The Impact of Global Value Chains on the Retention of Staff in Chinese SMEs.

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Acknowledgements

Abstract

Small and medium-sized enterprises (SMEs) represent ninety-nine percent of China's registered enterprises, yet they remain a much under researched phenomenon. In addition our knowledge of what constitutes human resource management (HRM) in Chinese enterprises is skewed, in that the majority of research is largely positivist and relies on responses from a single respondent, normally a manager. To respond to these lacuna this study is situated in six SMEs, all based in China, all supplying Buyer Driven Value Chains and all employing internal migrant workers. This marginalised group of migrant workers are the secret ingredient behind China's economic miracle, which has historically relied on a largely passive, socially unequal workforce to underpin the cost effectiveness of the program of export orientated industrialisation (EOI), which has led to it being described as the workshop of the world.

The study takes a longitudinal, qualitative, multi-stakeholder approach and utilising an inductive, social constructionist ontology has generated new insights into our knowledge of what constitutes the world of work from the perspective of the participants in it.

Institutional and cultural influences are key determinants which impact the industrial relations process and practices, for example the Open Door and One Child policies and the pervasive cultural influence of guanxi, which are all evident in the empirical evidence.

This study fills gaps in our knowledge and shows the construct of HRM is well understood in China. All practices are in use with subtle nuances, with the exception of appraisal, as it is culturally challenging, in that it is the opposite of the cultural preference of saving face.

The study considers and contributes to the debate around global value chains (GVCs). Empirical evidence from the study clearly shows the asymmetrical patterns of power, in which lead firms keep a tight control on costs and concomitantly push risk further down the chain, which impedes their supplier's ability to use HRM to aid staff retention.

Glossary of Terms

5G	Fifth Generation Cellular Network Technology
ACFTU	The All-China Federation of Trade Unions
AI	Artificial Intelligence
AMO	Ability, Motivation, Opportunity
BBC	British Broadcasting Corporation
BOM	Bill of Materials
CCRCSR	Centre for Child rights and Corporate Social Responsibility
CI	Certification International
CIPD	Chartered Institute of Personnel and Development
CNY	Chinese New Year
Dorm	Dormitories
ECM	Electronic Contract Manufacturer
eHRM	Electronic Human Resource Management
EMBA	Executive Master of Business Administration
EOI	Export Orientated Industrialisation
EU	European Union
FDI	Foreign Direct Investment
GBP	Great British Pound
GCC	Global Commodity Chain
GCHQ	Government Communications Headquarters
GDP	Gross Domestic Product
GPN	Global Production Network
GVC	Global Value Chain
HK	Hong Kong
HPWPs	High Performance Work Practices
HR	Human Resources
HRM	Human Resource Management

ICT	Information Communications Technology
IEC	International Electrotechnical Commission
IMF	International Monetary Fund
IPR	Intellectual Property Rights
ISO	International Organisation for Standardization
JV	Joint Venture
KSAO	Knowledge, Skills, Abilities and Other Characteristics
KTV	Karaoke Television
LED	Light Emitting Diode
LME	London Metals Exchange
MBA	Master of Business Administration
MEP	Ministry of Environmental Protection
MNC	Multi-National Corporation
MTR	Mass Transit Railway
NCSC	National Cyber Security Centre
NG	No Good
NGO	Non-Governmental Organisation
OECD	Organisation for Economic Co-Operation & Development
OEM	Original Equipment Manufacturer
ONS	Office for National Statistics
PC	Portable Computer
PCB	Printed Circuit Board
PM	Personnel Management
PPE	Personal Protective Equipment
PRC	People's Republic of China
PRD	Pearl River Delta
QC	Quality Control
RBV	Resource Based View
R & D	Research and Development

REACH	Registration, Evaluation, Authorisation & Restriction of Chemicals in Business
RMB	Renminbi (Chinese Currency)
RoHS	Restriction of Hazardous Substances
SHRM	Strategic Human Resources Management
SME	Small & Medium Sized Enterprises
SMPSU	Switched Mode Power Supply Unit
SMT	Surface Mount Technology
SOE	State Owned Enterprise
UK	United Kingdom
UL	Underwriters Laboratory
UNCTAD	United Nations Conference on Trade & Development
US	United States
USA	United States of America
USD	United States Dollar
WTO	World Trade Organisation

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Chapter 1: Introduction

1.1 Introduction

Human Resource Management (HRM) in China has generated enormous interest from academia and yet our knowledge of what constitutes the construct is skewed, in that the majority of research in China has been carried out with multinational corporations (MNCs) and joint ventures (JVs). This it is argued is due to the dual difficulties of gaining access and obtaining primary data, particularly in privately owned companies (Chao & Shih 2018, Warner 2011, Cooke 2009, Quer et al 2007). Another issue is that the extant research has largely been of a positivist nature, with its *"rigor often taken for granted"* (Bartunek & Rynes 2014: 1185, Rynes 2007, Pfeffer 2007). In addition it has relied on responses from a single participant, normally a manager (Busse 2017, Warner 2011, Björkman & Xiucheng 2002, Roy et al 2001). Considering the Confucian cultural preference for not losing face, a positivist approach is likely to result in socially desirable responses (Gray 2017, Warner 2011, Cooke 2009, Zheng & Lamond 2009, Cunningham & Rowley 2007). This over reliance on the positivist approach has received much criticism (Xiao & Cooke 2020a & b, Bartunek & Rynes 2014, Rynes 2007, Pfeffer 2007).

SMEs play an important role in China's economy, representing ninety-nine percent of registered enterprises and are responsible for generating sixty percent of gross domestic product (GDP). In addition they create seventy-five percent of new jobs each year (Chinese Bureau of Statistics 2017, Chen & Peter 2017, Ministry of Commerce PRC 2012). Despite their dominant role in the economy they remain a much under-researched phenomenon. The researcher had been visiting China on

business for more than twenty years at the time of the study and had developed

strong relationships (*guanxi*) across a range of SMEs. During business meetings,

SMEs were increasingly reporting that staff turnover was becoming a crucial

business issue, impacting their ability to respond to short lead-time orders and

impacting quality, when new workers were unfamiliar with the product(s). These

issues were adversely impacting the researchers business with extended lead-times

and costs escalating when airfreights were required to replace faulty products.   A

solution needed to be found and to that end the researcher offered to help. The

question then was how was this to be achieved?

Whilst not writing specifically on China, Beer et al argue that "*practitioners do not

operate in a pure science … world*" (Beer et al 2015:430). They call for a multi-

stakeholder perspective, which they argue necessitates taking a qualitative

approach, based on case study, which was the approach taken in the current work.

The researcher approached six SMEs with whom she shared guanxi to ascertain if

they would allow access to all levels of their organisations, including the migrant

workers who make-up the majority of the workforce and whose voices until now

have gone largely unheard (Cooke 2009). The seriousness of the turnover problems

was evident in that all six agreed to work with the researcher to try and find

solutions. Due to the cultural trait of low trust (Singh 2007, Nojonen 2004) the

factories would not normally work together, but agreed that the researcher could

anonymise their data and share it with the other factories in the study.

It became apparent early on in the field work, when carrying out scoping interviews

with business owners and managers, that the SMEs position in the Global Value Chain

(GVC) could be a major factor in constraining their ability to use HRM to reduce turnover issues. Empirical evidence from the senior management teams suggested that the two constructs were inextricably linked. The researcher then decided that the research approach should focus on the concomitant relationship between the GVC and HRM.

This study is pertinent in considering GVCs and questions their efficacy in creating "win-win" (Levy 2005: 686) outcomes for all participants in the chain (Kaplinsky 2000). Whilst the fieldwork in the current study was carried out prior to the 2020 Corona pandemic, it is used here as an exemplar of the impact of increasingly fragmented GVCs. It is debatable whether the majority of the public had even heard of the construct of GVCs prior to the pandemic. However, according to The World Trade Organization (WTO), the shortage of personal protective equipment (PPE) and ventilators in particular at the start of the pandemic led to protectionism, with over eighty countries bringing in export controls to protect these scarce resources (Arora 2020, Pananond et al 2020). It later led to a temporary export ban with the European Union (EU) attempting to prevent vaccinations being exported from Europe to the United Kingdom (UK) (Waterfield et al 2021). The pandemic may lead to a paradigm shift in that the axiology of GVCs has been questioned for years. For example non-governmental organisations (NGOs) like the Organisation for Economic Co-Operation & Development (OECD 2013) have commented that labour intensive tasks in GVCs take place in emerging and developing economies, with an abundant supply of cheap labour, as is evident in China's program of export orientated industrialisation (EOI). It is posited that basing outsourcing decisions simply on cost minimization is too simplistic (Seric et al 2020), although this has

been questioned by critics of the GVC for years (Arora 2020, Yu & Luo 2018, Choksy et al 2017, Sun & Grimes 2016, Levy 2005, Kaplinsky 2000). This pandemic has brought the construct to the fore, as the current system was not resilient enough when put to the test (Danciu 2020, Hippe Brun 2020, Knut et al 2020, Seric et al 2020, Verbeke 2020). This has led McKinsey the major consultancy company to urge governments and companies to carry out risk assessments within their supply chains, in order to understand the points of vulnerability and then decide how much "*insurance*" (Knut et al 2020:8) they need in the form of dual or multiple sourcing and even re-shoring or near-shoring production (Danciu 2020, Knut et al 2020).

In the current work GVCs are examined from the perspective of the six SMEs who were all supplying Buyer Driven Chains. It examines the SMEs strategies for upgrading within the chain (Gereffi & Fernandez-Stark 2016, OECD 2013) and the notion of governance within the chain, which describes the patterns of power between different actors along the chain (Ponte et al 2019, Cooke 2018b, Gereffi & Fernandez-Stark 2016, Ponte & Sturgeon 2014, Gereffi 2014, Gibbon et al 2008, Levy 2008 & 2005, Pietrobelli & Saliola 2008, Gereffi et al 2005, Kaplinsky 2000). The researcher also explores the implications this has for SMEs and their ability to adopt HRM practices to improve their competitive advantage (Chao & Shih 2018, Rayner & Morgan 2018, Su et al 2018, Delery & Roumpi 2017, Saridakis et al 2017, Björkman et al 2014).

1.2 Aims of the Research

HRM is highly contextualised, which is particularly true in China where cultural and institutional contexts are pivotal in shaping the industrial relations process (Huang et al 2020, Xiao & Cooke 2020a, Collings et al 2018, Cooke 2018a, Gooderham et al 2018, Brookes et al 2017, Beer et al 2015). The study aims to develop an understanding of how these macro influences impact the HR practices of the SMEs in the study and what meaning they have for the multiple stakeholders in each organisation.

From another perspective the study aims to situate the SMEs within the GVC, with a view to understanding how participation in the chain works in practice and how it impacts the SMEs ability to use HRM to both improve their position in the chain and to reduce staff turnover. The research sought to answer the following research questions:

1. What factors have contributed to high labour turnover in Chinese SMEs: What lessons can be learnt?
2. Would the adaption or application of Western HR techniques mitigate problems of labour turnover?
3. What impact do power relationships in the GVC have on SMEs: Does this enable or constrain their ability to use HRM practices to mitigate turnover?
4. How do broader socio-political and economic factors in the Chinese macro-level environment influence HR practices in the SMEs?

1.3 Methodology

As explained previously the researcher had over twenty years' experience of visiting China on business and had strong guanxi (relationships) with SMEs. This overcame two of the biggest issues cited when trying to carry out research in China, in that the researcher had direct access and could generate primary data (Warner 2011, Cooke 2009, Quer et al 2007). Considering the strong cultural determinants characterised by Confucian values which include collectivism, low trust and the importance of maintaining face (Zhu & Warner 2019, Gu & Nolan 2017, Cooke 2013, Yang 2012, Zhang 2012, Zhao & Du 2012), a positivist approach with questionnaires is unlikely to generate new understandings of complex phenomenon. To that end the research philosophy in the current study utilises a qualitative approach.

One of the aims of the study was to generate a multi-stakeholder perspective (Beer et al 2015) in order to facilitate this focus groups were used for interactions with the workers. The rationale behind this was that as their culture is collectivist, this would give a more naturalistic feel to the interactions, as advocated by Bryman and Bell (2011) and Davies (2007). In addition the workers' education levels were limited as any of the migrant workers in the study over the age of twenty-nine would have completed only five to six years of education, which also supports the decision to use a qualitative approach (China Labour Bulletin 2018, Cunningham & Rowley 2007, Hutchings 2004). Face to face interviews were used with the owners and senior management teams, as previous business meeting with the researcher in her role as Managing Director of one of their largest customers had followed this format, therefore they were used to interacting in this way with the researcher.

The study took a longitudinal approach, which gave the researcher the opportunity to return to topics and probe constructs to a deeper level. This uncovered some interesting insights and thought provoking revelations of how HRM was used in the daily practices of the organisations and the practicalities and constraints for these organisations in participating in GVCs.

1.4 Thesis Structure

This study is unique in that the combination of guanxi, when added to the fact that the study design took a longitudinal approach, afforded the researcher multiple access to the participants in the study. This allowed topics to be layered over time, starting with easier questions and then probing deeper with subsequent interactions. This repeated access also allowed the researcher to ask for clarification, where there were apparent contradictions, which led to some new insights into both HRM and GVCs. The current chapter introduces the study, puts it in context and then identifies the gaps in knowledge which it aims to fill.   This is achieved by taking a qualitative approach to generate a deeper understanding than that afforded by the largely positivist approaches which have gone before it (Morgan & Smircich 1980). It also aims to identify which HRM practices are in daily use in SMEs and to hear participants' views of these same practices, from the perspective of the migrant workers who make up the majority of the workforce. It goes on to consider the aims of the research, which are to situate the SMEs within the GVC and explore the impact this has on their ability to use HRM practices to recruit and retain workers. The discourse then moves on to explain the

methodology in taking a multi-stakeholder and qualitative approach, in order to generate a richer and deeper understanding of the lived reality of the participants in the study, than could be achieved by a more positivist approach. Finally the structure of the thesis is outlined.

Chapter two engages in a critical review of dominant theories on the GVC, which are seen from two perspectives. At one end of a continuum the positivist discourse sees the chain as an opportunity for developing nations to upskill themselves (Danciu 2020, Pan 2020, Dallas et al 2019, Choksy et al 2017, Gereffi & Fernandez– Stark 2016, Gereffi 2014, Jacobides & MacDuffie 2013). At the other end of the continuum critics view participation in the GVC as a "*race to the bottom*" (Kaplinsky 2000:141), a view which finds widespread support (Buhmann et al 2019, Cooke 2019 & 2018b, Sun & Grimes 2016, Levy 2008 & 2005).

Chapter three engages in a critical review of the HRM literature starting with definitions of what constitutes HRM, how the concept has evolved and how it is used in the daily realities of organisations in the study. The discourse moves on to consider the three dominant theoretical frameworks in the literature. It then considers the cultural and institutional context in China, in which HRM is practiced.

Chapter four explains the rationale behind the research strategy, design, approach and methods utilised in the study. A qualitative and interpretive approach was utilised, to generate the voices of the participants in explaining the world of work from the perspective of the people in it. The research paradigm from both ontological and epistemological positions followed an inductive and social constructionist approach whereby reality "*is being socially constructed in our*

encounters with each other" (Stacey & Mowles 2016:35). The aim is to generate the voice of the largest marginalised group, the migrant workers, whose voices until now have gone largely unheard (Cooke 2011a).

Chapter five is the first chapter to introduce empirical evidence on how the factories in the study perceived the construct of GVCs. The narratives of the owners and senior management teams were used to describe how they approached participation in the GVC. It examines practical examples of how all six SMEs were using a variety of upgrading strategies to improve their positions in the chain, with a view to increasing their margins and reducing their vulnerability to low cost competition. The narratives include examples of how the factories were continually adapting their HRM practices, in response to demands within the chain. The narratives also highlight the unique institutional and cultural context, which includes examples which show the power of the state in an authoritarian regime. It has been argued that coercive control is easier to achieve when one party has been in power for more than seventy years and that this level of control would not be possible to achieve in more democratic regimes (Cooke 2011b, Storey 2007).

Departing from the extant literature, a section on corruption is discussed in the GVC chapter, as all six factories in the study discussed how the pervasiveness of the construct affects them on a daily basis. A practical example occurred on a day the researcher visited one of the factories, when the owner and factory manager discussed their dilemma with the researcher, which underlined the tightrope the businesses walk on a daily basis (see Section 5.8 Corruption).

Chapter six begins with a consideration of the institutional and cultural contexts and explores how these were pivotal in influencing the industrial relations process. The narrative examples from the multi-stakeholders are weaved together with extant knowledge to illuminate what HRM practices were in use on a daily basis and the meanings they had for the participants. These include examples of institutional influences which include the One Child Policy and the impact this had on manpower planning. The practical implications of the hukou system of household registrations, which results in the majority of the workforce living in factory supplied dormitories and what this means in reality, is also discussed. In addition the low level of education of migrant workers and the implications this had for training is then considered from the view of the multi-stakeholders in the study (China Labour Bulletin 2018, Cunningham & Rowley 2007, Hutchings 2004).

The institutional influence of the Government's stated aim of moving away from the EOI and using a domestic demand model to transition into a knowledge-based economy is also explored and the meaning this had for the businesses in the study. The biggest cultural influence is guanxi, the importance of which has been understated in the extant literature. Guanxi is normally described as relationships, however Xiao & Cooke (2020b) and Yang et al (2018), explain that it is far more complex than the simplified translation suggests. It symbolizes not only inter-personal relationships, but also imposes semi-family like ethics. Examples from the factories in the study show that it was ubiquitous and acted as an over-arching influence on all aspects of life. A further cultural trait was that of maintaining harmony, although examples from both managers and workers highlighted a

contradiction within daily practices (Cooke 2018a, Huang & Gamble 2015, Xiao & Cooke 2012).

Chapter seven concludes the study and identifies how it meets the aims of the research, in that it uses the narratives of the multi-stakeholders in the study to describe the highly contextualised cultural and institutional context. In addition it shows the meaning different constructs had for them and how these impacted upon HRM practices. In addition the study situates the SMEs in the GVC, while empirical evidence from the factories showed what participation in the chain meant in practice.

The chapter concludes with a consideration of the limitations of the current study and the implications for future research. GVCs became a focus of the study during the scoping interviews as the construct emerged as a major factor which constrained the SMEs ability to use HRM practices to reduce staff turnover. Having introduced the study the next chapter considers theoretical perspectives of the GVC.

Chapter 2: The Global Value Chain and its place in China's Transitional Economy

2.1 Introduction to Global Value Chains

Global Value Chains are defined by the OECD in the following terms:-

> *"A Global Value Chain involves all the activities that firms engage in, at home or abroad, to bring a product to the market, from conception to final use"* (OECD 2013:8).

To underpin the importance of the GVC and its impact on social and economic welfare, Barrientos et al (2016) cite a United Nations Conference on Trade and Development (UNCTAD 2013) World Investment Report, which estimates that eighty percent of world trade by 2013 came from GVCs.   It is debatable whether the majority of the public had ever heard of the construct of GVCs, prior to the current (2020) coronavirus pandemic. The exogenous pandemic has resulted in the World on lockdown and social distancing measures in place to try and slow the spread of the virus. To show how important GVCs have become, they featured in the daily briefings from Downing Street, particularly in terms of personal protective equipment (PPE), ventilators, testing kits and shortages of toilet paper (Pananond et al 2020). They have also featured weekly on radio programs such as Question Time since the pandemic began and were also the subject of The Moral Maze on British Broadcasting Corporation (BBC) Radio Four and the Food Program, also on Radio Four (BBC Radio Four, 28/3/2020, 18/3/2020, 28/2/2020 as examples).

Having established the importance and impact of GVCs, the objective of this chapter is to review current work and perspectives, in order to create a foundation for the current study. When discussing the importance of the literature review Lee & Lings

say that *"science proceeds in an incremental fashion. Theories give us reasons to expect some things, and combined with creative thinking and observation can suggest new angles on problems which then extend and add to the theory, and the cycle begins again"* (Lee & Lings 2008:37). Theory was therefore used as a foundation and framework on which to embed topics for further investigation.

The original purpose of this research was to investigate staff turnover issues in Chinese SMEs. Turnover issues could quickly impact lead-times, which were already ten to twelve weeks. Concomitantly original equipment manufacturers (OEMs) were hollowing out their inventories, which resulted in a growth in short lead-time orders (Azmeh 2019, Choksy et al 2017, Sturgeon 2002). The two created a perfect storm, resulting in the subject of staff turn-over becoming a permanent agenda item for business meetings with the SMEs. At the start of the research journey, during scoping interviews with SME owners, it became clear that the construct of the GVC was strategically important. The research aim was then adapted to consider the impact that participation in the GVC had on the SMEs ability to use HRM techniques to mitigate turnover.

The chapter begins with a discussion on the evolution of the GVC and it then moves on to consider value within the chain and the challenges this poses for China. The discourse then reviews theoretical perspectives on GVCs with particular reference to governance and upgrading. The chapter concludes that the asymmetrical patterns of power in Buyer Driven Chains allows value to be retained by those at the top of the chain who control intellectual property and branding (Cooke 2018b, Davis et al 2017, Sun & Grimes 2016, Sturgeon 2002).

2.2 Evolution of the Global Value Chain

Early industrialisation was typified by complete arms-length supply chains in each country in which products were manufactured from start to finish (Sun & Grimes 2016, Gereffi 2014, Kaplinsky 2000). These chains allowed OEMs to buy-in or sub-contract piece parts and sub-assemblies to and from a concentration of suppliers. These suppliers were usually within travelling distance of the brand owners, which allowed fast problem solving, should an issue arise. The OEMs facilitated this through the setting of standards and auditing against these standards, to keep a tight control on their sub-contracted processes (Di Maria et al 2019, Morris & Staritz 2019, Cooke 2018b, Davis et al 2017). This fragmentation also allowed the OEMs to drive down costs and aimed to keep the individual sub-contractors competitive. This tight control allows OEMs to ensure profit margins are *"razor thin"* (Sun & Grimes 2016:222) and ensures that there is no leakage of intellectual property within the chain. Furthermore, it is argued that the real value add goes to the part of the chain which controls the intellectual property rights and branding (Davis et al 2017, Sun & Grimes 2016).

Improvements in communications and logistics, coupled with harmonisation of standards and reductions in trade barriers, have combined to allow value chains to become increasingly fragmented. Components are now able to be made wherever in the world is most cost effective for the OEM or sub-contractor (Gereffi 2020 & 2014, Ponte et al 2019, Davis et al 2017, Gibbon et al 2008). Competing paradigms are used to describe the re-location of production, services and increasingly what were previously considered as head-office activities, such as but not limited to

payroll and information communications technology (ICT). This relocation is normally to lower cost economies (Schmeisser 2013, Gibbon et al 2008, Sturgeon 2002). The terms used to describe this phenomena began with Offshoring, then moved onto Global Commodity Chains (GCC), Global Production Networks (GPN) and Global Value Chains (GVC). These terms are now becoming ubiquitous, although Levy (2008) prefers to use the term network rather than chain, as he suggests this more accurately describes the network of power relationships. He describes GPN as *"Integrated economic, political, and discursive systems in which market and political power are intertwined"* (Levy 2008:943). The researcher supports this description as it highlights the mediating role of each of these hierarchies who compete to shape the GPN and who each try to wrest a higher share of surpluses generated.

Previous research has described the power of buyers and campaign groups who either boycott or put pressure on MNCs, due to perceived social and ethical issues (Cooke 2018b, Johnson et al 2018, Riisgaard & Hammer 2011, Pietrobelli & Saliola 2008, Levy 2008). Examples of successful public campaigns include initiatives like Fairtrade. These were aimed to redress the balance of power, where low prices were being paid to coffee growers, whilst premium prices were charged for this same coffee in premium brand retailers such as Costa's and Starbucks (Levy 2008). In the clothing and shoe chains, there have been many instances of naming and shaming, with leading brands accused of being involved in running sweatshops (Riisgaard & Hammer 2011, Pietrobelli & Saliola 2008). A recent example that is currently generating a lot of interest in the media also comes from the garment industry and involves the online fashion retailer Boohoo. They have been accused

of driving costs down to the point that workers in their supply chain earn less than half the minimum wage and it is claimed this has been going on for years (O'Connor 2018). What might surprise the reader is that this practice is not based in one of the less developed nations, but in Leicester England. The Channel Four programme called Dispatches investigated the garment industry in Leicester in 2010 and then again seven years later, when both investigations uncovered these same patterns of illegal wages coupled with poor working conditions. In 2017 the garment factories were making clothes for Boohoo and other major retailers such as New Look and River Island. Much like bananas and coffee before the Fairtrade movement, retailers in the garment industry typically sold at a premium of three times what they pay their suppliers for each item (O'Connor 2018). What is currently grabbing the headlines in this pandemic and which highlights the sweatshop nature of the work is that Boohoo's suppliers are being accused of forcing workers to go into work, even if they felt ill or were trying to isolate. This was happening at a time when Leicester was being locked down due to a spike in the number of cases of the virus (BBC East Midlands 2020).

It is posited that public campaigns such as Fairtrade are important in forcing improvements in social and environmental conditions for workers (Davis et al 2017, Levy's 2008). Used in this context, Levy appears to be reflecting on the power relations in chains supplying MNCs. However his preference for the use of the term network does not reflect the asymmetry of power for SMEs in China's EOI, where the term chain more accurately describes their position at the bottom of the value chain. The GVC is used as a conceptual framework to support the chain paradigm and will be supported later in the work with empirical evidence from the factories, which

reflect these same asymmetrical and coercive patterns of power in Buyer Driven Chains (Dallas et al 2019, Ponte et al 2019, Raj-Reichert et al 2019, Choksy et al 2017, Riisgaard & Hammer 2011, Pietrobelli & Saliola 2008).

In his earlier work Gereffi (1994) describes two types of power in the chain, Producer Driven or Buyer Driven Chains, and he continues to use this typology in his later work (Gereffi 2014). This typology was later extended by other academics, for example Levy (2008 & 2005), Sturgeon (2002) and Kaplinsky (2000). In the Producer Driven model, power is held by the final product manufacturer. This type of chain is characterised by being both capital and skill intensive, reliant on technology and is normally more vertically integrated than Buyer Driven Chains. Later empirical studies across a range of industries show that even when suppliers are highly competent, supplier power in the chain is rare (Ponte & Sturgeon 2014).

In the Buyer Driven Chains, power is held by dominant brands and is derived from volume, underpinned by mass consumption. In these Buyer Driven Chains the brand leader may not actually manufacture anything, notwithstanding this their skills are in organising and coordinating the chain (Dallas et al 2019, Schmeisser 2013). Examples of these strong brands are Apple, Nike and Walmart (Gereffi 2020, Buhmann et al 2019, Sun & Grimes 2016). Global buyers wield huge power, in that they drive down costs, which ultimately results in their suppliers relocating to lower cost economies which allows them to reduce the cost of their labour inputs (Ponte & Sturgeon 2014). This claim was supported in later studies by Barrientos et al (2016) and Sun & Grimes (2016) and in earlier work by Levy (2005). Levy adds that the relocation also reduces labour's bargaining power, Cooke (2018b) and

Pietrobelli & Saliola (2008) add that it is usually to non-union areas, which the researcher argues is likely to result in further labour exploitation. The level of exploitation in China is evident in that Siu (2017) describes it as "*a despotic labour regime*" (Siu 2017:533), whist others describe it as the workshop of the world (Danciu 2020, Yu & Luo 2018, Sun & Grimes 2016, Yang 2014). As SMEs in China are the subject of this study, the author aims to show that the migrant workers in China, who make up the majority of the workforce in this sector, never really had any power.

The asymmetry of power described above shows the need for governance within the chain. The notion of governance was introduced into the GVC literature by Gereffi in 1994 and this relates to the power relationships between different participants along the supply chain. This is described by Kaplinsky as *"how and on what terms" (*Kaplinsky 2000:124) each participates within the chain. Although they often use other terms to define themes of governance, there seems to be a consensus between the key authors on the need for governance in the chain. (Gereffi 2020 & 2014, Ponte et al 2019, Cooke 2018b, Davis et al 2017, Gereffi & Fernandez-Stark 2016, Ponte & Sturgeon 2014, Gibbon et al 2008, Levy 2008 & 2005, Pietrobelli & Saliola 2008, Gereffi et al 2005, Kaplinsky 2000). This aims to address the basic rules and standards governing how actors can participate in individual GVCs (legislative governance), how standards are set and tested (judicial governance), and how lead firms in the chain assist others to upgrade within the chain (executive governance). Governance can come from both inside and outside the value chain. External influences include governments, society through boycotts and campaigns, specialist help from consultants and global economic governance

carried out by institutions such as the OECD, International Monetary Fund (IMF) and the World Bank (Davis et al 2017, Ponte & Sturgeon 2014, Kaplinsky 2000).

It has been convincingly argued that nation states should play a central role in mediating GVCs and in order to facilitate this it is argued they need to actively pursue four roles when considering their developmental objectives, which are facilitator, regulator, producer and buyer (De Marchi and Alford 2021). They suggest that by taking a strategic approach to these four processes governments can achieve more equitable outcomes for the diverse stakeholders and ensure a fairer division of gains derived from participation in GVCs. These objectives are particularly pertinent in China where local governments compete to attract foreign investments and advanced industrialisation to their regions and will offer incentives and tax breaks as inducements and even bend or ignore labour laws in order to encourage organisations to relocate to their locale (Unger & Siu 2019). These inducements often result in damage to the environment and further disadvantage economic and welfare outcomes including the social conditions of the migrant workers (Rolf 2019). The researcher contends that this is a fundamental issue where local governments are free to pursue socially conflicting objectives which hampers their desire to mediate "*the conflictual capital-labour relationship*" (Rolf 2019: 58).

Critics of GVCs describe how high income countries rely on protectionism based on copyrights which last seventy years and brand names which last in perpetuity to maintain their high share of the value added (Raj-Reichert et al 2019). Participation in the GVC is described by Buhmann et al and Kaplinsky, as a *"race to the bottom"*

(Buhmann et al 2019:338 and Kaplinsky 2000:141). This analogy is supported by

Choksy et al (2017) and Levy (2005), who all describe how brand leaders such as

Nike raise barriers to protect their core competences, whilst at the same time

commoditising the activities they outsource. This gives them huge power to re-

source and drive down costs and also allows the lead firms to push risk further

down the supply chain (Buhmann et al 2019, Morris & Staritz 2019, Ponte et al

2019, Gibbon et al 2008, Sturgeon 2002). The power of shareholders to also drive

this "*race to the bottom*" (Buhmann et al 2019:338, Sun & Grimes 2016:212,

Kaplinsky 2000:141) analogy is highlighted by many critics of GVCs. They describe

the pressure shareholders can wield by forcing organisations to outsource to lower

cost economies in order to increase share value and dividends. These views of the

dominant shareholder model are also supported by Cooke (2018b) and Johnson et

al (2018).

These criticisms are rejected by Pan (2020), Choksy et al (2017), Gereffi &

Fernandez-Stark (2016), who offer a competing view that the offshore services

industry offers attractive opportunities to develop skill-based competencies. They

give many examples of developing nations using this strategy to upgrade, for

example the Government incentivizing advanced degrees in the Czech Republic to

meet the demands of the GVC.

Globalisation it is argued, is not about efficiency gains and does not result in equal

winners. Kaplinsky introduces the term *"Immersing growth"* (Kaplinsky 2000:120),

where output and employment are increasing, but where economic returns are

falling. Citing examples from Brazil and the Dominican Republic, where average real

wages declined markedly, he claims a causal link between globalisation and inequality. A similar stance is taken by Levy (2005), who argues this form of arbitrage is based on shifting work to wherever wages are lower and this is certainly true in China which has resulted in it being labelled as the workshop of the world (Danciu 2020, Yu & Luo 2018, Sun & Grimes 2016, Yang 2014).   In later work Levy challenges *"The ideology of neoliberalism that underpins a faith in free markets…* [and argues that] *markets are highly political constructs"* (Levy 2008:948)*.* He asserts that we should consider the unequal benefits shared by the various actors in the chain.   In his earlier work Levy warned that offshoring, as it was then referred to, did not result in *"win-win"* (Levy 2005:686) outcomes for all the actors involved in the process.   In the early years of offshoring it was believed that displaced workers could upgrade their skills. Levy (2005) contends that this is no longer the case, with high value add skills moving to locations such as Bangalore. He argues that *"Creating global commodity markets for skills… c*ompanies *may benefit, but firm-level performance is becoming increasingly dislocated from the welfare of countries or workers… A more critical perspective on offshore sourcing suggests that it is not just about efficiency, but rather strategies of power"* (Levy 2005:692). He asserts that this is creating a global commodity market for skills. He cites the examples of unemployed PhD level engineers forced to seek employment in the retail sector and X-Rays being digitally transmitted over the internet to allow technicians in lower wage economies to read them.

These negative viewpoints of the value chain are rejected and countered by Gereffi & Fernandez-Stark (2016). They point to the new wave of offshoring knowledge intensive work in services, which they see as an opportunity for decision makers

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and say gains in the ever evolving GVC will go to *"Those with more education, skills, wealth and power"* (Gereffi & Fernandez-Stark 2016:32). In this context, the word wealth has a great degree of salience because history suggests the work will migrate to poorer economies in the never ending drive to reduce costs. The increased use of digitisation, as in the example above of X-Rays being digitally transmitted to lower cost economies, will likely accelerate and facilitate the drive within GVCs for lower costs. The difficulties this may cause smaller countries are acknowledged by Gereffi & Fernandez-Stark (2016), but they again see it as an opportunity for these countries to develop their potential. The next section uses examples from both supplier and Buyer Driven Chains, to underline and support the hypothesis that there is an asymmetry of power in GVCs.

2.3. Value in the GVC & the Challenge for China

Value add is not static as it can move up or down the chain, driven largely by changes in technology or disruptive new entrants. Jacobides and MacDuffie contend that *"success in an industry is driven less by the creation of 'competitive advantage', than by a firm's ability to move value to its part of the value chain"* (Jacobides and MacDuffie 2013:10). A good example of this is given by Jacobides and MacDuffie who highlight what they call the *"outsourcing blunder of the century"* (Jacobides and MacDuffie 2013:7), when IBM outsourced processors to Intel and Microsoft to allow them to concentrate on developing the portable computer (PC). Intel and Microsoft seized the opportunity and promoted their

brands with initiatives like 'intel inside'. The software then became the dominant brand value while the hardware was viewed as largely irrelevant.

China's economic growth is often described as a miracle (Bajpai 2020 & 2014, Holz 2008). However China has said that participation in the EOI has resulted in a low cost, low skill economy which they see as unsustainable. It plans to upgrade its economy by moving away from the EOI and is pursuing a strategy of becoming a knowledge-based economy (Cooke et al 2020b). This is discussed in greater detail in Section 2.4 under the heading strategies for upgrading in the GVC.

