliance on interpersonal communication and trust: *“I work closely together with my team of managers, and have developed great trust and communication with them”*. Further, the interviewee elaborated on how trust and communication goes hand in hand with the other English speaking colleagues. It therefore appears that the Managing Director trusts these employees when communicating with the next tier down, referring to workers in the factory. The team of native Chinese managers are therefore required to communicate with employees on the ‘ground floor’. Certain positions more crucial to the overall progress require a certain level of skill, which in this industry is the process of ‘winding’. Attempting to develop each and every skill for every worker was currently seen as too big of a challenge. Therefore, there comes a natural focus on developing the skills of the more promising workers. Nevertheless, yearly team-building exercises and other activities are also planned where everyone are included.

The Production Manager explains the tasks and responsibilities of the workers in the production department. It was stated that in order to find new team leaders they evaluate which three to four years experienced workers are the best in controlling the production line, and then they build them up accordingly. The respondents stated:

“It is important to be able to trust them, and for them to know how to do their tasks. It is an essential requirement for being able to do the job. They have to have learned how to make transformers from personal experience in the factory. We have a very good relationship”

This interpersonal connection is supposedly, including competence, a requirement for reaching a position and higher paygrade. In regards to worker seniority orientation the Production Manager holds weekly group meetings with the team leaders where they discuss approaches and ways to solve them together. Complaints from the team leaders are therefore most commonly expressed within these closed meetings. As for voicing complaints in general, the Production Manager explained that workers today complain that there is too little overtime, and states that there is a constant balance between too much- and too little overtime. Overtime reduction has been occurring over the last three years and the team leaders have; “...*understood why and had nothing against it*”. The final interviewee stated, when explaining the role of migrant workers in their facility, that: “*The people want to spend time with their families, because family is big here. If there is no family to spend time with, then they want to work.*”. This expresses the majority of their workers’ filial obligation and one of the core reasons for the challenging overtime balance.

Questionnaires:

Three specifically designed questions for this proposition are presented first. Additional questions that are related and may provide useful answers are then mentioned and commented after. Questions 11 and 12, respectfully: “*Is it easy to voice complaints? How do you do this?*”, “*Is it easy for your workers to voice their complaints?*”

Firstly, all respondents had different replies to voicing complaining as most of the respondents were not compliant with the first double-barreled question. However, two respondents both wrote that problems and complaints may easily be directed to a supervisor. The second question concerning the ability the workers the respondents are responsible for, have in voicing complaints, all responded yes. No one chose to elaborate further on this question.

Question 14 asked of an increased focus on training and skill building would make workers want to stay longer in their present job. All respondents that yielded an answer clearly stated yes, mostly due to an impression of additional skills leading to a higher income. Many answers were similar to the following respondents: “*Yes, because the wage will be increased if you have more skill*”. One respondent also explained that besides earning more money you can train other workers and become closer attached to the job position.

Findings in the following additional questions may also be interesting to consider in regards to proposition 4. Question 9 regarding payment by amount of output (commission) opposed to a fixed daily wage, had three possible selection options and resulted in relatively insufficient responses. Several were contradictory or answering too inconsistent, yielding a high error count in this question. Everyone responded yes to Question 15 regarding interest in receiving bonuses for working faster, although without any further elaboration. The majority of replies to Question 19, stated 81 – 100% of their workers are providing for their family with their income.

6.5.2. Discussion:

Interviews:

When considering the interview, the following conceptual relationships can be identified in the first interview. As the first respondent elaborated on the role of Guanxi in position of a quality control manager, there appeared to be certain recognizable characteristics. There was said to be a close relationship between the manager and the workers which lead to very few official issues regarding complaints. This may suggest that the close interpersonal relationships and feelings of loyalty to superiors impact the decisions of voicing concerns regarding overtime. This argues that both seniority and relationship orientations are involved, creating normative constraints affecting overtime decision-making. Guanxi also plays an external concerning hiring of new employees. Training and skill building that normally requires a month are provided to newly employed workers. The fact that there are a few cases where applicants with relevant documentation may be favored in a new position may suggest that there is an increasing focus on professionalism, instead of personalism, as suggested by Tong (2014), which supposedly would decrease the focus on Guanxi in future hiring. The second interview respondent elaborated briefly about the role of HR to provide management that is concerned with the workers' health and wellbeing. This may suggest that there is a general acceptance towards voicing personal complaints, although further elaboration on the matter appeared to be inconsistent. All the interviewees, especially the HR & Administration Manager had frequent comments on the workers' family obligations which strongly suggests that their benevolent orientation impacts many of the workers' decision to work longer hours.

In this setting the Managing Director has a unique perspective on embedded cultural norms due to the fact that this person is not natively Chinese. The perception of the Chinese generally trusting people from the same area as themselves, strongly validates Tong (2014) findings on Guanxi. This cultural closeness is opposed by diversifying worker stations, as a cautionary measure. This may be generally accepted by the workers because there is an understanding for measures taken to sustain social stability in the workplace. This is in accordance with Kang et al. (2015) overtime related Confucian norms for the workers' seniority orientation. This notion is also supported by occasional team-building exercises, and organized trips in order to build an organizational culture and identity. The Managing Director explained how outstanding individuals occasionally receive additional training. The prospect of personal development among workers may also, besides the chance to earn more money, be in accordance with Confucian norms related to self-cultivation. This argues that a workplace promotion will positively impact a workers' motivation to work harder. This may imply both a stronger sense of diligence and attitude towards overtime. Trust is a determining factor for a workplace promotion as well. Interpersonal connections are closely a part of determining how positions and tasks are delegated. Both the Quality Control and the Production Manager implied that they were satisfied with good long-term relationships with their respective teams.

The closeness of the management appears necessary for the Managing Director to be able to communicate with the migrant workers. E.g. bonuses are distributed to the employees through Chinese speaking managers. As a result of such a large share of workers deciding to leave when going home for Chinese New Year, may also partly be explained through this perspective. As the first interview respondent mentioned, many workers quit in order to develop themselves. This is arguably strongly related to the Chinese New Year, as this is culturally the main time of the year when workers go home, reevaluate/reflect over their lives and find a new job. This may be in order to find a better paying job, however it is also possible to argue that they are looking to develop themselves, through self-cultivation in accordance with Confucian righteousness orientation. This may argue that if they had revived this personal development in their current position they may both be more willing to remain and work more overtime. On this basis, it is also possible to argue that certain measures may be tested with an aim of retaining more workers during this time of the year in the future. One suggestion is to announce the opportunity for workers to change position, or station, in the factor on order strengthen the feeling of fresh years start, whilst retaining an already relatively trained worker. Managers

operating in organizations with a Confucian base, should strive to understand the characteristics of its working culture in order to be able to implement positive aspects of it when managing Chinese workers. In accordance with Kang et al. (2015), taking such measures can improve the workers' motivation to work more diligently by improving their understanding of their own work oriented culture. This may also in turn make workers more piece wage oriented, thusly driving up productivity.

Questionnaires:

Concerning Question 11 and 12 regards the worker's ability to voice complaints. These questions are concerned with worker's ability to voice complaints within a cultural setting. This is chiefly related to seniority orientation of Confucian ethics due to its relation to stability, loyalty and participation in a hierarchical context. Unsurprisingly, no one would respond critically to an area they themselves are responsible for. It also may suggest that there is generally an unwillingness to voice concerns in order to avoid upsetting social stability in the environment. It may also be related to their personal Guanxi as the team leaders are unwilling to jeopardize their own relationships to stay in accordance with formal rules.

Workers desires to develop themselves is reflected in Question 14 concerning training and skill-building. There is generally high interest in obtaining more skills due to the perception of this leading to a higher income. This question relates to Confucian righteousness orientation due to a presumed desire for self-cultivation. The clear 'yes' to workers willing to remain when receiving more skills suggests both a prospect of an increased income and having a position where one trains other employees as this will secure a more stable job position for the worker. The worker's opinion of getting paid by amount of output relative to a regular fixed daily wage in Question 9, suggests that the majority of workers are clearly not aware of the advantages of a commission-based salary. This question may also suggest that workers in a Confucian based culture would strive to be hard working and diligent. Assuming the workers were fully aware of the advantages choosing to work for amount per output, they may supposedly find more affective motivation within themselves to become more efficient in their working environment. Question 19 related to how many of the workers the respondents manage are providing for their family is related to filial piety as altruistic behavioral characteristics of workers. Although this question is primarily a control question for questions concerned with the share of migrant workers in the sample, it also reflects the dutifulness of

workers with respects to their familial obligations. This arguably also correlates with increased overtime willingness.

6.5.3. Proposition 4 Conclusion

There appears to be several influencing factors in the decision of overtime from Confucian culture. These embedded norms have been sustained over multiple generations, despite historical hardships and attempted cultural ‘rectifications’. The Confucian orientations of seniority, relationships, righteousness, and benevolence, have all been observed in the context of overtime decision-making among migrant workers in this case study. This proposition has been relatively exploratory compared to the other propositions. Hence, we confirm Proposition 4; Embedded Confucian cultural norms affect the overtime willingness of minimum wage migrant workers.

6.6. Proposition 5

P5: There is a clear difference in overtime inclination between older and younger minimum wage migrant workers

6.6.1. Findings:

Interviews:

The Quality Control manager stated that the younger generation account for the majority of the current labor market. The manager reported that they are more willing to work for less overtime, and that approximately 60 hours is enough for them to be satisfied. Those of the older generations who still work, were reported to demand approximately 100 hours of overtime, mostly because they still remember that they were able to work for as many hours in the past. The manager elaborated on the younger generation, accept more leisure time to search for future opportunities, develop skills and socialize. This situation is relatively new, even though it is something that is changing very slowly.

