



International  
Labour  
Organization

## GOVERNING LABOUR STANDARDS IN THE CHINESE ELECTRONICS MANUFACTURING INDUSTRY

### Labour Market Institutions and Governance of Global Production Chains

The transition from a planned economy to a market economy has brought unprecedented success in the form of rapid industrialization and poverty reduction in China. But it has also brought the enormous challenges of restructuring China's labour markets, developing new legal norms governing new market-based employment relations and building new labour relations institutions. In the 1990s, there was a regulatory and institutional vacuum while the old system was being restructured and new standards had yet to be drafted. This led to widespread problems such as sweatshop working conditions, weak law enforcement and a rising number of disputes.

In the late 1990s and early 2000s various Corporate Social Responsibility (CSR) campaigns emerged to fill the gap created by this lack of relevant 'hard laws', but this situation has recently been changing. At present there is a marked trend towards more 'traditional' hard law and industrial relations approaches, bringing profound changes in labour market conditions and governance in its wake. These changes have the potential to cause vertical and horizontal chain reactions throughout the global production chain. A better understanding of these consequences is essential to improve the chain and facilitate equitable growth and development.

#### FACTS AND FIGURES

**Partners:**  
Neuchatel University,  
Rutgers University;  
Sun Yat-sen University;  
Swiss Network for International  
Studies

**Beneficiary country:**  
China

**Timeframe:**  
June 2011 –  
September 2012

**Budget:**  
USD 34,000

#### THE RESPONSE

Under a joint framework, a research team mapped the actors and identified means to tackle emerging social problems surrounding labour standards in China. Focus was placed on the electronics industry. The central research question was: "How do public and private players active in the definition and resolution of this problem cooperate and/or compete, and what effects does this have on labour standards in this sector?"

The ILO research component focused on the roles of labour market institutions – particularly government regulations, evolving practices of industrial relations, and social partners – in influencing the application of labour standards in the electronics industry in Southern China (approximately 9,000,000 workers nationwide). At the same time, the Neuchatel University research team examined the inner workings of non-official actors such as NGOs and CSR campaign groups in their efforts to improve labour standards in the electronics sector. These two components complemented each other and gave a unique 360° perspective on the various actors shaping labour standards and their implementation. The collaboration:

- Mapped the network of actors involved in the governance arena concerning the research topic through 50 interviews with Chinese government officials, CSR officers within firms, and CSR specialists at corporate-funded and civil society NGOs;
- Analysed three particular and relevant governance tools by means of in-depth interviews and participant observation: the Electronic Industry Citizenship Coalition (EICC) Code of Conduct; hotlines established by firms and NGOs to provide mechanisms for worker voice; and community service centres for workers;
- Conducted a comprehensive survey of electronics workers in Southern China, highlighting the workers' changing perceptions of the impact of various tools and actors on a broad range of labour standards at the workplace (based on a representative survey of 900 respondents);
- Carried out a case study of new labour relations practices at Japanese multinational electronics enterprises in Guangdong province, highlighting the growing importance



*“The factory baseline is that these people are going to sleep at midnight and getting up again to work at 6 – they have no time to make friends or to do anything other than work. But if you want to run a good factory, friendship matters”*

Director of an Asian-based CSR consulting



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of nascent practices of collective bargaining at the workplace level on wage formation and other working conditions. The case study also reviewed changing relations between management, unions and workers at the workplace;

- Prepared a paper highlighting the key characteristics of human resource management and the nature of labour relations at the largest private sector employer in China.

## **RESULTS**

Through qualitative and quantitative research, this partnership shed meaningful light on the changing landscape of labour market institutions and actors in the Chinese segments of electronics global production chains.

It revealed an evolving relationship between various stakeholders (the state, unions, employers, workers, and NGOs), while also capturing the changing roles of different instruments influencing the actual application of labour standards.

The research findings strongly indicate that the current approach to CSR (“soft law” approach) has reached the limits of its influence. Labour regulations and labour relations processes, spurred by the workers’ collective actions, play an increasingly important role in the development and implementation of

labour standards. It suggests that a new combination of different instruments and arenas should be considered.

The research findings can help key players, the ILO, and its constituents to identify gaps in the current approach and to explore new complementarities between different instruments to address decent work deficiencies in the global production chains.

The publication of papers and an international conference to disseminate the findings were planned for 2014. The findings provide a basis for the formulation of concrete policy suggestions that will be shared with the relevant actors and ILO constituents. The research also has more widely applicable implications in other sectors and countries and can inform a broad range of policy discussions that translate into tangible actions.

## **BENEFITS OF PARTNERING**

The research team led by the ILO included leading industrial relations specialists. The knowledge and inputs produced can be of benefit to policy-makers, as they provide the basis for policy change.

Enterprises may also benefit from the research, with a view to adopting policy change to support sustainability.

By bringing together ILO expertise and academic networks of different disciplines, the partnership produced interdisciplinary research outcomes that go beyond individual thematic or policy domain – in addition to revealing a new thinking and approach to the decent work deficit in global production chains. The ILO is able to share research findings with a wide range of tripartite constituents, both at the international and highest academic levels. In addition, the University of Neuchatel benefits from increased exposure.