Critics argue that participation in the GVC can lead to trade gaps and posit that participating countries such as China should measure their domestic value add, which more accurately reflects the presence of intermediary goods (Yu & Luo 2018). A good example of this is used by both Gereffi (2014) and Kraemer et al (2011), who both use the Apple iPhone4 as a graphic example of what this EOI model means for China's value add. The price for the iPhone4 when it left the factory (factory gate price) in 2011 was $194.04, of this, China's value added was only $6.54 while the balance of the gate price was made up of imports from other countries. This example of the iPhone4 shows the effect on China's economy of being at the bottom of the value chain and having to import high technology piece parts from other countries. These intermediate goods are incorporated into the final product and then re-exported as finished goods and as such are free of duty (Gereffi 2020, Sun & Grimes 2016, Yang 2014). To put this in context, in 2011 China accounted for sixty-seven percent of the Worlds processing exports. In contrast, the second largest processing exporter, Mexico, accounted for just eighteen percent (Gereffi

2014, WTO 2013). In importing so many intermediary goods, China is not gaining any intellectual property and is merely acting as a low cost assembler. The iPhone example highlights the potential extent of power in Supplier Driven Chains, as China still has no alternative than to import high technology piece parts, which have been specified by the OEM. A further recent graphic example on the other side of the paradigm of power is from the Buyer Driven Chain, which is also being driven by Apple. Apple announced that it will stop buying graphic chips from Imagination Technologies UK and plan to develop their own. This announcement resulted in a sixty percent collapse in the share price of Imagination Technologies. Apple was then criticised for using its power to depress the share price of its intended prey, as part of a takeover strategy (BBC Radio Four News 3/4/2017, Kharpal 2017). This supports earlier work by Sun & Grimes (2016), who also point to Apple's reputation for dropping long-term suppliers with little or no notice. They describe Apple's *"monopolistic role within the GVC"* (Sun & Grimes 2016:213), describing how they also acquire new innovative companies in their markets to help maintain their leadership position.

In their later work Gereffi & Fernandez-Stark (2016) divide the GVC into two concepts which are dependent on the various actors' positions in the chain. They view the chain from two viewpoints and describe a top down or global perspective, in which the key concept remains as governance, which reflects Gereffi et al's (2005) earlier work. From a bottom up or local perspective, the key concept is upgrading, or improving the actors' positions in the value chain (Gereffi & Fernandez-Stark 2016, Gereffi 2014). It is to this concept that the discourse now turns.

2.4 Strategies for Upgrading in the GVC

In the introduction to this chapter it was argued that GVCs represented an estimated eighty percent of world trade by 2013 (Barrientos et al 2016). Scholars and NGOs alike point out that GVCs are clustered in emerging and developing economies, where the attraction is a vast supply of cheap labour (Ponte et al 2019, Cooke 2018 a & b, Yu & Luo 2018, China Labour Bulletin 2017, Sun & Grimes 2016, OECD 2013, Yang 2014). The problem with these increasingly fragmented Value Chains is that the value stays largely with the OEM and that suppliers lower down the chain become low cost assemblers, as is evident in China's EOI model (Gereffi 2020, Yu & Luo 2018, China Labour Bulletin 2017, Sun & Grimes 2016, Yang 2014). China has announced that the EOI model is unsustainable and is transitioning its economy into a domestic demand model. So what is the future for GVCs, if China considers participation in them unsustainable? How then did the construct grow to dominate world trade and is there a causal link between globalisation and inequality in the chain (Buhmann et al 2019, Davis et al 2017, Kaplinsky 2000, Levy 2008 & 2005)?

Its proponents argue that GVCs offer opportunities to upgrade or improve the actors' positions in the value chain (Choksy et al 2017, Gereffi & Fernandez-Stark 2016, Gereffi 2014). The question is how do they do this? Four strategies to improve a country or an organisation's position in the GVC are suggested by Davis et al (2017), Gereffi & Fernandez-Stark (2016) and the OECD (2013). These are process upgrading, product upgrading, functional upgrading and chain upgrading. Each of these strategies is discussed in turn in the following sections.

2.4.1 Process Upgrading

Process upgrading involves carrying out tasks more efficiently, for example by automating or by re-organising production, in order to gain efficiencies. An example of this was brought about in the electronics sector, when semiconductors moved from through hole to surface mount technology (SMT). The equipment to handle SMT is capital intensive and OEMs had to decide to either make or buy their printed circuit boards (PCBs) on which the SMT semiconductors are placed. They decided to move the capital investment risk further down the chain. This resulted in a paradigm shift in how the sector was organised and led to the exponential growth in electronic contract manufacturers (ECMs). These ECMs allowed the OEMs to achieve increased flexibility on a number of fronts, in that they could ramp up or down production with little notice and without the need for increased capital investment. In addition, this allowed the OEMs to concentrate on their core competences such as research and development (R&D), branding, marketing and sales activities. A note of caution on this race to divest manufacturing capability was voiced at the time by Sturgeon (2002), who warned that brand leaders could not only lose process expertise but could also hamper product development. However, the growth of giant ECMs like Foxconn show how successful this strategy of divesting manufacturing capabilities has become with brand leaders such as Apple, Nike and Walmart, who no longer manufacture anything themselves and rely instead on product development to maintain their dominant brand role within GVCs (Gereffi 2020, Buhmann et al 2019, Sun & Grimes 2016).

In China the Government, as part of its strategy to rebalance its economy away from the EOI model, is encouraging factories to automate and is giving them grants for each machine installed. China is currently a net importer of Artificial Intelligence (AI), accounting for a third of global demand (Choudhury 2018, Girault 2018). President Xi Jinping has announced that, as part of its industrialisation plan dubbed 2025, it aims to catch up with rivals such as the United States (US), Germany and Japan in ten key sectors. He has set the Country the challenge, that by 2020 he wants half of all industrial robots in the Country to be home made, rising to seventy percent by 2025 (Choudhury 2018, Girault 2018). The city of Dongguan, where three of this study's six factories are located, can reflect what is happening on the ground, where five-hundred and five factories in the territory invested 4.2 billion yuan (approximately £430 million) in robots in less than two years (Wakefield 2016).

A World Bank report in 2016 said automation could lead to job losses of seventy-seven percent in China (Girault 2018). A later study published in 2017, estimated that half of Chinese jobs could be automated (Barton et al 2017). This gives China a dichotomy, in that hundreds of millions of jobs could be lost, whilst simultaneously giving a productivity boost. McKinsey estimate the boost at nought-point-eight to one-point-four percent of GDP, the scale being dependent on the speed of adoption. A further implication of AI is the impact on income inequality, as digital skills are expected to attract premium rates of pay. AI could also be crucial in boosting China's competitiveness, as its population ages (Barton et al 2017). The McKinsey report also highlighted the gender disparity in China, with almost eighty four percent of women in employment, but largely in low skill functions. In addition, women were underrepresented in leadership roles accounting for only

thirty percent of management positions. If AI is to be a significant driver of Chinese competitiveness in the future, Barton et al (2017) posit that AI has the potential to widen the gender gap. They point out that women currently represent less than twenty percent of computer sciences graduates. Potentially even more worrying, McKinsey suggest that AI could drive social unrest (Barton et al 2017).

Having used Apple as an example earlier in this work, its sub-contractor Foxconn plans to be thirty percent automated, in their Chinese factories by 2020. To put this in context, Foxconn employed one-point-two million people in China in 2015 (Statt 2016). This level of automation could result in hundreds of thousands of people losing their jobs in just one organisation, which highlights the societal implications of AI.

A further form of upgrading process is where the lead firm or brand take some responsibility for upgrading others within the chain. However, it has been suggested that this is more likely to take place in Producer Driven Chains (Kaplinsky 2000), as he contends this strategy can also increase trust between different links in the chain. This view is supported by Di Maria et al (2019) and Pietrobelli & Saliola (2008), who discuss how MNCs send their own staff to disseminate tacit knowledge and offer hands-on support within their supply chains. More critical writers on the GVC, such as Sun & Grimes (2016), Levy (2008), Kaplinsky (2000) and the author of the current study, would be expected to require more evidence from the OEMs on the effects of this last upgrading strategy. Certainly the author would challenge whether this has changed the proportion of value add which flows to those lower down the chain, or whether it had more to do with efficiency gains.

2.4.2 Product Upgrading

Product Upgrading is a strategy advocated by Jacobides & MacDuffie (2013), whereby manufacturers create new demand by upgrading their product. A good example of this strategy can be seen in the mobile telephone market, where manufacturers add features such as increasing the speed or amount of data that phones can handle, upgrading the camera and even changing the size of the handsets. These upgrades are used to encourage users to upgrade their handsets, usually to a higher tariff.

In addition, they recommend pursuing a strategy of being the least replaceable player in the GVC, which they argue can be achieved by reputation, technology or by becoming a standards setter (Jacobides & MacDuffie 2013). The example used in Section 2.3 of this chapter of 'intel inside' is a good example of being both the least replaceable player and of being a standards setter.

2.4.3 Functional Upgrading

Functional upgrading involves moving from low value add functions such as assembly, towards higher value added functions such as R&D and branding (Choksy et al 2017). It has been persuasively argued that functional upgrading can be a more contested strategy, as lead firms may view this as their suppliers developing competencies which they view as their own core skills (Morris & Staritz 2019).

Newly industrialising nations as part of their industrialisation policy can attach themselves to existing value chains (Danciu 2020, Morris & Staritz 2019, Gereffi

2014). The logic of this is that a small percentage of a very large market can be very profitable. This strategy is also discussed by Jacobides and MacDuffie (2013), whose fourth rule for success is to manage the growth strategy by picking a sector with high growth potential.

The ECMs used earlier as examples of process upgrading also upgraded their functional processes by offering turn-key services. This began with them taking over responsibility for purchasing, prior to this the norm was for the OEM to free issue a kit of parts. This move enhanced the ECMs revenues, at the same time giving them enhanced purchasing power, as they could pool the demand from a range of customers. This strategy was so successful that it led the ECMs to further increase their functional capability they began to offer additional services such as PCB design and layout, testing, packaging and after sales services (Sturgeon 2002).

A further dimension is added by Choksy et al, who distinguish between two distinct types of suppliers in GVCs, referring to them as either *"privileged* or *disadvantaged"* (Choksy et al 2017:2)*.* The former function in stable environments or can overcome barriers due to their size or management agency. The latter tends to be smaller firms who operate in less stable environments and in markets with low barriers to entry, or are embedded in larger organisations supply chains (Dundon & Wilkinson 2018, Davis et al 2017, Gibbon et al 2008, Sturgeon 2002). Functional upgrading it is proposed is more achieveable for the privileged and less feasible for the disadvantaged suppliers within a GVC (Choksy et al 2017). They go on to argue that it is rare for a disadvantaged supplier to achieve functional upgrading and that their efforts would be better directed towards improving their profit margins, which they

argue is more achievable (Choksy et al 2017). The researcher queries how attainable this later strategy is when you consider the power dynamics in the chain. As has been said earlier in this work, OEMs keep a tight control on costs and the suppliers are already considered "disadvantaged" (Choksy et al 2017:2, Sun & Grimes 2016).

A cautionary note on upgrading is voiced by Morris & Staritz (2019), in that they posit that others within the chain will emulate the new process, function or product, when it then becomes the new norm and acts to reduce the opportunity for capturing higher rents. They argue that lead-firms are normally more supportive in product and process upgrading and least supportive with functional upgrading.

Although this is not always the case as can be evidenced in the strategies of growth pursued by ECMs in the electronics sector discussed above, in that the ECMs increased their functional capability, which was supported and encouraged by OEMs like Apple.

2.4.4 Chain Upgrading

Upgrading involves a shift in roles within the value chain to functions that attract a larger percentage of the value added. As has been said earlier, China intends to achieve this through a strategy of creating a domestic demand model. It has been argued that China should use access to this huge internal market as its main bargaining chip with foreign investors, with the objective of gaining intellectual property to assist its move up the value chain (Sun & Grimes 2016). However, this

view potentially ignores the fact that some Chinese companies such as Huawei and ZTE are already more successful and technologically advanced than some of their Western competitors (Sun & Grimes 2016). Huawei is China's largest private company and takes up many column inches in the media regarding its purported links to the Chinese government, which gives rise to concerns regarding security. These concerns regarding security have led governments including the United States, Australia and New Zealand to ban Huawei from participating in their next generation mobile platform, termed the fifth generation cellular network technology (5G). To illustrate how advanced their technology is, Huawei have fixed network problems for the National Cyber Security Centre (NCSC), which is part of Government Communications Headquarters (GCHQ) in the UK (BBC Radio Four News 2019, Vaswani 2019).

China has announced that it will move away from dirty technologies and concentrate on becoming a knowledge-based economy. This will involve prioritising key industries in the high-technology sectors, including pharmaceuticals, agriculture, forestry, tourism and e-commerce (The State Council, The People's Republic of China 2018).   The IMF comment that this structural reconfiguration to household consumption will also lead to huge growth in the transportation and healthcare systems and financial services, three services which have the potential to employ millions (Zhang 2016, Inman 2015). The IMF points to two signs that suggest these structural moves are working, with household consumption representing over two thirds of GDP growth in 2015. In addition they point out that credit has more than doubled since the financial crash of 2008 (Zhang 2016), although McKinsey warned of a potential financial crisis on the back of the growth

in cheap credit (Barton et al 2017, Huang 2013). Notwithstanding McKinsey's

cautionary advice, China's GDP growth whilst slowing is still enviable (Evans 2016,

Magnier 2016). The fact that they can achieve this whilst also transitioning their

economy away from the EOI is testament that chain upgrading is achievable, at

least at the institutional level. What is not clear is China's plan for the majority of

their workforce who are currently employed by SMEs as assemblers at the low

value added end of the supply chain.

China is following three of the strategies for upgrading advocated by Gereffi &

Fernandez-Stark (2016) and the OECD (2013). The biggest institutional changes

would be described as both chain and functional upgrading, as it transitions away

from low skill, low value add assembly and pursues its goal of becoming a

knowledge-based economy (The State Council, The People's Republic of China 2018,

Cooke et al 2020b). In addition, it is following a strategy of process upgrading, in

that as part of its industrialisation plan dubbed 2025, it is pursuing a strategy of

automation. However this strategy gives them a dichotomy, in that it will deliver

efficiency gains whilst simultaneously taking millions of jobs out of the economy. It

is debatable whether these huge structural changes could be achieved so quickly in

more democratic regimes. For example the debate on a third runway at Heathrow

airport has been ongoing for almost twenty years and although it was approved by

cabinet in 2018, the debate is far from over (Kuenssberg 2018). The discourse now

moves on to conclude the chapter.

2.5 Conclusion: GVCs & the Implications for HRM in Chinese SMEs

The literature on GVCs takes two different perspectives. At one end of the
continuum the positivist discourse on participation in the GVC sees it as an
opportunity for countries to develop skill-based competencies (Gereffi 2020 &
2014, Pan 2020, Morris & Staritz 2019, Choksy et al 2017, Gereffi & Fernandez–
Stark 2016, Jacobides & MacDuffie 2013). At the other end of the continuum critics
of the GVC claim it can lead to a "*race to the bottom*" (Kaplinsky 2000:141), a view
which is supported by Cooke (2018b), Davis et al (2017), Sun & Grimes (2016) and
Levy (2008, 2005). In fact Buhmann et al (2019) and Cooke (2018b) have gone so
far as to call for greater corporate social responsibility to create a more equitable
outcome for those involved in the GVC.

The "*race to the bottom*" (Kaplinsky 2000:141) analogy rings true, in that China is in
the process of structurally reconfiguring its economy moving away from the EOI
model. It no longer wants to be the workshop of the world which creates little
value added (Danciu 2020, Yu & Luo 2018, Sun & Grimes 2016, Yang 2014). With
such a large population, it is now turning to domestic demand to drive growth.
What this structural reform will mean for Chinese SMEs is unclear. There are a
number of institutional barriers that will need to be addressed, the first being the
availability of finance. The World Bank warns that finance is a major issue for
Chinese SMEs, as banks prefer to lend to larger businesses who they view as more
stable (World Bank 2021, Hilgers 2009). An additional problem is the relatively low
level of education in entrepreneurs in private enterprises. An example of this is
quoted by Cooke (2011b), where over seventy percent of entrepreneurs in Zhejiang

Province were educated to junior secondary school level or below. This low level of educational achievement goes some way in explaining why China became the workshop of the world (Danciu 2020, Yu & Luo 2018, Sun & Grimes 2016, Yang 2014), as organising low skilled labour is relatively simple, however to move up the value chain and become a knowledge-based economy will demand higher skill levels (Cooke et al 2020b, Zhang 2012, Akhtar et al 2008). For these reasons, it is not yet clear whether SMEs will be part of the structural reforms. Whether it will turn out to be the prerogative of large MNCs remains to be seen, as it would not be the first time that China deliberately pursued a dual economy (China Labour Bulletin 2017, Chan 2013). Examples of this dualism are discussed more fully in the HRM theoretical perspectives discussion (Section 3.6.1).

It is argued that the GVC has created a "*global commodity market for skills*" (Levy 2005:692), a view which is supported by Cooke (2018b) and the OECD (2013). This low skilled labour force is unlikely to be valued or in high demand as China transitions into a knowledge-based economy. China's economic transition is therefore unlikely to result in '*win-win*' (Levy, 2005:686) outcomes for all. Whether this will result in a two-tier economy, with the key industries transforming and the low cost assemblers being further disadvantaged, is open to conjecture. The literature suggests that economic restructuring coupled with the growth of AI could have a major impact on employment, with hundreds of millions of jobs being lost (Choudhury 2018, Girault 2018, Barton et al 2017 and Statt 2016). Not surprisingly McKinsey argue that this level of job losses could result in an increase in social tensions against a background where industrial and social unrest is already escalating (Cheng 2019, Hernandez 2019, Raj-Reichert et al 2019, The Economist

2019, Barton et al 2017, China Labour Bulletin 2016, Danford & Zhao 2012, Göbel & Ong 2012). The Chinese Government is sensitive to issues of unrest and stopped releasing statistics on the number of labour disputes in 2010. This followed a number of high profile disputes which included a series of suicides in Foxconn, Chinas largest industrial employer. In addition, the Government actively supresses reporting of industrial or social unrest (Cheng 2019, Hernandez 2019, The Economist 2019, China Labour Bulletin 2016, Danford & Zhao 2012, Göbel & Ong 2012).

The IMF say the economic reforms appear to be working in re-balancing the economy and point to the growth in internal consumption (Zhang 2016). This can also be seen by the fact that China was set to become the second biggest retail market by 2015 (Huang et al 2019, Huang & Gamble 2015). What is not clear is how much of the growth was generated from goods produced within GVCs. This suggests a dichotomy going forward, with the GVC being both part of the problem and the solution. Considering the number of people currently employed in the GVC, it may take more than a generation before the economy losses its dependency on the construct. As Levy posits *"markets are highly political constructs"* (Levy 2008:948)*.

To operate successfully it is argued that GVCs require low tariff barriers and a predictable regulatory framework, which is achieved through membership of organisations like the World Trade Organisation (Davis et al 2017, Gereffi 2020, Azmeh 2019). There are a number of growing issues which could affect GVCs going forward. For example President Trump's protectionist policies, such as the trade

war with China, which was leading US companies to rethink their offshoring strategies (Gereffi 2020, Azmeh 2019). Added to this there is much debate regarding the long-term effects of the coronavirus pandemic and the impact this might have for arms-length supply chains (Strange 2020). It has been persuasively argued that basing outsourcing decisions simply on cost minimization is too simplistic (Arora 2020, Seric et al 2020). It is outside the scope of this research to speculate on what might happen in the future to change neo-liberal economic policies and the axiology and efficacy of GVCs. However the fact that the need for change is even being discussed at national and international levels underscores that the current system was not resilient enough when put to the test (Danciu 2020, Hippe Brun 2020, Knut et al 2020, Pananond et al 2020, Seric et al 2020, Verbeke 2020). This lack has led McKinsey to urge governments and organisations to carry out risk assessments on their supply chains, which they suggest may result in a growth in local sourcing (Knut et al 2020).

Drawing on empirical evidence from six factories who were supplying Buyer Driven Chains, this study aims to gain a multi-stakeholder perspective (Beer et al 2015) on governance and upgrading within the GVC in China, and will test major themes uncovered in the literature (Gereffi 2020, Cooke 2018b, Gereffi & Fernandez-Stark 2016, Ponte & Sturgeon 2014).

The next contextual chapter considers the extant literature on HRM and the implications for strategies and policies in improving employee retention in SMEs in China's EOI. These SMEs are at the bottom of the value chain and their very participation in the chain may constrain their ability to adopt HRM practices to

improve their competitive advantage (Chao & Shih 2018, Rayner & Morgan 2018, Su

et al 2018, Delery & Roumpi 2017, Saridakis et al 2017, Björkman et al 2014).

Chapter 3: HRM in China's Transitional Economy

3.1 Introduction to HRM

Human resource management (HRM) emerged as a management concept in the 1950s following seminal works by Drucker (1954) and McGregor's (1957) theory X & Y. Considering the theory is over sixty years old it remains in common use, particularly by management consultants (Collings et al 2018, Lawter et al 2015). The axiology of HRM can be seen in the comments of Kramar & Syed, who set out how the emergence of HRM was followed by *"sustained theoretical assault on its pretentions, highlighting the gap between the rhetoric of HRM and the reality"* (Kramar & Syed 2012:1)*.*

This chapter discusses the way HRM has been defined and how the concept is used in the day-to-day realities of organisations, followed by a discussion on the evolution from HRM to the huge growth in interest in strategic human resource management (SHRM). HRM has become universally understood in the English speaking world, although it is still an evolving concept in China. The discourse moves on to explain that it is only since embarking on its modernisation program termed the Open Door Policy that organisations have been allowed autonomy to recruit or dismiss employees. China has therefore been on a HRM learning curve for the last thirty plus years.

The chapter then moves on to discuss the three dominant theoretical frameworks of HRM Boselie et al (2005) suggest researchers often blend practices from the three frameworks and propound that they could converge into a formative theory.

Next the mainly Western centric HRM practices are discussed and consideration is given as to whether these may need adaption to suit Chinese cultural preferences. The discussion then moves on to consider HRM in the Chinese cultural and institutional contexts, which are pivotal in shaping the industrial relations process. The next section introduces some definitions on what constitutes HRM.

3.2 HRM Defined

One of the most concise definitions of HRM is put forward by Boxall & Purcell when they describe it as *"a set of activities aimed at building individual and workforce performance"* (Boxall & Purcell 2011:5). This draws out the interdependence of both individuals and organisations. Most HRM theories are described as dichotomous by Xiao & Cooke (2020b), with commitment based theories contrasting with control based models. Considering how long the construct of HRM has been in use, it is somewhat surprising that there is still ambiguity around its definition (Collings et al 2018).

It is argued that when human resources (HR) are seen to add strategic value, high performing organisations treat HRM as a set of complimentary practices which are aligned to the firm's strategy (Collings et al 2018, Dundon & Wilkinson 2018, Gooderham et al 2018, Saridakis et al 2017, Cook et al 2016, Ulrich 2016, Wright et al 2015, Björkman et al 2014, Chow & Liu 2009). More critical views of the employment relationship are voiced by Collings et al, who conceptualize *"soft HRM, as the iron fist in the velvet glove" (*Collings et al 2018:3), or Boxall & Purcell who argue that HRM goals are *"often implicit…, aspirational rhetoric or ideology may*

mask a more opportunistic and pragmatic reality" (Boxall & Purcell 2011:12), a view

that is supported by Gill (2018), Cook et al (2016) and Shen (2010). It has been

persuasively argued that HRM is not a panacea (Storey 2007). He warns against

coercive power and cites the examples of the growth of zero hour contracts and

mass lay-offs, when MNCs divest non-core activities or relocate to areas of lower

cost production. He posits that "*the casualization of work is diametrically opposite*

to HRM" (Storey 2007:7). This view is supported by Boxall & Purcell, quoting Hyman

who wrote *"Capitalism is a system in which employers require workers to be both*

*dependable and disposable" (*Hyman 1987:43, as cited by Boxall & Purcell 2011:30)*.*

Later in this chapter HRM will be put into context in China, which will support both

Storey and Hyman's views and show that it is not only capitalism which exploits

workers, but that the migrant workers in China are institutionally marginalised,

which facilitates and underpins the exploitation.

Notwithstanding its critics, the results of large surveys underline the critical role

HRM can play in achieving organisations strategic objectives. A survey in Fortune

magazine of the World's most admired companies is quoted by Storey, in that their

CEOs reported *"The ability to attract and hold on to talented employees is the single*

most reliable predictor of overall excellence" (Storey 2007:12)*.* This view is

supported by the PricewaterhouseCoopers (2009) annual survey of CEOs from over

fifty countries, which showed that ninety-seven percent of CEOs saw recruiting and

retaining key talent as critical to sustaining growth over the long-term (Holland

2012). The United States Conference Board's (2014) survey of global CEOs also

ranked human capital issues as their biggest challenge (Ulrich 2016).

The often heard mantra is that employees are a firm's most valuable asset, yet it is proposed that all employees should not be treated equally. (Becker & Huselid 2006). This view has gained widespread and enduring support, with other academics arguing that organisations should use a HR architecture, which divides the workforce into distinct groups of human capital. The groups are then treated with different sets of HRM practices, with particular emphasis on the core workforce, as it is argued this group will have the greatest impact on value creation (Cooke et al 2020a, Xiao & Cooke 2020a, Crane & Hartwell 2019, Cooke 2018b, Johnson et al 2018, Delery & Roumpi 2017, Wright et al 2015, Boxall & Purcell 2011, Lepak & Snell 2008, Becker & Huselid 2006, Colakoglu et al 2006). Considering the informal culture typical of SMEs who take a more inclusive approach to developing all employees, this differentiated approach it has been argued is anathema and could damage morale and teamwork which is a key strength of SMEs (Krishnan & Scullion 2017).

There has been criticism that the 'one size fits all' notions of best practice and best fit approaches to HRM are too simplistic (Cooke 2018a, Rayner & Morgan 2018, Su et al 2018, Saridakis et al 2017, Jamali & Afiouni 2012, Colakoglu et al 2006). This is particularly true when considering firm size, for example there is debate in academia as to whether SMEs benefit from being less formal in their HRM processes and practices than larger organisations, and this same informality has been identified as a source of competitive advantage (Dundon & Wilkinson 2018, Krishnan & Scullion 2017, Raby & Gilman 2012, Marlow et al 2010, Chiu 2002). This informality and lack of structure is marked in Chinese SMEs, who continue to rely on guanxi even when the business becomes reasonably large (Yeung 2005). Others challenge whether practices and concepts developed for large organisations are

appropriate or applicable in SMEs, which are fundamentally different (Dundon & Wilkinson 2018). However as SMEs are not homogeneous in nature, it would seem reasonable to suggest that HRM requirements are likely to change over time and vary as organisations mature or respond to changing external factors such as legislation or customer requirements (Dundon & Wilkinson 2018, Krishnan & Scullion 2017, Raby & Gilman 2012). A further significant difference in HRM practices between large organisations and SMEs is that employees in SMEs are more likely to be required to perform a variety of tasks, when compared to role specialisation in larger organisations (Dundon & Wilkinson 2018, Krishnan & Scullion 2017).

Having defined HRM and how its concepts may change over time, Lin et al (2014) and Losey et al (2005) argue that change is now constant and posit that an effective HR system enhances an organisation's performance. The discourse will now move on to outline how SHRM has evolved from the concept of HRM which preceded it and concludes with some predictions on how it may develop in the future.

3.3 Evolution from HRM to SHRM & Beyond

The concept of HRM emerged in the US in the 1970s with the human relations and organisational behaviour paradigms which developed in response to increased competition and concerns over productivity, particularly when compared to Japan and Germany (Collings et al 2018). These paradigms underlined the importance of the soft areas of management, including leadership and motivation, and the impact these constructs had on organisational efficiency. This concentration on the soft

areas of management was termed the Harvard model of HRM (Beer et al 2015). Labour policies and practices were re-positioned to treat human resources as assets that could be motivated to improve their productivity (Collings et al 2018, Kaufman 2015, Jamali & Afiouni 2012). If soft HRM is on one end of a continuum, at the other end is hard HRM (Zhu & Warner 2019, Dundon & Wilkinson 2018), which is generally associated with the Michigan school of thought (Forbrun et al 1984, as cited by Collings et al 2018). Hard HRM emphasises utilising HR to achieve organisation objectives, which are normally profit related (Gill 2018, Cook et al 2016). Organisations associated with hard HRM include Walmart and McDonalds, whose HR practices include zero hour contracts, the lowest pay systems the market will bear and employee rights pared to the bone (Collings et al 2018). Critics of the hard approach have contrasted its outcomes with higher turnover rates, lower commitment and low trust and argue that a stakeholder-oriented approach will result in superior and sustainable performance. A multi-stakeholder approach entails HR professionals changing their perspective and adopting an *"outside-in"* (Ulrich 2016:151) approach, aligning HR practices to encompass key external stakeholders including shareholders, customers and possibly the local community in enhancing the company's reputation in order to create value (Ulrich & Grochowski 2018, Ulrich et al 2017, Ulrich 2016, Brockbank & Ulrich 2005). Notwithstanding the ambiguities associated with the rival paradigms of HRM, by the 1980s it was popular in the UK and Europe. The emphasis in this early phase was on the manipulation of personnel policies to achieve competitive advantage (Collings et al 2018, Hollinshead et al 2003).

A further paradigm shift in HRM came with the emergence of quality as a business issue in the 1980s, which was driven by the then world dominance of Japanese brands who achieved competitive advantage on the basis of quality.

By the mid 1980s, the notion that HRM could be of strategic importance in value creation led to another paradigm shift and the concept of SHRM was born (Xiao & Cooke 2020b, Delery & Roumpi 2017, Kaufman 2016 & 2015, Beer et al 2015). It differed from previous notions of HRM, in that it moved away from viewing people simply as a cost to be minimized, towards people being able to create value (Dundon & Wilkinson 2018, Kaufman 2015, Jamali & Afiouni 2012, Boxall & Purcell 2011, Qiao et al 2009). Apple and Dyson are examples of firms who have followed this strategy, in that they have built strong brands around their ability to innovate (Jamali & Afiouni 2012, Boxall & Purcell 2011). The strategic importance of HRM is summarised by Jamali & Afiouni who argue that "*At the heart of SHRM is the question of how much of a difference HRM can make in terms of organizational performance, and more specifically how the management of human capital can make a difference*" (Jamali & Afiouni 2012:63). The huge growth in interest in SHRM, not only from academia but also from management practitioners, is unusual and the subject of much debate, for example the works of Gill (2018), Kaufman (2015, 2012 & 2010), and Bartunek & Rynes (2014). The extent of the disconnect can be evidenced in the study by Rynes et al (2002), who found that less than one percent of practitioners read academic HRM publications. Although the study by Rynes et al (2002) may appear somewhat dated, it is seminal in that it is still being cited by eminent scholars in studies more than a decade later (Beer et al 2015, Kaufman 2012). A further example highlighting this disconnect is posited, in that

the first choice of managers looking for advice is to consult other managers, the Society for Human Resource Management website or other internet sources, rather than implementing practices that research based evidence has shown to work (Gill 2018, Rynes et al 2007 & 2002). Although dissemination of academic knowledge is not a panacea, many scholars have argued that the disconnect between academia and practice is institutional and has a negative effect on productivity (Gill 2018, Kaufman 2015, Bartunek & Rynes 2014, Rynes et al 2007 & 2002).

How the constructs of motivation and leadership may develop over time are discussed by Latham & Ernst (2006). They posit that leadership will not be the prerogative of a single individual or a small elite group, rather they predict that it will become a collective activity. A number of their scarier predictions include the use of practices to prime subconscious goals, such as subliminal messages and the use of psychotropic drugs to enhance performance, much as cosmetic surgery is used today to enhance a person's appearance. In addition they discuss neuro-marketing, where marketers use brain scans to ascertain what stimulates centres in the brain to better target their prospective customers. They suggest that in the future, this could be used by both management and arguably labour to create what they term "*an ideal environment* [in which to maximise human capital, they term this] *to push the right buttons"* (Latham & Ernst 2006:194).

HRM is continually evolving with initiatives like sustainable HRM (Jerónimo et al 2020) which includes socially responsible HRM and green HRM (Shen et al 2018), electronic HRM (eHRM) and the use of AI are emerging to add to the HRM discourse. The current Corona virus pandemic is likely to act as a catalyst, resulting

in possibly the largest paradigm shift in HRM worldwide, with non-essential workers currently working from home and furloughed employees receiving government support to stay at home. No one knows how long this crisis will last, however it is unlikely that the world of work will look the same going forward (Emmerson & Stockton 2020). However speculating on what this may look like is outside the scope of the current study. Having discussed the evolution from HRM to SHRM where people are seen as being able to create value, the discourse now moves on to consider the evolution of HRM in China.

3.3.1 The Evolution of HRM in China

It was not until the mid-1990s that organisations were allowed autonomy in the employment relationship (Busse et al 2016, Xie et al 2013, Su & Wright 2012, Yang 2012, Zhao & Du 2012, Cooke 2011b). Prior to this, as part of the command economy and under socialism, employees were assigned by The Communist Party (The Party) to organisations, given cradle to grave welfare and lifetime employment, which was termed the Iron Rice Bowl (Xiao & Cooke 2020b, Busse et al 2016, Zhu & Dowling 2002). There was no choice on either side of the employment relationship, as workers were assigned to enterprises and roles while employers could not hire or fire workers. It is argued that this system led to inefficiency and over staffing (Busse et al 2016, Frear et al 2012, Zhang 2012, Shen 2010, Zhu & Dowling 2002, Budhwar & Debrah 2001, Debrah & Budhwar 2001).

China has therefore been on a HRM learning curve for the last thirty plus years, as it transitions towards a hybrid model of HRM, which combines Western HRM

practices with welfare elements of the Iron Rice Bowl regime. Take up was slow in the early years following the Open Door Policy, which was designed to modernise the economy by evolving from a command model into a market driven economy, whilst remaining a socialist state (Zhu & Warner 2019, Busse et al 2016, Budhwar & Debrah 2001). The reforms were gradual but had a dramatic effect on unemployment. In the 1990s state owned enterprises (SOEs) shed some thirty million workers (Xiao & Cooke 2020b, Danford & Zhao 2012, Mitchell 2009, The Economist 2008, China Labour Bulletin 2007). To put this reduction in employment in context, the labour market statistics for the UK show just over thirty-six million people in work in May 2019 (ONS 2019). The Iron Rice Bowl was replaced by employment laws which were designed to address two problems. The first was to improve efficiency by ending lifetime employment and the second was to curb exploitation by granting workers minimum basic rights, which included limiting working hours and regulating vacation time (Gallagher 2004).