The Quality Control believed that the younger generation cannot work as hard as the older generation as the older are inclined to work harder due to family obligations and that the younger only work for themselves as they are becoming increasingly individualized. The

Quality Control Manager concluded the issue by stating that the younger workers “*want to work less, and they do not want to have a difficult job*”.

The HR & Administration Manager said most of the workers are around 25 years old, majority are clearly below 35. The office personnel average is around 35. Generally, all workers want to get more overtime. The HR & Administration Manager believed that all workers hope to get 80 hours, and that married persons pressured this more. The younger and unmarried workers were more accepting of the reduced overtime ceiling placed by the company. This ceiling was reported as currently being 60 hours of total overtime. There was also mentioned a difference in expectations between unmarried and married people, as the unmarried accepted less overtime while wanting 3500 RMB per month, and the married wanted a minimum of 4000 RMB.

The Managing Director did not have any specific knowledge to share about different age groups, and recommended us to direct this question to the Production Manager. However, the Managing Director was aware of the national challenges of an ageing workforce, in addition to the culture of parents moving away from their hometown while their parents are responsible for raising the migrant workers’ children. The Managing Director elaborated that the company’s average workers today were “*mostly younger people*”, because they recently lost 30 % of workers, which was 20% more than typical over Chinese New Year.

The Production Manager worked closest with both team leaders and minimum wage workers, and therefore represented the most direct insight into the topic. The Production Manager stated that all workers pushed for 70 hours of overtime each month, regardless of age. The Production Manager continued that differences in overtime only reflected efficiency, and was not to be confused with seniority, age, gender, or any other factor. Efficiency was stressed as being the reason for why workers who had a higher base wage were reporting more overtime, as the workers typically were fully caught up to the level of other workers within three months. Workers who had been employed for longer were more generally more efficient, not necessarily more liked. The Production Manager finished with:

“The months where we cannot give everyone enough overtime, we only allow the good workers more overtime. We don’t give the older workers any more overtime just because they

are older. The best ones are the ones we give most overtime, because they are the ones that are cheapest.”

When probed about the average age distribution of the workers, the Production Manager responded that workers were *“around 25 years old, but it ranges from 35 to 18. Most of the older workers quit over Chinese New Year”*.

Questionnaire:

The second question; *“How old are the workers you manage on average?”* of the questionnaire aimed to map out possible differences in average age between team leaders’ workers, in addition to the total average age of the company’s workers. All respondents replied that the average age of their workers were between the ages 24 and 28. Question 5; specifically asking if there are any differences in attitude towards working overtime between younger and older workers, found that everyone wanted overtime, regardless of age. This was mainly due to several respondents not wanting to comment much further. Nevertheless, one of the respondents said older workers generally desired more overtime because of marital status and its inherent financial drain.

6.6.2. Discussion:

Interviews:

There appears to be a small difference between the managers’ perceptions of older generations’ willingness for overtime, as compared to the younger. However, this difference is only due to the Quality Control Manager’s response. When we also account for the Managing Director not responding, we cannot confirm the proposition when basing ourselves on the findings of the interviews. The managers’ responses are organized in the following table:

Table 6.5 – Interviewee response for Proposition 5

	“Younger Generation”	“Older Generation”
Quality Control Manager	60	100
HR & Administration Manager	80	80+
Managing Director	-	-
Production Manager	70	70
Average	70	83.3+

The HR & Administration Manager reported the main differences were between the married and unmarried. This is indicative of a positive correlation between age, overtime inclination, and level of filial responsibility.

The Production Manager stressed that the only criteria used for selectively granting overtime, was workers' documented level of efficiency. Workers who produced more than others within the same timeframe were granted more overtime, while workers who produced less were granted less. Still, the Production Manager stated that most of the older workers recently left in February, during Chinese New Year.

Based upon the answers from the interviews, we are skeptical to proposition 5, in that there appears to be no actual differences in overtime inclination between generations.

Questionnaire:

Question 5 of the questionnaire explored potential generational differences in attitudes towards working overtime between workers. Although not rendered completely redundant, this question did become significantly less relevant due to the findings of Question 2, which revealed no generational differences among the minimum wage migrant workers at all. The fact that three respondents declined to answer Question 5, is attributed to said findings of Question 2.

One respondent elaborated that some of the younger *unmarried* workers were occasionally less inclined to work 'additional overtime'. This corresponds with the impressions of the interview with the HR & Administration Manager, which found that marital commitment was a stronger determinant of overtime than age was perceived to be.

6.6.3. Proposition 5 Conclusion:

There is a difference in perceptions between older and younger generations of workers in the company. However, this difference is too small to provide valid empirical grounds for accepting our proposition. The accumulated data revealed alternative characteristics to base groupings on in order to observe potential differences in overtime inclination. Specifically, these alternatives could be 'civil status' and 'financial obligations to family'. The expected

challenges of an ageing workforce raised by the Managing Director reflect the current situation of a rising dependency ratio, which was covered in Chapter 3.5. As the working population shrinks, the dependency ratio increases, thereby increasing both employers' need for workers and workers' demands of employers. Improved retention of workers is therefore likely to become increasingly crucial in the future.

The results from interviews and questionnaires converge in that the answers are unable to provide sufficient empirical grounds for accepting or rejecting the proposition. However, workers were found to average between 24 and 28 years of age, "around 25", and the oldest being 35 and the youngest being 18. We must also consider the fact that approximately 30% of workers quit in February, the differences in expectations between generations in terms of expected overtime hours, and that most of the workers who quit over Chinese New Year were older. These factors can be taken to indicate that the older generations have found the recent reductions of overtime to be unacceptable, which then led to them quitting. The current work force only consists of employees between 18 and 35 years old, with the majority between 24 and 28, as these are the only workers who accept the new ceiling of maximum 60 hours of overtime per month.

In conclusion, our findings correspond with Franceschini et al. (2016), in that younger workers want and accept fewer hours of overtime than older generations of migrant workers. Proposition 5 is therefore confirmed; There *is* a clear difference in overtime inclination between older and younger minimum wage migrant workers.

6.7. Inductive Findings and Discussion

We have deliberately posed a set of 'core questions' through which we aimed to impressions overtime willingness and culture among migrant workers in Chinas' Guangdong Province. In the interviews, these questions were directed near the end of the conversation after the participant had elaborated on his/her respective area of expertise in order to give time to reflect over the topic. The questions directly asked why excessive use of overtime occurs, and how each respondent would reduce overtime use if they were in charge of everything in the production facility (sample area).

The Quality Control Manager, when asked, explained how the central problem from the worker's perspective is that the basic minimum wage is too low. They strive to make a 'city average' and the basic salaries are too low for this. The excessive amounts of overtime are how the workers compensate for the low salary in order to achieve the desired level of income. However, as we are well aware of, it was retold how too many overtime hours are also perceived to be unsatisfactory, suggesting a tradeoff for the majority of minimum wage workers. When probed to list top three reasons the respondent stated:

“The pay is too low. That is the only reason. It is insane, actually! Even if you are a single person, you have to spend about 2500 RMB per month, so the basic salary is not enough to feed yourself.”

As all participants of the interview were aware of at this point, the minimum wage is around 1750 RMB making it more clear why workers with family obligations on average hope to acquire a sum above 4000 RMB each month. When the first interview respondent was asked about 'How you would reduce excessive overtime', the respective but reluctant rejoinder was that it was not possible to reply due to both uncertainty and because of a strong understanding for the challenge of balancing overtime reduction and worker retention.

The HR & Administration Manager hopes workers can get more overtime than they have today and that they receive one month of accumulated holiday throughout the year. The reason for this is both because the salary is too low, inclining best wishes for the workers to earn as much money as possible for their families. Secondly, because this reduction focus reduces their ability to compete for workers as other adjacent factories will offer more overtime regardless. The process of hiring is considered a great challenge. In relation to 'how you' would reduce overtime, the interviewee replied that retaining key persons and the more experienced workers is the general essence of it. There was as aforementioned, also an inclination towards increasing the salaries of the more efficient workers.

The Managing Director summarized the central reasons for excessive overtime is firstly due to the pressure of retaining workers. Secondly it is related to the fluctuating – although never flat – demand. The first reason is due to the local competition utilizing the migrant workers need to provide for their entire family in their home province. This need is derived from the fact that

the worker is required to provide for both their children and their retired parents (whom raise their children). This suggests the result of the one child policy and the aging population has, as aforementioned, indirectly affected excessive use of overtime. In relation to the efforts currently taken to reduce overtime in this setting, the Managing Director responded that the main initiative is focusing on productivity to solve this problem. This is related to previous results both from within the company and experience from other companies. The Managing Director and the Production Manager work closely in order to implement bonus initiatives, as the team-leaders in production already receive bonus incentives in their monthly salaries.

The Production Manager mainly elaborated on the reasons for a high number of overtime hours was due to the low average wages. When probed about alternative reasons, the respondent stated a need to introduce bonus incentives, monitor and control progress through team leaders, all in relation to productivity. A closer insurance of productivity is therefore the main suggestion. As the respondent was asked to list the top three reasons for overtime, the response was the relational pressure between contradicting worker demands and customer demands, the laws never really being followed, and the fact that workers increasingly demand higher payouts by various means.

