BRINGING WORKERS BACK IN:
NATIVE-PLACE NETWORKSAND LABOR STANDARDS IN CHINA

ENYING ZHENG
ez246@cam.ac.uk
Centre for Business Research
Judge Business School
University of Cambridge
Cambridge, UK

INTRODUCTION

In response to anti-sweatshop campaigns, multinational corporations (MNCs) have begun to examine their suppliers' labor standards in developing countries. This sort of transnational private regulation has achieved limited results (Bartley 2010; Locke et al. 2009), and scholars have recently rediscovered the role of state actors in improving labor standards (Kim 2008; Shrank 2009; Amengual 2010). Although the top-down regulation by state actors and MNCs has established a foundation for and legitimated labor standards, the perception and action of workers themselves in this regard still remain a black box. It is their awareness, consciousness, and collective actions that explain why in some contexts workers are able to defend their rights while in others workers consented to employers' control and discipline.

The lack of focus on workers themselves by scholars interested in labor standards might be caused by the following reasons. First, their prior research has heavily relied on interviews with factory managers or with auditors. Researchers have neither gained access to shop floor activities, nor acquired detailed quantitative data regarding workers. Secondly, even when valuable quantitative data become available, they usually come from a single MNC, providing information on its auditing outcomes of all suppliers (Locke et al. 2007), or from compiled statistics at the provincial level (Ronconi 2010). In one case, when a survey of factories was indeed conducted (Kim 2008), it relied on information from managers. It has been a challenge to match these data with the information such as the composition and characteristics of workers.

In order to fill in these gaps, this research sheds a new light on workers' informal power generated through their social networks by employing a mixed method: 54 interviews and a unique survey of managers at 105 factories and 1,270 workers in southern China. The greatest advantage of this survey is the information provided by both factory managers and workers, which overcomes the data limitation of prior studies that have either relied on several cases or on survey data provided only by managers. This article explores how workers on the receiving end of the intensified state and transnational private regulation improve labor standards.

NATIVE-PLACE NETWORKS AND LABOR STANDARDS

Organized labor is an important countervailing force vis-à-vis capital in improving working conditions. However, as a common organizing drive, trade unions are not independent or effective organizations of workers in many contexts (Gallagher 2005; Seidman 2007). In contrast, informal organizations based on networks facilitate labor organizing. For example, contrary to the intuitive speculation that undocumented immigrants would not engage in strikes

and other forms of labor politics in fear of deportation, research has shown that they have been an important group in strike participation, primarily driven by social interactions in their ethnic communities such as soccer games and shared driving to work (Delgado 1993; Milkman 2006). It is these context-specific formal or informal social organizations that have the potential to foster workers' collective interests and capacities when trade unions are underdeveloped.

The economic, social, and political implications of migrant workers' social networks are also substantial in China, although in a different form, i.e., native-place networks among rural-to-urban migrant workers. Having grown up in the countryside, which is quite different from the urban factory setting, migrant workers turn to native-place identities to adjust to city life. For them, "seeking out fellow provincials for employment as well as camaraderie was an obvious and effective survival strategy in an unfamiliar setting" (Perry 1993:12). It is the solidarity of native-place networks rather than working class consciousness that accounts for collective action. The importance of native-place networks also characterizes the contemporary workplace in China: eight out of fourteen strikes happened in factories with a high proportion of workers from the same locale and therefore forming native-place based cliques (Lee 1999). Due to the household registration system, rural residents are officially registered as permanent residents of a village. When they look for jobs in cities, they tend to follow the footsteps of friends, acquaintances, and family members from the same locale. These workers share strong exclusionary sentiments and solidarity that easily generate collective action.