There is disagreement between academics as to the dissemination of HRM practices in China. For example Zhao & Du (2012) credit the work of Chinese scholars Zhao (1998), Shi (1990), Zhang (1990) and Wang (1988, 1985), who were amongst the early Chinese writers to introduce theories of psychology into HR management in China. These same writers are credited by Zhao & Du (2012) as having introduced Western HR concepts into China. A different view is taken by other academics who posit that Western HRM practices were introduced into China through foreign direct investment (FDI) by MNCs, who entered into joint ventures (JVs) with local organisations. Through these JVs, the MNCs introduced new working practices and

trained the local staff. They also encouraged the uptake of professional qualifications such as Master of Business Administration (MBA), which led to the creation of homophilous networks. These networks shared experiences, which emulates the cultural preference for guanxi. It is suggested by Cooke that this led to an "*isomorphic change*" (Cooke 2011b:3843) in management development, which in turn filtered down to indigenous firms (Gu & Nolan 2017, Cui et al 2016, Cooke 2013, Zhang 2012, Zhao & Du 2012, Budhwar & Debrah 2001). Although this dichotomy may reflect the division between academia and practice as discussed earlier in this chapter, the two may have developed either independently or in parallel (Storey 2007, Becker and Huselid 2006).

Researchers have persuasively argued that the adoption of HRM in China should be viewed from three perspectives: that of convergence, divergence and a hybrid between the two (Cooke et al 2020a, Gu & Nolan 2017) which Zhang labels "*bounded convergence"* (Zhang 2012:161). Convergence suggests that business depends on certain principles and practices that are universal, which can be applied anywhere as they are not dependent on any cultural perspectives. These later studies develops earlier work by Warner (2009) and Cunningham & Rowley (2007). Divergence takes the approach that context through cultural values and attitudes will have an impact on which practices will and will not work in different contexts. The hybrid perspective falls between the convergent and divergent approaches. This hybrid is termed "*Confucian HRM*" (Warner 2009:2188) to explain how approaches from both Western and traditional Confucian values could be combined to produce an effective system of people management. It is suggested that

convergence and divergence can coexist (Gu & Nolan 2017, Zhang 2012). Writing about a UK invested firm in China, Gamble takes a different view in which he concludes that Western HRM practices transplanted well and challenges to what extent these practices need to be adapted to *"the Chinese way of doing things"* (Gamble 2006:328). He argues that *"fairness and a conjunction between company rhetoric and practice are imperative"* (Gamble 2006:341) and that managing fairly will result in getting the best out of people.

Previous studies have highlighted that there are substantial differences between large and small companies in their HRM systems and that only MNC or larger JVs use HRM practices, however that the older form of personnel management (PM) is in evidence elsewhere (Busse et al 2016, Legge 2005, Warner 2001 in Budhwar & Debrah 2001). Seemingly contradictory findings are reported by Cooke (2009), where she claims that there is evidence that Chinese firms are becoming more strategic in managing their workforces and gives examples of private firms adopting commitment based HRM practices. However, writing some years later she seems to contradict her earlier work when she comments that *"with the exception of a few prestigious MNCs, HRM practices in the majority of firms in China are neither systematic nor human-goals-orientated, as prescribed in western strategic HRM literature"* (Cooke 2013:15). By 2017 in a systematic review of twenty-five years of HRM research on Chinese SOEs, Xiao & Cooke (2020b) conclude that the SOEs have developed a hybrid model of HRM, which combines elements of both Western HRM practices and welfare elements of the Iron Rice Bowl regime, while egalitarian pay still prevails.

The slow take-up of HRM in Chinese firms it is argued is largely due to the limited knowledge and skills of Chinese managers (Gu & Nolan 2017, Yeung 2005). Prior to the Open Door Policy, managers were really just administrators, whose function was to implement Party policy. They were used to doing what they were told and were not decision makers (Cooke 2013, Yang 2012, Cunningham & Rowley 2007). In addition, the education system is based around rote learning and does not encourage problem solving or innovative thinking (Cunningham & Rowley 2007). Mirroring the education system, historically Chinese management systems relied on tacit knowledge, learning by doing, while Western management systems rely on formal planning (Yang 2012). This results in Chinese managers being able to carry out basic HR functions, but in labour relations their knowledge and training are at a low level (Xie et al 2013, Yang 2012).

An example of the low level of education in entrepreneurs is discussed by Cooke (2011b) and comes from Zhejiang Province. Among the one and a half million managerial employees in the province, less than one percent had a postgraduate degree qualification and over seventy percent of entrepreneurs in the Province were educated to junior secondary school level or below. The researcher contends that this low level of educational achievement goes some way in explaining why China became the workshop of the world (Danciu 2020, Yu & Luo 2018, Sun & Grimes 2016, Yang 2014), as organising low skilled labour is relatively simple, but to move up the value chain and become a knowledge-based economy will demand higher skill levels (Cooke et al 2020b, Zhang 2012, Akhtar et al 2008).

Considering the concept of HRM has been understood in the Western world for around one hundred years, Kaufman (2010) argues there is still huge debate about which HRM practices in what combination will lead to competitive advantage (Collings et al 2018, Rayner & Morgan 2018, Delery & Roumpi 2017, Saridakis et al 2017, Tzabbar et al 2017, Becker & Huselid 2006, Boselie et al 2005). It is perhaps not that surprising then that the diffusion of HRM in China is still somewhat piecemeal, being more advanced in MNCs, SOEs and JVs and less developed in SMEs. The discourse which follows moves on to consider the dominant theoretical frameworks of HRM and how they can be used as a bridge linking theory and practice.

3.4 Theoretical Frameworks of HRM

There are three dominant theoretical frameworks in the HRM literature: contingent frameworks where the HRM practices respond to the external environment or the business strategy (Collings et al 2018, Gooderham et al 2018, Brookes et al 2017, Beer et al 2015, Kaufman 2015, Shields 2012); The resource based view (RBV) which emphasises the strategic development of internal resources to gain competitive advantage (Chao & Shih 2018, Saridakis et al 2017, Wright et al 2001, Barney 2001 & 1991); The ability-motivation-opportunity (AMO) model which conceptualises how HRM practices influence and develop employees' ability, motivation and opportunity (Rayner & Morgan 2018, Su et al 2018, Tian et al 2016, Wright et al 2015, Kaufman 2010). Researchers often blend practices from more than one of the frameworks and the three frameworks are often used interchangeably (Boselie

et al 2005). It has been suggested that the individual models could converge into a formative theory of HRM. Convergence appears logical as Boselie et al and Boxall & Purcell are not alone in describing the "*black box*" (Boselie et al 2005:69, Boxall & Purcell 2011:98) of the HRM performance relationship. Other academics have also raised the same query, regarding which combination of HRM practices lead to competitive advantage (Cooke et al 2020b, Rayner & Morgan 2018, Delery & Roumpi 2017, Saridakis et al 2017, Kaufman 2015, Björkman et al 2014, Becker & Huselid 2006, Boselie et al 2005). Although there is no clear list of HRM practices which can lead to competitive advantage, our understanding of systems of HRM practices, high performance work systems (HPWS) and organisational performance is improving. Earlier work on HPWS focused on intentions rather than what actually happened in reality, while later empirical research looked at how practices are implemented, how they were then viewed by the multiple stakeholders and finally how these views drove their effect (Gill 2018, Björkman et al 2014). To this end, there is now general agreement that the inclusion of rigorous recruitment & selection, performance related pay, development and training and employee involvement are key (Collings et al 2018, Tian et al 2016, Shen 2010, Akhtar et al 2008, Cunningham & Rowley 2007, Boselie et al 2005). The discourse now moves on to a discussion of the RBV model, which is the most commonly used theory within SHRM (Delery & Roumpi 2017, Jamali & Afiouni 2012).

3.4.1 SHRM & the RBV Model

SHRM views workers as an organisation's most valuable resource (Zhao & Du 2012), while Boxall & Purcell argue that *"the application of the adjective 'strategic' implies a concern with the ways in which HRM is critical to the firm's survival and to its relative success" (*Boxall & Purcell 2011:64)*. It is argued that instead of concentrating on marketing-orientated models of strategy such as Porter's (1980, 1985) typology of competitive strategies, which concentrates on the external competitive environment, firms should look inside the organisation for what the firm considers its core competences and capabilities. These could include brands, technology, innovation, skill sets, people and the way they are managed, or any other resources which can be combined to deliver competitive advantage (Crane & Hartwell 2019, Cooke 2018b, Saridakis et al 2017, Wright et al 2015, Jamali & Afiouni 2012, Zhao & Du 2012, Boxall & Purcell 2011, Barney & Clark 2007, Barney, 1991 & 2001). This concentration on the firm's internal resources was labelled the RBV model, which relies on commitment based control systems (Cooke 2018b, Cook et al 2016, Jamali & Afiouni 2012, Kaufman 2012, Becker & Huselid 2006). Commitment is important, in that dozen of engagement studies have shown that the more committed the workforce, the higher the productivity. Commitment is also a lead indicator of profitability (Ulrich 2016, Kaufman 2012, Ulrich & Smallwood 2005).

Proponents of the model argue that rather than viewing people simply as a financial cost or asset, the combination of all a firm's resources can lead to unique value creating opportunities. This is succinctly summarised by Zhao & Du when they write

that *"the development of an organisation and the development of its employees' capabilities are mutually dependent" (*Zhao & Du 2012:182)*.

In order to sustain competitive advantage Barney (1991) argued that the resources had to meet four criteria; they must be valuable, rare, not easily imitated and be non-substitutional. The rationale behind this is that HRM alone does not result in sustainable competitive advantage and firms need to nurture and combine the talents of individuals. Talent management is a construct which encompasses all the activities related to attracting, recruiting, motivating, developing and ultimately retaining talent.   Apple and Dyson are examples of firms who have followed this strategy, in that they have built strong brands around their ability to innovate (Jamali & Afiouni 2012, Boxall & Purcell 2011). The strategic importance of talent management is evidenced in a Chartered Institute of Personnel and Development (CIPD) survey carried out in 2007 and cited by Iles et al (2010). This showed that over ninety percent of respondents believed that talent management can impact a company's bottom line. The CIPD have carried out this survey on resourcing and talent planning annually in the UK since 1997. Its latest survey dated Oct 2020 claims that prior to the Covid pandemic, the UK had the lowest level of unemployment in fifty years, which was exacerbating the war for talent (Hogarth 2020). This view of the critical importance of talent is repeatedly reported by the auditing company Deloitte UK, in reports on global manufacturing competitiveness (Deif & Van Beek 2019).

There are various perspectives taken on talent management, which include focusing on individual talents termed human capital. At the other end of the spectrum there

is a concentration on relational constructs, wherein social capital is developed in organisations by encouraging networks, team working and a mentoring culture (Crane & Hartwell 2019, Ulrich 2016, Iles et al 2010). A phased life cycle approach to talent management is suggested by Crane and Hartwell (2019), who describe the changing needs of people at different stages in the evolution of their career, from novice to expert and how through the medium of social capital they can network to learn tacit knowledge and group norms. This knowledge transfer between individuals can speed up new recruits' socialisation into an organisation, while at the other end of the career spectrum, those with expert knowledge can be used to mentor novices. The novices in turn may have more up to date skills with regards to new technology, which may help refresh the experts.

Talent management in SMEs is even more crucial, due to their lack of brand, their limited resources and other institutional and structural factors (Krishnan & Scullion 2017, Cui et al 2016). An example of institutional and structural factors is cited by the World Bank which warns that finance is a major issue for Chinese SMEs, as banks prefer to lend to larger businesses who they view as more stable. This leads SMEs to rely on funding from family and friends and unofficial credit companies who charge very high interest rates (World Bank 2021, Hilgers 2009).

From an RBV viewpoint (Barney 1991) the human resource advantage in China is an abundant supply of cheap labour, the weakness of the All-China Federation of Trade Unions (ACFTU) and the cultural traits of respect for hierarchy, thrift, persistence and adaptability, which all contribute in delivering a huge and biddable work force (Zhang 2012, Warner 2011).

Critics of the RBV model challenge its level of abstraction and argue that the link between human resources and firms performance is not as direct as the model would suggest (Kaufman 2016 & 2010, Becker & Huselid 2006, Wright et al 2001). Others have also challenged the one size fits all notion of best practice or best fit approaches to HRM as being too simplistic (Rayner & Morgan 2018, Su et al 2018, Saridakis et al 2017, Jamali & Afiouni 2012, Colakoglu et al 2006). Focusing on firm level outcomes, they point to the variety of metrics available in SHRM and challenge the notion of how a firm can identify which constructs to use, in what combination and how their use may lead to competitive advantage. A further challenge is the model's overreliance on financial measures of performance. It has been suggested that a stakeholder perspective might value different outcomes (Beer et al 2015). Thirty years after their seminal work which introduced the Harvard model, Beer et al (2015) are still arguing for research to take a multi-stakeholder approach. They say it is now long overdue for academia to catch up with innovative practitioners, in taking into consideration the long-term consequences of HRM practices on both individual and societal wellbeing.

A further major criticism is that the RBV model ignores the importance of contextual inputs which vary across countries in the way they support organisations, in that socio-political structures, such as infrastructure, education, technology, labour laws and levels of unionisation, will all impact individual firms (Cooke 2018b, Boxall & Purcell 2011). Although the RBV is problematic in that it has grown from the knowledge of HRM that preceded it, Jamali & Afiouni (2012) conclude it is important in providing the synthesis between HRM and competitive advantage. However, the efficacy of the RBV model is supported in that it is the

most commonly used theory within SHRM (Delery & Roumpi 2017, Jamali & Afiouni 2012). The discussion now turns to the AMO model, which emerged as the link between the RBV theory and practice, helping organisations conceptualise the influence of HRM practices on individual and organisational performance (Rayner & Morgan 2018).

3.4.2 AMO Model

The AMO is in common use within the RBV and is used to conceptualise how HRM practices effect performance. This framework which built on the earlier Expectancy Theory (Vroom 1964), emerged to expand and explain how the combination of different HRM practices interact in complex ways to elicit positive employee behaviours, which in turn will lead to competitive advantage (Rayner & Morgan 2018, Su et al 2018, Saridakis et al 2017, Delery & Roumpi 2017, Tian et al 2016, Kaufman 2015). However there is a lack of consensus as to which specific HRM practices, when combined, will lead to competitive advantage. These bundles of HRM practices are labelled as high performance work practices (HPWPs), which "*dominates mainstream research in SHRM*" (Kaufman 2010:286).

In his thirtieth anniversary review of SHRM, Kaufman observes that *"the basic conceptualization has remained the same over three decades"* (Kaufman 2015:396). He argues that academics need to deliver material which is more relevant for real-life practitioners.

Considering how long the concepts of SHRM and HPWS have been understood in the West, it is somewhat surprising that Kaufman cites work by (Blasi and Kruse 2006 as cited by Kaufman 2012), who point to the constructs incredibly low rate of take up at around one percent at the turn of the century. This low take up rate suggests that HPWS are much harder to implement than the rhetoric suggests. However it maybe that the costs outweigh the benefits, in that implementation costs have an immediate impact, while the benefits will take time to accrue (Gill 2018, Kaufman 2012). This might be a practical example of the gap between academia and practice as suggested by Kaufman (2015), with academics incredibly interested in the construct and practitioners busy with the day-to-day practicalities of running a business. Considering HPWS have not made a greater impact on practice in the West, coupled with the fact that the SMEs in the current study employ a poorly educated, low skill workforce, the researcher did not consider the model appropriate for the current study.

Having reviewed the dominant theoretical frameworks in the HRM literature, the discussion now moves on to consider the links between theory and practice and which combination of HRM practices will lead to competitive advantage (Saridakis et al 2017, Shen 2010, Akhtar et al 2008). HRM practices are said to increase employees' knowledge, skills, abilities and other characteristics such as organisational culture (KSAOs). These KSAOs are then said to increase employees' ability, motivation and job embeddedness, which all add to organisational competitiveness (Chao & Shih 2018, Saridakis et al 2017, Tian et al 2016, Kaufman 2010). The homogeneity of a workforce and their KSAOs is said to develop over time, since those individuals who feel they fit in the environment are likely to stay,

as they feel connected to others in the organisation, a concept which is termed

social identity theory. Those who feel they do not fit ultimately leave (Jerónimo et

al 2020, Shen et al 2018, Chao & Shih 2018, Tian et al 2016). It has been

persuasively argued by Gamble and Tian (2015) that as China geographically covers

a huge land mass and has such a large population it is somewhat naive to think it

has a homogenous culture. They argue that in the more economically developed

regions there is "within-culture variance" (Gamble and Tian 2015:950) which is

driving a move from collectivism to individualism (Tian et al 2016). In their study

employees from less developed regions showed higher organisational commitment

than employees in the more developed regions. The discourse now moves on to

consider the individual HRM practices considered key in attracting and retaining

staff starting with Recruitment & Selection.

3.5 HRM Practices

3.5.1 Recruitment & Selection

In China the most commonly used recruitment practice is guanxi, in the form of

word of mouth, when the referrer then acts as a mentor. It is argued that this

results in greater role clarity and more realistic expectations on behalf of the new

recruit (Han & Han 2009, Wilson & Jones 2008). Utilising guanxi to recruit also

avoids a formal interview and reduces the risk of loss of face, which is culturally

important (Gu & Nolan 2017, Cui et al 2016, Yang 2012). However critics of the use

of guanxi in recruitment suggest it leads to inefficiency, with unsuitable people

being employed and even promoted due to their personal connections. It has been argued that performance based reward systems are far more effective (Xiao & Cooke 2020b, Yang et al 2018, Zhang 2012, Shen 2010 & 2008, Yeung 2005). It is to the reward system that the discussion now turns.

3.5.2 Pay & Reward

An effective reward system has four primary functions, which are to attract, motivate, develop and retain staff. Rewards can be either extrinsic or intrinsic to the job (Shields 2012). Intrinsic rewards come from the job itself and how it is designed, how interesting and challenging it is and the degree of autonomy it offers. In some cultures developmental and societal rewards are more prized than financial rewards and can have more impact in motivating and retaining staff (Tian et al 2016, Zhao & Du 2012, Shields 2012). This view is challenged by the results of a survey of ten million employees in fourteen countries carried out by the Kenexa Research Institute which is cited by Tung & Baumann (2009), which showed that remuneration and benefits were the two most important factors in people's decisions to either join or leave an organisation. However, the researcher argues that context is important and this research was carried out following the 2008 global recession and therefore context is expected to be a significant mediator.

There is debate about the merits or otherwise of performance related pay with its detractors arguing that extrinsic rewards will not result in intrinsic motivation. However there is evidence that the two are not dichotomous and incentive based rewards can both improve performance and boost team work (Gu & Nolan 2017,

Shields 2012, Shen 2008). It has been argued that proponents of the intrinsic

rewards approach ignore the fact that some jobs are almost impossible to enrich, an

example of which would be low skilled manufacturing jobs which afford employees

little autonomy (Shields 2012). However an example which seems to contradict the

economic-man rationale comes from the call centre sector, where one would

expect to find huge motivation and turnover issues, however paradoxically an

Australian call-centre won employer of the year (Shields 2012). Meta-analysis

covering a forty year period concluded that extrinsic rewards and intrinsic

motivation are *"not necessarily antagonistic and are best considered*

simultaneously" (Cerasoli et al 2014:980). They argue that many organisations use

"Carrot and stick" (Cerasoli et al 2014:981) incentive plans and posit that there is

solid empirical evidence that this works. Moreover they conclude the joint impact

of extrinsic incentives and intrinsic motivation are *"critical to performance"*

(Cerasoli et al 2014:1001).

Basic pay is the minimum pay an employee will receive and is normally the largest

part of total remuneration, which can be supplemented by performance related or

other benefits. Many countries now use legislation to set a minimum wage,

including the EU and China (Shields 2012). China implemented minimum wage

regulations in 2004. The effects of this can be seen in Dongguan, one of the EOI

megacity powerhouses where the minimum wage doubled in an eight year period

(Rolf 2019, China Labour Bulletin 2018 & 2013). Employers in China have argued

that growth in the minimum wage has gone too far and that it is eroding China's

competitive position. Furthermore, this is leading Chinese firms to pursue a

strategy of offshoring to even lower cost economies such as Cambodia and Vietnam

(Chan & Selden 2014, Yang 2014, Tung & Baumann 2009, Levy 2005). The stark differences can be seen in comparative surveys of Chinese and Vietnamese garment workers in 2010 and repeated in 2019 which both showed that the labour cost in Vietnam was half that of China (Siu & Unger 2020). Has the increasing cost of labour gone too far? In 2018 many of the provinces including the economic powerhouse of Guangdong announced that they were increasing the minimum wage for the first time in three years (China Labour Bulletin 2018). The freeze may have been a response to the Chinese stock market crash of 2015, but whatever the cause, it seems a significant move.

In many collectivist cultures such as Asia and Latin America, it is propounded that individual reward systems may not work (Zhu & Warner 2019, Zimmerman et al 2009), although many academics are increasingly challenging this view (Cooke 2013, Yang 2012, Shen 2010, Gamble 2006).

It is claimed that the most important HR practice in China is performance appraisal, based around self-assessment and the opinions of colleagues or subordinates (Tian et al 2016, Akhtar et al 2008). However, they argue that due to cultural preferences, appraisals only function is to determine pay. Moreover it is not linked to improving employee skills or as a means of career development (Gooderham et al 2018, Cooke 2013, Shen 2010 & 2008, Chiu 2002), which the researcher argues appears contradictory and suspects results from socially desirable responses.

It is posited that Western HRM practices for attracting and retaining staff are in common use in Chinese SMEs, including flexible working conditions, career development, remuneration packages and training (Cui et al 2016). These views

seem somewhat paradoxical in that they conclude that salary is still more popular than employee involvement and was the main or only approach used to retain talent. The authors point to a potential limitation in their study (Cui et al 2016), in that it was based on the opinions of owners and managers. As avoiding loss of face is a strong cultural preference, the researcher strongly suspects that their answers have been biased as socially desirable responses (Gray 2019 & 2017, Warner 2011, Cooke 2009, Zheng & Lamond 2009, Cunningham & Rowley 2007, Björkman & Xiucheng 2002, Roy et al 2001), in that they all claim to be using other HRM practices and yet all rely on salary. Their findings support what other researchers have espoused, that in China cash is king (Xiao & Cooke 2020b, Wong 2019, Chow & Liu 2009, Tung & Baumann 2009, Shen 2008).

Migrant workers tend to save more than those with an urban hukou (see Section 3.6.1), towards pensions, healthcare and the cost of living in the urban areas, which is much higher than in their home towns or villages (Wong 2019, Chan & Selden 2014). In addition few elderly people in China have a pension and children are expected to look after their parents in old age, which also drives the need to save (Campbell 2019, China Labour Bulletin 2017, Chan & Selden 2014). It is persuasively argued that due to their propensity to save and a strong *"cash now mentality"* (Shen 2008:102), HR systems built around pay work well in China (Xiao & Cooke 2020b, Chow & Liu 2009, Tung & Baumann 2009).

Benefit plans in China are in limited use outside MNCs and usually take the form of organised social activities, such as company barbeques and sports days (Cui et al 2016, Xiao & Cooke 2012, Cooke 2009). As the war for talent increases, benefit

plans are expected to become increasingly important in attracting and retaining talented individuals (Cui et al 2016, Tian et al 2016, Zhao & Du 2012, Iles et al 2010, Burke & Cooper 2006, Burke & Ng 2006, Cartwright & Holmes 2006). Training and development were considered key HR practices in motivating and retaining staff and it is to this construct that the discourse now turns.

3.5.3 Training & Development

Historically the Communist Party in China was responsible for training and development, although the focus was more on political attitudes and moral behaviour. Following the Open Door Policy the focus shifted to leadership and management ability (Shen 2010 & 2008). This was achieved through FDI by MNCs who introduced Western management practices, which emphasised the importance of training and development in improving efficiency and gaining competitive advantage (Cui et al 2016, Zhu et al 2015, Cooke 2013, Zhang 2012, Zhao & Du 2012, Debrah & Budhwar 2001).

In many societies including China and the UK training is under-utilised and is considered as a cost, rather than as a means of achieving competitive advantage, with its main focus aimed at achieving efficiency improvements (Price 2015, Shen 2010, Akhtar et al 2008). A study in China showed training only occurred when regulations or safety requirements were either issued or changed by the Government and consisted of on-the-job training (Shen's 2010). This reluctance to invest in training and an over reliance on performance related pay Cooke posits is

"focusing on employees' current performance rather than their future productivity" (Cooke 2013:15). She and others argue that training and development should be viewed as crucial to China's future development (Cooke 2013, Easterby-Smith et al 1995).

Part of the problem in implementing HRM in China is that management competency levels need improvement (Gu & Nolan 2017, Zhao & Du 2012, Yeung 2005, Björkman & Xiucheng 2002). This lack is raised as a fundamental issue by Cooke, who suggests it represents a "*bottleneck in China's economic development*" (Cooke 2011b:3840). In practice she argues this lack coupled with firms reluctance to invest in training and development leads to firms poaching talent (Price 2015, Boxall and Purcell 2011). The final SHRM practice considered key to achieving competitive advantage through human capital is employee involvement. It is to this construct that the discourse now turns.

3.5.4 Employee Involvement

Employee involvement in the extant literature is divided into direct and indirect, with direct being described as two-way communication, examples of which would include, but not limited to team briefings, continuous improvement schemes, joint consultative committees, company intranets, newsletters, suggestion schemes and surveys (Marchington 2015, Pyman, 2012). Indirect would include trade union representation, works councils and trade bodies (Pyman 2012, Boxall & Purcell 2011). It is argued that employers are highly influenced in their choice of direct or indirect channels by the environment in which they operate (Marchington 2015,

Boxall & Purcell 2011). Multiple channels of involvement, including both direct and indirect, increase the breadth and depth of employee involvement and its embeddedness in organisations (Marchington 2015).

Employee involvement in China has historically been described as weak, as it is a high power distance society (Cooke et al 2020b, Xiao & Cooke 2020a, Kim et al 2016, Chow & Liu 2009, Hofstede 1980). The high level of turnover of Chinese migrant workers is evidenced by Unger & Siu (2019) who highlight that turnover in Foxconn in 2009 was almost 100%. They argue that the migrant workers lack agency in terms of lack of voice. Their only option therefore is to adopt an exit strategy rather than try and find their voice. However, this lack of voice is in transition due to Western management practices being disseminated by FDI and the growth of imported MBA and EMBA programs. Chinese employees, particularly the younger generation, are now said to appreciate involvement initiatives and show a preference for a participative management style (Huang et al 2019, Tian & Gamble 2018, Gu & Nolan 2017, Cui et al 2016, Zhu et al 2015, Huang & Gamble 2011).

The discourse now moves on to consider HRM in context in China, which underpins views expressed earlier in this chapter of the potentially exploitative nature of the employment relationship (Kaufman 2015, Storey 2007, Legge 1995 and Hyman 1987 quoted by Boxall & Purcell 2011).

3.6 Institutional & Cultural Context

HRM is highly contextualised and even more so in China, where both cultural and institutional contexts influence the industrial relations process (Cooke et al 2020a, Huang et al 2020, Chao & Shih 2018, Cooke 2018a, Wright et al 2015, Shen 2010, Björkman & Xiucheng 2002). It has been argued that institutional analysis has been under-utilised to explain management practices (Gooderham et al 2018, Dibben et al 2017). Certainly any discourse on HRM in China would be incomplete without consideration of context. Layder's (1996) research map was adapted and used as a conceptual framework (see Appendix 1) on which to map these influences (Cooke 2013, 2011b).

In China the state through intervention is pivotal in shaping employment relations, firstly by direct intervention in the form of laws and regulations, such as the Open Door and One Child policies and secondly similar to the working time directive in the EU, China has laws that limit the length of the working week and the amount of overtime which can be worked. The state has two objectives in intervening in employment relations. The first is to facilitate a harmonious society and the second is to enhance the skill levels of the workforce, a prerequisite to achieving its aim of transitioning to a knowledge-based economy (Cooke et al 2020b, Zhang 2012, Akhtar et al 2008).

The state also uses high profile MNCs as role models to disseminate HRM practices, such as performance management. In addition, in an attempt to curb industrial unrest, they are increasingly pressurising MNCs such as Walmart to recognise the ACFTU, the only union allowed in the country (Chan & Selden 2014, Cooke 2013,

2011a, 2011b, 2004, Syed & Pg Omar 2012, Zheng & Lamond 2009). In a one party state like China, it is suggested that coercive control is easier to achieve than in more democratic regimes (Cooke 2013).

The globalisation of production it has been argued has resulted in a convergence of the differences between national cultures and institutions and their influence on HRM. The result is that HRM has become internationalised and that there are now more similarities than differences across countries (Gu & Nolan 2017, Wright et al 2015, Debrah & Budhwar 2001). This seems a reasonable supposition, particularly for MNCs, however in the Chinese context SMEs dominate the economy and these are largely privately owned family run businesses, based on the Confucian paternalistic tradition (Yang 2012, Cooke 2013, Yeung 2005, Chen 1995).

Figure 1 below outlines the influence of the institutional and sociocultural context which impact the SMEs HRM policy, design and practice. The discussion which follows describes how China deliberately created a two tier economy and society and the effects this has on workers lives.
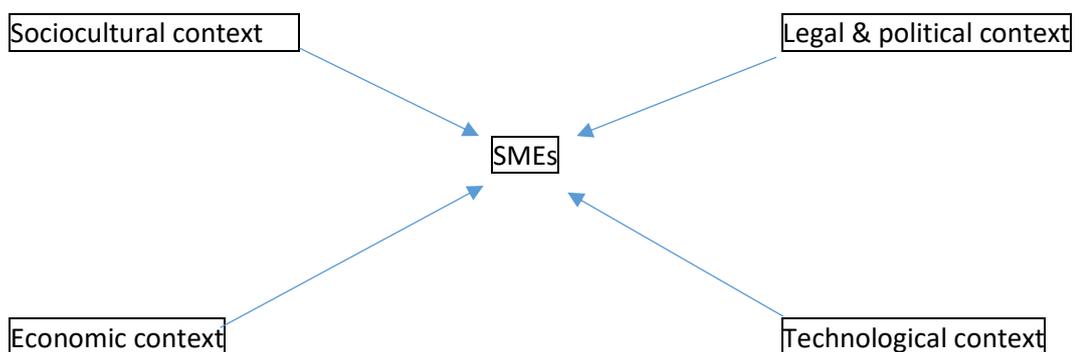
Figure 1: Key factors of the macro environment: adapted from Syed & Pg Omar (2012)

3.6.1 China's Migrant Workforce & the Hukou System

As was discussed in chapter 2, as part of its modernisation program the Chinese state deliberately created a dual economy and society (Chan 2013). The industrial sector was prioritised and nationalised while the agricultural sector which represented approximately eighty-five percent of the population was collectivised into subsistence farms, in order to provide a cheap source of food and raw materials for the urban industrialised sector (China Labour Bulletin 2017, Chan 2013). The inequalities between the urban and rural population are maintained by the Hukou system of household registration, which divides the population into two categories, either urban or rural, and the system has been described as akin to a caste system (Zhu & Warner 2019, Zhou 2014, Mitchell 2009). The Hukou is conferred at birth and is taken from the Mother. If the Mother's Hukou is classified as rural then the child will be designated as rural, regardless of where the child was born or later lives (China Labour Bulletin 2017, Chan & Selden 2014). Migration is driven by the inequalities between the rural and urban populations, with peasant workers leaving the land and migrating south to find better paid work (Rolf 2019, Fan 2008). Once they leave their hometown or village, the migrant workers have no entitlement to social and welfare benefits in the urban areas. These withheld benefits include education for their children, healthcare and social housing (China Labour Bulletin 2017, Lei 2017, Chan 2013, Swift 2011, Mitchell 2009). This leads to the majority of children being "*left behind*" (Zhao et al 2017:239, Karlsson & Xin 2014:12) in the care of grandparents to attend the free local schools (China Labour Bulletin 2017, Zhao et al 2017, Roberts 2014, Swift 2011). The distances between

the migrants' hometowns and the coastal regions which were designated as special economic zones to attract FDI can be vast and results in the migrants either living in factory supplied dormitories or rented accommodation in the urban areas. The distances involved normally result in the majority of this migrant population only returning to their homes once a year, over the Chinese New Year (CNY). This results in them only seeing their children once a year for a couple of weeks (China Labour Bulletin 2017, Zhao et al 2017). The dichotomy of the dormitory regime and the lack of education in urban areas for the migrants' children drive families to live apart. Ensuring their children were educated was shown by Unger & Siu (2019) to be critical to migrant workers as they saw it as the only way to improve their children's life chances and hence also secure a better standard of living in their own old age. Therefore the researcher contends that the hukou system both facilitates and reinforces the exploitation of the migrant workers and their families.

The effects of this split families regime can be seen in a survey by the Beijing based centre for Child-Rights and Corporate Social Responsibility (cited by Roberts 2014), where eighty percent of migrant workers were separated from their children. Research conducted by the University of Guangzhou showed the emotional, mental and societal outcomes from this split families regime with almost sixty percent of migrant workers suffering from depression and seventeen percent reporting feelings of anxiety, while nearly five percent had considered suicide. Half of those surveyed in 2014 were aged under thirty and citied both financial and emotional burdens, having left behind aging parents and/or young children (Li et al 2014, Zhang 2014). These findings are supported by a survey conducted by the Renmin

University of China, cited by the China Labour Bulletin (2017), which showed

migrant workers experienced helplessness, loneliness and depression when living in

cities and separated from their families. Working long hours, poor working

conditions, not having a signed labour contract and infringement of labour rights

have been shown by Lei (2017) as risk factors which impact migrant workers mental

health. These risks have been shown to be moderated by education level, which

advantages those born under the One Child Policy who are better educated than

the older generation, which gives them more mobility within the jobs market (Amin

& Richaud 2020, Lei 2017).

China has almost two hundred and ninety million internal migrant workers (China

Labour Bulletin 2019, Chinese Bureau of Statistics 2018) and to put this in context it

is almost the same size as the total population of the US, which stands at three

hundred and twenty million (United States Census Bureau 2019). In cities such as

Shenzhen and Dongguan which are significant in China's EOI, migrant workers can

account for seventy to eighty percent of the workforce (Rolf 2019, Chan 2013),

which shows China's reliance on this marginalised workforce.

The Government, likely concerned with possible social unrest, launched its people

centred plan for urbanisation in 2014 (Sheehan 2017, The Economist 2014).   The

objective was to have sixty percent of the population living in cities by 2020, with

forty-five percent of these covered by a full urban Hukou (Wong 2019, Sheehan

2017, The Economist 2014).

Migrant workers have proved reluctant to convert their Hukou. A study by the

Renmin University cited by Fan (2017) showed that only twenty-two percent of

respondents had any interest in changing their Hukou, as to do so they have to give up their right to the use of collective land in their hometowns. The value of land in China has increased sharply in recent years and the main source of unrest in the Country involves disputes over exploitation by local governments regarding expropriation of land (Sheehan 2017, Chan 2013, Göbel & Ong 2012). In the same Renmin survey, only twelve percent of respondents said they would be willing to give up their rights to the land (Fan 2017). This is further supported in a survey by The Financial Times (2020) and work by Rolf (2019), which both show that migrant workers have learnt from urban residents and are now renting out the land in their hometowns. Official statistics show the average rent for this land has quadrupled in the last decade (Yu 2020).

The cost of Hukou reform is another issue. It is estimated by the Chinese Academy of Social Sciences that it would cost approximately one hundred thousand RMB (approximately ten thousand pounds) for each upgraded Hukou (Sheehan 2017). Government debt in China increased exponentially following the financial crisis of 2008 (Sheehan 2017), which led McKinsey to warn of a potential financial crisis on the back of the growth in cheap credit (Huang 2013). The timescales behind this mass urbanisation is therefore open to question, as local governments currently do not have the funding to support the plan.