The core questions from the questionnaires; Question 20 and 21, also had a summarizing purpose. These are core questions meant to triangulate the answers of other methods on what the best way to manage overtime is perceived to be. Their insight at the factory floor was thought to broaden the researcher's perspective on the issue. Question 20; "*What are the main reasons for overtime in your facility*" had multiple tick options, where the respondents could choose three. The possible answers and their popularity were as the following:

- Help the company/facility 2
- Earn additional income 5
- Finish quota 5
- Help their colleagues 0
- Nothing else to do 1
- Required/expected 4
- Like working 1

These responses give reason to believe that the dilemma of number of hours worked = high payout is one of the main reason for overtime. There is also a strong sense of wanting to finish

what is required of them. The next core question at the end of the questionnaire asked the team-leaders to elaborate on the following with their own words: “*What do you think would have the best results on reducing overtime*”. Respondents answers respectively:

- (1) “*Set the daily production task (quality), and get paid by piece wage. Then the workers will finish their production task as soon as possible.*”
- (2) “*Increase the base salary.*”
- (3) “*Piece wage. Better production planning. Hire more workers.*”
- (4) “*Improve the productivity. Increase the efficiency.*”
- (5) “*Improve the quality. Reduce rework.*”
- (6) “*Improve the quality. Reduce rework.*”

Although several of the respondents have given reason to question their understanding of piece wage (commission) and thereby also the validity of this survey, there are several that suggests that a ‘piece wage’ is the answer to reducing overtime. Reducing the quality and the productivity in order to avoid ‘rework’ implies that improved routines will reduce errors so more units will be produced within the given time limit. This also appears to be in accordance with Franceschini et al. (2016), as piece rate wages frequently confuse workers’ regardless of their age. This gives reason to believe that the misconception of prolonged working hours as the only way to ‘serve diligently’ remains prevalent today.

The focus of the workers, is with little doubt, on payout. As stated by the Managing Director; “[...] *to put as much money in their pockets at the end of every month,*”. There appears to be a general perception of the wage being too low, regardless of the relatively rapid wage increases through the last decade, as explained in Chapter 3.5. Simultaneously, there is little faith in increasing base wages as a solution. Increasing efficiency has recently been the main focus, resulting in gradual implementation of per-piece wages and incentives. Nevertheless, the worker’s perception of income remains strongly tied with number of hours worked. As a result, worker retention is in this case synonymous with disbursing overtime hours. This constitutes an emerging pressure on the production facility between retaining workers and operating within the demands of international customers. The central issue in this case lies in what was best summarized by the Managing Director saying:

“We are essentially stuck between the workers demanding more money and hours on one side, and the customers’ demands for following laws they do not understand are unrealistic on the other”.

This appears to be the reality for most international labor intensive manufacturers in the region. We have found that many international customers are determined to maintain legal standards wherever their supply chain may operate. This has created a supply chain transparency pressure which forces these customers to demand strict limits of overtime practices. Through our propositions we have concluded that the enforcement of labor laws is not primarily driven by government agencies or unions, laws are not perceived as realistic or efficient by labor intermediaries. With these assumptions, the following model is an extension and application of Chung’s model, presented in Chapter 4, while also being an illustration of our findings. The solid boxes indicate the main forces of overtime:

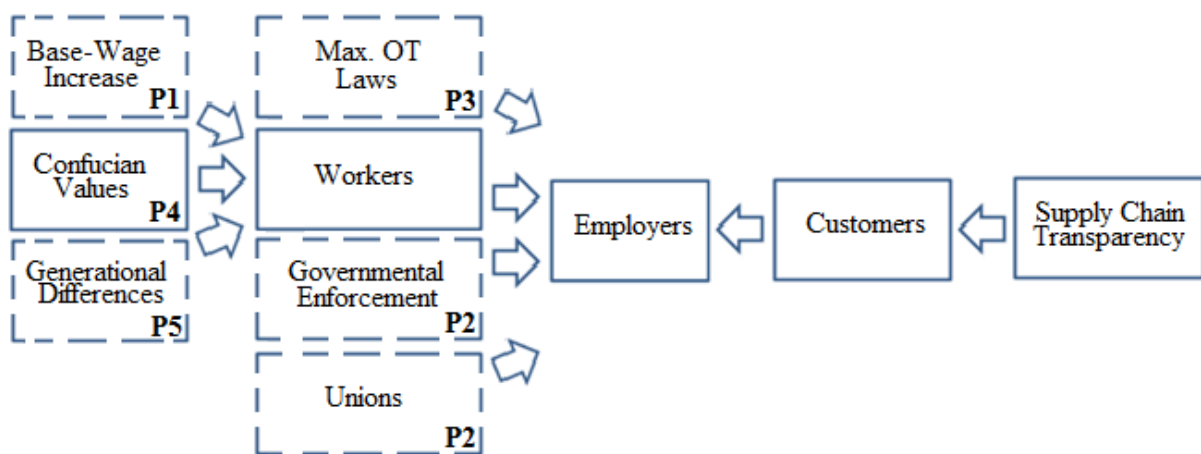


Figure 6.1

Larsen and Schulstad’s five (institutional) forces

There appears to be a clear perspective on the base wage being too low, which in part, is a reason for the pressure from workers in demanding more overtime. Piece wages appear to remain confusing for workers and may explain why the number of overtime hours is perceived to be closely tied to higher income. This culture for overtime is therefore one determining factor of overtime utilization as worker retention is strongly tied to delegated overtime hours. On the other hand, many international customers are determined to uphold legal standards regardless of where they operate. This dictates the primary challenge for labor intensive manufacturers today; balancing between worker retention and customer demands. Conclusively, we state that the main determinants of overtime are related to the contradicting demands of worker’s and customers.

7 Conclusion

There are multiple factors that affect current overtime culture among minimum wage migrant workers in Guangdong China. The theoretical frameworks of neoclassical labor economics and the New Institutional Economic approach of Williamson's frequency of change, have been used to analyze our findings. The topic of overtime determinates has been explored through quantitative observations, and qualitative surveys of our sample. Surveying has consisted of semi-structured interviews, and physically distributed questionnaires. The conclusions for each proposition is stated respectively. This was one labor intensive manufacturing facility in Guangdong owned by an international enterprise, with employing a fluctuating total of approximately 140 minimum wage workers.

The findings in Proposition 1 reflected those of Kim and Chung. The reductions within and between their sampling in 2009-2011 and ours of 2015-2016, indicate that increasing base wages result in altered overtime inclination. Nevertheless, Proposition 1 is not confirmable due to its inherent focus on the current situation. Our findings suggest that any future increased base wage would have insignificant effects on overtime inclination, as the current target of the minimum wage migrant workers was a monthly actual payment of approximately 4000 RMB. Increased base wages that result in the workers exceeding this level, could potentially result in a reduced overtime inclination. This is unless the 'goal' of 4000 RMB is a relative number, and that the minimum wage migrant workers actually want to be middle-income citizens.

The findings in Proposition 2 also reflect those of Sunwook Chung (2015). Compliance to Chinese labor law is primarily driven by neither labor unions, nor governmental agencies. Unions were found to be generally disinterested in pressuring compliance to existing labor laws regarding overtime limitations. Governmental agencies were found to be even more disinterested in ensuring compliance with overtime-constraining labor laws, as represented by them never having been on inspection. The lack of inspection confirms Gallagher's findings, that the revisions in 2007 and 2012 of the labor contract law have resulted in diverting funding and personnel away from departments that focus on limiting illegal overtime practices. International customers, who in turn are pressured by their increased Supply Chain Transparency, are the main drivers of compliance to overtime limiting labor laws.

The findings in Proposition 3 complement those of Proposition 2, in that specifically article 41 of Chapter IV in the Chinese labor law was perceived as unrealistic and ineffective. This was partly because of itself. Additionally, a multitude of international customers of manufactured goods in the area are unaware of this situation, which makes the production facilities prone to external pressure to reduce overtime beyond what is contextually possible.

The findings in Proposition 4 confirmed the presence of informal institutional determinants in the situation of excessive overtime. We can specifically confirm that the four Confucian orientations of overtime all were present and expected to affect the overtime decision among workers, as indicated by Kang et al. (2015).

The findings of Proposition 5 initially found no generational differences in overtime inclination between the older and younger workers at the company. However, this was found to be due to the reported majority of workers being under the age of 35. The older generations of workers had not been willing to accept the continued reduction of granted overtime, ultimately resulting in the loss of 30% of workers in February. These findings correspond with those of Franceschini et al. (2016).

The final, inductive exploration was based upon the ‘core questions’, and summarized our deductive propositions, as indicated by our developed model. We found that manufacturing enterprises in China are subjected to multiple opposing forces, primarily from minimum wage migrant workers on one side and customers on the other. The determinants of customers’ pressure to reduce overtime were found to be customers’ increased supply chain transparency. The determinants for minimum wage migrant workers’ opposing pressure were found to primarily be Confucian values, desire for increased actual payments, lacking enforcement of relevant laws, and increased bargaining power and collective voice.

To clarify findings in relation to our research questions, we conclude that current practices of increasing the base wage appear to have very limited impact on the minimum wage migrant workers’ overtime willingness. Furthermore, the main institutional determinants of overtime culture have been found to be an institutional void created by the absence of law enforcement, disregard for overtime limiting labor laws due to them being perceived as unrealistic, embedded Confucian cultural norms, and the workers’ own increased bargaining power.

Continued pressure from international companies' increased Supply Chain Transparency is the main opposing force. The future situation is uncertain, as the aging workforce will increase the need for workers, while Supply Chain Transparency only will increase in the future. We can speculate that the Chinese government will become more inclined towards lessening taxation while raising wages, in order to appease both sides.

