



International  
Labour  
Organization

## GOVERNING LABOUR STANDARDS IN THE CHINESE ELECTRONICS MANUFACTURING INDUSTRY: LABOUR MARKET INSTITUTIONS AND GOVERNANCE OF GLOBAL PRODUCTION CHAINS

Transition from a planned economy towards a market economy has brought unprecedented success in rapid industrialization and poverty reduction in China. 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 institutions of labour relations. In the 1990s, when the old system was under restructuring, while new shared norms were yet to emerge and prevail there was a regulatory and institutional vacuum. 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 weakness in relevant 'hard laws' and their implementation. More recently, this situation evolved. Currently, a marked move towards more 'traditional' hard law and industrial relations approaches is leading to profound changes in labour market conditions and governance. These are changes that can bring 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 Countries:

China

#### Timeframe:

June 2011 –  
September 2012

#### Budget:

USD 34,000

#### Partnerships and Field Support Department (PARDEV)

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### 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). Simultaneously, 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 specialists in CSR at corporate-funded and civil society NGOs;
- Analysed three particular and relevant governance tools through in-depth interviews and participant observation: the Electronic Industry Citizenship Coalition (EICC) corporate 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 changing perceptions of workers on effectiveness of different tools and actors on broad range of labour standards at the workplace (based on a representative survey of 900 respondents);



- Performed a case study of new labour relations practices at Japanese multinational electronics enterprises in Guangdong province, highlighting the growing importance 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 level;
- 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 meaningfully shed 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 its limits and its influence. Concurrently, labour regulations and labour relations processes, spurred by the collective actions of workers, play an increasingly important role in labour standard development and implementation. 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 in identifying 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 are planned in 2014. The findings provide a basis for the formulation of concrete policy suggestions that will be shared with 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 which translate into tangible actions.



*Dormitory at Foxconn plant, Shenzhen*

*"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*



## 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 can also benefit from the research, with a view to policy change that will support sustainability.

By putting together ILO expertise and academic networks of different disciplines, the partnership produced inter-disciplinary research outcomes which go beyond individual thematic or policy domain. It brings new thinking and approach to decent work deficient in the global production chains. The ILO is able to widely share research findings with tripartite constituents from an international and renowned stage. The Neuchatel University benefits from increased exposure as a result.

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