The need for an effective trade union can be seen in the growing patterns of industrial unrest. These began with the economic reforms which moved away from an egalitarian pay system to large income gaps between owners, managers and the majority of the workforce, which is low skilled. This wage disparity is a major source

of social instability (Chan & Selden 2014, Cooke 2013 & 2011a, Boxall & Purcell 2011, Shen 2010 & 2008, Cunningham & Rowley 2007). It is to this subject that the discourse now turns.

3.6.2 Trade Unionism

Considering the high levels of labour exploitation discussed throughout this text with the migrant workers who are institutionally marginalised, the need for an effective trade union is evident. However, the ACFTU which is the only union recognised by the Government, but whose legitimacy has been called into question, as it is controlled by The Party. Rather than directly representing workers, it is suggested instead that its main function is in delivering welfare and social functions (Xiao & Cooke 2020b, Cooke 2013, & 2011a, Zheng & Lamond 2009).

The state is seeking to legitimize the ACFTU and began a public campaign at the beginning of the millennium of naming and shaming, in order to pressurise MNCs into recognising the union. This led to a number of MNCs including Walmart to capitulate and recognise the union (Cooke 2011b).

The employment laws which replaced the Iron Rice Bowl are not universally accepted. For example in 2015 only thirty-six percent of migrant workers had signed their labour contract, even though it is the law (China Labour Bulletin 2017). The reason given for not signing their contracts was they did not want to be tied to their employers (Shen 2010). However, this appears contradictory, as employment security was supposed to enhance the employment relationship and create

attachment between the employer and the employees (Liu et al 2019, Brookes et al 2017, Delery & Roumpi 2017, Tian et al 2016, Huang & Gamble 2015, Price 2015). The internal migrant workforce in China has been described as the largest disadvantaged group (Cooke 2011a) who are dependent on their employers for housing and welfare. It would seem therefore a reasonable assumption that this marginalised group would value job security (Huang et al 2019, Liu et al 2019, China Labour Bulletin 2018, Chan 2013, Swift 2011, Mitchell 2009). On the other side of the employment relationship employers have to pay compulsory social security for workers, but can illegally avoid this if the contract is not signed (Cooke 2011b).

Wage arrears accounted for seventy-five percent of collective labour disputes in the eighteen months from January 2015 to June 2016 (China Labour Bulletin 2017 & 2016).   In addition, there is a growing proportion of highly educated unemployed or underemployed workers who are in low paid and often part-time jobs (Cooke 2013, Warner 2011), who often earn less than the average salary of a migrant worker (Stapleton 2017). The younger generation are more combative than their parents, so the level of industrial unrest is likely to grow, if this highly educated demographic continues to be under-utilised. This generation is also said to be more proficient with technology and they utilise social media to coordinate protests and strikes (Swift 2011).   In addition, this cohort use social media to inform other workers of factories considered to treat workers fairly or unfairly (Siu 2015). Unger & Siu (2019) also highlight that young migrant workers now utilise chatrooms and are more informed than the older generation on labour laws and regulations. Informal employment has also grown hugely and is now a major form of employment for disadvantaged workers, such as migrant workers and those laid off by SOEs (Zhu &

Dowling 2002). The growth of informal employment in GVCs is a growing and under-researched issue according to Raj-Reichert et al (2019).

Enforcement of labour laws is weak and workers' rights are routinely ignored. When this is coupled with deep-seated corruption and the state actively suppressing the growing number of disputes (Cooke et al 2020b, Chan & Selden 2014, Cooke 2013 & 2011a, Xiao & Cooke 2012, Shen 2008, Gallagher 2004), it is no surprise therefore that equity in employment relations is an urgent problem in China (Shen 2010). Having discussed the relationship between the institutional context and the SMEs HRM practices, the discourse now moves on to consider culture which is a major mediating factor (Cooke 2018a).

3.6.3 Culture

Culture is conceptualized by Yang as *"a complex set of norms, values, assumptions, attitudes, and beliefs that are characteristics of a particular group"* (Yang 2012:166). Culture it is argued acts as an umbrella for all other contexts and embeds values and attitudes in individuals and *"shapes people's respect and obedience for laws and regulations"* (Syed & Pg Omar 2012:15). In China culture is characterized by collectivism, Confucianism, respect for authority or power distance, face and guanxi, which are seen as enduring sources of influence (Xiao & Cooke 2020a, Yang et al 2018, Gu & Nolan 2017, Syed & Pg Omar 2012, Cooke 2009, Warner 2009, Latham & Ernst 2006, Hofstede 1980).

There are three dominant cultures in China: Confucianism, socialism and capitalism (Yang 2012). Confucianism dates back to the sixth century, socialism can be traced to 1949 when the Communist Party came to power and capitalism was introduced into China with the economic reforms of the Open Door Policy. The three cultures have different values and beliefs. For example Confucianism values hierarchy and harmony, which emphasises the good of all and is past orientated (Xiao & Cooke 2020b, Yang 2012, Huang & Gamble 2011, Cooke 2009, Warner 2009, Budhwar & Debrah 2001). An example which illustrates "*the good of all*" (Beamer 1998:58) is used in a study by Beamer, when one of her Chinese interviewees explained that *"Chinese have been taught from childhood to devote their life to The Party, which in turn represents the whole of society"* (Beamer 1998:58). Capitalism is based on individualism and materialistic motivation and is present orientated and finally socialism is based on collectivism and is long-term orientated (Yang 2012, Oyserman & Lee 2008). This can be seen in a quote used by Yang, when he cites a slogan from Mao's era "think contribution, not compensation" *(*Yang 2012:172*)*. This long-term orientation is critical in shaping China's institutional context which includes government policies and education practices.

There have been fundamental changes in the social values and work ethic between the generations in China, with the older generation more used to authoritarian control (Gu & Nolan 2017, Zhu et al 2015, Cooke 2009). This is in contrast with those born under the One Child Policy, who are very spoiled and easily bored, and who do not want to work the very long hours that their parents endured and are less tolerant of perceived injustice (Zhu et al 2015, Chan & Selden 2014, Wang et al 2014, Swift 2011). If they are not happy in work the younger generation simply

leave and rely on the financial support of two parents and four grandparents. The Chinese refer to this as the '4-2-1' (Campbell 2019, Hruby 2018). This was borne out in earlier studies by Zhu et al (2015), Gamble & Tian (2015) and Shen (2010), who posit that staff turnover issues in China are largely with younger workers. In contrast there has also been growth in what is termed the '996' pattern of work, where people work from nine in the morning until nine at night, six days a week without overtime payment. This is particularly prevalent in technology companies with prestigious reputations such as Huawei, who offer good compensation packages, where young workers are prepared to work this 996 schedule for the hubris of working for an elite employer (Cooke et al 2020a, Xiao & Cooke 2020a, Hruby 2018). Having considered the impacts of culture, the discourse now considers its implications for HRM practices.

3.6.4 Cultural Implications for HRM

There is disagreement between scholars as to how much adaption is required to HRM practices which originated in the West in order to respond to cultural preferences in China (Cooke et al 2020a, Gu & Nolan 2017, Cooke 2013 & 2004, Yang 2012, Zhang 2012, Zhao & Du 2012, Warner 2009, Gamble 2006, Colakoglu et al 2006).   There is however general agreement that HRM practices should be differentiated on demographic grounds such as age (Cooke 2013, Zimmerman et al 2009). There follows several examples which underpin the significance of culture and the importance of demographics, which supports the authors view that HRM practices should be adapted to take these two perspectives into account.

It is argued that cultural norms orient individuals to favour some rules over others (Chen 1995). Western culture focuses on cause and effect with emphasis on results, whereas the Chinese value guanxi that achieves results. Chinese may bend the rules to get to the end goal, whereas Western cultures emphasize individual responsibility (Beamer 1998). These orientations have implications for how people from different cultures are managed. An example which illustrates the Chinese cultural preference of maintaining harmony and the reciprocal obligation of the manager to their subordinates under guanxi can be seen in the way managers from different cultures treat poor performance. Western managers would ultimately dismiss an employee who had been disciplined for poor performance which was not rectified. In contrast Chinese managers would discipline and encourage the employee but not dismiss as they would consider the effects on the employees family and work group (Yang 2012, Beamer 1998, Westwood 1997, Easterby-Smith et al 1995).

The Confucian value of maintaining harmony means people do not cross personal boundaries or get involved in other people's business and are culturally socialised into not voicing an opinion, particularly on anything considered sensitive (Cooke 2011b, Beamer 1998). On the other side of the employment relationship, it is argued that it is rare for Chinese employees to take the initiative, give critical feedback or suggest improvements (Akhtar et al 2008). This view that open feedback is rare is supported by Yang (2012), Shen (2008) and Yeung (2005), who all comment workers are instead assessed on their loyalty, conformity and compliance,

moral conduct and good working relationships and concern is with the means rather than the ends.

A practical example of the face value trap is given by Beamer (1998), in that a Chinese official's polite response at a dinner led a potential European partner to continue to put resource into a project that had already been lost. What might appear surprising from a Western business perspective is that all parties felt bruised by the incident. The European had wasted additional money while the Chinese official felt they had been forced to be polite and not let their guest lose face.

Guanxi is more important than contract law in China. If a problem arises the Chinese would expect the contract to be re-negotiated, however Westerners would struggle to understand this and would seek to impose the terms of the contract (Kwock et al 2013). Having considered the cultural implications for HRM and the differences between the generations, we now move on to consider what has been described as China's demographic time bomb (Saunders & Shang 2001).

3.6.5 China's Demographic Time Bomb

China now faces a two-fold demographic time bomb, with an ageing population and due to the One Child Policy, a shrinking labour force (Saunders & Shang 2001). The One Child Policy was eased in late 2015, allowing couples to have a second child, yet official statistics show that the birth rate had declined two years later (Elliott 2018, Fincher 2018, Knight 2017, Jing 2013).

China's elderly population is escalating rapidly, to the point that numerically it now has the largest elderly population in the world and it is estimated to more than double by 2030 (Jing 2013, Saunders & Shang 2001). In 2015 those aged 65 or over represented less than ten percent of China's population and the UN projects this will increase to almost thirty percent by 2050 (Centre for Strategic & International Studies, China Power Project 2021). It will take decades to address the impending labour shortage and in the meantime China is turning to automation to fill the gap. It is the largest market for industrial robots, the majority of which are imported. President Xi Jinping has called for a 'robot revolution' with the objective of seventy percent of robots to be made by domestic companies by 2025 (Girault 2018, Knight 2017). As discussed in the GVC chapter automation has major implications for job losses, which could impact hundreds of millions of jobs (Girault 2018, Barton et al 2017). It is yet to be seen how China will manage this and even with a shrinking workforce, the impact of automation could have serious implications for The Party in maintaining a harmonious society (Cooke 2013, Akhtar et al 2008).   Having considered the demographic time bomb, the discourse now moves on to consider control practices.

3.6.6 Control Mechanisms

It has been argued that methods of control have undergone dramatic changes in China in recent years and that this is in response to institutional and cultural changes in the workplace (Siu 2020). In the 1990s enterprises preferred to hire young women, who they viewed as having nimbler hands and who managers

viewed as easier to control than male workers. However, the demographic time bomb has resulted in the need to employ both older women and males, which has driven the need for new forms of coercive controls (Siu 2020). Line leaders and supervisors had historically been more experienced workers who had been promoted from the ranks and due to the previous preference for hiring women, these tend to be older women. In Siu's (2017) study workers reported that these female line leaders and supervisors were less hard on male workers when compared to their treatment of females. This was thought to be due to the desire to avoid potential male aggression should the line leaders need to discipline a male. In order to maintain harmony in the workplace managers and line leaders have learnt to be more agreeable and this has led to a subtle shift in control practices and has resulted in the use of new soft controls, which include coercive practices and tacit bargaining. However, Siu persuasively argues that whilst there have been changes in the control mechanisms these are used in combination with older disciplinary practices which include rules and punishments in the form of fines, which still subordinate the workers in what Siu labels as "*conciliatory despotism*" (Siu 2017:533). This suggests a hybrid model of control combining coercive controls with punitive discipline systems. Having considered the cultural and institutional contexts which influence the industrial relations process, the discourse now moves on to conclude the chapter.

3.7 Conclusions

This chapter began with some definitions of what constitutes HRM and how the concept is used in the daily realities of organisations. There followed a discussion on the evolution from HRM to the huge growth in interest in SHRM, not just from academia but also in management practice, which Becker and Huselid (2006) say is unusual. This intense interest in SHRM can be seen in that a simple Google search in 2015 for the term returned twenty-eight million hits (Wright et al 2015).

Next, the three dominant theoretical frameworks from the HRM literature were reviewed which form the link between theory and practice. A number of ideas regarding what the world of work might look like in the future were introduced, including some scary predictions on the use of psychotic drugs and neuro-marketing to create *"an ideal environment"* (Latham & Ernst 2006:194) in which to maximise human capital.

It is argued that HRM is highly contextualised (Cooke 2018a, Dundon & Wilkinson 2018, Busse 2017, Wright et al 2015, Shen 2010, Björkman & Xiucheng 2002, Debrah & Budhwar 2001) and this is certainly true in the People's Republic of China (PRC), where one party has been in power for more than seventy years. This has resulted in the creation of an institutional and cultural context which is unique and pivotal in shaping management practices. Under such an authoritarian regime, coercive control is easier to achieve than in more democratic regimes (Cooke 2013, Storey 2007).

The research takes place at an interesting time, when China has concluded that its position at the bottom of the GVC is unsustainable. It is now transitioning to

become a knowledge-based economy. This is put succinctly by Zhao & Du when they posit that the country needs to transition from "*made in China, to, created by China" (*Zhao & Du 2012:183). At the same time the Country faces a demographic time bomb, and with an ageing population and a shrinking workforce (Saunders & Shang 2001) it is responding to this by automating (Girault 2018). It already has a growing proportion of highly educated unemployed or underemployed, who are in low paid and often part-time jobs (Cooke 2013, Warner 2011). These structural changes will likely result in a diversified population of skilled haves and unskilled have-nots, which could further fuel social unrest.

There has been huge debate as to whether models of HRM which originated in Western societies are applicable or need adaption to suit Chinese cultural preferences (Xiao & Cooke 2020b, Cooke 2018a, Zhang 2012, Warner 2009, Cunningham & Rowley 2007, Gamble 2006). China has been on a HRM learning curve for thirty plus years, since the Open Door Policy, yet the majority of research into HRM in China has been of a positivist nature and carried out largely with MNCs, despite the fact that the economy is dominated by SMEs (China Labour Bulletin 2017, Chinese Bureau of Statistics 2017, Chen & Peter 2017, Ministry of Commerce PRC 2012). These are largely privately owned family run businesses, based on the Confucian paternalistic tradition (Xiao & Cooke 2020a, Yang 2012, Cooke 2013 & 2011a, Chen 1995). Therefore the dissemination of HRM practices will understandably take longer to filter down and impact the industrial relations practices of what constitutes the majority of the economy. The extant literature on HRM in China shows that the construct is well understood and yet cash remains king (Xiao & Cooke 2020b, Chow & Liu 2009, Tung & Baumann 2009, Shen 2008).

This cash mentality is even stronger in the migrant work group, who are socially

marginalised once they leave their hometowns and villages (Wong 2019, Chan &

Seldom 2014). As has been argued earlier, largely due to access issues, the extant

literature has concentrated on MNCs and JVs. This bias is further complicated in

that responses are predominantly from a single respondent, normally a manager.

This it is argued leads to a one-sided perspective (Busse 2017, Warner 2011,

Björkman & Xiucheng 2002, Roy et al 2001). These biases have resulted in two gaps

in our knowledge. The first is which HRM practices are in use in SMEs?   The second

and largest gap is to understand the construct from another stakeholder

perspective, that being the lived reality of the largest marginalised group, the

internal migrant workers (Beer 2015, Kaufman 2015, Cooke 2011a, Colakoglu at al

2006). Using an inside-out approach as suggested by Xiao & Cooke (2020b) and

Busse (2017), this work aims to fill these gaps, taking an empirical case study

approach and utilising focus groups to talk directly to the migrant workers. The aim

is to uncover any unique characteristics of HRM in Chinese SMEs, as Xiao & Cooke

(2020b) persuasively argue, China's economic development, culture and the

institutional system is very different to the West and researchers should take a less

Western centric approach.   The majority of studies in the behavioural sciences is

drawn from what Henrich et al (2010) describe as the WEIRDEST (Western,

Educated, Industrialized, Rich and Democratic) population. This results in the

corpus of theories regarding cognition, motivation and behaviour being based

predominantly on American undergraduates, who they argue constitute a small

proportion of the entire population at the extreme end of a continuum. Henrich et

al give many examples of cross cultural differences from other diverse populations

and argue convincingly that the psychology and behaviour of WEIRD people cannot be considered generalizable to the rest of the world.

The next chapter goes on to set out the rationale behind the research strategy, design, approach and methods utilised in this study, with the aim of understanding *"the world from the perspective of the participants in that world"* (Lee & Lings 2008: 65). The study responds to calls for a multi-stakeholder perspective by including business owners, managers, line leaders and the migrant workers, who make up the majority of the workforce (Beer et al 2015, Cooke 2009, Colakoglu et al 2006).

Chapter 4: Methodology

4.1 Introduction to Research Methodology

This chapter explains the rationale behind the research strategy, design approach and methods utilised in the study and situates the research in the Chinese context, with its strong cultural determinants characterised by collectivism, low trust and Confucian values (Zhu & Warner 2019, Gu & Nolan 2017, Cooke 2013, Singh 2007, Nojonen 2004). The research had two aims, the first was to close the knowledge gap on HRM in China and the second was to situate the SMEs in the GVC and show how that impacts their ability to attract and retain staff.

Earlier in the study it was argued that there are two major weaknesses with the extant literature on HRM in China. The first is that it is largely positivist and the second is that it relies on responses from a single respondent, normally a manager. This limited positivist approach results in a one sided perspective and leaves a significant gap in our knowledge, that of the lived reality of the migrant workers (Busse 2017, Warner 2011, Björkman & Xiucheng 2002). China had some two hundred and ninety-one million internal migrant workers in 2019 (China Labour Bulletin 2020) who are marginalised by the Hukou systems (see Section 4.3.1 for a fuller discussion on the Hukou system). This disparate group represent the majority of the workforce, it is long overdue that their voices and not solely those of the managers be heard (Cooke 2009).

Clough & Nutbrown posit that *"all researchers need to develop the capacity to see their topic with new and different lenses in order to look beyond and transform their*

*own current knowledge" (*Clough & Nutbrown 2012:26). An interpretive epistemology it is hypothesized *"is generally concerned with understanding the world from the perspective of the participants in that world" (*Clough & Nutbrown 2012:26)*. To that end, it is argued that a qualitative approach with interviews and observations is more appropriate to generate the voice of the participants (Cunliffe 2011, Lee & Lings 2008).

There are multiple research philosophies and how we view the world and the assumptions we make will influence the research philosophy chosen. In this study the research paradigm followed an inductive approach to gain an insider's view and took a social constructionist interpretive approach. The aim was to bring the voice of the workers to the fore and also recognise the subjectivity of the researcher (Saunders et al 2019, Berger & Luckman, 1963 as cited by Vera 2016, Scotland 2012). Another aim of the study was to generate an in-depth understanding of the lived realities of the migrant workers. To that end case study was identified as the most appropriate qualitative approach (Xiao & Cooke 2020a, Creswell & Poth 2016, Yin 2014).

This study deliberately took a different path to the majority of previous social research in China, in that it took a qualitative approach and sought information from multiple stakeholders (Beer et al 2015). The limited education level of the Chinese migrant workers (China Labour Bulletin 2018, Lei 2017, Cunningham & Rowley 2007, Hutchings 2004), coupled with their collectivist culture led the researcher to utilise case study as the data collection method. This was based around focus group discussions with the migrant workers, as it was rationalised that this would, as

suggested by Bryman and Bell (2011) and Davies (2007), give a more naturalistic feel to the interactions.   The discourse now moves on to consider the research philosophy.

4.2 Research Philosophy

One of the most visual representations of the research process is offered by Saunders et al (2019, 2012). They present the research philosophy in the form of an onion and invite the reader to consider peeling away the layers, starting with the outer layer or philosophy which informs the approach, through the methodological choices all the way to the core of data collection and analysis (figure 2 below shows a flowchart of the methodology).

Figure 2: Flowchart of Methodology
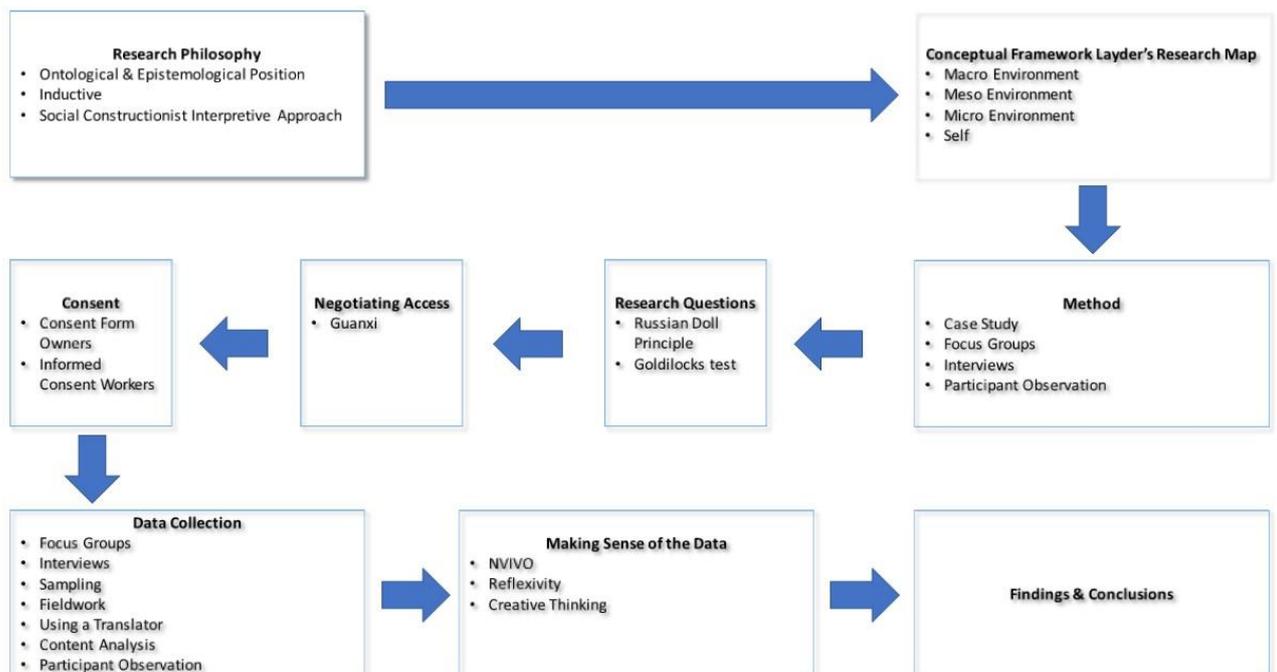
Visualising the research process in this way gives the researcher a practical way of "*understanding the taken-for-granted assumptions that we all have about the way the world works*" (Saunders et al 2019:130, 2012:128-129). In understanding these assumptions the researcher will be better equipped to consider their appropriateness to the development of knowledge. In this study the research paradigm took an inductive approach and followed a social constructionist interpretive methodology in order to gain an insider's view (Saunders et al 2019, Berger & Luckman, 1963 as cited by Vera 2016, Scotland, 2012). Vera quotes Berger that *"society supplies individuals with the values, logics and stocks of information that constitute their knowledge … the majority of individuals do not feel the need to re-evaluate the worldview that they inherited" (*Berger 1963:5 quoted by Vera 2016)*.* Knowledge is explained in the following terms by Scotland, "*knowledge has the trait of being culturally derived and historically situated"* (Scotland 2012:12). He argues that social phenomenon can only be understood by those participating in it and that interpretivism aims to uncover evidence of social norms. An inductive approach is also recommended by Cooke (2009) and Quer et al (2007), who argue that much has been written about China, but largely from a positivist perspective. Positivistic generalisations it has been argued have limitations in social research, largely due to the difficulty of controlling variables, such as the motivations of individuals (Scotland 2012). Many researchers have commented on this potential bias, where respondents often reflect on what they would like, rather than their lived reality (Zheng & Lamond 2009, Davies 2007). Alternatively, and particularly in China where loss of face is a deeply rooted cultural determinant, their responses may reflect the answers they think the questioner wants to hear, or socially desirable responses (Gray 2017, Warner 2011, Cooke 2009,

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Zheng & Lamond 2009, Cunningham & Rowley 2007, Björkman & Xiucheng 2002, Roy et al 2001).

As China has been labelled as a low trust economy (Singh 2007, Nojonen 2004), these traits are therefore likely to be reinforced if participants are asked to fill in a questionnaire. The researcher suggests respondents would be highly unlikely to put in writing a negative response to a question, for example on a Likert scale, which might show themselves or their organisation in a negative light. A further potential weakness of quantitative research with migrant workers in China is the limited educational level of much of the workforce (China Labour Bulletin 2018, Hutchings 2004). Having discussed the research philosophy the discourse now moves on to discuss the conceptual framework.

4.3 Conceptual Framework

Layder's research map (1996) was used in order to guide the researcher into considering all the various dimensions which impact the lived reality of the internal migrant workers and to situate them in the broader Chinese socio-economic context. This provided the researcher with a conceptual framework on which to embed the macro, meso and micro research elements which all inter-link and overlap each other (see Appendix 1). These elements are now discussed in turn.

4.3.1 Macro Environment

The macro environment encompasses the social, political, economic and cultural dimensions of society. The PRC was formed in 1949 following a civil war, which left Chinese industries at twenty percent capacity and twenty-five percent of pre-war output (Sun 2000). The Communist Party committed to modernise China and improve the living standards of its then population of around five hundred and fifty million, who largely lived in poverty (Sun 2000). By the time of Mao Zedong's death (also called Chairman Mao), China's population had escalated to an estimated one-point-three billion (Asia for educators 2014). Concerned to avoid social instability, the PRC launched the Open Door and Four Modernisations policy in 1979. These were designed to allow China to evolve into a market driven economy, whilst remaining a socialist state (Budhwar & Debrah 2001). The reforms were gradual but had a dramatic effect on employment in the 1990s, when SOEs shed some thirty million workers (Danford & Zhao 2012, Mitchell 2009, China Labour Bulletin 2007). To put this in context there were around thirty-two million people in work in the UK in May 2019 the Office for National Statistics (ONS 2019).

In terms of human resource management, it is only in the last thirty-five years that enterprises have been allowed autonomy in recruitment. Prior to this workers were assigned by The Party to enterprises, given lifetime employment, egalitarian pay and cradle to grave welfare, termed the Iron Rice Bowl (Liu et al 2019, Warner 2011, Akhtar et al 2008). The Iron Rice Bowl was replaced by labour laws, which were designed to improve efficiency by ending lifetime employment and curb exploitation,

by granting minimum basic rights such as limiting working hours and regulating vacation time (Gallagher 2004).

From a historical perspective the Chinese culture and Confucian values are deeply rooted and impact all aspects of society. Culture is defined by Hofstede & Bond as *"the collective programming of the mind that distinguishes the members of one category of people from those of another"* (Hofstede & Bond 1988:6). There are four significant Confucian values: harmony, hierarchy, collectivism and family, while the concept of face is a critical element in maintaining harmony (Zhu & Warner 2019, Cunningham & Rowley 2007). Harmony puts reciprocal obligations on all parties in the employment relationship and it also means people do not cross their personal boundaries or interfere in another person's business (Akhtar et al 2008, Easterby-Smith et al 1995). The education system, with its emphasis on memorisation and regurgitation of facts, means creative thinking and problem solving have not been encouraged (Cunningham & Rowley 2007). These contextual dimensions have implications for HRM in China, and as it is a paternalistic society with high power distance, employee involvement is weak (Cooke et al 2020b, Xiao & Cooke 2020a).

China chose industrialisation and export to modernise its economy and in order to provide a pool of low cost labour to the EOI, it is claimed that China deliberately created a dual economy and society (Chan 2013). The social inequality derived from this dual economy has led to huge income disparities between the rural and urban populations. This is underpinned by the hukou system of household registration. In cities such as Dongguan, which is heavily involved in China's EOI and where three of the factories are situated, migrant labour accounts for seventy to eighty percent of

the workforce (Rolf 2019, Chan 2013). Only around fifteen percent of the population was covered by an urban hukou in 1955 and although the provision of welfare was basic, the cost was expensive, which goes some way to explaining why the level remained largely unchanged for the next twenty-five years (Chan 2013). The Government has been slowly modernising the system, however by 2016 only forty-one percent of the population held an urban hukou (Xinhuanet 2017). In developing countries industrialization would normally lead to urbanization (Chan 2013, Cunningham & Rowley 2007), however it is claimed that this has been supressed in China through the disparities of the hukou system (Chan 2013).

4.3.2 Meso Environment

The meso environment in this study considers the overall view of how SMEs dominate the economy (China Labour Bulletin 2017, Chinese Bureau of Statistics 2017). These SMEs are largely privately owned family run businesses, with HRM practices based on the Confucian paternalistic tradition (Xiao & Cooke 2020a, Yang 2012, Cooke 2013 & 2011a, Chen 1995). Consideration is given to the concomitant constructs of the EOI model of industrialisation and GVCs.

4.3.3 Micro Environment

The research is situated in six SMEs, all involved in the manufacture and/or assembly of electronic components or batteries which are used to power electronic

components. All are participants in the GVC and five of the organisations are heavily reliant on export for the majority of their business. All six factories employ internal migrant labour.

The individual businesses were asked to describe the history of the business, how and why it was started, how it was financed, the competitive environment and where they see their future in relation to the GVC, EOI and sustainability. Five of the businesses offered factory dormitories to their workers, however the sixth did not and was used as a possible contrast as suggested by Yin (2014), Crowe et al (2011) and Lee and Lings (2008).

HRM is a relatively new construct in China, and prior to the Open Door Policy there was no role for recruitment and retention as workers were assigned by The Party to enterprises and given cradle to grave welfare (Warner 2011, Akhtar et al 2008, Budhwar & Debrah 2001). There was no choice on either side of the employment relationship, workers could not decide to leave and the employers could not dismiss a worker. This study included wide ranging discussions on what HRM meant to each enterprise, what policies and techniques were in use and what had been tried to mitigate staff turnover.

4.3.4 Self

This element concerns the migrant workers themselves and their experiences of living often far away from home, the majority of which live in employer supplied dormitories. The dormitories are normally single sex and each dormitory room

usually houses eight workers. As discussed earlier workers are socially excluded by means of the hukou household registration system and are reliant on their employers for food, board and welfare (China Labour Bulletin 2018, Chan 2013, Swift 2011, Mitchell 2009). The dormitories are situated within a factory compound, which is normally a gated community with a guard hut and security guards policing the premises (see Appendix 2 for a picture of a typical dormitory). The reason for the security is two-fold, firstly to protect the factories assets, machinery, raw materials and finished goods and secondly there is always someone in the factory with money. This is in case of an accident, as they are not entitled to social welfare if a migrant worker has an accident and they cannot get medical help without payment in advance. The migrants live in the dormitories fifty weeks a year, only returning home for the Chinese New Year (CNY) holiday. CNY has been described as the largest human migration in the world (Cripps & Wang 2019, McCarthy 2018, Chan 2013). The CNY holiday entitlement has increased in recent years as, ten years ago it was only two to three days, but the more enlightened factories now grant up to two weeks leave.

There are some sixty-one million children of migrant workers left behind when their parents move to the cities to find better paid work (Zhao et al 2017, Roberts 2014, Swift 2011). These left behind children are usually left in the care of elderly grandparents and are vulnerable to psychological and emotional problems, due to the prolonged absence of their parents (Zhao et al 2017). According to a survey by the Beijing based centre for child rights and corporate social responsibility (CCRCSR), published in Jan 2014, eighty percent of migrant workers are separated from their

children (Karlsson & Xin 2014, Roberts 2014). Research carried out by the University of Guangzhou with migrant workers found that almost sixty percent suffered from depression, seventeen percent with anxiety and almost five percent had considered suicide. Half of those surveyed were aged under thirty and cited both financial and emotional burdens having left behind aging parents and young children (Zhang 2014). Having considered the institutional and cultural contexts which are pivotal in shaping the industrial relations process, the discussion now turns to consider the research paradigm.

4.4 Method

There has been much criticism that the voice of the worker is missing from the largely positivist research into HRM in China. Many academics point out that over eighty percent of research was quantitative and call for more qualitative studies (Cooke et al 2020b, Xiao & Cooke 2020b, Warner 2011, Cooke 2009, Quer et al 2007). To respond to this lacuna the research design takes a case study approach which, it is argued by Yin (2014 & 1994) and Crowe et al (2011), is the best approach when how or why questions are the objectives of the research. This method is also supported by Saunders et al (2012), Scotland (2012), Bryman & Bell (2011), and Barbour (2007). Case study is also advocated as a method when seeking an "*in-depth*" (Creswell & Poth 2016:98, Yin 2014:4, 9 & 12) understanding of a social phenomenon (Crowe et al 2011) and where the focus is on contemporary events. It is asserted by Yin, that the case study's *"unique strength is its ability to deal with a*

full variety of evidence ...documents, artefacts, interviews and observations …

beyond what might be available in a conventional historical study" (Yin 2014:12)*.*

He argues that case study enables a researcher to *"understand a real-world case*

and assume that such an understanding is likely to involve important contextual

conditions pertinent to your case" (Yin 2014:16). Case study is contrasted with

other research methods such as experiment, where the context is ignored or

controlled for by way of a laboratory experiment (Yin 2014). Historical studies he

argues are normally looking backwards at non-contemporary events. An additional

popular method is surveys, which he argues are unlikely to get into any depth

regarding context, as the number of questions that can be asked have to be limited,

otherwise the respondents might lose interest. As has been discussed earlier, China

is a low trust economy therefore respondents may be reluctant to give a negative

answer in writing for fear of reprisal. In this study context is particularly pertinent

when trying to understand the lived reality of migrant workers in China and

therefore a case study approach supports the research paradigm of this study.

Having explained the reasons behind the use of case study as a method, we now

turn to consider how the research questions were formed.

4.5 Research Questions

Research questions are important in that they are used to structure and focus the

research. They guide the researcher through an iterative sequence of actions

beginning with the literature review, and the design of the study. They also support the writing-up of the data and the analysis of the data.

A useful analogy when describing the iterative process of research question formulation is put forward by Clough & Nutbrown. They suggest using the Russian doll principle, in which the questions are phrased and re-phrased until they are sharp and uncluttered. They then subject the research questions to "*The Goldilocks test*" (Clough & Nutbrown 2012:41 & 42), in which the researcher thinks about the practicalities of the proposed research and asks, Are the aims of the research "*too big*"? (Clough & Nutbrown 2012:41 & 42).