7.1 Managerial Implications

The opportunity for management to understand the Confucian culture-base better, could discover cultural drivers of diligence by focusing on positive, rather than negative aspects of hard work. As familial obligation is an important factor of overtime work, taking pride in the work one does with prospects of improvement may yet be equally decisive. The newer generation of workers are likely to remain the bulk of the Chinese workforce for a long time as the future working age population will decline. Understanding this new generation of workers better and how their economic behavior differs from their predecessors will be essential for future labor management. Managing with key Confucian characteristics in mind can contribute to improving worker retention, productivity and further reduction of overtime. More specifically, we suggest the following managerial actions:

- The Chinese workers have a strong benevolence orientation with regards to their families. A strong familial obligation indicates that advantages given in this area may be a primary source of motivation. We therefore suggest to implement a family fund for supporting workers, or providing bonus-based incentives that refund transportation costs after workers have returned from holidays.
- Combining the tradition of starting 'anew' after the Chinese New Year and the prospect of self-cultivation, we suggest offering workers in the lowest skill category to swap places before workers go home for New Years. This will potentially introduce a refreshing start, and increase retention of workers by providing the option of developing new skills.
- Our findings show that there is general confusion regarding the benefits of piece wage. In order to reduce potential misunderstandings regarding piece wage, we suggest to make introduction of this wage system's mutual benefits an additional part of new workers' training program.

- The perspective and resources of customers can provide a valuable asset. We suggest to regularly arrange workshops where customers are offered participation. This will send a clear message of intentions, provide opportunities of directly addressing concerns and potentially improve communication, in addition to possibly resulting in new approaches to future challenges.

7.2. Limitations and Future Research

As expected from an enhanced single case study, there are limitations to the level of external validity. The scope is limited to one company, and the factors we measured are therefore highly impacted by the local context. We accounted for potential biases and limitations to the best of our ability. Still, there are limits to our research. The quantitative observations were limited to one year, so future research could benefit from extending the observed timeline. The language barrier limited the voice of workers, so for future researchers to be fluent in mandarin would be beneficial. The locational distance limited us, so communication was primarily via skype and e-mail for the majority of data collection. The largest limitation of our research, was the limited timeframe to collect and analyze data.

Lastly the strength of our research is strongly dependent on method triangulation within one specific case. This implies that minor errors are expected to yield incorrect results. Regardless of this and other aforementioned limitations, the research was achieved by thorough work and extensive project planning. The insight and understanding this research contributes with can be valuable to research on overtime practices, the labor market and managers in enterprises operation in the Guangdong Province. The academic contribution of our thesis is best concluded by repeating the quote of Williamson:

“The NIE has progressed not by advancing an overarching theory but by uncovering and explicating the micro-analytic features to which Arrow refers and by piling block upon block until the cumulative value cannot be denied.” (Williamson, 2000, p. 596)

We strongly suggest repeating our research in similar enterprises, thereby creating a larger quantitative sample that again could be analyzed and provide interesting insights into contemporary determinants of overtime. Furthermore, there appears to be little understanding

today of the emerging younger generation of Chinese minimum wage workers and their use of social media to express their collective voice. A reevaluation of embedded Confucian norms' impact on workers' motivations in China today may produce useful information for managers. Cultural diligence could transform the perceptions of efficiency and overtime.

Another interesting aspect is worker productivity and how this will evolve in comparison to automatization and outsourcing from China to neighboring countries. There are already several examples of manual workers being replaced by machines. In some cases, the worker works maintenance on the machine that replaced him (Lohne, 2017). How far the next industrial revolution has come will be an exceptionally interesting topic to explore further. The Managing Director stated when asked about automatization and outsourcing, that some companies are moving in this direction, despite it being a slow and incremental process.

Sources

Uncategorized References

- Alon, A., & Hageman, A. M. (2017). An institutional perspective on corruption in transition economies. *Corporate Governance: An International Review*.
- An. (2016, 2013.01.05). Xi reiterates adherence to socialism with Chinese Characteristics. *Xinhuanet*, p. 2. Retrieved from http://news.xinhuanet.com/english/china/2013-01/05/c_132082389.htm
- Beja, J.-P., Pils, E., Link, P., & Xia, L. (2015). National People's Congress (NPC). *Modern China*, 108.
- Berg, J., & Kucera, D. (2008). In defence of labour market institutions. *Cultivating Justice in*.
- Bhaskar, R. (2013). *A realist theory of science*: Routledge.
- Borjas, G. J., & Van Ours, J. C. (2000). *Labor economics* (Vol. 2): McGraw-Hill Boston, MA.
- Boyce, C., & Neale, P. (2006). Conducting in-depth interviews: A guide for designing and conducting in-depth interviews for evaluation input.
- Bryman, A., & Bell, E. (2015). *Business Research Methods*: Oxford University Press.
- Chan, K. W. (2010). The household registration system and migrant labor in China: notes on a debate. *Population and development review*, 36(2), 357-364.
- Chen, D., Deakin, S., Siems, M., & Wang, B. (2017). Law, trust and institutional change in China: evidence from qualitative fieldwork.
- Chen, G. M., & Chung, J. (1994). The impact of Confucianism on organizational communication. *Communication Quarterly*, 42(2), 93-105.
- Chen, L., Su, Z.-X., & Zeng, X. (2016). Path dependence and the evolution of HRM in China. *The International Journal of Human Resource Management*, 27(18), 2034-2057.
- Choukroune, L., & Froissart, C. (2013). Legal Reforms and Social Protest in a State with No Rule of Law: The Chinese Experiments. *Le Mouvement Social*(3), 47-65.
- Christiansen, F. (1992). " Market Transition" in China: The Case of the Jiangsu Labor Market, 1978-1990. *Modern China*, 18(1), 72-93.
- Chung, S. (2015). Explaining compliance: A multi-actor framework for understanding labour law compliance in China. *Human Relations*, 68(2), 237-260.
- CIA. (2017). The World Factbook, China. Retrieved from <https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>
- CLB. (2016). CLB Strike Map. Retrieved from <http://maps.clb.org.hk/strikes/en>
- <http://www.clb.org.hk/>
- CLB. (2017, 07.04.2017). *Labour disputes on the rise, authorities call on union to take greater role*. *China Labour Bulletin*. Retrieved from <http://www.clb.org.hk/content/labour-disputes-rise-authorities-call-union-take-greater-role>
- Cooke, F. L., Xie, Y., & Duan, H. (2016). Workers' grievances and resolution mechanisms in Chinese manufacturing firms: key characteristics and the influence of contextual factors. *The International Journal of Human Resource Management*, 27(18), 2119-2141.
- Curran, J., & Blackburn, R. (2000). *Researching the small enterprise*: Sage.
- Daniel Rottig, D. (2016). Institutions and emerging markets: effects and implications for multinational corporations. *International Journal of Emerging Markets*, 11(1), 2-17.
- Deakin, S., & Wilkinson, F. (2005). The law of the labour market: Industrialization, employment and legal evolution. *CLR News*, 53.
- Druckman, D. (2005). *Doing research: Methods of inquiry for conflict analysis*: Sage.

- Elahee, M. N., & Minor, M. S. (2015). *Culture, ethics and international negotiations: exploring the role of trust*. Paper presented at the Proceedings of the 1999 Academy of Marketing Science (AMS) Annual Conference.
- Elfstrom, M., & Kuruvilla, S. (2014). The changing nature of labor unrest in China. *ILR Review*, 67(2), 453-480.
- Falkinger, J. (2002). Skilled and unskilled labor. *A Theory of Employment in Firms*, 85-115.
- Fang, T. (2012). Yin Yang: A new perspective on culture. *Management and organization Review*, 8(1), 25-50.
- Farber, H. (2004). *Reference-dependent preferences and labor supply: The case of New York City taxi drivers*. Retrieved from
- Fine, C. (2013). Intelli-Sourcing to Replace Offshoring as Supply Chain Transparency Increases. *Journal of Supply Chain Management*, 49(2), 6-7.
- Fligstein, N., & Fernandez, R. M. (1988). Worker power, firm power, and the structure of labor markets. *The Sociological Quarterly*, 29(1), 5-28.
- Foley, D. K. (2000). Recent developments in the labor theory of value. *Review of Radical Political Economics*, 32(1), 1-39.
- Franceschini, I., Siu, K., & Chan, A. (2016). The "Rights Awakening" of Chinese Migrant Workers: Beyond the Generational Perspective. *Critical Asian Studies*, 48(3), 422-442.
- Froissart, C. (2011). "NGOs" Defending Migrant Workers' Rights: Semi-union organisations contribute to the regime's dynamic stability. *China Perspectives*(2), 18.
- Gallagher, M., Giles, J., Park, A., & Wang, M. (2015). China's 2008 Labor Contract Law: Implementation and implications for China's workers. *Human Relations*, 68(2), 197-235.
- Gindling, T. H. (1991). Labor market segmentation and the determination of wages in the public, private-formal, and informal sectors in San Jose, Costa Rica. *Economic Development and Cultural Change*, 39(3), 585-605.
- Goodrich, L. C. (2002). *A short history of the Chinese people*: Courier Corporation.
- Groenewegen, J., Spithoven, A., & Van den Berg, A. (2010). *Institutional economics: An introduction*: Palgrave Macmillan London.
- Grzymala-Busse, A. (2010). The best laid plans: the impact of informal rules on formal institutions in transitional regimes. *Studies in Comparative International Development*, 45(3), 311-333.
- Guo, B. (2010). *China's quest for political legitimacy: The new equity-enhancing politics*: Lexington Books.
- Hadden, J., & Seybert, L. A. (2016). What's in a Norm? Mapping the Norm Definition Process in the Debate on Sustainable Development. *Global Governance: A Review of Multilateralism and International Organizations*, 22(2), 249-268.
- Helmke, G., & Levitsky, S. (2004). Informal institutions and comparative politics: A research agenda. *Perspectives on politics*, 2(04), 725-740.
- Hoskisson, R. E., Eden, L., Lau, C. M., & Wright, M. (2000). Strategy in emerging economies. *Academy of management journal*, 43(3), 249-267.
- Hoskisson, R. E., Wright, M., Filatotchev, I., & Peng, M. W. (2013). Emerging multinationals from mid-range economies: The influence of institutions and factor markets. *Journal of Management Studies*, 50(7), 1295-1321.
- Huang, Y., Loungani, P., & Wang, G. (2014). Minimum wages and firm employment: Evidence from China.
- Johnson, R. D. (2017). *Rediscovering Social Economics: Beyond the Neoclassical Paradigm*: Springer.