Factory managers are aware of the power of native-place networks and have explored various approaches to constraining this special social capital. This is the case when the labor supply exceeded the demand at the beginning of economic reform. As the low-skilled labor market has become tighter recently, however, employers now do not have much autonomy in isolating employees. In addition to the labor shortage per se, there is also an increasing concern about high turnover rates, as many employers and managers are struggling to retain workers. The combined pressure of labor shortage and high turnover rate has propelled many employers to turn a blind eye to workers' solidarity nurtured through native-place networks. Rather, they often turn to these native-place ties to recruit new hires. Furthermore, as workers have become aware of their rights and have developed skills in mobilizing their native-place fellows in launching strikes and protests, their solidarity has become a deterring factor that prevents labor abuses. Therefore, I have the following hypothesis:

H_1: at the firm level, workers' solidarity (the proportion of workers from the same locale) is negatively related to their likelihood of being abused.

It is true that native-place networks as a special form of social capital have provided multifaceted supports for rural-to-urban migrant workers in getting jobs and in adjusting to urban factory lives, but this hometown-based solidarity has impeded access to diverse information and economic opportunities in some cases. For example, immigrants become closely linked to their ethnic connections and therefore lack the vision to see a larger picture beyond their ethnic communities. Many migrant workers are brought to cities by their hometown fellows and stay closely with them. Without diverse knowledge from alternative sources, they are not aware of some better opportunities. Moreover, beyond the mechanisms of redundant information and social control, the high turnover rate has become a vicious circle between employers and employees. Without a promising future, skill training, or a clearly-defined career ladder, many young workers do not stick to an employer. Instead, they tend to move between employers for the promise of a slightly increased salary, which often is not delivered. This kind of turnover is

often facilitated by native-place networks. The "culture of chasing whatever is currently available" has resulted in "an ill-functioning compensation system" (interviews), which leads to the situation that workers are not paid well and employers do not get skilled and committed employees.

> H_2: at the firm level, workers' solidarity (the proportion of workers from the same locale) has an inverted U-shaped relation with their economic opportunities.

DATA, METHODS, AND FINDINGS

This article employs a mixed method: 54 interviews and a survey of managers at 105 factories and 1,270 workers. My unit of analysis is the factory, because both private and state regulation of labor is operated at the factory level. Two dependent variables are examined: *average monthly wages* reported by workers; and *labor abuses* as the percentage of workers who reported their experiences of any of eight labor abuse behaviors. The key independent variable is *solidarity,* measured by percentage of networked workers at a factory. In order to test the inverted U-shaped relationship between solidarity and economic outcomes (H_2), I create a squared term of *solidarity*. In addition, *private regulation* is measured by the percentage of transactions with auditing clients. *State regulation* is a dummy variable. Additionally, *firm size, profit, ownership structures* (foreign or privately owned), *sectors* (apparel, electronics, or other manufacturing), *firm age*, and *working hours* (per month) are control variables.

Empirical Findings

Table 1 reports wages and working hours. Workers had to work 8.5 hours as a regular shift on a daily basis and worked an additional 2.7 hours per day. On average, they worked 289 hours per month and were paid RMB 1,939. Comparing their hourly salaries with the legally specified level of minimum wages, only 53.3 percent of firms offered above minimum wages. Table 2 presents data on labor abuses.

[Insert Table 1 and Table 2 about here]

Because the distribution of the two dependent variables and the key independent variable (e.g., solidarity) is highly skewed, it does not fit the assumptions of ordinary least square (OLS) models. I use quantile regressions in which the median are a better measure than the mean. The results generated through this model are relatively robust against outliers.

[Insert Table 3 about here]

Table 3 reports selected statistical results. Model 1d is a full model predicting labor abuses. As predicted by hypothesis 1, solidarity reduces the likelihood of workers being abused in the workplace. The coefficient for the state regulation is positive, although not statistically significant. It is due to being understaffed. In order to cope with this problem, state labor officials have focused on those firms with reported problems. Private regulation is positively related to the likelihood of labor abuses, though not statistically significant. Interview data suggest an explanation. Because many auditing activities are carried out by auditors located in large cities, contacts or feedback mechanisms between them and workers are lacking.

Model 2d is the full model predicting economic outcomes. Consistent with hypothesis 2, there is an inverted U-shaped relationship between workers' solidarity and their monthly salaries. State regulation, however, is negatively related to workers' monthly salaries, again explained by

the understaffing of state labor bureaus. Figure 1a and 1b demonstrate the predicted relationships between solidarity and labor abuses and monthly wages, respectively.