It is proposed by Saunders et al (2012) that the researcher starts with one research question based around the original research idea, citing McNiff & Whitehead (2000), who suggest questions may emerge during the research process itself. These both proved to be the case in the current study, in that what prompted the researcher's interest originally was whether the application of HRM techniques could mitigate turnover. The GVC emerged during the scoping interviews as an important construct, whose norms constrained the factories ability to use manpower planning to mitigate turnover. Following some lateral thinking a further question was added, namely what was causing the turnover issues in the first place? The researcher anticipated that the institutional environment would be important, hence its inclusion in the preparation for the semi-structured interviews with owners and senior managers (see appendices 3&4), however responses to these questions elevated the construct to an overarching theme in the data and hence it was included as the fourth research question. Gaining access to what are largely privately owned companies in China is

cited as a major issue for researchers. The discourse which follows explains how this was achieved.

4.6 Negotiating Access

Numerous writers have commented on the difficulties of obtaining primary data in China (Chao & Shih 2018, Warner 2011, Cooke 2009, Quer et al 2007). Whilst not writing specifically about China, Gray (2017) cautions that case study requires intensity of access. He councils that a researcher should only consider using case study as a method when it is both practical and feasible to generate the multiple data sources required for an effective case study.

As has been discussed earlier in this study the researcher had established guanxi with business owners in China. These relationships were networked over a twenty year period and were based on trust and reinforced through social exchange and reciprocation (Tian et al 2016, Saunders et al 2012, Cunningham & Rowley 2007, Easterby-Smith et al 1995). Guanxi it is posited *"has an enduring source of influence that explains the differences between Chinese and Western behavioural patterns and the dynamics of workplace relationships"* (Cooke 2009:13)*.* Guanxi is culturally deep-rooted in China and was a major contributor in gaining access in this study.   The researcher had relationships with all six businesses who agreed to take part in the research, with the shortest relationship being six years and the longest being more than twenty years. Many Western businesses when they contemplate trading with China want to tie up their suppliers with legal contracts and purchasing agreements,

which often stipulate obligations and include compensation clauses when something goes wrong. In all my years of doing business with China, I never asked for a contract, as I understood it was the power of the relationship that was important. When the factories got something wrong I would work with them to improve their processes and hence their quality and service level to my company. I occasionally made the factories pay to airfreight replacements, as this airfreight would normally be prohibitively expensive and often would cost more than the invoice value of the goods. Sometimes I shared the cost of airfreight and the decision was dependant on whether I thought the factory had made a genuine mistake or had deliberately cut corners to either save cost or time. In this way, I reinforced my guanxi, as my objective was always to have long-term relationships which were mutually beneficial.

All six enterprises in this study are privately owned and all employ migrant workers. There were an estimated two hundred and ninety-one million migrant workers in China in 2019, making up more than one third of the working population (China Labour Bulletin 2020). To put this figure in context, there were around thirty-two million people in work in the UK in May 2019 (ONS 2019). These migrant workers are marginalised through the hukou system of household registration, which restricts their social welfare rights in urban areas, even though some of the younger workers were actually born in the cities. This makes the migrant workers dependant on their employers and has resulted in the majority living in factory dormitories (Lei 2017, Anderlini 2014, The Economist Mar 2014, Zhou 2014). This dormitory labour regime is referred to by Cooke as "*sweatshop Labour*" (Cooke 2009:11), which she says is the norm in private manufacturing, as in five of the six factories which are the subject of

this study. It is surprising therefore that there has been very little written from the perspective of this disparate marginalised group and to bring their voice to the fore then became a key objective of this study.

Access was negotiated in face-to-face discussions following business meetings with the owners of each of the six factories. The aims of the research were explained, resource sought and estimates of the length of time anticipated for each of the face-to-face interviews and focus groups. It has been suggested that you are more likely to be successful if access requirements are kept to a minimum, however the researcher concluded that to gather in-depth data would require a longitudinal study (Saunders et al 2012). In order to negotiate access, it is suggested that the researcher should explain the possible benefits of participation. To this end the factory owners were all very supportive, as they were already grappling with the issues of staff turnover and demonstrated their commitment to the study by agreeing access (Saunders et al 2012). This was not without cost, as it was estimated that the focus group sessions would last two to three hours on each of two separate occasions. As overtime can make up fifty percent of the workers' wages (see table one on page 104), the owners agreed that they would pay the normal daily rate including overtime to any volunteer. The owners themselves agreed to participate in three face-to-face interviews each lasting three to four hours. Having discussed the rationale behind how access was negotiated, the discussion now turns to consider the characteristics of the individual businesses.

4.7 Characteristics of the Factories in the Study

As was discussed in chapter two the GVC and EOI have underpinned China's economic success for the last thirty plus years (Gereffi 2014, Yang 2014). There are several problems with the EOI model, the largest of which is that China has become the World's workshop as a low cost assembler (Yang 2014, Cooke 2009). The assembly function sits at the end of the GVC and means that China keeps little of the value added, wealth generating functions such as R&D, patents, intellectual property rights (IPR) and quality, which are all retained elsewhere in the value chain (Davis et al 2017, Gereffi 2014). China has historically relied on a largely passive, socially unequal workforce to supply a low cost workforce to the EOI. This has significantly underpinned China's economic success, with thirty plus years of double digit GDP growth (Warner 2011). The six businesses in the study were chosen because they typify this low cost assembly function and all rely on a workforce of internal migrant workers.

A brief overview of the six factories in the study can be seen in Table 1 on the next page which shows the ownership form, workforce make-up, number of workers, basic pay and total remuneration. Table 1 shows that overtime doubles the workers' salaries, indicates whether the factories offer their workers dormitories and also highlights that they understood the term HRM.

The youngest of the six organisations in the study had been in business seven years at the time of the study, the oldest had been in business thirty-three years, with the average age of the businesses at twenty-one years. All six factories continued to manufacture or assemble products based around their original product, although all

were attempting to move up the value chain to higher value add functions, such as R&D and box building. All were automating in an attempt to balance rising labour costs and improving processes to both standardise and improve quality. All supplied components or end products to the electronics industry.

Factory Number	Ownership Form	Workforce Origin	Number of Workers	Pay Basic /With Overtime	Dormitory	Understood the Term HRM?
1	Family	100% Migrant	160 in Wenzhou + 90 in Northern Facility	1500 /3000	No	Yes
2	Family	100% Migrant	285	1700 /3000	Yes	Yes
3	Partnership	100% Migrant	50	1300 /3000	Yes	Yes
4	Family	100% Migrant	150	1500 /3000	Yes	Yes
5	Family	90% Migrant Office Staff Local	120	1500 /3000	Yes	Yes
6	Family	95% Migrant Office Staff Local	260	1500 /3000	Yes	Yes

Table 1: Characteristics of the Six Factories

Five of the factories are located in the Pearl River Delta (PRD), which has been termed the workshop of the world (Danciu 2020, Yu & Luo 2018, Sun & Grimes 2016, Yang 2014). The PRD comprises nine mainland cities in the Province of Guangdong and

also the special administrative regions of Hong Kong and Macau. Three of the factories are located in Dongguan, one is in Huizhou and another in Zhongshan, these last two areas are either side of Dongguan. The PRD is an important contributor to China's EOI, although it only represents one percent of China's land mass and houses only five percent of its population. It is responsible for more than a tenth of its GDP, twenty-five percent of exports and has attracted more than a trillion dollars in FDI since the 1980s, when China adopted its Open Door Policy (The Economist 2017, Fuller 2017). Its economy is made up largely by private companies, so in attempting to understand HRM and the impact that participation in the GVC has on SMEs ability to attract and retain staff, the PRD would be an exemplar of both. The sixth factory is located further north in Wenzhou a couple of hours flight from Shenzhen (see Appendix 5 for locations of the factories in the study). The sixth business is used as a possible contrast, as they did not offer dormitories to their workers the other five did. This follows the recommendation of Yin (2014), Crowe et al (2011) and Lee and Lings (2008), who all suggest using a case that is different to see if there are any contradictory findings. The number of staff employed varies from the smallest factory with fifty workers, to the largest with almost three hundred.

The number of case studies was chosen as six as Eisenhardt (1989) quoted in Gray (2017), suggest using between four and ten as they contend that with fewer than four it would be difficult to generate theory. It is posited that studying multiple or what Dallas et al (2019), Creswell & Poth (2016) and Crowe et al (2011) call collective case studies simultaneously can generate a deeper understanding of the phenomenon of

interest. Having described the participating factories, the discourse now turns to consider issues behind gaining consent.

4.8 Consent

Owners of the participating businesses were asked to sign consent forms to participate in the study. Two other SMEs who agreed to work through the interview guide as part of the scoping interviews also signed consent forms (Ethics Protocol number aBUS/PGR/UH/00557(1)). It was a conscious decision for several reasons not to ask workers to sign the forms. The first was the low level of educational achievement of migrant workers (China Labour Bulletin 2018, Hutchings 2004). In addition, as China is considered a low trust economy (Cooke 2009, Nojonen 2004), the researcher wanted to create a conversation, rather than reduce their responses to a series of tick boxes. Each interaction with the workers began with a verbal explanation in Mandarin supplemented with a slide show. The first slide explained in Mandarin and English that they were being invited to take part in a research project. The second slide explained that participation in the research was voluntary. The third slide explained that participants could choose not to answer any questions and that they would not have to give a reason for not answering. The forth slide explained that they could choose to participate in some topics but not others and could choose to leave the meeting at any time without giving a reason for leaving. This was clearly understood, as three workers left one meeting. They politely nodded at the researcher and translator but offered no explanation and none was sought. In some

groups a number of subjects appeared culturally sensitive, such as discipline and whether working overtime affected quality, these topics resulted in a number of workers who had been lively seconds before visibly withdrawing from the discussions, even when encouraged by others in the group to participate. This supports the contention that the voluntary nature of the interaction was understood and that by participating in the group discussions they were giving their informed consent. Having explained the issues with gaining consent from workers with a low level of education, the discourse now moves on to consider the strengths and weaknesses of case study as a research method.

4.9 Strengths & Weaknesses of Case Study

There are a number of concerns often voiced regarding the use of case study, the first being whether the method is rigorous enough. Yin (2014:23) cautions that it should not be approached as a soft option and challenges the researcher to follow documented procedures. A further weakness highlighted by Yin (2014) and others is that of generalisability. Using multiple cases it is argued will *"increase the commonality or variety of interpretations that they produce providing a greater claim of generalizability"* (Wisker 2008:217). However, she cautions that any replication of a study regardless of the method would need to account for the particular context, time and people involved which would include the researcher themselves. This suggests a basic common sense approach involving procedure and rigour. However I support the approach advocated by Yin, where he suggests instead that the

researcher's goal should be to *"expand and generalize theories"* (Yin 2014:21), rather than generate statistical generalisations. This view is supported by Creswell & Poth, who posit that generalizability is *"a term that holds little meaning for most qualitative researchers"* (Creswell & Poth 2016:103).

As discussed earlier in this chapter, the limited education level of the Chinese migrant workers, coupled with their collectivist culture led the researcher to utilise case study as the preferred method. Based around focus group discussions with the migrant workers, it was rationalised that this would, as suggested by Bryman and Bell (2011), Crowe et al (2011) and Davies (2007), give a more naturalistic feel to the interactions. Having discussed case study as a method the discourse now moves on to discuss the advantages and disadvantages of interviews.

4.10 Advantages & Disadvantages of Interviews

Interviewing requires *"considerable skills and experience"* (Robson 2013:281) and should not be considered a *s*oft option. This view is supported in other research methodology texts for example Saunders et al (2012), Bryman and Bell (2011) and Davies (2007). These works caution that unstructured interviews with their lack of standardization can raise concerns regarding reliability and also caution against biases, which can come from either the researcher or the participants, or both. They highlight common mistakes made by inexperienced researchers which include lack of preparation, poor location, talking more than listening, the ability to summarise and

test the researcher's understanding and over-running the agreed interview schedule (Robson 2013, Saunders et al 2012, Bryman and Bell 2011).

An interview should be viewed as a "*structured conversation*" (Davies 2007:108), which is a succinct description that hints at the preparation required to make an interview appear like a conversation. The topics for the scoping interviews and semi-structured interviews with owners and senior managers were prepared in advance. The interviews started with easy questions to relax participants with questions around the reasons for starting the business and how it was funded and progressing to more particular topics from the literature review. The rationale behind the topics covered can be seen in the interview preparations in appendices 3, 4 & 6. The researcher was cognisant that the semi-structured interviews needed to allow room for the discovery of new ideas and themes, as can be seen in the inclusion of the GVC following the scoping interviews. A very salient observation on face-to-face interviews is made by Robson, in that they allow the researcher a "*short cut when seeking answers to research questions*" (Robson 2013:280). Unlike postal questionnaires they allow the researcher opportunities to pick up on non-verbal clues and probe further any interesting responses. The researcher was at the time managing director of a limited company which was a wholly owned subsidiary of a PLC and to this end was experienced in running meetings, reading body language and asking questions, and was therefore confident that the nuances throughout the interviews could be noticed. Having considered the strengths and weaknesses of interviews the discourse now moves on to consider the strengths and limitations of focus groups.

4.11 Strengths & Limitations of Focus Groups

It is asserted that focus groups are taking over from questionnaires as the preferred method for qualitative studies (Robson 2013). He ascribes the popularity of this data collection method to the fact that they are *"apparently … easy to carry out"* (Robson 2013:294). However, like Yin (2014) he cautions that they need to be organized, analysed and interpreted, which all need to be carried out with rigour. A further strength is that they do not discriminate against people who are unable to read and write (Robson 2013). As discussed earlier in this chapter, the migrant workforce in China have a low level of educational achievement, which was also the case for the majority of the participants in the current study (China Labour Bulletin 2018, Hutchings 2004). There is consensus amongst writers on research methods about the strengths and weaknesses of focus groups (Yin 2014, Robson 2013, Saunders et al 2012). These include the ability of the group to self-police, where the group encourages more reticent participants to take an active part and to regulate the subject under discussion, for example where the subject may be sensitive. Meaning is being jointly constructed by participants, as opposed to individual opinions gleaned through one-to-one interviews. However, they caution against the following potential issues, the first of which is that of control, and they challenge the researcher, to consider to what degree the group will be allowed to self-regulate, what to do if one or more people dominate more reticent speakers and how to encourage the quieter people to participate. The second issue warns about the work entailed in producing large volumes of data and the difficulties of transcribing the same. These include the difficulty of listening back to the

recordings and ascribing comments to individuals, who are likely to be talking over each other. The third issue is the potential emergence of a group view, which could suppress other perspectives on a given topic. They also caution that focus groups may not be appropriate if the subject is sensitive, as proved to be the case in this study. An example of this would be some participants' reactions to topics such as discipline. However these sensitivities did show up in the scoping interviews and it was a deliberate decision to include them, as the responses and observations could have led to findings regarding culture and context. In addition it is proposed that participants may not be comfortable in the presence of people who hold a higher hierarchical position to them. To this end managers were included in some of the focus groups and excluded from others in order to see if this had any effects on the data generated. In other groups the inclusion of line leaders had a positive effect, where they voluntarily took the role of co-moderators, encouraging quieter members to speak up. For example in one focus group two of the line leaders came into the room first and sat together at the end of the table farthest away from the researcher, which suggested their reluctance to join in the group discussion. However, this observation of their distance proved incorrect, as their presence and participation was invaluable, in that they helped facilitate the focus group discussion as they encouraged the workers to open up when they seemed reluctant.

Another potential weakness was the role of the moderator, which was highlighted as a role that requires considerable experience (Yin 2014, Robson 2013, Saunders et al 2012). The researcher was at the time the managing director of a limited company and also ran the sales force, so was experienced in group dynamics and running sales

meetings. The last two potential weaknesses are that the results may be difficult to generalize and that, as the researcher is immersed in the process and ultimately decides what is reported, they may put too much faith in their findings (Yin 2014, Robson 2013, Saunders et al 2012). The researcher sought to overcome these potential weaknesses and to add rigour to the study and underpin the findings and conclusions through the use of multiple case studies. Taking a longitudinal approach allowed the researcher repeated access to the participants. This repeated access allowed the researcher to probe some topics to a greater depth or to seek clarification where necessary, and an example of this from one of the participating businesses is discussed later in the Section on reflexivity 4.15. The researcher prepared for the interactions with the focus groups in a similar manner to the preparation for the semi-structured interviews with the owners, beginning with easy questions to relax the groups, such as What attracted them to work for the company? and Are those reasons still valid? The topics for discussion and the rationale for each were garnered from the literature review and can be viewed in Appendices 7 & 8. Having considered the strengths and weaknesses of focus groups, the discussion now turns to the advantages and disadvantages of participant observation.

4.12 Advantages & Disadvantages of Participant Observation

The major advantage of participant observation is its directness. This is contrasted by Robson with the "*socially desirability response bias*"(Robson 2013:316) in interviews and questionnaires, where people's responses may reflect what they

would like, rather than their lived reality. This view is supported by Xiao & Cooke (2020b), Corradi et al (2010), Wisker (2008) and Davies (2007). As commented earlier in this chapter, this bias is particularly prevalent in China where loss of face is a deeply rooted cultural determinant. Observation can be used to supplement other data collection methods, for example in this study it was used to support data gathered from the interviews and focus groups (Robson 2013). There is agreement between writers on research methods that the major disadvantage with participant observation is a phenomenon labelled reactivity, which concerns the impact of the observer on those being observed (Robson, 2013 and Wisker 2008). The researcher is encouraged to acknowledge the power of self, in that the researcher's presence will impact what is being observed. This is particularly pertinent in situations where the researcher feels at home, as is likely the case in practitioner research (Davies 2007:156). He advocates deliberately seeking views from individuals who are likely to hold different views from the researcher, as a way of controlling bias and being conscious of *"allowing the data to determine the outcome"*(Davies 2007:157). Writers on business research methods counsel that observation is time consuming. In the focus groups this was facilitated by the use of a translator, which allowed the researcher more time to make notes regarding direct observations (Robson 2013, Wisker 2008, Davies 2007). The observations were later coded as advocated by Robson (2013) into four categories of behaviours, including non-verbal, spatial, linguistic and extra-linguistic behaviours, such as body language. Having considered the advantages and disadvantages of participant observation the discourse now turns to consider data collection.

4.13 Data Collection

A seminal work on data collection was written by Glaser and Strauss (1967), who argued that researchers should approach data collection in a state of tabula rasa or as a blank slate. Their rational is that this allows the theory to emerge from the data and that any prior knowledge could lead to researcher bias. Other writers argue that it is somewhat naïve to suggest a researcher has no prior knowledge and they challenge how or why the researcher's interest in the topic emerged, if they have no prior knowledge (Lee & Lings 2008). Others point to later apparent differences between Strauss and Glaser, where Glaser (1992) remains committed to researchers having no prior knowledge whilst Strauss and Corbin (1998) and Corbin & Strauss (2008) advocate a literature review prior to field work (Robson 2013, Lee & Lings 2008). As previously stated, as a practitioner carrying out research in my own sphere of knowledge, I support Lee & Lings (2008) stance on the knowledge of the researcher.

Others recommend studying the methodologies used by previous researchers, positing that what has proven to work in the past is a good starting point for future research (Hair et al 2007). However seminal researchers into HRM in China such as Xiao & Cooke (2020b), Huang & Gamble (2011) and Cooke (2009) have criticised the largely positivist stance taken by researchers in China and have advocated that there is an urgent need for more qualitative research. It is further suggested by Xiao & Cooke that the use of sophisticated modelling leads to a growing preference of researchers for what they term *"psychologizing HRM research" (*Xiao & Cooke 2020b:58)*. This they posit skews our understanding of the "*unique and evolving*

*institutional and cultural characteristics" (*Xiao & Cooke 2020b:58), which is the lived reality of those we wish to understand. Added to this two thirds of studies in the major journals in the ten years to 2007 relied on evidence from managers (Warner 2011, Cooke 2009, Quer et al 2007). This skewed view was still in evidence in a later meta-analysis covering ten years from 2008-2017, in which managers still accounted for half of data collected (Busse 2017). To address this imbalance and bring the voice of the multiple stakeholders particularly the migrant workers to the fore became an aim of the study. To increase the internal validity of the study, data triangulation was used. It is to this subject that the discussion now turns.

4.13.1 Data Triangulation

Data triangulation was utilised in the study to underpin the findings, in that multiple sources and a variety of methods were used to generate information from the one hundred and eighty participants, across six businesses. In addition the study took a longitudinal approach, which facilitated repeated access to the multiple stakeholders to generate a variety of perspectives on phenomenon which they understand (Creswell & Poth 2016). Data sources utilised included one-to-one semi-structured interviews with business owners, semi-structured interviews with owners and the senior management teams, focus groups with managers, line leaders and workers, skype interviews with owners and senior managers, participant observation with all participants and the researcher's reflexive account of these interactions, both during and after the research interactions.

The research took part over a two year period, which allowed the researcher to return to topics where there appeared to be contradictions in the data, or where participants' body language suggested they were uncomfortable with some topics. Examples of these include whether working overtime affected quality and the non-signing of employment contracts. This repeated access also allowed the researcher to return to themes and responses that seemed significant and probe the topics to a deeper level (Bryman & Bell 2011, Barbour 2007). An example of this was where managers in one organisation claimed that they had instigated additional training, following a suggestion from the researcher, whilst the evidence from the factory focus group contradicted this. The workers reported that training was kept to a bare minimum and took the form of induction for new employees and then ad-hoc training, if there was a new product or when legislation changed. A further interesting topic where knowledge was built iteratively was discernible generational differences. These apparent contradictions and differences are discussed in greater detail in the findings and conclusions chapters.

This repeated access to the multi-stakeholders provided collaborating evidence, as advocated by Gray (2017), Creswell & Poth (2016), Robson (2013), Saunders et al (2012), Bryman & Bell (2011), Crowe et al (2011) and Lee & Lings (2008). This approach had the dual purpose of firstly addressing the characteristics of the target participants and secondly strengthening the findings of the study. Having explained why the researcher took a qualitative rather than a positivist approach to data collection, the discussion now turns to considering focus groups as a valid data collection method.

4.13.2 Focus Groups

Focus groups were chosen for the interaction with the workers who were inexperienced in being asked their opinion and certainly not by a European (Bryman & Bell 2011, Barbour 2007, Flick 2007). The broad description used by Kitzinger and Barbour is favoured by Barbour to describe a focus group as "*any group discussion may be called a focus group as long as the researcher is actively encouraging of, and attentive to, the group interaction*" (Kitzinger and Barbour 1999, in Barbour 2007: 2). Focus groups it is suggested give a more naturalistic feel than one-to-one interviewing (Bryman & Bell 2011). This view is supported by Davies & Hughes, who argue a theoretical advantage of a reflective approach as "*more human than methods that can sometimes be portrayed as reducing everything to tick boxes and tables*" (Davies & Hughes 2014:168). They can also allow the researcher to study how the social world is collectively constructed by the participants (Cunliffe 2011, Lee and Lings 2008). Focus groups can work better than one-to-one interviews with participants who may be reluctant or feel intimidated (Kitzinger 1995). It was anticipated that as their culture is collectivist, the workers would feel more relaxed in a group situation and this proved to be the case. It is posited that a topic that maybe sensitive to one individual or group, however may be perfectly acceptable to another (Farquhar & Das 1999, Kitzinger & Barbour 1999), which was evident in this study. A good example of this is where some of the more reserved workers were reluctant to answer some of the sensitive questions, however would often open up when a new topic was introduced. There was much laughter at some topics amongst all the participants, for example asking them to contrast their working lives with that of their parents or asking for descriptions of what life was like living in

dormitories. The potential difficulty of trying to elicit individual narratives from focus groups is pointed out by Barbour (2007). She argues that this may result in a lot of noise rather than a narrative and suggests a series of focus groups to *"build up a detailed picture of individual experiences"* (Barbour 2007:18). To this end the research took a longitudinal approach over a two year period, beginning with scoping interviews with the business owners and managers which took place in May 2014. The scoping interviews followed a semi-structured interview technique, based around themes garnered from the literature review (Xiao & Cooke 2020b, Yin 2014, Robson 2013, Clough & Nutbrown 2012, Saunders et al 2012, Lee & Lings 2008, Wisker 2008). These themes were tested with all six organisations and also included two other companies who agreed to work through the interview guide and give feedback on what did and did not work. There were further one-to-one interviews with the owners and focus groups with the workers, line leaders and managers in October 2014 and December 2015 (figure 3 on the next page illustrates the timeline and data collection methods utilised).

These interactions generated sixty hours of semi-structured interviews with owners and the senior management teams and fifty-two and a half hours of focus group interactions. The roles and genders of the focus group participants and the make-up of the senior management teams can be seen in Appendices 9 & 10.

These repeated interactions allowed the researcher to return to themes and probe in more depth to try and understand the participants lived reality. As the focus group discussions were intended to explore collective understandings, or shared meanings within a work group, Bryman and Bell (2011) advocate using participants

who form a natural working group and this was the case in all six organisations in the study.

Figure 3: Timeline of Data Collection and Methods

May 2014

Scoping Interviews with Owners & Senior Managers, 21 Participants

6 Case Studies

2 Additional Companies (only took part in Scoping Interviews), 2 Participants

Oct 2014

Focus Groups with Workers, Line Leaders & Managers, 113 Participants

Semi-Structured Interviews with Owners & Senior Managers, 21 Participants

6 Case Studies

Dec 2015

Focus Groups with Workers, Line Leaders & Managers, 72 Participants

Semi-Structured Interviews with Owners & Senior Managers, 21 Participants

6 Case Studies

It is propounded that focus groups should be used as discovery-oriented research as the results may not reflect the population as a whole (Hair et al 2007). To strengthen

the research and add validity it is recommended that two or three groups are used at a minimum. Others suggest obtaining data from at least five or six focus groups (Davies & Hughes 2014, Davies 2007). It is posited that one group is unlikely to be enough, but too many could be a waste of time (Bryman & Bell 2011). They advocate ceasing data collection once theoretical saturation occurs (Davies & Hughes 2014, Saunders et al 2012, Lee & Lings 2008, Davies 2007) all support this view and discuss data saturation and the law of diminishing returns. As all the interactions were conducted in China, access had to be negotiated in advance. Participants' work needed to be scheduled around the interviews and focus groups, as stopping data collection in an unscheduled manner would have been difficult to organise. In addition, it would have appeared impolite and would have caused the business owners to lose face had the pre-arranged interviews not gone ahead. Staff had been briefed in advance and work groups had been organised around those volunteering to participate. Even though some data was repeated, some valuable idiographic insights were obtained, hence each of the interactions brought something if only to clarify earlier observations.

The advice on the size of the focus groups is not consistent, with Davies & Hughes (2014) recommending that they should be limited to six to eight participants. Bryman & Bell (2011) suggest groups of six to twelve, but say the norm is twelve to fifteen. Davies (2007) suggests the sample size can be up to twenty. As the Chinese culture is one of collectivism, the researcher was concerned that the workers may feel intimidated if the group size was too small, so deliberately had groups of a minimum of seven people and a maximum of fifteen participants. The difference in

group sizes also allowed experimentation with sample sizes, to see if this influenced group dynamics and the openness of the discussions, particularly with topics such as discipline, which the scoping interviews suggested that this and other subjects maybe culturally challenging and this proved to be the case with some but not all participants.

A further consideration on group sizes was the researcher anticipating the difficulty of translating and transcribing. The largest focus group consisted of fifteen people who could potentially be talking at the same time. The difficulty of trying to match the voice on the recording to the individual who was speaking was highlighted by Bryman & Bell (2011) Lee & Lings (2008) and Davies (2007) and this did prove to be the case. Having discussed the rationale behind the use of focus groups with the migrant workers the discussion now moves on to consider the rationale behind sampling.

4.13.3 Sampling

Sampling it is argued is an extremely important part of the research and the validity of the work relies on appropriate selection of sampling units (Lee & Lings 2008). They advocate that qualitative researchers should utilise purposive selection rather than convenience sampling. Consideration of different factors such as age, gender, occupation and potentially ethnic group when gathering a sample will ensure the researcher gets a reasonable spread of expressed views (Davies 2007). The researcher was keen to generate a representative sample and asked business owners

to arrange for volunteers from a range of age groups, job roles and to include representatives of workers, line leaders and managers. A number of the factories were involved in assembly work, which often requires a high level of manual dexterity and can include the placing of very small components onto circuit boards. Where this was the case the factories employed mostly women, as their hands are usually smaller. Other factories where the processes can involve heavy lifting tended to employ more men than women. In these cases it will be interesting to consider if the group dynamics differed, particularly in their responses to questions that may be culturally challenging. The business owners briefed the workers regarding the research during their regular staff meetings. They reassured the workers that they would not lose any money by participating as these costs were paid for by the owners. The researcher was keen to generate a random sample, so did not specify the group composition but instead asked for volunteers and invited participants from all age groups, roles, genders and regardless of length of service. This was achieved in that service lengths ranged from one month to twenty-four years and everything in between. The age range was from the youngest at sixteen and the oldest at fifty years. Participants were from all levels of the organisations including workers, line leaders, middle managers, senior managers and owners. Having discussed how sampling was organised the discourse now turns to the fieldwork.

4.13.4 Fieldwork

Humour can help to illuminate complex social processes (Barbour 2007). This proved to be the case both in the one-to-one interviews and the focus groups. For example when discussing living in dormitories the workers said one issue was noise and the difficulty of sleeping. The researcher asked for examples, as earlier in the discussion the workers said there is a curfew when talking is supposed to stop and lights have to be turned off. This further probing initially met with silence. The researcher then explained through the translator that one of her Chinese suppliers had visited the UK and travelled by train from London to one of the provinces for a business meeting. He rang her phone every few minutes and explained he was nervous and uncomfortable as there were not many people on the train and he was unused to the lack of noise. He normally travels on the mass transit railway (MTR) in China which is crowded and loud with people talking. The workers laughed out loud and several clapped their hands at this example. They then explained that even though they have a curfew, when there are hundreds of people living in the dormitories, even if they whisper, it still creates a lot of background noise. The group then went on to debate who liked and did not like noise.

During the focus group discussions the order of the topics or themes were sometimes changed depending on the dynamics of the group discussions. As suggested by Gray (2017), when this happened the researcher ticked off each topic to ensure all were covered.

The interactions with the workers were conducted in Mandarin facilitated by the use of a translator. He had worked with the researcher in her role as managing director

for more than fifteen years. He was fluent in English and several Chinese dialects, including the most commonly used dialect of Mandarin (the use of a translator is discussed in greater detail in Section 4.13.5). The sessions with the workers were recorded with their prior permission, however the interviews with the owners were not recorded. The researcher had held many business meetings with the owners previously which were never recorded and felt that to introduce recording may have limited the openness of their answers. It is asserted by Davies *"that the aim of any research interview is to create a climate in which respondents can talk freely and be able to offer the full range of responses that apply"* (Davies 2007:102). It has been discussed earlier in this work that business owners were happy to answer questions that could have been considered risky in a low trust economy (Cooke 2009, Singh 2007, Nojonen 2004). Topics covered included their level of compliance with labour laws and other areas where they 'bend' the rules were deemed to be sensitive. The decision not to record the interviews with owners is supported, in that they appeared to have no problem in fully answering the questions. This openness could also have been due to the guanxi between the parties (this will be discussed more fully in findings, chapter six).

The focus groups were held within the factory compounds and normally in a training room if available. Board rooms were used as a last resort, although the latter was least favoured by the researcher, as it was anticipated that this may be intimidating for the workers, although this did not appear to be an issue. Water, light refreshments and fruit were placed in the centre of the table and participants were encouraged to help themselves. It is proposed by Davies & Hughes (2014), Bryman

& Bell (2011) and Davies (2007), that this helps to break the ice. All participants drank the water but none ate any of the refreshments. When the moderator passed them round, several participants in each group pointed at the microphone. However they were happy to take the snacks and fruit away with them once recording was finished. As suggested by Bryman & Bell (2011), the recording was left on as participants left the room, to see if there were any gems in their remarks to each other as they left. The importance of interaction between participants within focus groups was stressed by Bryman & Bell. They quote a study by Kitzinger (1994), in which it is observed *"very few publications based on group research cite or draw inferences from patterns of interaction within the group"* (Kitzinger 1994 in Bryman & Bell 2011:513). The researcher made notes regarding the patterns of interaction within the focus groups, as suggested by Bryman & Bell (2011). The notes also highlighted responses to questions which elicited silence, laughter, puzzlement or head bowing, in order that the individual could come through the narrative and ensure the data was not later presented as one voice in harmony.

It is also recommended that the notes record the researcher's observations regarding group dynamics and any topics that most engaged or elicited reluctance on behalf of participants (Barbour 2007). These notes then feed into the researcher's reflexive narrative. Later writers such as Gray (2017) and Bryman & Bell (2011), caution that note taking can be difficult in focus groups, where many people are talking and often over each other. As a translator was used in the focus groups, the researcher had more time to take comprehensive notes, including observations on body language and reactions to certain questions.

Consent has been discussed earlier in Section 4.8, where a slide show in Mandarin explained the nature of the study and the voluntary nature of participation. The slides explained that they could choose to participate in some topics but not others and that they would not have to give a reason for not answering. This was clearly understood, as some workers visibly shrank from some topics, but not others, even when they were encouraged by others in the group. A number of participants acted as co-moderators as suggested by Barbour (2007), encouraging others to participate and asking others in the group questions of their own.

In one focus group three people left the meeting, one early in the meeting another following a phone call and a third towards the end of the session. No other participants left during any other sessions, and in fact two of the focus groups overran the lunch break and both groups offered to continue talking. Although this offer was not taken up, we reconvened after lunch. The background and objectives of the research were explained on other slides, which included the contact details for the University and supervisors of the project. A further slide sought permission to record the sessions, when confidentially was assured and it was explained the recording was to help simplify the translation. The translator participates in amateur dramatics in his spare time and mimicked how the recording would make his job a lot easier. His demeanour also helped to make the participants feel comfortable, as there was much laughter at the translator's antics. It is propounded that humour can help relax people and aid rapport (Bryman & Bell 2011). Having discussed the fieldwork and how interaction with the workers and owners were handled the discourse now moves on to discuss the use of a translator.

4.13.5 Using a Translator

Using a translator, even one well known to the researcher, brought its own challenges. In the first set of focus groups, each topic was shown on an overhead projector in Mandarin and English. The translator then read out the topic and invited comments. Once a group began debating the topic, the translator asked them to pause so that he could immediately translate. This allowed the researcher to make notes of the translation, moderate, probe further or ask for further clarification such as examples of the topic under discussion. An example of this was discussed earlier with regard to noise levels in the dormitory (Section 4.13.4). This constant stopping and starting may have inhibited the depth of discussion at times, and although the workers appeared relaxed it was a frustration to the researcher.