- Kang, J. H., Matusik, J. G., & Barclay, L. A. (2015). Affective and Normative Motives to Work Overtime in Asian Organizations: Four Cultural Orientations from Confucian Ethics. *Journal of Business Ethics*, 1-16.
- Kaufmann, D., Kraay, A., & Mastruzzi, M. (2009). Governance matters VIII: aggregate and individual governance indicators, 1996-2008.
- Khanna, T., & Palepu, K. (1997). Why focused strategies may be wrong for emerging markets. *Harvard business review*, 75(4), 41-48.
- Khanna, T., & Palepu, K. (2013). *Winning in emerging markets: A road map for strategy and execution*: Harvard Business Press.
- Khanna, T., Palepu, K. G., & Sinha, J. (2005). Strategies that fit emerging markets. *Harvard business review*, 83(6), 4-19.
- Kim, S., & Chung, S. (2016). Explaining organizational responsiveness to emerging regulatory pressure: the case of illegal overtime in China. *The International Journal of Human Resource Management*, 27(18), 2097-2118.
- Kramer, R. M. (1999). Trust and distrust in organizations: Emerging perspectives, enduring questions. *Annual review of psychology*, 50(1), 569-598.
- Lemoine, F. (2000). *FDI and the opening up of China's economy*: CEPPII Paris.
- Li, H., Li, L., Wu, B., & Xiong, Y. (2012). The end of cheap Chinese labor. *The Journal of Economic Perspectives*, 26(4), 57-74.
- Li, S. (2009). *Managing international business in relation-based versus rule-based countries*: Business Expert Press.
- Liu, M. (2010). Union organizing in China: still a monolithic labor movement? *ILR Review*, 64(1), 30-52.
- Liu, S.-D., & Shi, W. (2017). Worker struggles and factory occupation in China during the current economic crisis. *Social Movement Studies*, 16(3), 355-360.
- Lohne, J. (2017, 25.04.2017). They have been decisive for China's growth. Now the flow of working chinese people is turning.
- . *Aftenposten*. Retrieved from <http://www.aftenposten.no/okonomi/De-har-vart-avgjorende-for-Kinas-vekst-Na-snur-strommen-av-arbeidsvillige-kinesere-619623b.html>
- London, T., & Hart, S. L. (2004). Reinventing strategies for emerging markets: beyond the transnational model. *Journal of international business studies*, 35(5), 350-370.
- Marjit, S., & Kar, S. (2005). Emigration and wage inequality. *Economics Letters*, 88(1), 141-145.
- Marquis, C., & Raynard, M. (2015). Institutional strategies in emerging markets. *Academy of Management Annals*, 9(1), 291-335.
- Martin, M. (2013). Creating Sustainable Apparel Value Chains. *Impact Economy*, 1-41.
- McCracken, G. (1988). *The long interview* (Vol. 13): Sage.
- McKnight, D. H., Cummings, L. L., & Chervany, N. L. (1998). Initial trust formation in new organizational relationships. *Academy of Management review*, 23(3), 473-490.
- Ménard, C., & Shirley, M. M. (2005). *Handbook of new institutional economics* (Vol. 9): Springer.
- Ménard, C., & Shirley, M. M. (2014). The future of new institutional economics: from early intuitions to a new paradigm? *Journal of Institutional Economics*, 10(04), 541-565.
- Meyer, J. W., & Rowan, B. (1977). Institutionalized organizations: Formal structure as myth and ceremony. *American journal of sociology*, 83(2), 340-363.
- Morgan, G., Campbell, J., Crouch, C., Pedersen, O. K., & Whitley, R. (2010). *The Oxford handbook of comparative institutional analysis*: OUP Oxford.

- Morse, J. M. (1991). Approaches to qualitative-quantitative methodological triangulation. *Nursing research*, 40(2), 120-123.
- MSCI. (2017). Market Classification. Retrieved from <https://www.msci.com/market-classification>
- Murrell, P. (2005). Institutions and firms in transition economies *Handbook of new institutional economics* (pp. 667-699): Springer.
- Muth, R. (1966). Jevons, WS The Theory of Political Economy. 1871. Reprint. Baltimore: Penguin. *Econometrica*, 34, 699-708.
- Myers, M. D. (2013). *Qualitative research in business and management*: Sage.
- North, D. C. (1990). *Institutions, institutional change and economic performance*: Cambridge university press.
- Parker, J. (2012, 21.04.2012). China's Achilles heel. *The Economist*. Retrieved from <http://www.economist.com/node/21553056>
- Périsse, M. (2017). Labor Law in China: How Does It Contribute to the Economic Security of the Workforce? A Commonsian Reading. *Journal of Economic Issues*, 51(1), 1-26.
- Powell, W. W., & DiMaggio, P. J. (2012). *The new institutionalism in organizational analysis*: University of Chicago Press.
- Pringle, T. (2016). Strikes and labour relations in China. *Workers of the World*, 1(8), 122-142.
- Reich, M., Gordon, D. M., & Edwards, R. C. (1973). A theory of labor market segmentation. *The American economic review*, 63(2), 359-365.
- Robson, C., & McCartan, K. (2016). *Real world research*: John Wiley & Sons.
- Rooij, B., Fryxell, G. E., Lo, C. W. H., & Wang, W. (2013). From support to pressure: The dynamics of social and governmental influences on environmental law enforcement in Guangzhou City, China. *Regulation & Governance*, 7(3), 321-347.
- Rose, K. (1994). Unstructured and semi-structured interviewing. *Nurse Researcher*, 1(3), 23-30.
- Rosenzweig, M. R., & Zhang, J. (2009). Do population control policies induce more human capital investment? Twins, birth weight and China's "one-child" policy. *The Review of Economic Studies*, 76(3), 1149-1174.
- Rottig, D. (2016). Institutions and emerging markets: effects and implications for multinational corporations. *International Journal of Emerging Markets*, 11(1), 2-17.
- Rutkowski, J. (2006). Labor market developments during economic transition.
- Saunders, M. N. (2012). *Research methods for business students, 5/e*: Pearson Education India.
- Scott, W. R. (2014). *Institutions and Organizations: Ideas, Interests and Identities*,. SAGE Publications(4).
- Sekaran, U., & Bougie, R. J. (2013). *Research methods for business: A skill building approach* (6th ed.): John Wiley & Sons.
- Shanahan, M. (1999). Australian labour market institutions through time: a perspective from the new institutional economics. *Australian Economic History Review*, 39(3), 213-238.
- Shun, K. I. S., Vincent. (2013). Confucian ethics in Retrospect and Philosophical Studies. *The International Encyclopedia of Ethics*.
- STATE COUNCIL. (2017). Labour Law of the People's Republic of China. Retrieved from http://english.gov.cn/archive/laws_regulations/2014/08/23/content_281474983042473.htm
- Supiot, A. (1999). The transformation of work and the future of labour law in Europe: A multidisciplinary perspective. *International Labour Review*, 138(1), 31-46.
- Svejnar, J. (1999). Labor markets in the transitional Central and East European economies. *Handbook of labor economics*, 3, 2809-2857.
- Tashakkori, A., & Teddlie, C. (1998). *Mixed methodology: Combining qualitative and quantitative approaches* (Vol. 46): Sage.

The World Bank. (2017). GDP Growth (annual %). Retrieved from <http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?end=2014&locations=CN&start=1961>

The World Bank. (2017). GDP per capita, PPP. Retrieved from <http://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD?locations=CN&view=chart>

Tolbert, P. S., & Zucker, L. G. (1983). Institutional sources of change in the formal structure of organizations: The diffusion of civil service reform, 1880-1935. *Administrative science quarterly*, 22-39.

Tong, C. K. (2014). Rethinking Chinese business networks: Trust and distrust in Chinese business *Chinese Business* (pp. 97-117): Springer.

Trading Economics. (2017). China GDP Annual Growth Rate. Retrieved from <https://tradingeconomics.com/china/gdp-growth-annual>

TradingEconomics. (2017). China Minimum Monthly Wages. Retrieved from <https://tradingeconomics.com/china/minimum-wages>

Wan, M. (2007). Human rights lawmaking in China: domestic politics, international law, and international politics. *Human Rights Quarterly*, 727-753.

Wang, G., and Cai. (2016). The End of China's One-Child Policy. *The Brookings Institution*.

Washington, R. A. (2012). The largest migration in history; China's industrialisation has been powered by the movement of millions. Retrieved from <http://www.economist.com/blogs/freeexchange/2012/02/china>

Whitson, P. A., Olson, J. S., & Matthews, K. S. (1986). Thermodynamic analysis of the lactose repressor-operator DNA interaction. *Biochemistry*, 25(13), 3852-3858.

Williamson, O. E. (2000). The new institutional economics: taking stock, looking ahead. *Journal of economic literature*, 38(3), 595-613.