[Insert Figure 1a and 1b about here]

CONCLUSION

This article shifts an analytic lens onto workers themselves. I argue that labor solidarity generated through their interpersonal networks constitute an important power for improving labor standards. Empirical evidence shows that a large proportion of workers reported experiences of labor abuse in the workplace. This sweatshop image is vividly pictured in Table 1 as the labor value of many Chinese young men and women was about only $1 per hour. Despite this less than promising portrait, strong connections among migrant workers from the same locale serve as an important labor capacity, which protects workers from being abused in the workplace (H1 tested in Model 1d). Solidarity, however, has an inverted U-shaped relationship with their economic opportunities (H2 tested in Model 2d). Beyond a threshold, an overreliance on native-place networks reduces workers' bargaining power because they become cut off from alternative job opportunities.

This research also enriches prior research on labor standards in examining the effect of the state and transnational private regulation. The under-staffed local labor bureaus have adopted the strategy to focus on those factories with reported problems. Private regulation has mixed effects. It is positively related to labor abuses and hence negatively related to labor standards, but it is positively related to workers' salaries. One explanation is that labor standards are used by MNCs as a leverage to reinforce their bargaining power. Additionally, private and state regulation actors acknowledge the effects of each other, but do not coordinate directly. For example, when asked about their experience and impression of MNCs' private regulation, labor bureau officials said *"it is good for us. Now firms do not complain that we are making trouble for them. They know that it is a standard."*

This research opens up the black box of shop floor dynamics: workers' social organization showcases the promising micro-macro linkages. In particular, this article highlights workers' native-place networks as an important organizational basis for labor capacities. Extending this new finding, future research could further specify the patterned networks among workers. To be sure, this study is by no means China-specific. There are many alternative social organizations among workers, and native-place networks are only one such example. Other social organizations such as churches (Koo 2000; Seidman 2007) , and ethnic enclaves in the U.S. and Europe (Clawson and Clawson 1999) have all shown potential for nurturing labor movements, broadly defined. One contribution of this research is to call for an integration of the literature on labor standards and studies of social organizations. State and transnational private regulation of labor standards could serve as a political opportunity for vulnerable workers and others, who then develop into capable labor movement participants and organizers themselves.

REFERENCES AVAILABLE FROM THE AUTHOR
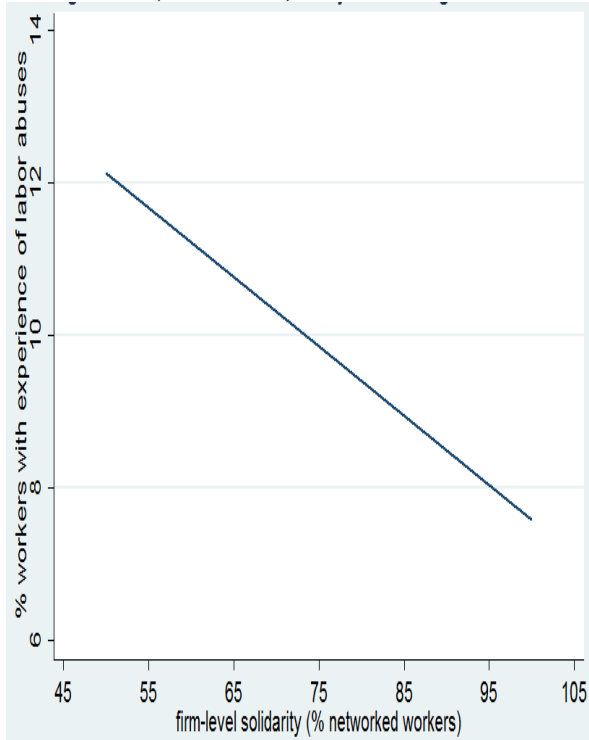
Figure 1a: Solidarity & Labor Abuses
(model 1d)
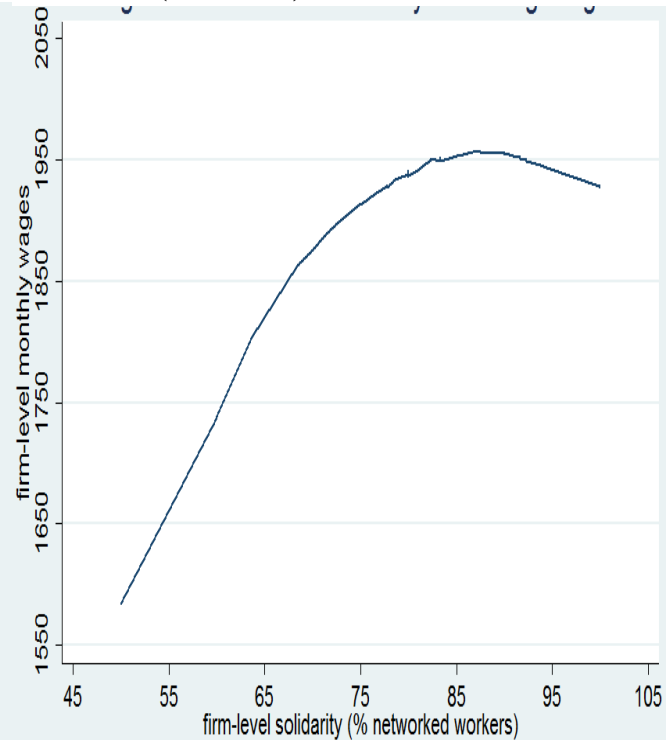
Figure 1b: Solidarity & Monthly Wages
(model 2d)