It is proposed that during focus groups people are given name labels (Davies 2007). This was not done in the first set of focus group interactions, as the researcher was keenly aware of assuring participants that their anonymity was safe, as suggested by Barbour (2007). This lack of labels resulted in the data from the first set of focus group interviews being hard to transcribe, in that it was difficult to identify individuals from their voices when playing back the recordings. Before each focus group commenced the researcher made a drawing of the seating arrangements and later noted where each person sat and made an observation regarding each participant that could easily be brought to mind later. For example lady with nice shoes, kind smile, lovely eyes and man wearing a bomber jacket on a swelteringly hot day. A note was then made when a particular individual contributed to the discussion and in what order they spoke, but it proved very difficult to ascribe voices to individuals whilst

listening back to the recording. A lesson was learned and by the second round of focus groups the place settings were numbered and the translator explained to the participants the difficulty of transcribing the data. In this second round of focus group discussions the lady with the nice shoes was wearing a different pair, but equally nice. There was much laughter when the difficulty of transcribing was explained and the lady with the nice shoes smiled and nodded her pleasure at the label assigned to her. This labelling in the second round of focus groups allowed the translator to say lady number one says and so on as he translated their discussions.

The researcher had briefed the translator on possible focus group dynamics, to allow silences and not to rush to fill a silence if the question appeared sensitive, as Barbour (2007) cautioned that this could foreclose discussion. Participants were encouraged to debate with each other and go off topic if that seemed appropriate, but the discussion was brought back on topic if and when necessary. A further difficulty in using a translator was anticipated and discussed with the translator. Often in previous business meetings, particularly if the subject under discussion involved a difficulty or quality issue, some of the discussions between participants could get very loud and heated and last ten minutes or longer. At the end of such a heated discussion the translator would often turn to the non-Mandarin speaking person and give a very short translation such as no problem. It was explained to the translator many times that the content of the heated discussion was important for everyone to understand, but it appears a cultural trait in such a densely populated country, that they filter out 'noise'. This filtering trait is referred to by many researchers working in China as the maintenance of harmony, a Confucian value which means people do

not cross their personal boundaries or interfere in another person's business (Akhtar et al 2008, Easterby-Smith et al 1995). It was explained to the translator that any whispered conversation between participants, for example when they first heard a topic or if discussions between participants got lively, or as they were leaving, was as important as what was said overtly. It proved very difficult to get this information, with the translator blaming the quality of the sound recording, even though it was digital and saying the whispers were too quiet to hear or were in fact just gasps. As the researcher was aware of possible issues with using a translator, the translator was asked to listen again to the recordings twice more and fill in the blanks. The researcher's observational notes on body language and silences and hushed whispers also went some way to ensuring that the translated data was a rich, in depth and valid reflection of what was happening in the factories. The use of a translator allowed for a more relaxed atmosphere with the workers and the fact that the translator was a thespian helped to bring humour to the discussions, which clearly relaxed the workers. Having discussed the hurdles of using a translator, the discussion now moves on to a discourse on participant observation which it is argued can add an additional dimension to the data.

4.13.6 Participant Observation

The major advantage of observation is its directness (Robson 2013). It is proposed that its use allows the researcher to add a different perspective and can be a valuable tool to add an additional dimension to the other data collected (Creswell & Poth 2016, Yin 2014, Saunders et al 2102, Bryman & Bell 2011). It has been discussed

earlier in this work that loss of face is a deeply rooted cultural determinant, which can lead to socially desirable responses (Gray 2017, Warner 2011, Cooke 2009, Zheng & Lamond 2009). This paradox can also be seen in a quote used by Robson, who cites Montaigne, who over four hundred years ago observed that "*saying is one thing; doing is another*" (Montaigne as cited by Robson 2013:316). The researcher aimed to minimise this issue by utilising informal unstructured observations to gauge whether there were any apparent contradictions between participant responses and their behaviour. During the focus groups four types of data were generated by participant observation as suggested by Saunders et al (2012). The first was primary observation, whereby the researcher noted what was said, who was saying it, their body language and patterns of interactions within the group. For example where some participants seemed more reluctant to engage with a topic,   other participants encouraged those more hesitant to speak up. As discussed in Section 4.11 it was observed whether the presence of someone in a higher hierarchical position had any effect on group dynamics. (Yin 2014, Robson 2013, Saunders et al 2012). The second data type was secondary observations, where the researcher asked the translator for his observations on the focus group dynamics, reactions to topics, body language etcetera. The third data type was experiential data where the researcher kept a reflexive diary on perceptions and feelings during and after the interactions with the participants. An example of this is discussed in Section 4.15 under the heading reflexivity. This involved the researcher's confusion regarding the almost hostile demeanour of managers in one of the focus groups, these same managers who had previously been gracious and helpful. It later transpired that the managers had been told the day before about a possible sale or merger, which would have led to large

scale lay-offs. As this factory offered family dormitories, it would also mean the workers losing their family homes. The fourth data type is contextual data, which included information on the research setting, whether the focus groups were held in a training room or a board room, who came into the room first, where they chose to sit and whether this influenced others decision on where to sit. Communication patterns between the participants were also observed, and in some focus groups the presence of line leaders had a positive impact where they voluntarily took the role of co-moderators and encouraged quieter members of the group to speak up. A note was made of the order in which participants spoke when a subject was first introduced and whether the subject appeared challenging. An example of this occurred when discussing whether overtime affects quality, this topic had the potential to be sensitive since overtime doubles the participants' wages. The main disadvantage of observation is reactivity, which concerns the extent to which the researcher's presence influences the behaviour of those being observed (Robson 2013). This was controlled for as much as possible, by ensuring there was a minimum of seven people in each focus group, which in a collectivist culture it was hoped would create a more naturalistic feel to the interactions (Bryman & Bell 2011, Davies 2007). A discussion on how the data was transcribed follows.

4.13.7 Transcribing the Data

Writers on research methods advocate allowing different lengths of time when transcribing, with Bryman & Bell (2011) proposing five to six hours for each hour of interview. More than four hours for each hour of interview is suggested by Lee &

Lings (2008). The researcher anticipated there would be additional difficulties and delays involved in playing back the recordings and translating and transcribing from Mandarin to English. Time was therefore allocated later in the day following each focus group session and the whole of the following day and then a further block of two clear days was scheduled at the end of each set of interactions. This allowed the researcher and translator to work together and listen again to the recordings and ensure the researchers notes were a fair reflection of what was on the recording. Any lessons learned were noted and then taken forward to the next focus group session, as recommended by Lee & Lings (2008). The translator later typed up a transcription from the recordings and the researcher did the same from their notes. The transcriptions were then shared between the researcher and translator and any inconsistencies discussed and agreed. Everything was transcribed as advocated by Lee & Lings (2008). They point out that the outcome could be prejudiced if large tracts of data are eliminated. Other advocates of transcribing everything, including swear words, unfinished sentences and pauses, include Davies & Hughes (2014) and this was the method that was followed. Transcribing the interactions personally also allowed the researcher to become immersed in the data, as recommended by Lee & Lings (2008). Having explained how the data was transcribed, the discourse now moves on to consider content analysis.

4.13.8 Content Analysis

Content analysis is described as *"a mixture of creative artistry and disciplined logical thought"* (Davies 2007:183)*.* All six businesses kept personnel records, which were viewed by the researcher, however the information on reasons for leaving were scant in most cases. All six organisations had individual contracts of employment for all employees, an example of which can be seen in Appendix 11. These followed the local government template, but discussion about the why and how of their utilisation uncovered interesting insights into complex social norms (this is discussed in greater detail in findings, chapter 6). A selection of memos on notice boards in the factories were equally illuminating. For example one memo reminded staff to wear their uniforms on a given day, as an important visitor was due to visit (the researcher). On another there was a picture of a young male worker who had been fined for the repeat offence of using his phone during working hours. The researcher was shown and made notes on absence records and skill matrices, which each business kept on their workers. A further enlightening process were bills of material which explained to the workers how to build a product, and included pictures and examples of what they term good or NG (no good). All these documents were treated as secondary data sources, as they were pre-generated by the businesses. The data from this content analysis was analysed and used to underpin insights gathered from the study participants. For example the skill matrices confirmed that the workers had received training to upskill them. Employment contracts showed the date employment commenced, the position, salary etcetera. It also clearly states the obligation to pay social insurance (this is discussed in greater detail in findings chapter 6 and

conclusions chapter 7). Having considered content analysis, the discourse now turns

to an explanation of how the data was organized, analysed and interpreted.

4.14 Making Sense of the Data

A timely piece of advice when beginning to try and make sense of the data came from

Wisker (2008), who cautions that the data collected may appear like an avalanche,

with far too much to use. She suggests comparing the data to a cake and advocates

that the novice researcher aims to take just a slice of the cake, which then needs to

be organized, analysed and interpreted. In total the research involved one hundred

and eighty participants, made up of ninety workers, twenty-four line leaders, six

quality controllers, three quality control managers, twenty-six middle managers,

three HR managers (although one of these was not included in the senior

management team, so is counted as a middle manager), six office workers, six

owners, four personal assistants and eleven senior managers. In addition a

representative from each of the two companies who agreed to take part in the

scoping interviews are included in the number. Of these, twenty-eight participants

took part in more than one focus group interaction (see Appendix 12 for

demographics of the focus groups, which is colour coded to show these individuals).

The office staff were not originally due to be included in the study, but asked to

participate.

It has been suggested that researchers begin working inductively with the data, then

move on to more general ideas via codes and themes and then switch to working

deductively to find evidence in the data to support our interpretation (Creswell and Poth 2016). Denzin (2009) explains how two or more people can have a different understanding of reality. We each bring our own perspective to our version of reality and Denzin contends that our methodological and moral biases blind us to the truths that others may see. An example of this is the ancient parable of the six blind men and the elephant, who each touch a different part of the elephant for the first time. They then explain with a simile their conceptualisation of the elephant, for example one touches the trunk and describes the elephant as like a snake. A second touches the side and compares it to a wall and so on. The researcher acknowledges that the analysis in the current study can be interpreted from a different perspective, so used a variety of methods to underpin validity and reliability, which are discussed in Section 4.15.

Seminal writers on business research methods recommend that the researcher begins with the research question(s) and that they should stay close to these as the raw data begins to emerge (Saunders et al 2012, Bryman & Bell 2011, Robson 2011). This was the method used during the interactions with the interviewees, focus groups, field notes, content analysis, observations and the reflexive account of these interactions. Wisker warns that *"there is no substitute for having a clear idea of what you are looking for"* (Wisker 2008:313), and posits that by doing this you can begin to draw it all together. "*Playing*" (Yin 2014:132 & 135) with the data and looking for meaningful patterns, insights or concepts is also advocated by Yin. He too suggests starting from the original research questions. He suggests that these likely resulted

from the literature review and would have resulted in topics or themes for the focus groups and one-to-one interactions.

Barbour (2007) suggests that developing a coding framework can be a messy process and advises that rigour is *"achieved through a systematic and thorough iterative process"* (Barbour 2007:127). Approaching analysis systematically is also advised by Robson (2013) and Wolcott (2009). A note of caution is voiced by Wolcott when he writes that analysis is *"not a cover term for anything done with data"* (Wolcott 2009:29). An eminent writer on research methodology suggests that there is *"no universally accepted set of conventions"* (Robson 2013:466) for analysing qualitative data, a sentiment mirrored by other writers on business research methods, such as Bryman and Bell (2011). They suggest that qualitative coding is more complex than positivist analysis, which has more rules. The data analysis process should not be viewed as linear and a useful visualisation of the iterative process is presented by Creswell & Poth who put forward the *"data analysis spiral"* (Creswell & Poth 2016:187). They suggest researchers write notes or memos as ideas emerge, no matter how fuzzy the idea may be to begin with. They argue that thoughts and ideas will develop over time, as proved to be the case. Memos they suggest assist the researcher to synthesize meanings in the data. Coding is *"only a tool to get at the themes in the data"* (Robson 2013:481). He and others advocate reading and re-reading the data to immerse oneself and be thoroughly familiar with the contents (Creswell & Poth 2016, Bryman & Bell 2011, Saldana 2011, Braun & Clarke 2006). This recommendation was followed in the current study, where the researcher and translator worked together to transcribe the interviews and focus group interactions

and had then read the transcripts on multiple occasions before commencing coding. A code is described by King (2004) as a label attached to a section of text, which the researcher has identified an interesting or illuminating phenomenon or as an example of a theme. It is suggested that researchers use a mix of a priori and in-vivo codes that are derived from the data, when developing a provisional coding frame (Barbour 2007). She suggests that researchers will "*employ a 'pragmatic version' of 'grounded theory', which enables researchers to use participants' insights to advantage in developing and refining coding categories*" (Barbour 2007:115, 119-120).

Taking an inductive interpretative approach through a social constructionist lens (Saunders et al 2019, Creswell & Poth 2016, Berger & Luckman 1963 as cited by Vera 2016, Scotland 2012), the transcripts were coded verbatim line by line. This allowed the researcher to identify patterns within the narrative which were aggregated into themes and sub-themes (Creswell & Poth 2016, Bryman & Bell 2011, Saldana 2011, Thomas & Harden 2008, Braun & Clarke 2006, King 2004, Eisenhart 2001). Similar ideas were grouped together as concepts to form a theoretical framework. The researcher used parallel coding, where some tracts of text were coded to more than one theme. For example the narrative around appraisal was coded to performance management and culture, as the extant literature suggested that appraisal was the most important HRM practice in China (Tian et al 2016, Akhtar et al 2008), yet the empirical evidence strongly contradicted this, on the grounds of being culturally inappropriate.

It is proposed that thematic analysis should be used as a *"foundational method for qualitative analysis"* (Braun & Clarke 2006:4)*,* and that researchers should learn this method first. Themes were originally identified in the literature review and were initially used to create the rationale behind the semi-structured interviews and topics for the focus groups (see appendices 3, 4, 7 & 8). These were then supplemented in an iterative process with themes emerging during the fieldwork as suggested by Yin (2014) and King (2004). An example of this is the GVC which emerged as an important construct during the scoping interviews. In addition guanxi was positioned in the literature as an important cultural trait. However its ubiquity was understated, in that it affects every aspect of the lived reality of day-to-day life in China. A hierarchical structure was developed in which to organise the themes as advocated by King (2004). This resulted in five higher order codes including context, culture, GVC, HRM practices and researcher observations. Lower order codes were then arranged under the higher order codes. For example under context, a lower order code was government policy, which was then further sub-divided with still lower order codes such as labour laws, hukou system, and education etcetera. Three of the higher order codes were sub-divided to the third level and all other codes had two levels. Arranging the data into these master themes and sub-themes allowed the researcher to uncover the findings which either supported or contradicted the themes from the literature review, or which appeared surprising as recommended by Braun & Clarke (2019), Creswell & Poth (2016), Robson (2013), Thomas & Harden (2008), Wisker (2008) and King (2004). Empirical examples of these are discussed in greater detail in the findings and

conclusions in chapters 5, 6 and 7. The researcher then produced a template or list

of hierarchical codes, arranged into themes (see table 2 below).

Table 2: Data Themes

Context	
• Government Policy 　▪ Automation 　▪ Education 　▪ Encouraging Industrialisation Inland 　▪ Hukou 　　• Dormitories 　▪ Labour Laws 　　• Employment Contracts 　▪ One Child Policy	
Culture	
• Corruption • Guanxi • Harmony	
HRM	**GVC**
• Recruitment & Selection • Training & Development • Performance Management • Pay & Reward • Employee Involvement	• Governance in GVCs • Value in the Chain- SMEs & EOI • Strategies for Upgrading 　Process Upgrading 　Product Upgrading 　Functional Upgrading 　Chain Upgrading

The entire data set was then checked to ensure themes reflected the meanings in

the data. In addition, themes were reviewed and revised where necessary in order

to ensure they provided an accurate account of the story in the data, in relation to

the original research questions (Braun & Clarke 2006). The benefit of the thematic

approach is its flexibility (Braun & Clarke 2006, King 2004). King adds that it is ideal when a researcher wants to take a phenomenological approach and/or where the researcher wants to compare different groups within a specific context, as was the case in this study.

As this study has generated data from six independent businesses, it is recommended that the researcher carries out a cross-case synthesis which might yield contrasts or similarities (Creswell & Poth 2016, Yin 2014, Crowe et al 2011). This proved to be the case in the current study for example all focus groups were uncomfortable with some topics such as questions relating to discipline. A number of groups did eventually open up on the subject, while in others the power of silence elicited no responses. This resulted in the subject eventually having to be changed, as participants were visibly withdrawing from the discussions, with heads bent and silence in a room that had been full of chatter and laughter before the topic was raised.   Having discussed how the researcher used thematic coding to make sense of the data collected the discourse now goes on to consider how Nvivo was used to support this.

4.14.1 Nvivo

Nvivo 12 Pro was used to organize the data which included interview transcripts, field notes, the research journal and researcher's observational notes. This is a very powerful tool that allows fast exploration of the data which can be cut and diced in a variety of ways. An example of this is the use of some of the visuals such as word clouds, which allows the researcher to view themes both within and across groups.

The ability to reduce or increase the number of key words and the stop words

feature allowed fast manipulation in and across the data and ensured no themes

were missed. The crosstab and matrix coding were a little harder to grasp, but

there are some helpful videos on You Tube, particularly those by QSR the owners of

Nvivo and those from Hull University.   The memoing feature was easy to use and as

suggested by Creswell & Poth (2016), allowed the researcher to track how thoughts

and ideas were developing with each iterative interaction with the data. There is

also a memo link feature which allows links between sources, rather than

duplicating the data. The annotations feature within memos is another helpful

feature, where for example I put question marks or wrote the word surprising. This

allowed thoughts to evolve over time, particularly on topics not fully understood,

such as when participants brought up the subject of fighting.

A downside to using Nvivo in the current study was that it was not originally written

for use with focus groups, in that it is looking for comments from a single

participant at a time. This resulted in the researcher having to adjust the

transcribed focus group interviews, where more than one participant could be

discussing the same subject at the same time. The data had to be coded against

each participant individually.

In practice working from a screen with a lot of data on individual themes proved

problematic. The researcher ended up printing hard copies from Nvivo, which filled

three 40mm four-hole A4 ring binders. The researcher then worked through these

copies with highlighter pens and made notes in the margins, identifying interesting

or memorable quotes that illuminated particular phenomenon. This mix of using

software and hard copy is referred to as a hybrid model by Creswell & Poth (2016).

I was unaware at the time that others used this same process, as I was

recommended to read Creswell & Poth after I put in my first completed draft of the

study.

Nvivo is not infallible. Prior to deciding to use the software the researcher had

created some excel spreadsheets with demographic data from the six businesses.

The researcher colour coded people who took part in more than one focus group

discussion. A different colour was used to highlight four participants, who from the

reflexive account did not speak in the focus groups. They had nodded along with

others comments, smiled and seemed relaxed. When double checking the data in

Nvivo, there was only one case which had zero references. On investigation the

researcher had loaded demographic data for all four participants (cases), but three

did not appear, and the researcher therefore reloaded their data but to no avail.

Another example underlines the importance of the researcher immersing

themselves in the data. During coding the researcher had copied and pasted any

memorable quotes into three draft word documents headed HRM Findings, GVC

Findings and Conclusions. There were three quotes in particular which the

researcher recalled. One from a manager who quoted a Chinese poem, which he

explained meant that nowadays it was better to be a worker than a boss, due to the

amount of pressure on the boss. A worker quoted a Confucian poem about

learning. The third was memorable in that the workers were asked to compare

their lives with that of their parents and one worker's response had the rest of the

focus group laughing so hard, it took several minutes for the laughter to subside.

Once again, when double checking the data these three quotes were missing in the themes (nodes). The researcher used a text stemmed search to explore the data and found each of the quotes, which were all correctly coded to the appropriate node. The researcher uncoded and recoded the three quotes, but once again Nvivo failed to correct the data. This underscored the need to know your data, in order to spot these omissions. Having considered the data analysis, it will be used in the findings and conclusion chapters to construct, with illustrative quotes, a narrative account giving insights into the lived reality of the people who took part in this study. The discourse now moves on to consider the extent to which the conclusions represent an accurate account of the study.

4.15 Reliability, Replicability & Validity

It is proposed that there are six areas to consider when considering the reliability, replicability and validity of a study (Creswell & Poth 2016, Butler-Kisber 2010). Beginning with validity, which considers the trustworthiness and credibility of the study, nine possible procedures to validate a qualitative study are recommended by Creswell and Poth (2016). They suggest the researcher uses at least two of these procedures and a number were used to validate the current study. The first was the use of triangulation as discussed in Section 4.13.1 data collection. The findings were further validated in that a synthesis of findings and recommendations was given to all six participating organisations. These were generalised and presented as an amalgam, so no individual organisation or participant could be identified (see

appendices 13 & 14 for examples of these). Critical feedback was invited on the same, and they were also asked if they considered any topics or themes had been missed. Considering the cultural trait of saving face, the researcher thought that the feedback here would be minimal and that proved to be the case. However, all six confirmed that they had or were implementing all or some of the suggestions made by the researcher. In addition the same synthesis of findings was given to the translator. His only feedback was something he had said many times over the years we worked together and that was the comment that 'Inside you are Chinese'. The third validation procedure was generated by the use of thematic analysis, which assisted the researcher in producing what Creswell & Poth describe as "*a rich, thick description*" (Creswell & Poth 2016:262) using the participants narratives to produce an account of their lived reality (these can be found in findings chapters 5 and 6). A further validation was reflexivity which is discussed in 14.15.1 below.

Generalizability considers to what extent the study is representative of others. This is contradictory, in that a key strength of case study as a method is its particularisation, rather than its generalisation (Bryman & Bell 2011). It has also been argued that generalizability is a positivist stance and should be considered as anathema to qualitative research (Creswell & Poth 2016, Denzin 2009). As discussed in Section 4.14 the researcher stayed close to the original research questions when collecting and making sense of the data, as this is also said to increase the validity of a study (Creswell & Poth 2016). Access and consent has been dealt with in Sections 4.6 and 4.8. Reflexivity is dealt with in Section 4.15.1 below. Voice considers to what extent the voice of the participants are brought to the fore. This was achieved

through the use of a longitudinal approach with six organisations and multiple stakeholders which achieved a variety of perspectives on a phenomenon which they understood (Creswell & Poth 2016). The final question is how transparent the study is, to that end the researcher has sought to present the research philosophy in the form of an onion and peeled away the layers by explaining the study from the outside in (Saunders et al 2019, 2012). The discourse now moves on to reflexivity which was used to improve validity and reduce bias.

4.15.1 Reflexivity

A subject area which has received many pages of text in the literature on how to carry out a research project is that of validity and bias. It is posited by Bryman & Bell, that *"research cannot be value free" (*Bryman & Bell 2011:30)*. They argue that researchers have their own value system and biases and these will impact the methods chosen to carry out the study. A view that is supported by Creswell & Poth (2016), Barbour (2007) and Braun and Clarke (2006). It has been argued that researchers can consciously put themselves to one side (Davies 2007). I would argue that is unrealistic, particularly when the researcher is conducting the study based on their own practice. The use of reflexivity is also advocated, which acknowledges the role of the researcher in co-constructing the social situation that is being examined (Mowles 2017a & b, Masua et al 2020, Stacey & Mowles 2015, Mowles 2014). It is argued this will reduce bias and increase validity and reliability (Gray 2017, Yin 2014, Bryman & Bell 2011, Lee & Lings 2008, Barbour 2007, Davies 2007). To this end, this discussion on reflexivity is included in the analysis of the data.

Field notes and a reflexive account were written up immediately following each interaction with participants while thoughts were still fresh as suggested by Gray (2017), Bryman & Bell (2011) and Lee & Lings (2008). The account included date, time, location and length of interaction. Notes were made on participants reactions to particular topics whether positive or negative. Observations were noted on body language, group dynamics and patterns of interactions within the focus groups. As noted earlier any lessons learned were then taken forward to the next focus group or one-to-one interviews. In addition the researcher wrote reflexive memos on thoughts and ideas and updated them over time as ideas developed, as advocated by Cresswell et al (2012) and Butler-Kisber (2010).

As suggested by Davies care was taken to *"recognise the primacy of the words of the interviewee, even if they did not all seem to make sense, and especially if they contradict* [the researchers] *own expectation or assumptions" (*Davies 2007:104)*.

I was very conscious that many of the longer serving workers, line leaders and managers would have been used to seeing the researcher several times a year, in her role as Managing Director of one of their largest customers. I would have been observed walking around the factory, inspecting the manufacturing or assembly process and/or working through a problem as part of a live discussion, which would often involve participants of the work group. It is debatable as to whether I was seen as an insider or outsider (Gray 2017), or perhaps I was viewed as having the same status as the business owners. I was also conscious of my attire as business owners normally wear smart casual clothes and workers wear uniforms provided by the factories. I usually mimic the business owners and wear smart casual clothes and did

so for the interviews, as I thought any change in my attire might make the workers uncomfortable. I had heard the owners comment on more than one occasion on particularly British business men (sic) who when new to visiting China turn up with a suit and tie and then swelter in the heat and humidity. This is termed as impression management by Gray (2017), who cautions that mode of dress, hairstyle and any obvious social background clues will form an impression with the participants, even before the researcher has opened their mouth.

The reflexive account was then updated over time as new information came to light, that could explain some of the observations, feelings or apparent contradictions encountered during the field work. An example of this would be, in one focus group interaction which included managers who had previously been found to be gracious and friendly, appeared almost hostile at the start of the meeting. They also displayed reluctance to participate in some topics, whilst joining in with others. It later transpired that the managers had been briefed the day before that the owners were in discussions on a possible sale of the business, or at best a joint venture with a company many days travel away. This would have resulted in not only large job losses, but also the loss of workers homes. This particular factory was unusual in offering family dormitories, so many of the workers lived on site with their partners and children. As the researcher had known several of these managers for years, their demeanour, body language and hostility was puzzling. It is conjecture on the part of the researcher, however on reflection the managers were likely to have been concerned for their own livelihoods and those of their work groups. This is a practical example of the Confucian value system discussed earlier in this work, which

emphasises harmony and puts reciprocal obligations on all parties in the employment relationship (Tian et al 2016, Easterby-Smith et al 1995). Topics that they were reluctant to debate were around discipline and motivation and under the circumstances they may have found the topics inappropriate at the time. This is a graphic illustration of context as the researcher was at the time unaware of the back story, but was aware of the dissonance amongst the managers in the group. This example shows the benefit of keeping a reflexive diary and updating it over time. As it was not until a year after the focus group inter-actions that the researcher found out about the potential sale of the business, which in the end was a management buy-out. Without updating the diary, the demeanour of the managers would still be puzzling. Having considered reflexivity the next section concludes the chapter.

4.16 Conclusions

This chapter has discussed the qualitative research paradigm used in the study, to form an understanding of the individual and shared experiences of both SME owners and particularly the migrant workers employed in the GVC in China. This is an area that has been underresearched to date and responds to calls for a more inductive approach called for by Warner (2011), Cooke (2009) and Quer et al (2007).

Layder's (1996) research map was used as a conceptual framework on which to consider and embed all the elements in the wider socio-economic-political context, from the macro through to the micro, and to situate the lived experiences of the internal migrant workers and their employers in China's EOI. Case study was utilised

as a method as advocated by Yin to *"understand a real world case and assume that such an understanding is likely to involve important contextual conditions"* (Yin 2014:16). It has been persuasively argued that *"reality is unstable, constantly changing, and unavoidably subjective"* (Lee & Lings 2008:60). To that end six individual enterprises and their respective workforces were utilised as a multiple case study (Yin 2014). These included multi-stakeholder groups, to increase the reliability and validity of the data and the understandings reached. One of the participating organisations was used as a possible contrast to the other five, as it was geographically distant, did not offer dormitories, so the workers were not as socially reliant on their employer. In addition they were heavily reliant on the domestic market, whereas the other five relied on export. A reflexive account was used to increase validity whilst acknowledging the researchers position in co-creating and interpreting the data (Gray 2017, Creswell & Poth 2016, Lee & Lings 2008).

Semi-structured interviews with the employers, focus groups with the workers and participant observation were used, as suggested by Cunliffe (2011) and Lee & Lings (2008), to generate the voice of the participants. A social constructionist ontology *"necessitates gaining data on how the individuals construct reality"* (Lee & Lings 2008: 65). This supports the research paradigm followed, as to have attempted to quantify the lived experiences of the migrant workers would have meant imposing the researcher's Western perspective on these same experiences and many of the nuances would likely have been lost. A positivist approach, coupled with the workers low education level and Chinese cultural norms, would not have been able to delve deeply enough into these elements to gain an understanding of the workers lived

reality. This is termed as taking an "*inside-out*" (Xiao & Cooke 2020b:59) approach, as opposed to the positivist approach which takes an "*outside-in*" (Xiao & Cooke (2020b:59) perspective. Taking an inductive approach coupled with a social constructionist interpretive ontology resulted in gaining rich and deep insights into social norms. It also opened a window from which to view the world, as seen from the perspective of the one hundred and eighty participants in the study.

The majority of research in China is situated in MNCs and JVs and yet SMEs dominate the economy. Gaining access, particularly to private companies and obtaining primary data are the problems most commonly cited when attempting to research in China (Warner 2011, Cooke 2009, Quer et al 2007). This was not the case in the current study, as the researcher had spent twenty years developing guanxi with business owners in China and this opened doors for the current study.

SMEs are important in the Chinese economy representing ninety-nine percent of registered enterprises (Chinese Bureau of Statistics 2017, Chen & Peter 2017, Ministry of Commerce PRC 2012). The way SMEs are defined can differ across geographies. The European Union and the UK determine an SME as having less than 250 employees and with a turnover not exceeding £25 million. In China the definition is more complex and differs across industries. They are defined in terms of number of employees, annual turnover and some industries also include total assets. For example, in the industrial and construction sectors SMEs can be quite large with 2000 employees, a turnover not exceeding 300 million RMB and with total assets of 400 million RMB. In comparison in the Chinese retail sector an SME is defined as having fewer than 500 employees and a turnover not exceeding 150 million RMB. There is

no requirement for a retail SME to have a minimum or maximum value of total assets (National Bureau of Statistics 2021, China-Briefing 2011).

The current chapter has explained the rationale behind using a qualitative approach, which took a social constructionist interpretive approach, in seeking to understand the world of work from the perspective of multi-stakeholders in six SMEs in China. The next two chapters introduce empirical evidence seen through the lenses of these multi-stakeholders using the participants' narratives with the objective of achieving "*a rich, thick description*" (Creswell & Poth 2016:262), of their lived realities.   The next chapter is the first to introduce empirical data and shares the narratives of owners and the senior management teams when asked to discuss their experiences of participation in GVCs.

Chapter 5: Global Value Chain Findings

5.1 Introduction to GVC Findings

It has been persuasively argued that social research would be incomplete without a consideration of the major institutional and cultural influences which impact every aspect of life (Collings et al 2018, Cooke 2018a, Gooderham et al 2018, Brookes et al 2017, Beer et al 2015). The macro influences in China are profound and highlight the extent of coercive control (Cooke 2011b). This can be evidenced by empirical examples given by several of the factories in the study where complete sectors of industry were closed overnight, without notice. The closures where due to a government crackdown on environmentally polluting processes and industries. Factories were ordered to rectify their processes and bring them up to new minimum environmental standards, while businesses unable to comply with the new standards were permanently closed.   This was no small endeavour, for example in the battery sector alone thirty percent of the then two thousand enterprises involved in battery production were instructed by the Government to permanently close. The consequential effect of these closures on the rest of the GVC were profound. Europe had banned certain toxic substances and chemicals which resulted in products which contained these banned components being outsourced to countries with less stringent environmental controls and this resulted in China becoming a major exporter of batteries. The rectification process took a minimum of two months, which had a ripple effect throughout the supply chain, for example the demand for lead slumped and impacted on the price. The hiatus gave

the battery producers a dichotomy, did they lay off staff and potentially lose

experienced workers or pay them the minimum wage with the hope that they

would remain when only receiving half their salaries. The factories in the study

decided to pay the minimum wage, which impacted their cash flow at a time when

they were not generating any income. The impacts were also felt elsewhere in the

supply chain with Europe not receiving battery deliveries for many months which

put many OEMs on line stop.

A further empirical example which highlights the major institutional and cultural

influences and turns a lens on the pervasiveness of the deep-seated corruption

occurred on a day the researcher visited one of the factories in the study. It is

discussed later in this chapter on page 196 as it gives a fascinating insight into the

tightrope walk which is the daily reality for the businesses in the study.

This chapter introduces empirical data generated from all six participating

organisations. The opinions expressed in this chapter come from the senior

management teams as the internal migrant workers did not understand the term

GVC and knew nothing of the supply side in their respective organisations. It uses

examples from the participants to test theoretical perspectives including the

asymmetry of power in the chain and how governance and upgrading strategies

work in practice (Cooke 2018b, Davis et al 2017, Gereffi & Fernandez-Stark 2016,

Ponte & Sturgeon 2014).

Having introduced the chapter the discourse now moves on to empirical evidence

which shows how all six organisations approach their relationships with their

suppliers.

5.2 Supplier Vertical Linkages

The literature review showed that guanxi is an important cultural trait (Cooke 2009). How this works in practice is evidenced in the quotes below which are typical of what all six senior management teams had to say on the subject and were in response to a question regarding whether their supplier base had changed as the organisations grew and matured.

Throughout the study participants are referred to as P and then the unique participant number assigned to them during the focus groups or interviews. This is followed by the letter F which stands for factory and the numbers 1-6, to identify which of the six factories the quote comes from.

P32F2:

> *"Suppliers, provided quality is O.K will try and maintain, will have guanxi."*

P163F3:

> *"Suppliers have not changed, guanxi important to maintain supply and for stable prices & quality. Everyone needs raw materials, however larger companies have more bargaining power."*

The researcher considers that the extant literature underplayed the importance of guanxi, as it did not situate it as one of the most important cultural influences, which plays a fundamental and ubiquitous role in the daily lives of the businesses in the study. The above quotes show how deeply ingrained the influence of guanxi is. All six senior management teams were unanimous in saying guanxi is crucial in their supply chains, to both maintain supplies and ensure consistent quality. How deeply ingrained the practice is and its influence on patterns of behaviour in the workplace

is also evidenced in the HRM findings Section 6.3.1, where it is the preferred

method of recruitment (Yang et al 2018, Gu & Nolan 2017, Syed & Pg Omar 2012,

Cooke 2009, Warner 2009). Wang et al draw on social network theory and take a

dynamic capabilities perspective when they caution that a potential downside of

this reliance on guanxi in supplier relationships is that it could stifle innovation and

reduce the organisations adaptive capability in the form of a "collective

blindness"(Wang et al 2020:297). Particularly if their supplier base is limited, one

has to question how they will generate new ideas and how they will ensure their

market knowledge and product information is up to date if the knowledge pool is

limited. This issue could accelerate as the speed of technological innovation

increases and if disruptive new entrants with more up to date skills enter their

markets.