Winther, P. (2017, 28.02.2017). Chinese wages are approaching the southern European countries. *Aftenposten*. Retrieved from <http://www.aftenposten.no/okonomi/Kinesiske-lonniger-narmer-seg-de-soreuropeiske-616107b.html>

Wouters, K., Maesschalck, J., Peeters, C. F., & Roosen, M. (2014). Methodological issues in the design of online surveys for measuring unethical work behavior: Recommendations on the basis of a split-ballot experiment. *Journal of Business Ethics*, 120(2), 275-289.

Xiaoxin, W. (2013). The power of social capital in school choice in a Chinese city. *Australian Journal of Education*, 57(1), 48-59.

Yanong, J. (2015, March 12th). The future of Factory Asia: A tightening gap. *The Economist*. Retrieved from <http://www.economist.com/news/briefing/21646180-rising-chinese-wages-will-only-strengthen-asias-hold-manufacturing-tightening-grip>

Yeats, R. S., & Prentice, C. S. (1996). Introduction to special section: Paleoseismology. *Journal of Geophysical Research: Solid Earth*, 101(B3), 5847-5853.

Yin, R. K. (2013). *Case study research: Design and methods*: Sage publications.

Yueh. (2010). *The Economy of China*. Cheltenham UK: Edward Elgar Publishing Limited.

Zhao, M., Park, S. H., & Zhou, N. (2014). MNC strategy and social adaptation in emerging markets. *Journal of international business studies*, 45(7), 842-861.

Zhu, Y. (2004). Workers, Unions and the State: Migrant Workers in China's Labour-intensive Foreign Enterprises. *Development and change*, 35(5), 1011-1036.

Zikmund, W. G., Babin, B. J., Carr, J. C., & Griffin, M. (2010). *Business research methods* (eighth ed.): Cengage Learning.

Zikmund, W. G., Babin, B. J., Carr, J. C., & Griffin, M. (2013). *Business research methods*: Cengage Learning.

8 Appendixes:

Appendix 1: Questionnaire Questions and Responses

1. *“How many of your workers live with their families in Guangdong?”*

Respondents answers respectively:

- (1) 5% live with families, 5% live with partner
 - (2) 5% live with families in Foshan, 40% live with partner
 - (3) 10% live with their families, 90% are workers...
 - (4) 10% live with wife and kids, 25% with partner, 65% single migrant worker
 - (5) 15% live with family, 45% with partner
 - (6) 15% live with family, 35% with partner, 50% single migrant worker
-

2. *“How old are the workers you manage on average?”*

Respondents answers respectively:

- (1) 24 - 28
 - (2) 24 - 28
 - (3) 24 - 28
 - (4) 24 - 28
 - (5) 24 - 28
 - (6) 24 - 28
-

3. *“What are you and your workers most satisfied with about Noratel, as compared to other organizations?”*

Respondents answers respectively:

- (1) Work environment is good. Work schedule is reasonable.
- (2) Noratel provides high-temperature subsidy. The workshop environment is good. Noratel provides meal allowance.
- (3) Have 5 day paid holiday each year. Work environment is good. Noratel provides High-temperature subsidy in summer.
- (4) Comparing with other companies the work is easy. Noratel provides high-temperature subsidy in summer and there are 10-minute break time every 2 hours of work. Have canteen.
- (5) Noratel provides High-temperature subsidy in summer. Have canteen. There is 10-minute break after 2-hour work
- (6) There are 10-minute break after working 2 hours. Have canteen, there is vending machine in workshop. Noratel provides high-temperature subsidy in summer.

4. *“What tasks are the most difficult for your workers? Where can they improve the most?”*

Respondents answers respectively:

- (1) It's too hot working in workshop in the summer. The company should take effort to reduce the temperature in workshop.
 - (2) The most difficult for workers is to work in the oven room due to high temperature and bad smell. The improve action is to change the operators who is working in oven room each month.
 - (3) The difficult task is to rework. It's too hot in workshop in the summer.
 - (4) When machine broke, not work. It's too hot in workshop in the summer.
 - (5) The most difficult task is to rework.
 - (6) -
-

5. *“Is there a difference in attitude towards working overtime between the younger and the older workers? If so, what?”*

Respondents answers respectively:

- (1) All workers have good attitude towards working overtime
 - (2) Both younger and older workers have good attitude towards working overtime
 - (3) Yes, some younger worker who haven't been married don't want to work overtime sometimes. But for older workers, because they have married and have financial pressure, work more overtime.
 - (4) No comment on it. All workers have good attitude towards working overtime.
 - (5) No comment on it.
 - (6) No.
-

6. *“How many hours of overtime do the workers want to work per month?”*

Respondents answers respectively:

- (1) 80 – 90 h
 - (2) 60 – 80 h
 - (3) 80 – 100 h
 - (4) 70 – 80 h
 - (5) 60 – 80 h
 - (6) 60 – 80 h
-

7. *“How many hours of overtime per month do you want?”*

Respondents answers respectively:

- (1) 70 – 80 h
 - (2) 76 h
 - (3) 80 – 100 h
 - (4) 70 – 80 h
 - (5) 60 – 80 h
 - (6) 60 – 80 h
-

8. “At what wage (monthly salary) do you think workers will not want to work overtime?”

Respondents answers respectively:

- (1) ca. 5000 RMB
 - (2) 4800 RMB
 - (3) ca. 5000 RMB
 - (4) above 3800 RMB
 - (5) 4000 – 5000 RMB
 - (6) above 4000 RMB
-

9. “What do the workers think about getting payed by amount of output (commission) instead of regular fixed daily wage rate?” (**ALTERNATIVES: select the 3 most important**)

Respondents answers respectively:

- (1) Workers want to be paid by amount of output, workers want fixed daily wage (do not understand)
 - (2) Workers want to be paid by amount of output, I do not know, I do not understand benefit of output.
 - (3) Workers want to be paid by amount of output, workers want fixed daily wage (do not understand, I do not understand benefit of output.
 - (4) Workers want to be paid by fixed daily wage, workers want fixed daily wage (do not understand), I do not understand benefit of output.
 - (5) (crossed 4 answers = error)
 - (6) Workers want to be paid by fixed daily wage, workers want fixed daily wage (do not understand),
-

10. “What do you think about the labor laws for overtime, is a maximum of 36 hours per month realistic in your situation?”

Respondents answers respectively:

- (1) Max 36h per month is not realistic. We cannot meet the production/delivery schedule.
 - (2) It’s not realistic.
 - (3) No, max 36h is not realistic, because in that case you will earn less wage.
 - (4) It’s not realistic.
 - (5) Max 36h is not realistic.
 - (6) It’s not realistic
-

11. *“Is it easy to voice complaints? How do you do this?”*

Respondents answers respectively:

- (1) Yes, it’s easy. We talk our problem/complaint to our supervisor
 - (2) Not compliant.
 - (3) Yes, we can raise our concerns to supervisors/manager.
 - (4) Not compliant.
 - (5) Not compliant.
 - (6) Not compliant.
-

12. *“Is it easy for your workers to voice their complaints?”*

Respondents answers respectively:

- (1) Yes
 - (2) Yes
 - (3) Yes
 - (4) Yes
 - (5) Yes
 - (6) Yes
-

13. *“Are your workers part of a u union? Do you believe in worker-unions?”*

Respondents answers respectively:

- (1) No.
 - (2) Yes, I’m a part of a labor union and I believe in it.
 - (3) I’m not a part of labor union, but I believe in worker union.
 - (4) I’m not a part of labor union, but I believe.
 - (5) I’m not a part of labor union, but I believe.
 - (6) I’m not a part of labor union, but I believe.
-

14. *“Will more training and skill-building make workers want to stay at Noratel longer? Why, why not?”*

Respondents answers respectively:

- (1) Yes, you can get more bonus if you have more skill.
- (2) Yes, because the wage will be increased if you have more skill.
- (3) Yes. If you are skillful the Non-conformities rate will be reduced, then you can get more bonus.
- (4) (NO TRANSLATION!) Assuming: Yes, because you will be better paid if you can do more tasks and do them faster. =)
- (5) -

- (6) Yes. Because every company's production process is different and the skill required is also different. If you are skillful worker in Noratel then you can earn more money and can train other new workers. But if you go to a new company then you have to start with "zero".
-

15. "Will workers be interested in working faster if they receive bonus for amount of output?"

Respondents answers respectively:

- (1) Yes
 - (2) Yes
 - (3) Yes
 - (4) Yes
 - (5) Yes
 - (6) Yes
-

16. "What are the main reasons workers quit at Noratel?" (**ALTERNATIVES: select the 3 most important**)

Respondents answers respectively:

- (1) Workers finds job that pay a higher base wage, Workers are not satisfied with benefits from Noratel, Workers want a less tiring job.
 - (2) Workers demand more overtime, Workers move away from Foshan, Workers are not satisfied with benefits from Noratel.
 - (3) Workers demand more overtime, Workers finds job that pay a higher base wage, Other
 - (4) Workers move away from Foshan, Workers want a less tiring job, Other
 - (5) Workers demand more overtime, Workers finds job that pay a higher base wage, Workers are not satisfied with benefits from Noratel.
 - (6) Workers move away from Foshan, Workers finds job that pay a higher base wage, Workers are not satisfied with benefits from Noratel
-

17. "Why do you think so many workers quit after New Year?"