Table 1: Workload and Income

Issues	Mean	Std. Dev.	Min.	Max
Official daily work hours	8.51	0.4	7.75	10.19
Daily overtime hours	2.7	0.87	1.63	10.5
working days per month	25.77	0.77	22.45	28
Average monthly salary	1939.02	244.67	1487.13	2965.97
% firms pay above minimum wage	53.33	50.13	0	1

Table 2: Selected Labor Abuses

	% Workers	Average % of workers/firms	% Firms with labor abuse
Verbal abuse	27.68	28.21	91.43
Physical abuse	7.96	7.55	54.29
Beat up	5.63	6.4	47.62
Body search	8.9	9.14	60.95
Restrain freedom	3.46	3.78	30.48
Intimidation	8.42	8.51	60.95
Forced labor	9.41	9.68	62.86
Sexual abuse	4.47	4.73	37.14
Number of observation	1720	105	105

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Table 3: Quantile Regressions (Median) on Labor Standards

	Labor Abuses		Monthly Wages	
	Model 1a	Model 1d	Model 2a	Model 2d
Independent Variables				
Solidarity (% networked workers)	-1.654**	-0.778*	49.24*	47.8**
	(-3.23)	(-2.05)	(2.19)	(2.84)
Solidarity squared term	0.01**	0.004	-0.271	-0.272*
	(2.95)	(1.71)	(-1.93)	(-2.49)
Control Variables				
Labor Standards Related Factors				
State regulation (1=yes; 0=no)		1.817		-4.063
		(1.92)		(-0.09)
Private regulation				
(% transaction with auditing MNCs)		0.006		0.13
		(0.45)		(0.19)
Other Control Variables				
Size (log of the number of employees)		-0.424		-28.42
		(-1.05)		(-1.41)
Profit (% profit of sales)		-0.026		1.859
		(-0.85)		(1.31)
Foreign (domestic private firms omitted)		1.816		-32.77
		(1.66)		(-0.6)
Firm age		-0.196*		0.066
		(-2.33)		(0.02)
Working hours		7.678		-288.6
		(1.73)		(-1.39)
Apparel (1=yes; 0=no)		0.954		57.59
		(0.77)		(0.94)
Electronics (1=yes; 0=no)		3.832**		108.9
		(3.38)		(1.95)
(Other sector omitted)				
Constant	79.23***	1.835	-257.6	1664.5
	(3.95)	(0.06)	(-0.29)	(1.12)
Pseudo R2	0.046	0.136	0.044	0.102
Number of observations	105	105	105	105

t statistics in parentheses
* p<0.05, ** p<0.01, *** p<0.001