It was posited in the GVC literature review chapter, Section 2.1, that OEMs have

hollowed out their inventories, which has resulted in a growth in short lead-time

orders (Azmeh 2019, Choksy et al 2017). This is supported in practice with all six

factories reporting that they were constantly having to adjust the amount of

overtime worked, which highlights the importance of guanxi between factories:

P158F1:

> *"Where we have guanxi, will exchange workers if one factory has short lead-*
> *time order and another factory is quiet."*

Although the researcher considers this exchange as aspirational, she suggests how

often this exchange happens in practice is debatable, as all the factories reported

that they were constantly recruiting. This is evidenced in Appendix 12 where, with

the exception of Factory Five, all organisations in the study had workers who had been in their employ for two months or less. However this was a snapshot in time, as Factory Five also reported that they were constantly recruiting. As discussed in the literature review the turnover issues were largely with the younger workers who were described by the managers as little emperors. They were reported as being easily bored and antipathetic to working the very long hours that their parents endured (Zhu et al 2015, Chan & Selden 2014, Wang et al 2014, Swift 2011). All six senior management teams reported that the use of short lead-time orders was the norm. This practice is unlikely to change unless there is a fundamental change in the asymmetry of power in GVCs. It was highlighted in the introduction to the study that GVCs were not resilient enough when put to the test when the Corona pandemic struck (Danciu 2020, Hippe Brun 2020, Knut et al 2020, Seric et al 2020, Verbeke 2020). The researcher suggests that issues around shortages created by the pandemic are likely to result in OEMs increasing the level of buffer stock held somewhere within their chains. However, it is unlikely to change the dynamics in the GVC because of the asymmetry of power discussed earlier.

All six organisations explained the concomitant pressures on the business of rising costs of labour and raw materials and the impact of environmental protection measures. The examples which follow show the practical impact of the increasing cost of raw materials and the effects this had on the businesses in the study:

P161F1:

> *"In recent years raw materials are more stable some years ago like gambling."*

P164F4:

"Raw materials have been more steady recently, but was a big problem in 2010/11, the cost of Copper for many years to the mid 2000's was steady at around 3200-3500 US$ per tonne. Then speculators entered the market and at its peak at the start of 2011 the price per tonne hit US$10000 [see Appendix 15]. *To try and smooth out the peaks and troughs of raw material costs and where we have a regular customer order, will negotiate a 6-12 month order with suppliers, for deliveries on a monthly basis."*

P166F5:

"Biggest issue raw material pricing. For many years the price of Lead was stable then speculators started buying and selling. Lead was then in short supply, this forced us to import. At the start of 2007 Lead was around 1500 USD per tonne, the price rose steadily to 4000 USD [United States Dollar] *per tonne* [see Appendix 16]. *At the time Lead represented approximately 60% of the cost of a Battery. To try and protect the price and ensure supply, we began to buy Lead on forward contracts. Placed a contract with a company from Singapore, paid 6M RMB in advance. The cost of Lead increased, the Singapore Company would not honour the contract. Could not get our deposit back. Singapore has many laws, but did not protect future contracts, it was just like gambling. Also bought on the LME* [London Metals Exchange]*, and lost a lot more money.*

Local suppliers if they are going to lose money will not deliver, if the price of materials increases, they insist you pay the increase. Nobody buys forward any more it's just like gambling. The 2008 recession taught the speculators a big lesson, materials costs have been steadier in recent years. All were buying forward, as it was the only way to secure materials, nobody buys forward now."

Raw materials was a significant issue for all the factories, who were under pressure from customers to either reduce or maintain prices. This constant pressure on price

supports research by Sun & Grimes who highlight that OEMs use price pressure to ensure suppliers margins are *"razor thin"* (Sun & Grimes 2016:222). All six organisations explained that from the time speculators entered the futures markets (Burns 2016, De Frutos 2016, Sanderson 2015) they began to detail the price per tonne of the key components on their quotations. However, they all said if the cost of raw materials increased it is a very painful conversation with customers and they were all turning to automation to try and maintain pricing even when costs were increasing. Having considered the factories relationships with their suppliers and how they used guanxi to attempt to maintain supply and quality, the discourse now moves on to considers their views on their relationships with their customers.

5.3 Customer Vertical Linkages

The owners and senior managers were asked about their customer bases, how large they were, how long they had been trading with them and whether the organisations were dependent on one or a few large customers. In addition they were asked what would happen regarding manpower if they were to lose a large customer, whether they had tried to diversify their customer base and what strategies they used to respond to customer demands. The following is what the senior management teams had to say about their customer base:

P159F1:

> *"Many customers with the business since it began, owner and ex.sales manager have many strong relationships."*

P158F1:

> *"The ex. sales manager was well thought of and had very good guanxi with his customer base. For example he handed over 28M RMB in sales orders*

before he left. However the second generation who were taking over the
running of the factory, were concerned that the sales manager's mind was
not open. The customer base was too limited and not growing and
marketing was no good. Once he left the Son-in-Law took over responsibility
for sales and together the second generation began promoting the company.
Before 2010 only several key customers, one customer was 60% of the
business, now they are only 30% even though they are growing.
Before 2012 largely domestic sales, a small number of export customers via
the agent, but small. Since 2012 when second generation re-opened export
department, sales are growing very fast. Now domestic 70%, export 30%
and growing."

P166F5:

"Many customers with the business since it began, average 10 years plus.
Not dependent on one or a few large customers, well balanced, biggest
customer is 5% of business.
Concentrate on export market, domestic is a big risk."

P171F6:

"Most customers very long history, take quality and after sales service very
seriously, want long-term relationships.
German customer 20-25% of turnover. Previously some very big USA
customers but now Europe, have tried to diversify customer base, USA now
small percentage. Many new markets, furniture, toys, medical.
90% Export. Domestic customers, very long credit."

P164F4:

"Some customers have been with us twenty years, average 5-10 years,
biggest customer 30% of turnover.
100% Export, some local deliveries but for foreign customers."

P32F2:

"Moved from traditional wound transformer to SMPSU [Switched Mode
Power Supply Unit] *and LED* [Light Emitting Diode] *Drivers. Switch mode was*
part of original business plan, LED drivers was a request from a large
customer. Once we considered the potential market, very big, used in

lighting, toys and Christmas decorations. This market is growing very fast, we are selling 30% more this year over last to these markets.

This has changed the customer base from industrial customers to retail e.g. Christmas lights and phone chargers. Wide range of customers, LED, I.T and electrical/electronic customers. Customer base is growing, we have doubled the sales team in the last two years.

No not reliant on any customer, learnt a big lesson several years ago. One big customer held payment for one year. In the end came to an arrangement with the customer, who paid for the parts only. This customer had 2000 employees, the boss of this company is now in prison."

It has been suggested that the depth of the customer/supplier relationship can improve supplier learning and improve both adaptability and innovation within the chain (Wang et al 2020, Wang et al 2019, Liu et al 2017).   An example of this can be seen in the last quote above, where this organisation had diversified and grown their business exponentially by a product extension suggested by a customer. The quotes once again show the ubiquity of guanxi which is evidenced in that it was the preferred strategy on both sides of the supplier and customer relationships (Huang et al 2020, Xiao & Cooke 2020b, Yang et al 2018). However, five of the organisations were predominantly involved in export and their customers were unlikely to understand the reciprocal implications of guanxi. It has been explained by Xiao & Cooke (2020b) and Yang et al (2018), that guanxi symbolizes not only inter-personal relationships, but also imposes semi-family like ethics. From experience the researcher suggests their largely Western customers who rely on purchasing agreements and contract law are unlikely to recognise or understand that they are in a reciprocal relationship.

The following quotes show the factories responses when asked what actions they would take if they lost a major customer:

P162F1:

> *"If lost a major customer would reduce overtime, but would want to maintain experienced workers. Normally will not cut workers, it is hard to get good workers."*

P163F3:

> *"If lost a large customer would have to cut staff, but not immediately. Would try to keep experienced workers. Easiest way to reduce staff would be to cut overtime, staff would leave."*

P164F4:

> *"If lost a major customer would have to lay-off workers. If lay-off have to pay compensation, 1 year employment equates to one month's compensation, 2 years 2 months etcetera. If had to lay-off workers would cut overtime first and normally the workers would leave, rather than pay compensation."*

P175F4:
> *"Cut overtime, some workers would leave immediately."*

P174F4:
> *"Represents 50% of their wages, they will not stay for half."*

The responses above show a dichotomy, in that all organisations said they would cut overtime if they lost a major customer. This would result in workers leaving immediately, as overtime doubles their salaries. This supports the argument that in China cash is king as suggested by Xiao & Cooke (2020b), Wong (2019), Chow & Liu (2009), Tung & Baumann (2009) and Shen (2008). At the same time they would try and maintain experienced workers, which was achieved by maintaining full pay for those considered key.

As discussed in chapter two, OEMs have been hollowing out their inventories, which has resulted in a growth in short lead-time orders (Azmeh 2019, Choksy et al 2017, Sturgeon 2002). The factory owners in this study once again turned to overtime working to respond to these demands. How this affected the factories in practice can be seen in the comments which follow:

P159F1:

> *"Short lead-time orders have to increase or decrease overtime, but would try and maintain experienced workers. Do not hire on short-term contracts, would affect quality. Prefer to work overtime."*

P163F3:

> *"Customers want flexibility, for example a new customer wanted fast delivery on ten thousand units. For three days we had to work twenty-four hours. Me* [owner] *and all office staff on the production line. Temporary workers very expensive and not skilled. Prefer to hire permanently or use office staff."*

P166F5:

> *"Customers constantly placing urgent orders, but hard to reduce lead-time. Do not like to use short-term labour, they have no long-term stake in the business. If the business does well, the workers earn more bonus. Prefer to work more overtime. The workers will be happy with more overtime, can earn more."*

P171F6:

> *"Flexibility, many short-term orders without any notice, have to work over-time. Some workers already asking to be released early for CNY."*

The above comments show practical examples of the impact of Buyer Driven Chains pushing risk further down the chain. The researcher therefore considers conclusions reached by writers such as Dundon & Wilkinson (2018), Choksy et al (2017), Gibbon et al (2008) and Pietrobelli & Saliola (2008) support the findings of

this study as buyers use the asymmetry of power to push risk further down the chain to their suppliers. The empirical evidence shows that OEMs prefer to place short lead-time orders, rather than sit on what might be slow moving inventory if their forecasts are inaccurate. This practice does not allow the factories to do any meaningful manpower planning as they were constantly responding to urgent demands. All six factories worked up to four hours a day compulsory overtime, although the younger workers did not want to work these hours and left (Campbell 2019, Hruby 2018). This drove the need for constant recruitment. As factories were constantly recruiting, young workers had no trouble in finding another job, or alternatively they fell back on the financial support of their parents and grandparents, referred to as the 4-2-1 (Campbell 2019, Hruby 2018). The researcher contends that Khatri et al's conclusions support this study in terms of the extent of this "*job hopping*" (Khatri et al 2001:54) which they describe as so pervasive that it has almost become part of the culture. In addition to working overtime in response to these frequent urgent requirements, the factories also held buffer stocks of piece parts and even built finished products in advance, at their own risk:

P162F1:

 "At CNY major customers are not good at forecasting, so factory make additional stock at their own expense/risk to buffer CNY."

P174F4:

"Now do not get forecasts from customers, have not received forecasts for 3-4 years. This means the factory has to stock some raw materials at own risk. Customers value that we share risk."

P37F2:

"Sometimes build in advance to smooth production, this is at our own risk."

P164F4:

"Delivery time if we do not hold buffer stock of piece parts, this becomes a major pressure particularly just before and after CNY. We hold stock at our own risk, *as building a relationship with customers is very important."*

The risk in holding buffer stock was two-fold. Firstly the factories were committing funds to buy piece parts and so lost the opportunity cost of this investment, as the funds were then not available for other uses. Furthermore they could have been left with the stock if their customers did not place repeat orders for the parts in question. The businesses were unanimous in believing that sharing risk with their customers would help them build deeper relationships, however the effectiveness of this strategy has already been challenged earlier in this chapter. A further strategy to try and control costs was the use of automation to take out repetitive tasks and to standardise quality. The following comments are examples of what the factories had to say on the subject:

P113F5:

"Currently produce using a mix of manual labour, semi-automation and a small amount of automatic processes. We are automating to counter the increasing costs of labour, but also to standardise quality."

P163F3:

"Customers looking for price reduction is always a big pressure. This market is very competitive. Rather than cost down, we try and maintain price, even when raw materials are increasing."

P164F4:

> *"Cost is always the biggest pressure, have used automation to try and take out some repetitive tasks, or tools to help build more efficiently. Flexibility but only one-way with some customers."*

P171F6:

> *"Use automation to speed up repetitive tasks and tooling to assist in production. Cost is always the biggest pressure, particularly wages and then raw materials. Materials negotiate to fix price for 6-12 months with suppliers."*

The researcher maintains that these examples once again show that buyers' constant pressure on price supports the contention made by Sun & Grimes, in that they were attempting to keep their suppliers' profit margins *"razor thin"*(Sun & Grimes 2016:222). The participating factories in this study were all automating to try and mitigate the increasing costs of their labour input, to standardise quality and to build more efficiently. Automation is dealt with in more depth in Section 5.7.1. The discourse now moves on to consider the institutional context, as it has been argued that institutional analysis has been under-utilised to explain management practices (Gooderham et al 2018, Dibben et al 2017). Certainly in China where one party has been in power for more than seventy years, the researcher concurs with the argument put forward by Huang et al (2020) that the institutional and cultural context is unique and pivotal in developing management practices and it is to this subject that we now turn.

5.4 Institutional Context

The context in which organisations operate is continually evolving. The influence of
the macro environment and its impact on businesses is particularly marked in China,
which has resulted in a unique institutional context (Huang et al 2020, Cooke
2018a&b, Johnson et al 2018, Brookes et al 2017, Beer et al 2015, Syed & Pg Omar
2012, Colakoglu et al 2006, Cooke 2004). At the time of the study China had
experienced a stock market crash and was still recovering from the 2008 economic
recession, and the effects this had on the SMEs in the study can been seen in the
following quotes:

P161F1:

> *"The effects of the economic recession and the stock market crash this year,*
> *many factories have already closed. After CNY many more factories will not*
> *re-open. Factories which are well balanced and not reliant on a small*
> *number of customers or a single market, will survive. For some young*
> *workers who are poorly educated and have a bad working attitude, they*
> *could become the generation who can't find work."*

P171F6:

> *"Business is down 25-30% year on year, Japanese business down 40%.*
> *Locally consumer electronics down minimum 20%, some factories 50%. If*
> *they make a single product, more likely to be in trouble, go out of business."*

The above quotes support the observations of the researcher who at that time
noted that many factories had been abandoned and closed down, in response to
the 2015 stock market crash. These observations were confirmed by all the
organisations in the study and can be seen in the quotes above, which reveal what

was happening in practice.   In response to the reduction in business the factories were allowing workers to leave early for the CNY holiday. Their rationale was the workers would appreciate the additional time with their families', and the managers all thought the additional leave would improve employees return rate following CNY, which proved to be the case. The discourse now moves on to consider the increasing use of regulations, particularly regarding environmental protection and shows what these mean in practice for business.

5.4.1 Environmental Regulations

Europe banned certain substances under the RoHS directive (Restriction of Hazardous Substances) and certain chemicals under the subsequent REACH directive (Registration, Evaluation, Authorisation & Restriction of Chemicals in Business). As a result of the ban Europe outsourced manufacturing of products and processes containing these banned substances to less developed countries including China. The following examples show the power of the state through the Ministry for Environmental Protection (MEP) and the often contradictory practical implications this has for businesses:

P164F4:

> *"Regulations, some just for show e.g. ISO14001* [International Organisation for Standardization]*. We have to segregate all waste products, have different coloured bins throughout the factory. But the dustcart puts them all back together, no segregation."*

P160F1:

"Environmental regulations closing plating and annealing factories, plating costs have increased by more than twenty times in five years. Also have to have bigger batches, small batches are very, very costly. This can have an impact on lead-time. Environmental regulations will get even stronger."

P161F1:

"Environmental legislation is big headache, need to protect the environment, but should be planned, not overnight closures. Government should help companies in dirty industries, not just penalise."

P171F6:

"RoHS and REACH, new this year, prohibits more chemicals."

It took China some time to react to the environmental impacts of the outsourced products banned in Europe under RoHS and REACH. None of the factories had heard of the MEP prior to 2011 when they made their presence felt, by shutting down all factories involved in specific industries overnight and without warning for rectification. This resulted in the temporary and or permanent closure of specific factories.

A further institutional pressure which also involved the MEP is being driven by China's vowed intention of moving away from dirty technologies and concentrating on becoming a knowledge-based economy (The State Council, The People's Republic of China 2017, Cooke et al 2020b, Zhang 2012, Akhtar et al 2008). What this meant in practice can be seen in the quotes which follow and throughout this chapter:

P162F1:

"Plating costs have increased massively. This is a big headache, the MEP is cracking down on polluting industries. Plating factories closed overnight. Some owners put in prison for water pollution. Cannot put waste water from

> *plating process into normal waste. Now must be metered and accounted for, must use approved waste collector. Any plater who could not meet efficiency levels was permanently closed. This is just the start, environmental regulations will continue to increase. Government do not like dirty technologies, more taxes and environmental protection which costs a lot."*

P161F1:

> *"The mentality of the Government in Shanghai is difficult, they want to be a financial district, want industries to be in Pudong. Not supportive, don't want polluting industries, they don't want plating factories, too dirty. So have to free issue from here."*

The manager explained that plating is crucial in their end product and that at the time there was no alternative. Some of these environmental pressures have been brought about by unscrupulous business practices, for example, factories discharging their waste water into domestic supplies. The example which follows resulted from some battery factories also illegally discharging their waste into residential water supplies, which led to cases of lead poisoning in children:

P166F5:

> *"In 2011, there were 2000 official Battery factories in China, but really there were many more. MEP crackdown in 2011 closed 30% permanently, but some of these have illegally re-opened."*

In May 2011 the MEP overnight closed all two thousand enterprises involved in the production of batteries which contained lead. The closures happened without any prior warning and the average length of closure was two months. The factories had to bring their facilities up to QHSAS14001, which later became ISO14001 which is an international environmental accreditation which indicates that an organisation has

an environmental management system. Those who could not meet this standard

were permanently closed (see Appendix 17, which was put on the MEP's website a

week after the factories were closed).

Two of the factories gave examples of the MEP closing factories overnight, one in

the supply chain, the other one above from the battery sector. These closures once

again support the researcher's contention that this type of control would be harder

to achieve in more democratic regimes. The discourse now moves on to consider

the practical implications of the Government's policy of encouraging factories to

move further north or inland.

5.4.2 Promoting Industrialisation in Disadvantaged Regions

The Government has been encouraging industries to move from coastal regions to

inland areas and further north. These moves are nearer the migrant workers

hometowns and villages (Chan & Selden 2014, Yang 2014). Examples in this section

show the power of coercive control which would be harder to achieve in more

democratic regimes (Cooke 2011b), with the MEP instructing a new factory still

under construction to close immediately:

P166F5:

> "*Government promoting factories to move further north and promoting live*
> *a better life, be a farmer.*"

P32F2:

> "*In 2014 bought land in Hunan to build a second factory, provincial*
> *government apply to Beijing on our behalf. Hunan sold the land for the new*

factory very cheap. In China buy land for 70 years, not for ever. Will

maintain the current factory as the workers in Dongguan are better

educated and the supply chain is better than Hunan. Dongguan is also

convenient to meet customers. Oct 2015 production commenced in Hunan

factory, small batch runs, will be fully operational after CNY. Had to

guarantee Hunan Government 3Bn RMB investment over 5 years. Will

employ 250 staff in the new factory, in current facility employ 285 staff. Are

building family dorms* in new factory. China's advantage is lower cost, but

labour costs are increasing fast, but no minimum wage in Hunan.

Former Boss went back to Wuhan sold the business to the current Boss. The

local Government introduced him to local Government in Wuhan. They are

helpful because in the middle of China the economy is not so good, they give

you tax rebates etcetera as lures to bring employment."

* Dormitories are colloquially referred to as dorms.

Three days after these comments, the HR manager told the researcher in a skype

call:

P33F2:

"The MEP visited the new factory in Hunan two days ago, they have turned

down our application" [they were at the time running small batches to test

the processes]. *They* [MEP] *said the technology is too dirty, they want to*

attract only clean and emerging technologies. So MEP have told us to sell

the factory."

P171F6:

"Originally moved from Hong Kong [HK] *to China, increasing costs in HK and*

the Chinese Government offered big incentives and tax and duty free.

Tried to re-locate factory further north to Jiangxi Province. It was a disaster,

inexperienced supply chain, had to free issue parts from Dongguan on a

weekly basis. Transportation was a nightmare and very costly. Although the

rental cost was lower than Dongguan, workers experience was not good

enough. The workers did not live in dormitories and often did not turn up for

work. We re-located back to Dongguan, but the local government in Jiangxi would not allow us to move the machinery. Local government said the machinery were assets of the Province, this cost a lot of money.

Know others are re-locating to lower cost regions and even offshoring, but we plan to stay in Dongguan. 2007 Returned to Dongguan and leased current factory. Lease for 5 years at a time. Last four years since Foxconn, cost of lease increasing 20-25% per annum."

The above examples once again show the power of coercive control (Cooke 2011b). These examples clearly demonstrate the Confucian cultural trait of respect for authority, which *"shapes people's respect and obedience for laws and regulations"* (Syed & Pg Omar 2012:15), which was discussed earlier in the section on culture. This can be clearly seen in that one of the organisations in the study put their new factory up for sale when instructed to by the MEP. They did not try to lobby or seek redress in the courts, they just meekly began looking for an alternative province in which to locate a second factory. The other example shows that another factory walked away from their capital intensive equipment and again did not seek redress. Neither organisation sought compensation and appeared either stunned or puzzled or laughed outright when the researcher asked if they had been compensated for their loss, as the factory owners looked on this as the norm. The factories were asked how helpful the local governments were after the factories relocated and the following comment is typical of what was said on the subject:

P166F5:

"No help from Government for the factory now. When we first built the factory, Government helped with granting road access, electricity etcetera.

The factory were bringing employment to the local area, so Government helpful. After you invest, they lose all interest.

Technologies tend to concentrate in certain provinces e.g. Huizhou there are many battery manufacturers. Hubei has a growing number as the tax there is lower on dirty technologies. Hubei is inland so not ideal as transportation costs are higher, but Hubei government compensate as they want to encourage employment growth.

Government laws protect the workers not the factory i.e. if a worker has an accident on the way to or from work, the factory have to pay."

Coastal regions were popular with industry as they minimised shipping costs, since the ports were convenient and transportation from inland regions to the ports could be costly. A major factor in persuading organisations to relocate is that the minimum wage in the inland areas can be half that in the more developed regions such as Dongguan (China Labour Bulletin 2019, Koty & Zhou 2018). In Hunan where Factory Two tried to open their new factory, there is no minimum wage. The researcher posits that this is likely to be the reason why Foxconn, China's largest industrial employer, had relocated to Hunan. This move to lower cost regions supports earlier work by Levy (2005), who argues that Buyer Driven Chains relocate work to wherever wages are lower. Organisations also benefit from the bargaining power they can achieve in negotiations with inland local governments. These inland governments are keen to promote industrialisation in their regions and will often bend the rules to entice the factories to invest in their area (Yuchen 2020, Yang 2014). Several of the factories commented that once you have moved, local governments lose all interest. The factory owner in the example above said that technologies tend to concentrate in certain provinces. This is the case throughout

China, with certain regions known for shoes, others for electronics and still others for batteries as in the example above. This is normally as a result of a large factory moving to an area, the supply chain then develops around the factory. Once the supply chain is stable others in the same industry are attracted to the area. The following comments show what happens when a business runs into hardship and needs to lay off workers:

P163F3:

> *"Local Government no support. When moved the factory, it was too far for workers to travel, so had to lay-off workers. Had to pay 700K RMB to lay off workers, this was paid months late, but did pay. The Government was no help at all."*

The factory in this example was downsizing at the time, to reflect the loss of a major contract. However, the example shows once again that there is weak enforcement of labour laws, as workers had to wait months for the compensation due by law for loss of office. The discussion now moves on to consider the issue of constant power cuts and what the factories did in response, particularly as they were constantly under the pressure of short lead-time orders (Azmeh 2019, Choksy et al 2017, Sturgeon 2002).

5.4.3 Unstable Electricity Supply

All factories explained that they had experienced power cuts for the previous 5-6 years and these cuts were initially random and could last hours or days. The cuts were then regulated, so that the factories knew when they would be affected. The following examples show what the factories had to say about the power cuts:

P164F4:

> *"Have moved factory four times, within China. Reasons range from larger floor space, better dormitory facilities, and the latest move was to a new factory where the electricity supply was guaranteed to be stable. We pay increased costs to ensure power 6 days a week. In former factory, regular power cuts each week, in summer could be twice a week."*

P159F1:

> *"Factory is located in an industrial area, but is surrounded by living accommodation and retail. In summer high demand for air-conditioning etcetera, electricity is a big problem lots of power cuts. To overcome this the factory starts work at midnight, workers rest in the day."*

The first quote above shows how serious these power cuts were and the impact they had on the business, as the factory was prepared to relocate and even pay a higher fee to ensure a more stable supply. The other organisation adjusted their working hours in summer when demand for electricity was higher. The researcher asked if there had been any form of consultation with the workers regarding this change in working hours. The owner and senior management team laughed and said no, as the workers would be aware of the power cuts and would understand the need. The researcher contends that this example is yet another exemplar of coercive control (Cooke 2011b, Storey 2007), when factories can change working patterns without any form of consultation.   As the factories were constantly recruiting, these regular power cuts were likely to exacerbate the problem of the need to work overtime. The discussion now moves on to consider to what extent chambers of commerce and trade associations were used as a support mechanism.

5.4.4 Chambers of Commerce & Trade Associations

All six organisations said there were local chambers of commerce and business clubs. The following examples show what the factories thought of them:

P161F1:

> "Local Chamber of Commerce, but really just dinners. Some Industries shoes, clothes, lighters, the Chamber of Commerce have influenced government policy. Even EU, tried to ban cheap lighters and the Chamber of Commerce and Government lobbied them and got ban withdrawn, but this is not usual."

P159F1:

> "Business club, just dinners, no real co-operation. Competitors would not give constructive feedback. Sometimes exchange workers in the supply chain. Will allow other factories to visit us if they have guanxi and we visit other factories, but not competitors."

P163F3:

> "Will send members news with reference to changing regulations. Will organise trips to larger factories. HK & China provide funds for exhibitions and promotions. However China use a third party, who are probably a government agency and they take 25%. No help from National Government, government policies help the workers, not the boss."

P164F4:

> "Taiwanese Government encouraged FDI into China. We were one of a group of Taiwanese factories to invest in China in 1998. No financial help in China. Government will send notice/official document of important changes to law. Taiwanese association most helpful, will organise and help fund Taiwanese village at major trade fairs/exhibitions."

P171F6:

> "Know local manufacturers, meet for socialize and dinner, but do not share secrets."

The above quotes show that the factories did not consider these trade associations helpful. They all explained that they were really only social occasions based around having dinner. Their comments also reflect the strong cultural determinant of low trust outside of guanxi relationships (Gamble & Tian 2015, Cooke 2009, Singh 2007, Nojonen 2004). One of the factories was a FDI from Taiwan and they felt the Taiwanese associations were more helpful than the Chinese, in that they would co-sponsor exhibitions. At all the major electronics exhibitions there was a large area called the Taiwanese village, where all exhibiting businesses from Taiwan would be located. The factory owner explained this sponsorship would include travelling expenses including hotel accommodation, which would be prohibitively expensive if the exhibition was for example in Europe. Trade associations act as representative bodies for specific sectors of industry. Their activities normally include the setting of standards and they can often lobby on behalf of their members and in addition they usually aim to professionalise their industries. Chambers of Commerce act in a similar manner to trade bodies, and encourage businesses within a geographical region to build relationships and share best practice with other businesses in the same region (British Chamber of Commerce 2021). Both types of organisations are repositories of knowledge and can accelerate and deepen their members learning, improve their adaptive capability and speed up innovation (Wang et al 2020, Gooberman & Hauptmeier 2018, Liu et al 2017). Having considered the institutional context (Gooderham et al 2018, Dibben et al 2017) from the point of view of the organisations in the study, the discourse now moves on to consider the competitive environment from their viewpoint.

5.5 Competition

China is encouraging domestic consumption to rebalance its economy (Yu & Luo 2018, Sun & Grimes 2016, Yang 2014). At the time of the study their internal market was growing exponentially (Huang & Gamble 2015). When asked if they had competitors and what they could tell us about them, the following insights were given:

P159F1:

> *"Many, many, many in China, but large concentrations in Guangdong, Shanghai and Wenzhou."*

P32F2:

> *"Many, you only have to look on Global Sources or Alibaba* [both e-commerce sites] *to see thousands, or tens of thousands."*

P164F4:
> *"Many, China has more factories than anywhere else. Dongguan major exporter, well established supply chain links and easy access to ports. Shanghai & Ningbo also have a high concentration of electronics factories. Many factories moving offshore as labour costs increase. So Philippines, Vietnam even Korea, but some Countries not politically stable, big risk."*

P171F6:

> *"Technology allows new entrants communication much easier and cheaper now.*
> *Four thousand factories in Dongguan closed, so competition is less, everyone nervous to take on new customers, big risk."*

At the time of the study five of the six organisations relied on export and considered domestic credit as high risk. The sixth organisation relied on the domestic market,

but was at the time growing their export sales. Two of the factories expected

competition to reduce in the future, one because their end product needed clean

room technology which required a large investment. The other made batteries

which was considered a dirty technology. This is a sector which was both heavily

regulated and increasingly attracted higher levels of multiple taxes and the owners

explained that it was no longer considered an attractive market.

The examples show that the senior management teams thought that competition in

China was fierce with technology allowing more new entrants, as posited by

Jacobides & MacDuffie (2013). When the topic of competition was first introduced

many of the senior managers laughed in response due to the extremely high

number of factories in China. All six organisations pursued a strategy of high quality

and aimed to build guanxi (Xiao & Cooke 2020b, Yang et al 2018) to try and create

stronger ties with their customers. Managers in all six factories said they were

constantly under intense price pressure from customers. The quotation which

follows may explain some of the problems the SMEs faced, when some competitor's

quotes may not have reflected the true costs involved:

P164F4:

> *"Some of golf buddies have very questionable staff practices. Some are*
> *probably not legal. Some do not know how to cost properly i.e. do not*
> *include cost of labour in quotations."*

This last example the researcher contends is likely to result from the relatively low

level of educational achievement of entrepreneurs in private enterprises, which was

highlighted as a fundamental issue by Cooke (2011b). The above quote also

highlights that many managers have little financial acumen, and a business that does not control its costs is unlikely to stay in business for long. Having heard the views of the SMEs about their competitive environment, the discussion now moves on to consider governance within the chain from the point of view of the senior management teams in the SMEs.

5.6 Governance within the Chain

Governance relates to the power relationships between different participants along the supply chain (Gereffi 1994). There is consensus amongst writers on GVCs on the need for governance within the chain and there seems to be accord as to the three levels of governance required. These are: Legislative governance, which sets out the basic rules and standards governing how actors can participate in individual GVCs; Judicial governance, which considers how standards are set, maintained and tested, and finally; Executive governance, which examines how lead firms assist others to upgrade within the chain (Di Maria et al 2019, Cooke 2018b, Gereffi et al 2005, Kaplinsky 2000). The following empirical evidence shows all three forms of governance were in use in all six SMEs:

5.6.1 Legislative Governance

Proponents of the GVC would label the next examples as legislative governance, although critics of the GVC including the researcher would be more likely to see them as examples of what Kaplinsky labels as a *"race to the bottom"* (Kaplinsky

2000:141). This is a view which is supported by Cooke (2018b), Sun & Grimes

(2016) and Levy (2008 & 2005). Empirical examples of this follow:

P161F1:

> *"Midea* [largest white goods manufacturer in Asia] *for example every year*
> *hold a meeting with all suppliers, where you have to tender. If you win the*
> *bid, they firm up orders monthly. Raw materials too unstable, so will hold*
> *stock at our own risk.   Tender is like a big price pressure, but nowadays if*
> *factory can maintain price when labour costs increasing, will be good*
> *enough. Our strategy is to co-operate on price with customers, particularly*
> *on project design."*

P164F4:

> *"Competition is really fierce in China, customers always beating up on price,*
> *will bring an alternative quote. Build relationship is very important."*

P166F5:

> *"Originally began trading in passive components, connectors and IEC*
> [International Electrotechnical Commission] *sockets. Not protected, OEM*
> *also sold themselves, so you do the work and they take the business, by*
> *under-cutting your price. Realised we need to have our own brand.*
> *Price pressure was a very big pressure when raw materials were increasing*
> *every day. Now customers want price stability, try to maintain price for 6-12*
> *months."*

The examples above show that even when the businesses tried to create guanxi

with their customer base, price or cost effectiveness for the OEMs drove the

interactions with their suppliers (Gereffi 2014, Gibbon et al 2008). This supports

Levy's contention that this is unlikely to result in '*win-win*' (Levy, 2005:686)

outcomes for all. The first example above of the factory being invited yearly to an

open tender is a good example of the power of the buyers within the chain

(Barrientos et al 2016, Sun & Grimes 2016, Ponte & Sturgeon 2014). When you consider that this factory had been given an award from this customer for supplying for ten years without a single failure, yet their buyers' strategy was to ensure their supplier's margins were *"razor thin"* (Sun & Grimes 2016:222). Criticism of this form of arbitrage are voiced by Seric et al (2020) and Havice & Pickles (2019), who caution that basing outsourcing decisions simply on cost minimization is too simplistic. The issues around the lack of PPE in the current pandemic is a prime example of this debate. Having discussed legislative governance the discourse moves on to consider judicial governance from the point of view of the organisations in the study.

5.6.2 Judicial Governance

Judicial governance which considers how standards are set and maintained within the GVC. All six factories said they had set high quality standards from day one and all had gained quality approvals such as ISO and Underwriters Laboratory (UL) in response to customer requirements. The following examples from the factories show how judicial governance worked in practice:

P158F1:

> *"Quality approvals were a customer requirement, without the approvals would not be considered as potential supplier. Although the factory quality standards were established before customer requirements. Work to 6S, KPIs visible throughout the factory. Very proud that Midea our largest customer, gave us an award for supplying for ten years without a single failure."*

P162F1:

> *"When workers join, have a meeting with them and their Line Leader.*
> *Explain the factory concentrates on quality, show them the Midea award.*
> *Explain how important to everyone, like a family pride. Training to bring the*
> *workers standard up to the factory standard."*

P164F4:

> *"International approvals e.g. ISO, UL shows the quality of the factory, many*
> *factories claim to have, but it is a trick."*

P32F2:

> *"Had a big problem with ISO certification. SGS told us that our certificate*
> *was fake. Had paid CI a lot of money, but the certification was not real. Had*
> *to pay SGS to re-audit and rectify. Every season UL audit fee plus red backs*
> [lure/bribe]*, 200/1000RMB per season."*

P171F6:

> *"We have had a very bad experience recently, we used Certification*
> *International (CI) an accreditation body to certify that the factory complies*
> *with standards such as ISO9001. It was only when a UK customer checked*
> *our certificate, that we found out that CI China had been fraudulently*
> *trading. The factory had been using CI for more than ten years, the most*
> *recent certificate was meant to be valid until Mar 2016, but the CI UK*
> *website terminated co-operation with their China partner in 2014. The*
> *factory are now using Intertek, another UK company, its strange Intertek are*
> *known more for garment factory inspections, but we have no choice."*

Harmonisation of standards such as UL and ISO has allowed value chains to become

increasingly fragmented, with components being made wherever in the world is

considered most cost effective (Cooke 2018b, Gereffi 2014, Gibbon et al 2008).