Respondents answers respectively:

- (1) After Chinese New Year, other company also have big demand of hiring new workers. So workers can find a new job easily.
- (2) The wage is not good. There is few of girl in workshop. To develop themselves.
- (3) Because there are many companies that will hire many workers after Chinese New Year, and some workers want to find a better job with better working environment and better salary.
- (4) Some workers come back to hometown to find job or new opportunity.
- (5) They are not satisfied with the benefit provided by Noratel. Some of them come back to their home town to find job/opportunity.

- (6) Some workers are not satisfied with the benefits provided by Noratel. Some workers want to come back to their hometown to find jobs and other opportunity. There aren't many young girls in workshop. It's not easy to find a girlfriend in Noratel.
-

18. *“How many of your workers are migrant workers?”*

Respondents answers respectively:

- (1) 61% - 80%
 - (2) 0% - 20%
 - (3) 81% - 100%
 - (4) 81% - 100%
 - (5) 81% - 100%
 - (6) 81% - 100%
-

19. *“How many of your workers are providing for their family”*

Respondents answers respectively:

- (1) 81% - 100%
 - (2) 0% - 20%
 - (3) 61% - 80%
 - (4) 81% - 100%
 - (5) 81% - 100%
 - (6) 81% - 100%
-

20. *“What are the main reasons for overtime in Noratel”*

Respondents answers respectively:

- (1) Earn additional income, Finish quota, Required/expected
 - (2) Earn additional income, Nothing else to do, Like working
 - (3) Earn additional income, Finish quota, Required/expected
 - (4) Earn additional income, Help Noratel, Finish quota
 - (5) Earn additional income, Finish quota, Required/expected
 - (6) Help Noratel, Finish quota, Required/expected
-

21. *“What do you think would have the best results on reducing overtime”*

Respondents answers respectively:

- (1) Set the daily production task (quality), and get paid by piece wage. Then the workers will finish their production task as soon as possible.
- (2) Increase the base salary.
- (3) Piece wage. Better production planning. Hire more workers.

- (4) Improve the productivity. Increase the efficiency.
 - (5) Improve the quality. Reduce rework.
 - (6) Improve the quality. Reduce rework.
-

22. *“Do you have any other concerns or suggestions we have not asked about?”*

Respondents answers respectively:

- (1) No.
 - (2) My suggestion is to increase salary
 - (3) No.
 - (4) No.
 - (5) No.
 - (6) No.
-

Appendix 2: Pilot Questionnaire

Results from the questioneer:

1. **Where do your workers have the most problems? What tasks are most difficult?**
 - 1.1. "55"
 - 1.2. " "
 - 1.3. "the workers aren't strict with themselves. The workers easily make mistakes due to carelessness, therefore the nonconformity-ratio is increased."
 - 1.4. "the workers don't take the initiative to properly do the job"
 - 1.5. "workers' attitude is the problem, I have most difficulties with improving efficiency"
 - 1.6. " "

2. **What can be done to improve efficiency and output at your station?**
 - 2.1.
 - 2.1.1. "55"
 - 2.1.2. "The raw material should arrive on time"
 - 2.1.3. "Incoming raw materials' quality should be ok"
 - 2.2. "Each worker should strictly follow the work-instructions, and not make mistakes. Thus, the efficiency can be increased"
 - 2.3. "Give the workers more training to improve their skills"
 - 2.4. "Refer to the production-planning. Finish the production ahead of the schedule. Keep strict control for each process"
 - 2.5. "Have the right attitude. Give reasonable salary. Motivate the workers"
 - 2.6. "Each worker should strictly follow the instructions and work-specifications"

3. How satisfied are your workers with their work? (circle where you believe they are)

3.1. Circled 3/7

3.3. Circled 4/7

4. Are there any procedures or processes in your area that you have issues with? If so, which and why?

4.1.

4.1.1. Nonconformity rate of impregnation-process is too high

4.1.2. It takes a long time to re-get new raw materials if nonconformity-materials are found, or if they happen in the impregnation-process

4.2. " "

4.3. "No"

4.4. "I am responsible for the last processes, so it's easy to find quality-problems during the final inspection. The biggest problem for me is the workers who handle the previous processes. Specifically, their lacking (sense of) responsibility for mistakes. Especially for the lamination-process"

4.5. "The whole production is not coordinated well"

4.6. "Yes. Such as for Siemens Hong Kong's transformers. Sometimes there is not enough testing-equipment for the burn-in testing"

5. **Do you have any specific suggestions for the management, or something you want them to know?**

- 5.1. "Credibility is a very important element for the factory to produce high-quality products"
- 5.2. "The leaders stand behind me for a long time, and not with a smiling face. It can make me feel uncomfortable and very pressured. The daily task (planned quantity) has to be achieved. They don't consider workers' feelings"
- 5.3. "Get a good reward-system to motivate the workers"
- 5.4. "When the management/leaders handle a problem, they should focus on the issue, not on the person"
- 5.5. "The workers' performance should be considered into the salary-system"
- 5.6. "No"

6. **Are you satisfied with the amount of responsibility you have currently? If not, why not?**

- 6.1. "No, because I didn't meet my expectations. Some quality problem happened"
- 6.2. "No. The daily production-task(requirements/goals) continue to increase"
- 6.3. "No. There isn't good communication with the other departments"
- 6.4. "yes. It's OK for me"
- 6.5. "No. The management is not good"
- 6.6. Yes. It's OK"

7. **Additional notes:**

7.1. "One person cannot solve all the problems. We need to trust each other and work together as a team"

7.2.

7.2.1. "Social insurance fee should increase. There is a low salary. There is big work-pressure"

7.2.2. "The factory closes too close to the Chinese New Year holiday. The annual bonus is not good"

7.3. ""

7.4. ""

7.5. ""

7.6. "The salary is too low. There are too few vacation-days for the annual holiday. The social insurance fee should be increased. The annual bonus isn't good"

Appendix 3: Relevant Labor Laws

Chapter I:	General Provisions
Article 7:	Laborers shall have the right to participate in and organize trade unions in accordance with the law. Trade unions shall represent and safeguard the legitimate rights and interests of laborers, and independently conduct their activities in accordance with the law.
Chapter IV:	Working Hours, Rest and Vacations
Article 36:	The State shall practise a working hour system under which laborers shall work for no more than eight hours a day and no more than 44 hours a week on the average.
Article 37	In case of laborers working on the basis of piecework, the employing unit shall rationally fix quotas of work and standards on piecework remuneration in accordance with the working hour system stipulated in Article 36 of this Law.
Article 38:	The employing unit shall guarantee that its staff and workers have at least one day off in a week.
Article 39:	Where an enterprise can not follow the stipulations in Article 36 and Article 38 of this Law due to its special production nature, it may adopt other rules on working hours and rest with the approval of the labor administrative department.
Article 41:	The employing unit may extend working hours due to the requirements of its production or business after consultation with the trade union and laborers, but the extended working hour for a day shall generally not exceed one hour; if such extension is called for due to special reasons, the extended hours shall not exceed three hours a day under the condition that the health of laborers is guaranteed. However, the total extension in a month shall not exceed thirty six hours.
Article 44:	The employing unit shall, according to the following standards, pay laborers remunerations higher than those for normal working hours under any of the following circumstances: (1) to pay no less than 150 per cent of the normal wages if the extension of working hours is arranged; (2) to pay no less than 200 per cent of the normal wages if the extended hours are arranged on days of rest and no deferred rest can be taken; (3) to pay no less than 300 per cent of the normal wages if the extended hours are arranged on statutory holidays.
Chapter V:	Wages
Article 46:	The distribution of wages shall follow the principle of distribution according to work and equal pay for equal work. The level of wages shall be gradually raised on the basis of economic development. The State shall exercise macro-regulations and control over the total payroll.
Article 49:	The determination and readjustment of the standards on minimum wages shall be made with reference to the following factors in a comprehensive manner: (1) the lowest living expenses of laborers themselves and the average family members they support; (2) the average wage level of the society as a whole; (3) labor productivity; (4) the situation of employment; and (5) the different levels of economic development between regions.

Appendix 4: Formalized Clarification Letter

Dear [REDACTED],

I will, in collaboration with a fellow student, Harald Schulstad, write a Master Thesis of Science in Economics on the topic of: Managing migrant worker overtime in China, basing the topic on [REDACTED] as a labor-intensive production facility. The past month has gone by to clarify our topic of study, as well as to research and review available literature in order to give our thesis a solid theoretical foundation.

Our focus:

- Factors that affect overtime willingness/stubbornness, both specifically in [REDACTED] and generally in China.
- Which challenges and successes you have experienced in relation to minimizing overtime and labor intensive costs.
- Past, current and future trends in the Chinese labor market.
- Potential strategies for reducing overtime whilst retaining workers, and improving their efficiency.

Required Data:

- Four explorative, semi-structured interviews over Skype (Duration: approximately 60-90 minutes)
- A questionnaire, which will be in the form of a hand-out to the team leaders (Duration: approximately 10 minutes)

Interviewers:

- Ole Jørgen Larsen
- Harald Schulstad

Interviewees:

- Managing Director: [REDACTED]
- HR & Administration Manager: [REDACTED]
- Quality Control Manager: [REDACTED]
- Production Manager: [REDACTED]

We hope to collect this data within the month of March. A schedule will be sent with proposed interview dates, and an additional reminder will be sent one day prior to each interview. You can expect our proposed dates for interviews and surveys to arrive in the coming week.

Thank you for your interest and help with our research, which we sincerely believe will be both interesting and mutually beneficial.

Kind Regards,

Ole Jørgen Larsen
& Harald Schulstad

Appendix 5: Interview Agenda

Rose's "prepping of interviewees prior to conducting the actual interview":

- The purpose of the interview
- A clarification of the topics to be discussed
- The format of the interview
- The approximate length of the interview
- The flexibility of the researchers in the scheduling of the interview

Rose's suggested considerations to revisit in the beginning of each interview:

- An assurance of confidentiality
- A wish, intention, and reasoning behind, recording the interview, in addition to who would be listening to it and when it would be deleted
- That the interviewees can decline to answer any question
- That the interviewees can ask questions at any point
- That the interviewees can stop the interview at any point
- Who the researchers are, and their interest in the topic

Conducting the interview

Total list of categories covered. Certain topics were only directed at the specific manager with that expertise.

- **Introductory questions and general information** – Initiate the conversation and establish a comfortable dialogue. Ask questions such as, 'how long have you worked in your current position?', 'where did you work/live before?', 'describe your managerial tasks', etc.

Proposition 1:

- **Wage Level:** Specifically, what wage level required to incline less overtime

Proposition 2:

- **Enforcement of Laws**
- *Unions*
- *Contracts*

Proposition 3:

- *Labor Laws, Overtime Limits*
- *Competitors, Local Companies*
- *Customers*
- *Work Schedule*

Proposition 4:

- *Skill building/ New Skills*
- *Guanxi*
- *Voicing Complaints*
- *Overtime Culture*
- *Team and Trust*

Proposition 5:

- *Ages of current workers*
- *Hukou System*

Additional explorations:

- *Migrant Workers*
- *Hiring Process*
- *Worker Retention*
- *Challenges/Successes*
- *Current Focus*
- *Future Perspective*

Core Questions: Conclusive questions, after having reflected upon selected categories. Ask all interviewees these questions, note differences in replies:

1. In your experience, **WHY** does excessive use of overtime occur at Noratel?
2. **HOW** would you reduce the use of excessive overtime at Noratel?

Appendix 6: Reflective Note

The main topic of our thesis has been the institutional determinants of overtime culture in a specifically relevant area for foreign enterprises in China's 'Pearl River Delta'. We have chosen this topic after gaining invaluable insight from participating in the internship program located in emerging markets in different Asian countries. Through these experiences I acquired a broader perspective of how the world works. In the first phase of thesis we had to decide on topic, which in our case proved to be difficult as both researchers had relevant experience to write a possible thesis from. Our first idea consisted of combining these experiences from Guangdong, China and Jakarta, Indonesia into a comparative study. Unfortunately, after much consideration, as the topics and access to data was widely different from each of these respective areas, we decided to narrow our focus on one of the two.

We decided to focus on the situation of the Chinese migrant workers as it is their efforts that consequently enables so many world citizens to consume and benefit from manufactured goods. This peculiar group of workers is responsible for the largest internal migrations in human history, and their situation is rapidly changing. As the scope of the study had narrowed significantly from a comparative- to a single case study, we realized that analyzing one company would require extensive safeguarding of the validity. As such we decided to go for a mixed-method approach, using method triangulation. The observations obtained from the wage data gave us, beside the measurable numbers and graphs, an incredible insight into the perspectives and limitations of these workers. The survey methods; interviews and questionnaires, were conducted successfully, and were challenging to organize and arrange. The language barrier was an even bigger challenge that was dealt with accordingly. These experiences have been personally valuable and exceptionally relevant for the education we are about to finish.

Our findings show that their perception of a low base wage incline them to focus on putting in more hours to reach a satisfactory payout at the end of the month. Furthermore, the general perception absent labor law enforcement and unrealistic limits, lax both the normative and actual constraints even further. We found how the Confucian cultural norms were likely to influence a big part of the workers' overtime decision-making processes. Lastly the generational differences were limited in our sample, however was perceived as an indicator of

the higher tolerance for overtime limitations by the younger generation of workers. Probably the most fascinating finding was through the inductive approach. The main challenge for the employers of workers in labor intensive production, was to balance between worker retention and contextually stark customer demands.

Internationalization

This thesis focuses on the aspects of managing overtime in China, from an international perspective. Chinas' SEZ's constitute grand opportunities for foreign direct investments and other international involvement in business. The customers considered in this study and the issues related to them are arguably due to how international norms conflict with Chinese norms and practice. It will be interesting to see how China will tackle its future challenges, whether or not it will become path dependent or escape 'the middle income trap'. Further focus on understanding the process of internationalization is essential for future business practice as all business will inevitably be affected by internationalization in one way or another.

Innovation

In relation to our study and findings, I became fascinated with the potential behind the diligence and self-cultivation traits emerged with the Confucian righteousness orientation. Innovation for new managerial ways to benefit from better understanding the workers' motivations and cognitive abilities are an untapped areas of potential. One may wonder how this society may have the potential to develop with the same diligence and determination seen by the Japanese and South Koreans. Another imperative aspect to concenter in today's day and age is the relentless approach of automatization to the labor intensive industry. The next industrial revolution is said to achieve 3D printing with multiple materials. This would essentially mean that production manufacturing would be moved closer to where the product is designed. If this happens, many companies and entire industries are likely to 'in-source' (i.e. move product manufacturing back to their respective countries). This would potentially erase all use for low skilled labor in the distant future. Some of this is already occurring today, as aforementioned, some workers have become the mechanic of the machine that replaced him/her. As also mentioned in the interview with the Managing Director, the prospect of automatization is likely to be a slow process, replacing the most necessary areas first. Nevertheless, this unavoidable trend is already affecting the industry today.

Responsibility

In accordance with the entrée of the 'era of automatization', there is also a massive responsibility tied to this global scale transition. Economies all over the world would crumble today if the all the technology we have today would be implemented to replace humans in the work place, for the purpose of increased efficiency and value-seeking. Everyone would lose in the end. It is therefore necessary to be aware of how to act responsibly in order not to disrupt society over short-term profit, and understand why governments place constraints.

On a separate note regarding internationalization and responsibility is respecting and understanding how business is conducted elsewhere. The focus of international actors to increase their Supply Chain Transparency appeared to result in an institutional misfit between Chinese labor practice and Western crystallized 'moral' norms. To clarify: it cannot be taken as a given that the practice of labor and business in Europe and America is universal. Many cultures have a completely different perspective on how they manage workers that may not be considered unethical from their point of view. The Chinese labor laws were predominantly based on Western legislation which has arguably resulted in these laws not taken seriously. From a reflective standpoint it may have been better for China to have time to develop its own codes of conduct into laws and regulations that benefit their civilization to a much higher degree than the imposed Western norms ever could.

Harald Schulstad
31.05.2017

Appendix 7: Reflective Note

The main topic of our dissertation has been *institutional determinants of overtime culture for minimum wage migrant workers in Guangdong*. The dissertation has been separated into one deductive section, specified by five separate propositions, followed by a short inductive section that consisted of core questions and an extension of Sunwook Chung's pluralistic approach.

The decision to research a topic from the perspective of New Institutional Economics was made over a year ago, after having completed a course in 'Emerging Markets'. As we both have specialized in international management and strategy, our interests revolved then, and now, around exactly these fields; strategy, management, and international business. However, neither of us had studied abroad and truly experienced the challenges, opportunities and environments. Through the university's internship program, we were both fortunate enough to gain valuable insight into how participating in a work environment in an emerging country was. It was through the internship program that I became aware of the numerous complex challenges that foreign enterprises operating in China are faced with. The challenges of reducing overtime towards legal limits while retaining workers stuck out as I was able to personally interact with both managers and workers. China's development has been fueled by labor-intensive manufacturing while being controlled by a centralized government. China's transition is completely different from the transitions observed in the Former Soviet Union (FSU) due to the incremental and pragmatic approach to transition.

In terms of broader international trends, our thesis grants insight into an aspect of the challenging environment that international enterprises currently operating in China are facing. That is, specifically, the opposing forces from the local and external environment. On the local side, the main force is that of the workers themselves, who demand an actual payout that far exceeds the formally stipulated minimum wage by the government, so the difference between basic minimum wages and their demanded actual payout is almost completely dependent upon being able to work an average monthly overtime that more than doubles the legally stipulated maximum allowed overtime. Thus, employers in labor-intensive industries are forced to break laws to be able to operate. Laws that neither the proper enforcement agencies nor the workers themselves see as relevant. 'Excessive overtime' is technically synonymous with 'illegal overtime'. This has resulted in international customers demanding said employers to at the very

least present documentation of significant efforts in moving towards legal compliance. International customers are increasingly responsible and accountable for their product chains, because of increased Supply Chain Transparency.

By utilizing a mixed-method approach where we include objective observations, interviews of managers and questionnaires of team leaders, we addressed the topic from an approach that not often is utilized. To be able to grant voice to both sides while also processing neutral data, we are able to provide a less biased presentation of their reality. The process has, however, been incredibly time-consuming. The categorization of neutral data was most challenging, due to the sheer amount of observations. In the end, we processed roughly 24,000 working days. Our most interesting findings were discovered from our interviews, addressed in the questionnaires, and can be found in Chapter 6. Suffice it to say, the continued reduction of overtime without clearly balancing of alternative routes for workers to achieve their minimum requirements of actual payments is risky.

In discussing whether there are voids in the public sector that is insufficiently covered by current services or practices, which this section requires, I refer to the entire dissertation. Institutional voids have arisen from the introduction of Western based labor laws that rarely are enforced.

When addressing responsibility, the situation has been found to be significantly challenging for employers in China. Responsibilities to shareholders and stockholders are variably opposing. My personal perception on the matter of 'responsibility' in the context of this thesis, is that 'responsible conduct' in one environment is irresponsible in another. Exercising flexibility and objective interest is essential for increasing one's own level of understanding, and our individual level of understanding is something we are responsible for ourselves.

Ole Jørgen Larsen

31.05.2017