These standards should mean that the same component made in disparate factories

should be identical. However, due to institutionalised corruption (Chan & Selden

2014, Xiao & Cooke 2012, Shen 2008, Gallagher 2004) all the factories in the study gave examples of factories in their locale who claimed to have these accreditations when they did not. Even more worrying, the examples from two of the factories show that an institution which was auditing and accrediting factories to these standards was fraudulently trading (see Appendix 18, for a statement made by CI UK about the fraud committed by its former Chinese partner). In the researcher's experience it is imperative to audit any potential suppliers to inspect the processes and practices in daily use. The researcher had compiled over the years a list of factories that had been audited and where working practices were found to be unacceptable. Examples of these practices included evidence of child labour, multiple extension leads plugged into each other which formed a dangerous chain across the floors of factories and workers using their coats to open machinery that was steaming hot, to name just a few. The discussion now moves on to consider executive governance with examples on the construct from the viewpoint of the organisations in the study.

5.6.3 Executive Governance

Executive Governance refers to how lead firms in the chain assist their suppliers to upgrade within the chain (Cooke 2018b, Gereffi & Fernandez-Stark 2016, Gereffi et al 2005, Kaplinsky 2000). The following quotes show how this works in practice: P32F2:

> *"We have one supplier who makes a waterproof cable for outside power*
> *supply units. We are having a 20% failure rate and this has been going on*
> *for some time. Difficult to change because the tooling was very expensive to*

> *create the waterproof screw type connector. Our QC management are*
> *working with the supplier to try and improve."*

P161F1:

> *"Every year technicians and QC go to Midea for training, can be for several*
> *days."*

P162F1:

> *"Midea for example every year they visit the factory. In the beginning would*
> *visit every quarter, now annual unless project under way. Midea have very*
> *high level of trust in us. Midea will work with us to improve processes. "*

P166F5:

> *"Yes, customers have helped us improve our business and processes e.g.*
> *biggest customer sends engineers over once or twice a year. To begin with*
> *to help improve the production process, now to discuss projects. Some large*
> *customers and agents visit the factory and make suggestions."*

Critics of the GVC including the researcher would likely explain the first example of executive governance as self-preservation, as the quality issue was causing the organisation huge problems which had been ongoing for years and was also impacting their lead-times. This resulted in the factory sending their quality team to try and improve the processes in their supplier's factory. The other examples show OEMs improving the skills and processes in their supply chain, however the researcher contends that this study indicates that their involvement was more about efficiency gains. It seems likely that assisting their suppliers to improve their processes would control costs, as Midea have already been shown earlier in this study to use price pressure as the main strategy in their supply chain. Having considered empirical evidence from the factories on how governance works in

practice, the discourse now moves on to show examples of how the SMEs were upgrading within the value chain.

5.7 Strategies for Upgrading in the GVC

Upgrading usually involves a shift in roles within the chain to higher value add functions (Barrientos et al 2016, Sun & Grimes 2016). The need for upgrading can be seen in that the EOI paradigm followed by China is said to result in low wage, low skill and insecure employment. In addition little value add is generated by the assemblers, who are at the bottom of the value chain and who play a subordinate role within it (Cooke 2018b, Sun & Grimes 2016, Kraemer et al 2011). The SMEs in the study were following a number of upgrading strategies as advocated by Gereffi & Fernandez-Stark (2016) and the OECD (2013). They were pursuing a mix of process, product, functional and chain or inter-sectoral upgrading. These strategies will now be discussed in turn.

5.7.1 Process Upgrading

Process upgrading involves carrying out tasks more efficiently, for example by automating. How the factories were approaching this in practice is shown in the following quotes:

P158F1:

> "2009 Opened second factory further north, original factory much manual labour. New factory more automation, will do big production runs in the new factory. Now upgrading the old factory and putting in more automated equipment e.g. the injection department which was previously semi-

automatic and needed five workers, now fully automatic and only needs one
worker.

2013 Supply Chain in Jiangsu still problematic e.g. plating costs x 10 when
compared to original factory. Jiangsu workers not stable, do not want to
work overtime, this affects the lead-time. After four years the Jiangsu
factory not as efficient as the old factory, good for large production runs, but
have to free issue from here. So decide to demolish old dorm building, in
original factory which has not been used for years, as it is very basic, not
good enough. Will use the land to extend and upgrade the old factory.
Investment level 16M RMB, to refurbish and extend the factory, including
upgrading the level of automation e .g 2M RMB to replace the old injection
moulding department, all machines will be soundproofed, 200K RMB for
metal storage for tools etcetera."

P162F1:

"Automation is a must to control labour costs."

P171F6:

"Domestic customers always pushing for lower price. Export in recent years
want price stability, no increase. If we can improve the process, may offer a
price reduction. Have increased automation, particularly for any slow
processes."

The Chinese Government, as part of its strategy to rebalance its economy away
from the EOI model, was encouraging factories to automate and was giving grants
for each machine installed. The impact of automation on jobs has been discussed
earlier in the literature review, and the examples show how the factories were
approaching automation. All six organisations were at the time of the study either
automating or semi-automating if their batch sizes were not big enough to make full
automation cost effective. To illustrate the potential of automation in practice the

researcher was shown four newly installed automatic machines in one of the factories, and it was explained that each machine could replace forty workers, therefore the implications for job losses was very real.

5.7.2 Product Upgrading

This strategy involves upgrading the product as suggested by Jacobides & MacDuffie (2013) such as adding new features. All six organisations in the study were pursuing this strategy. Examples from the factories follow:

P59F3:

> *"More advanced products. Product leadership more profitable than the classical product, which has strong price competition."*

P161F1:

> *"Have worked with OEMs to develop customised products. In last two years are developing specialist products that are technically challenging."*

P164F4:

> *"Have become more specialised. For first 5-6 years making simple printer cables. Now specialise in wire harness assembly, can earn higher margins with wire harness. The work is more highly skilled and needs good quality levels. Harder for competitors to undercut.*
> *Diversification into box-building, this is a joint venture with a Cambodian partner who was originally a customer, who bought harnesses from the factory and was impressed with our technical abilities."*

It has been discussed earlier in this work that all six factories had suffered from price pressure from OEMs (Sun & Grimes 2016). They were responding to this by developing their core competencies as suggested by Crane & Hartwell (2019),

Cooke (2018b), Barney & Clark (2007) and Barney (2001 & 1991). The examples above show that they were utilising a strategy of becoming more specialised, with a view to both improving their margins and making their core competencies harder for competitors to emulate.

5.7.3 Functional Upgrading

Functional upgrading involves upgrading the skill levels within the business. The examples which follow were in response to a question regarding whether the factories were attempting to upgrade the skill levels in the business and how this was achieved:

P33F2:

> *"Owners, managers and sales staff now are all University Graduates e.g. one of the new sales staff was one of a cohort of fourteen who joined the factory this year."*

P36F2:

> *"Originally worked in a Taiwanese FDI and studied how they managed. Also went abroad to study e.g. went to Toyota in Japan to see how they set up the production lines. Learnt a lot."*

P166F5:

> *"Began as sales agent, joint venture with Taiwanese company. At the time there were few battery factories in China. Taiwan Company opened a factory in China, learnt about the business from them and then worked as assembler for the same Taiwan Company, rented space in Taiwanese factory. Assemblers earn lower margins, buying in technology, not skilled and at the price sensitive end of the market. Good entry strategy, but the big players can use their volume to suffocate you. Need to offer something different to earn higher margins. Hence, working with customers to customize the*

product and make it application specific. Specialised and customised
products need a higher level of expertise and investment and command
higher margins. Finally built our own factory. Plan to move further north
next year in another joint venture, to make different technology, still
batteries but more specialised, technically very challenging."

The examples above show how the organisations approached upgrading their
management and sales teams by employing graduates. In addition all six
organisations brought in external trainers to develop the human capital of their
managers (Jamali & Afiouni 2012). The factories approach to upskilling their
workers is discussed in the next chapter Section 6.3.6. It has been discussed earlier
in this work that training and development is viewed as crucial for China's future
development as proposed by Deif & Van Beek (2019) and Cooke (2013). All six
businesses in the study saw functional upgrading as crucial to improve their
competitive position and improve their margins.

5.7.4 Chain Upgrading

This strategy is where firms move into new or related industries, as suggested by
Gereffi & Fernandez-Stark (2016) and the OECD (2013). How this worked in practice
can be seen in the following quotes:

P158F1:

"The second generation are taking over the running of the company, wanted
to change the sales and marketing strategy, bring new ideas. As part of the
planned hand-over, the sales manager who had worked for us for twenty-
five years, was asked to stand down. The strategy to help him step down,
was to assist him in buying his own business. The owner of our plating

supplier, who we have been working with for many years, did not like the pressure of the environmental crack-down and wanted to retire. The company gave the ex.sales manager financial support, to help him buy the business. Like a compensation, to allow the second generation to bring new ideas to the running of the company. This way everyone is happy.

2013 Second generation taking over the business, decide to advertise on professional business search engines e.g. Global Sources and Google. In addition will start to exhibit at all major trade shows and exhibitions, previously did not attend any exhibitions, not even domestic. Previously no professional sales team, orders from guanxi, now have put in a professional sales team, including developing export sales."

P32F2:

"We welcome input from customers, when we developed the smart charger, had help from customers engineers, who understand the complexity of the fast charge. LED drivers, customer audited the process and made suggestions for improvement.

SMPSU and LED drivers need bigger investment, clean room conditions. Harder for competitors to copy, need big investment and very stable quality controls."

P171F6:

"Have become more specialised, grew from AC only to DC power cords. Now moving into computer accessory cables for gaming products, for companies like Nintendo and Atari. New markets electronic furniture i.e. adjustable beds and sofas and anti-microbial cables for toys, these need clean room conditions. We do not design the product, we follow the customer's specification."

P164F4:

"The internet has brought more customers. We ensure that we appear on all the significant search engines i.e. Google, Alibaba and Global Sources.

> Started with low end technology, now more specialised, better margins. *Are also diversifying, now have offices in France & Silicon Valley USA. Have also moved up the value chain by box-building.*
>
> *2013 opened a French office at the request of major OEM, this is a desk in the OEMs office, 1 employee will increase to 2 in 2016.*
>
> *2014 opened a California office in Silicone-Valley with 3 sales people, 6-7 customer projects."*

P166F5:

> *"Company website on all significant electronic business search engines i.e. Google and Global Sources. Exhibit at all major trade fairs in China, HK and Europe*."

P171F6:

> *"Exhibitions will generate new customers, but new customers' new risk, we prefer to maintain where we are and protect existing customer relationships."*

There are three significant search engines in China Google, Alibaba and Global Sources, and five of the factories used e-commerce on these search engines to try and attract new customers from divergent markets. In addition two of the organisations also exhibited at international trade fares and exhibitions. One of the businesses was nervous following the 2015 recession of the potential financial risk of attracting new customers and preferred to concentrate on their existing customer base.

The success of this upgrading strategy was evidenced with Factory Two, who moved into three new markets after a customer suggested they upgrade their product. Once they considered the potential markets to be targeted by this product upgrade,

they realised that it could be significant. This was supported in that it resulted in a forty percent increase in sales, year on year.

At the time of the last focus group meetings, there was huge excitement in one of the sales offices, which was very unusual. The sales manager explained that Alibaba, the search engine had challenged ten of its customers to join a sales competition. This goes against the cultural norm, in that companies would not normally share information with anyone with whom they do not share guanxi (Cooke 2009, Singh 2007, Nojonen 2004).

P32F2:

> *"Alibaba, are holding an open competition, amongst ten sales companies. The competition lasts 40 days ending at CNY."*

The manager showed the researcher a large visual in the sales office, on which each sales person's name and their daily sales achievement were recorded:

P32F2:

> *"The sales numbers are reported daily to Alibaba, who then send out a league table showing the results of each participating company and their position in the league. Each Company is encouraged to dress up and give their team a name, they are also encouraged to send in team photos and challenges to the other participating companies. This is very new, normally we would not share sales information with other companies."*

It may be that Alibaba were attempting to professionalise their customer base, or trying to create deeper guanxi with key customers, as at the time, the SMEs in the study advertised on a selection of e-commerce search engines. Whatever their

objective, the competition was certainly creating a lot of excitement. The owner

had promised the sales team that he would take them all to a hotel for dinner, a

foot massage and overnight stay if they won the competition.

Two of the businesses were also trying to diversify away from the EOI in an attempt

to improve their competitive position. The owner of one of the factories had

bought a share in an upmarket bar. As discussed in the previous chapter another

was in negotiations to either sell the factory or enter into a joint venture with a

factory several days travel away from the existing facility. The reasons behind this

strategy was that the factory manufactured batteries which was considered a dirty

technology. This industry and the manufacturing processes were subject to both

increasing regulations and taxation which meant that profit margins were reducing

at a time when costs were escalating. The owners explained that they were

diversifying to industries were the profit margins were better. The owners of this

factory were serial entrepreneurs and displayed high levels of managerial self-

efficacy (Li et al 2018, Liu et al 2017). Entrepreneurship it has been convincingly

argued is critical in China's economic transition (Huang et al 2020).   Examples of the

owners of Factory Five entrepreneurship follow:

P166F5:

> "2002 separate venture silent partner in pig breeding. Feeding Chinese herbs
> to pigs, to reduce bad cholesterol and fat. Twelve year project. The first ten
> years, no success, little better than pigs bred the traditional way. Last two
> years now a success. We have exclusive retail rights for two provinces,
> intention is to open shops in exclusive shopping malls, will also sell other
> high-end organic products.

> *2005 Separate venture bought share in a farm and factory to grow and make tomato paste, for pizzas. Only stayed in this business for three years, had a really bad harvest. Was meant to be a silent partner, but took up too much time, too many panics and crisis meetings."*

The other owner of the business (a married couple) began running a private business school in 2015:

P166F5:

> *"Many factory owners who have gotten rich quickly are not trained in business, don't understand the importance of cash-flow. Many have over-extended themselves buying property. 2008 big crash, they cannot fund their debt. Paying interest on credit cards, then borrowing from family and friends. Husband charges 40k RMB for short course on cash flow. Works with small groups of up to six businesses at a time."*

The researcher attended one of the group's business dinners, where the factory owner was treated by the group like a god. They all explained his advice had helped them save their businesses and homes, and he was building a reputation locally as a business guru.

All organisations in the study were using a variety of upgrading strategies including diversification to both improve their position in the chain, to increase their margins and to make them less vulnerable in the chain resonating with the reasoning of Raj-Reichert et al (2019), Davis et al (2017), Gereffi & Fernandez-Stark 2016 and the OECD (2013). Having considered strategies for upgrading within the value chain, the discourse now moves on to consider the construct of corruption.

5.8 Corruption

When researching the GVC no mention of corruption was seen in the extant literature. This study in China would be incomplete without a consideration of the deep-seated corruption which is legend (Chan & Selden 2014, Xiao & Cooke 2012, Shen 2008, Gallagher 2004). In all interactions with the senior management teams, corruption emerged as an independent variable which could vary in a heartbeat. What this meant in practice for the businesses is shown in the following quotes:

P158F1:

> *"Many, many, many dinners for Government officials."*

P175F4:

> *"Local Government control and corruption. Under the table money and many dinners."*

P166F5:

> *"Mr. Xi is doing a very good job, trying to make things more standard, less corruption more open, but will take a very long time. Big cities will standardise, modernise, and introduce systems first. Then other cities but slowly, slowly."*

As can be seen in the examples above all the factories talked about the many dinners for government officials. All the factories employed one or two people who were responsible for communicating with the local government, whose roles mainly involved entertaining government officials by taking them out to lunch or dinner. All reported that building guanxi with these officials was crucial in oiling the wheels of commerce.

A practical example which shows the tightrope the factories walked daily occurred on a day the researcher was visiting one of the factories. A customs official turned

up unannounced and said there was a problem with a piece part that the factory had been importing for a number of years. The suggestion was that the factory had not declared the parts correctly and had hence paid a lower rate of duty. The owner and factory manager discussed their dilemma of how to handle this issue with the researcher. The factory manager wanted to give the customs official, who was due to return that afternoon, what he called 'under the table money'. The owner was reluctant and said it could be a trap. The owner had a business card from a customs officer who held a higher status than the official due back that afternoon. He had met this higher ranking officer in a local bar, when the officer had told him with some pride that President Xi was clearing up corruption. The discussion went back and forth about whether they showed the business card to the returning officer and ask if he knew this official with higher status, thus reinforcing the factories links to this high ranking official. Alternatively the factory manager could just take the returning officer out to dinner and see how the conversation went. They decided on the latter, but they were both very worried about the encounter for two reasons. The first was that people were increasingly being imprisoned for attempting to bribe officials. The second was that they admitted to the researcher to deliberately using the wrong tariff, and explained that everyone in China does. The researcher checked this last comment with two other participating organisations and two other companies she had visited in the same week, who were not in the current study. All four confirmed that it was the norm for companies to try and minimise the duty they paid on imported parts. The fact that these managers had confided in the researcher to deliberately using the wrong

tariff highlights the trust and guanxi that the researcher had developed with these participants. The discourse now moves on to conclude the chapter.

5.9 Conclusions

This chapter is the first to introduce empirical data, and addresses one of the aims of the research which was to situate the SMEs within the GVC. It provides an understanding of what this meant in practice for the organisations in the study and what strategies they used to counteract their positions at the bottom of the chain (Barrientos et al 2016, Sun & Grimes 2016, Ponte & Sturgeon 2014). The discourse began with the construct of supplier vertical linkages. The factories were unanimous in saying they tried to maintain the same suppliers, as they posited that guanxi was crucial in maintaining both supplies and quality. The examples given by the participants on this and other topics gave rich and deep insights into norms and opened a window from which to view the world, as seen from the perspective of the people who inhabit it (Lee & Lings 2008).

The discourse moved on to consider customer vertical linkages. Examples given clearly show the asymmetrical patterns of power in Buyer Driven Chains, who have successfully pushed risk further down the chain as highlighted by Dundon & Wilkinson (2018), Choksy et al (2017), Ponte & Sturgeon (2014), Riisgaard & Hammer (2011). All six senior management teams described how their customers had hollowed out their inventories, resulting in short lead-time orders being the norm as suggested by Azmeh (2019), Choksy et al (2017) and Sturgeon (2002). These changes

left the factories unable to do any meaningful manpower planning. Instead they all relied on overtime, buffer stocks and finished goods which they all held at their own risk, in order to respond to these short-term demands. In this way they believed they were sharing risk with their customers, in order to build guanxi (Xiao & Cooke 2020b, Yang et al 2018). Although as they all suffer from the constant pressure from buyers on price (Sun & Grimes 2016), it is open to conjecture as to whether their customers appreciated these sacrifices. It appears instead that they followed a strategy as suggested by Sun & Grimes, in attempting to keep their suppliers profit margins *"razor thin"* (Sun & Grimes 2016:222). In response to these multiple pressures, the factories were all turning to automation or semi-automation to counter the increasing costs of labour, too speed up repetitive tasks, to build more efficiently and to regulate quality.

Institutional analysis it has been argued has been under-utilised to explain management practices (Gooderham et al 2018, Dibben et al 2017). In China the institutional and cultural context is both unique and pivotal in shaping management practices. The factories gave examples of regulations including some which they said were just for show. An example of this is where one factory was separating their waste into different coloured bins, however the dust cart combined the waste on collection. The empirical data showed three examples which underlined the power of the MEP to close factories overnight and without warning, including one new factory which was still under construction. The MEP instructed them to sell the factory as they would not give them permission to build a technology considered dirty in the region. The Government was encouraging industry to move to less developed

areas both inland and further north, and to facilitate these moves it offered cheap land, tax breaks and other incentives as enticements. The example above of an organisation told by the MEP to sell their new factory as the technology was considered too dirty highlights the coercive power of the MEP. These moves to less developed regions may result in disadvantaging these regions further, if they become the repository of dirty technologies. The main attraction of these areas was that the minimum wage can be either half that of the more established areas, or even non-existent as in the example of Hunan. One factory who had relocated some years previously described the experience as a disaster. They explained that the supply chain was problematic and the workers were both inexperienced and hard to control, which resulted in them returning to Dongguan. They all reported that the electricity supply was unstable, which resulted in one factory working overnight in the summer months, when the demand for air-conditioning made the problem even worse. One of the other factories had relocated and was paying more for a guaranteed stable supply.   There were local chambers of commerce and business clubs but unsurprisingly in a low trust economy the businesses were unanimous in saying that they would not trust their secrets to people with whom they do not share guanxi (Singh 2007, Nojonen 2004).

All six senior management teams described competition in China as fierce, with technology encouraging more new entrants as suggested by Jacobides & MacDuffie (2013). With a population of 1.4 billion China is encouraging domestic consumption, as highlighted by Yu & Luo (2018), Sun & Grimes (2016) and Yang (2014), resulting in the internal market growing exponentially. However, this only affected one of the organisations in the study as the other five at the time relied on

export. All six organisations in the study aimed to build guanxi (Huang et al 2020, Xiao & Cooke 2020b) in order to try and create stronger ties with their customers. However, it is open to conjecture as to whether customers valued these ties as they all put price pressure on their suppliers. This includes Midea, although one would possibly expect to see the influence of guanxi in their supplier relationships as they were also Asian.

The discourse then moved on to consider governance or how the chain is controlled and coordinated (Buhmann et al 2019, Gereffi & Fernandez-Stark 2016). Examples from the factories showed that the OEMs used price and cost effectiveness as the main drivers in their inter-actions with their suppliers (Gereffi 2014, Gibbon et al 2008). The researcher concurs with Levy who contends that this type of interaction was unlikely to result in *"win-win"* (Levy, 2005:686) outcomes for all. A prime example of this involved Midea, who gave one of the factories an award for supplying for ten years without a single failure. Despite this they continued to invite all potential suppliers, including the factory in question, every year to an open tender where the only determinant was price. This is another example which shows the power of the buyers within the chain as suggested by Barrientos et al (2016), Sun & Grimes (2016) and Ponte & Sturgeon (2014). It is open to conjecture regarding Midea's strategy, which appeared to be more in line with international multi-cultural organisations. However as it is a publicly quoted company with a turnover of twenty-two billion USD and with one-hundred-thousand employees worldwide (Midea 2020), the researcher contends that it is reasonable to think that this would be instrumental in influencing its management strategies, which did not appear to follow the traditional practice of guanxi.

Judicial governance or how standards are set and maintained has been simplified by the harmonisation of standards such as UL and ISO, which allow value chains to become increasingly fragmented (Cooke 2018b, Gereffi 2014, Gibbon et al 2008). However, it was found that an organisation auditing these standards was fraudulently trading, which suggests that certification cannot be relied on due to the levels of corruption.

The discourse then turned to consider executive governance with practical examples of how lead firms have assisted their suppliers to upgrade (Cooke 2018b, Gereffi & Fernandez-Stark 2016, Gereffi et al 2005, Kaplinsky 2000). Three examples were given, the first where one of the factories had sent their QC to try and improve the processes of their supplier, to stop a high failure rate with a waterproof connector. They explained that the tooling for the connector was very expensive, so they needed to try and find a solution. The other two examples show how OEMs routinely and regularly worked with their suppliers to improve their processes, although the researcher suggests this is likely to have more to do with efficiency gains in order to control costs.

The empirical data shows that all six factories were following a mixture of upgrading strategies, including automation to try and reduce their costs, particularly the cost of labour, and to standardise their quality. In addition they were all moving to higher value added activities to improve their position in the value chain, with a view to increasing their margins and to make them less vulnerable within the chain (Barrientos et al 2016, Gereffi & Fernandez-Stark 2016, Sun & Grimes 2016).

One construct that one rarely reads about when considering the GVC is corruption, however this study would not be complete without a consideration of it, as it is both deep-seated and institutionalised (Chan & Selden 2014, Xiao & Cooke 2012, Shen 2008, Gallagher 2004). The empirical evidence from the current study shows that it is both pervasive and deep-rooted.

Having concluded this chapter, the next chapter takes a similar approach in that it seeks to understand the lived reality of the participants, but this time from a multi-stakeholder perspective. Views and opinions from all levels of the six organisations in the study were sought. These included the owners and senior managers, the middle managers, line leaders and the migrant workers who have been described as the largest disadvantaged group (Cooke 2011a) and whose voices up to now have gone largely unheard (Cooke 2009).

Chapter 6: HRM Findings

6.1 Introduction to HRM Findings

The aim of this chapter is to generate an understanding of the world of work in Chinese SMEs. It takes a multi-stakeholder approach as advocated by Beer et al (2015) and draws on empirical evidence generated from the one hundred and eighty participants in the study. It paints a picture of complex social phenomena from the perspectives of the people who understand them. In particular the voices of the migrant workers which are largely missing from the extant literature are brought to the fore (Cooke 2009).

The chapter begins with a consideration of the macro environment in China, where a single party has been in power for more than seventy years, which has led to a unique institutional and cultural context (Huang et al 2020, Cooke 2018a&b, Johnson et al 2018, Brookes et al 2017, Beer et al 2015, Syed & Pg Omar 2012, Colakoglu et al 2006, Cooke 2004). This context is pivotal in shaping the industrial relations landscape and its processes and practices (Collings et al 2018, Cooke 2018a, Gooderham et al 2018, Brookes et al 2017, Beer et al 2015).

Evidence from the study shows that Chinese SMEs were on a HRM learning curve and were moving from theory X HRM practices to theory Y (McGregor1957). This can be evidenced in managers learning to be more agreeable and encouraging a family feeling in their organisations. The discourse considers the individual HRM practices which were in use and discusses how much adaption was needed to what are predominantly Western HRM practices to suit Chinese cultural preferences

(Cooke et al 2020a, Gu & Nolan 2017, Cooke 2013 & 2004, Yang 2012, Zhang 2012, Zhao & Du 2012, Warner 2009, Gamble 2006, Colakoglu et al 2006).   The discourse now moves on to consider the macro environment.

6.2 Macro Environment & its Effects on HRM Policies & Practices

The extent to which the PRC has the ability to shape its socio-economic environment can be seen in two direct interventions. Firstly the Open Door Policy, which was developed to allow China to modernise its economy and evolve into a market driven economy, whilst remaining a socialist state (Budhwar & Debrah 2001). Secondly the One Child Policy, which was introduced in the late seventies to curb a potential population explosion. The researcher concurs with seminal writers such as Cooke (2011b) and Storey (2007), who have persuasively argued that under such an authoritarian regime coercive control is easier to achieve than in more democratic regimes.

In order to capture the unique and multi-layered context of the research participants, Layder's research map was used as a conceptual framework (see Appendix 1). Labour market reform was pivotal in shaping the current industrial relations landscape and it is to this construct that the discussion now turns.

6.2.1 Labour Market Reform

The PRC used the Open Door Policy to modernise its economy, allowing FDI in special economic zones which were established in coastal regions. The Iron Rice Bowl system of industrial relations, which was typified by cradle to grave welfare, lifetime employment and egalitarian pay, was replaced by labour laws (Xiao & Cooke 2020b, Busse et al 2016, Zhu & Dowling 2002). These were designed to improve efficiency by ending lifetime employment and to curb exploitation by granting minimum basic employment rights (Xiao & Cooke 2020b, Busse et al 2016, Zhang 2012, Warner 2011, Akhtar et al 2008, Gallagher 2004, Zhu & Dowling 2002, Budhwar & Debrah 2001). The economic reforms resulted in large income gaps between owners, managers and the majority of the workforce which is low skilled, a disparity which was driving social instability and industrial unrest (Chan & Selden 2014, Cooke 2013 & 2011a, Boxall & Purcell 2011, Shen 2010 & 2008, Cunningham & Rowley 2007). To try and curb industrial unrest, the Government promulgated labour laws to try and redress some of the inequalities in the system and to protect worker's rights (Shen 2010). One of these was the introduction of labour contracts, to which the discussion now turns, with empirical evidence which shows how these are used in practice.

6.2.2 Labour Contracts

The senior management teams in all six organisations in the study reported that they used the local government labour contracts, an example of which can be seen

in Appendix 11. They were universal in saying that employment contracts were good and offered the workers protection.

As was said in the introduction contracts were not universally accepted, with less than forty percent of migrant workers having signed their contracts (China Labour Bulletin 2017, Shen 2010). There were conflicting reasons given for this phenomenon, from not wanting to be tied to their employer (Shen 2010) to not wanting to pay the compulsory social insurance (Cooke 2011c). We now turn to the data to try and understand the construct from the participants' viewpoint. It would be possible for someone who knew the researcher in her former role to work out who some of the factories in the study were. However, the researcher had guaranteed anonymity to the participants. In addition, as many were admitting to breaking the law, the identity of the speakers in this section of the study have been deliberately omitted. The answers have been jumbled so they do not follow a descending or ascending logic, again to obscure their origin:

> *"Before boss was like an emperor worker had no power, contract gives them more security."*

> *"The factory leave it to us, we can decide to sign or not. We both have to be willing the factory and the worker to sign. It's like a marriage."*

> *"We have all signed but we have the right to say no. In other factories, many do not sign as they want the right to leave."*

> *"If don't sign contract, don't have to give notice, then can't be cheated."*

> *"If don't sign contract, then just leave then they cannot deduct, have to leave the day you are paid."*

In response to these last two comments the focus group were asked if they had experience of factories withholding wages. The meeting erupted with people talking excitedly and all giving examples of former employers *'cheating them on wages'*, which was the most commonly used term to describe this phenomenon. These feelings of being cheated were replicated across the other focus groups.

One of the quotes below shows that there was confusion with the contract terms, regarding the right to give notice, as it is not specified in the contract:

P128F5

> *"Signed contract view it as black and white contract, but still have freedom, can leave anytime."*

P156F6

> *"I do not like, one of the terms is that we have to stay here for two years. It is too long."*

Managers in the study later confirmed workers can give one month's notice anytime during the contract period. In some focus groups the majority of participants asserted that it was their right to choose whether to sign the contract or not. In others, participants were more subdued, clearly uncomfortable, looking down and not joining in. The researcher was given an insight into what was happening in practice, when two workers in separate focus groups talked about social insurance:

> *"Social security we buy insurance from our home town, but work here. If I have a problem it is difficult to claim."*

> *"Insurance premium according to where we buy. Urban insurance more expensive but more benefits."*

These last two comments, coupled with observations on the participants' body language led the researcher to go back to the owners and senior management teams and probe this construct further. Considering the migrant workers all have rural hukous and were reliant on their employers for their wellbeing (China Labour Bulletin 2018, Chan 2013, Swift 2011, Mitchell 2009), it would be reasonable to expect them to be happy to have employment security as this was supposed to enhance the employment relationship and create attachment between the employer and the employees (Liu et al 2019, Brookes et al 2017, Delery & Roumpi 2017, Tian et al 2016, Huang & Gamble 2015, Price 2015). The researcher asked the question, *"What can you tell me about why workers do not want to sign their contract of employment?"* The quote below is typical of what owners and the senior management teams said and reveals the real reason why the workers do not want to sign:

> *"Workers do not want to sign, nobody trusts the Government. Social Security 300 RMB, ten percent of their salary, workers prefer cash. Don't believe/trust Government. Can't get until 60 plus. China big corruption, Government officials will be O.K, but others?"*

Empirical examples of corruption were given in the previous chapter, and the example above demonstrates how deep-rooted and pervasive the practice is. Social insurance is specifically covered in the Government Employment Contract (Appendix 11, Section 5, page 360). Withholding the payment of social insurance is also covered (Section D3, page 364), which indicates that the practice of withholding of the insurance is recognised by the Government. From the

researchers own experience this is the norm, as other factories not in the study also

confirmed it is standard practice. The factories asked the workers to sign a separate

opt-out contract to try and protect themselves against any disgruntled workers

reporting their actions to the labour department. This norm supports earlier work

which has reported that in China cash is king (Xiao & Cooke 2020b, Wong 2019,

Chow & Liu 2009, Tung & Baumann 2009, Shen 2008). Having considered labour

contracts and how these were used in practice, the discourse now moves on to

consider the One Child Policy and the impact this has had on work ethic.

6.2.3 One Child Policy & Work Ethic

All six senior management teams reported that retaining young workers was one of

their most significant headaches. Considering they were so difficult to manage, it

would seem a reasonable response for the factories to seek to employ only older

workers. The reasons behind the need to employ younger workers can be seen in

the quotes from two managers:

P39F2:

> "*In assembly eyesight is very important, therefore need younger workers.*"

P174F4:

> "*We are constantly recruiting, problem to retain younger workers. Oldies*
> *more stable, but some of the work is very delicate, need nimble hands, so*
> *need younger workers.*"

The quotes above support work by Siu (2020, 2019) who also explained

management strategies behind employing younger women workers who they

explained had nimbler hands and were considered by managers as easier to control and more able to keep up with the fast paced piece rate work than men.

The owners and senior managers opinions on the differences in the work ethic between the generations can been seen in the following quotes:

P159F1:

> "Oldies very poor, grateful, just want to work, poorly educated, never speak of leisure/rest. Young workers with less than 3 months service have a poor attitude to work. Little Emperors, normally bored, within a couple of months' money in their pocket, if friends also have money, they leave. Easy to find another job when money runs out. Don't like overtime. Turnover 20-25% for young workers, if they stay more than 3 months, then will be more stable."

P33F2:

> "Young workers want less overtime, older workers will leave if not enough."

P164F4:

> "Little emperors, I child plus 4 oldies if married 8 oldies, will support young person if not working. Young workers want easy job don't want to work hard e.g. purchasing assistant just left, too much pressure no time to manicure her nails. Had more free time in her last role, must be careful not to make work too hard. Still not fully staffed after CNY [4 months ago]. Turnover with young workers 50%+ since CNY. Young workers don't want pressure."

P166F5:

> "Oldies just want to work, work very hard, very long days and 7 days a week. Previously Dorms* very basic, crowded, not sanitary, oldies grateful, never complain.   Young people more materialistic, want possessions and better standard of living.   Turnover, 25-30% with workers with less than 3 months service. Expect non-return rate from CNY to be as high as 40% +."
>
> * Dormitories are colloquially referred to as dorms.

The quotes above show clear generational differences, with those born under the One Child Policy labelled by the managers as little emperors who were not prepared to endure the long hours that their parents worked. The younger generation were described by all the groups as very spoiled, easily bored, more materialistic and more combative than their parents, which supports earlier work by Zhu et al (2015), Chan & Selden (2014), Wang et al (2014) and Swift (2011). The focus groups included a spectrum of ages from sixteen to fifty years of age. When asked about the younger generation the focus groups reflected the opinions of the senior management, in that they said if the young workers were not happy they simply left and relied on the financial support of two parents and four grandparents, labelled the '4-2-1' (Campbell 2019, Hruby 2018). The following is typical of the comments made:

P18F1:

> *"Young workers not stable, very spoilt."*

The empirical evidence supports earlier work which shows generational differences between those born under the One Child Policy and the older generation of workers. These older workers have been categorised as obedient and biddable (Gamble & Tian 2015, Zhang 2012, Warner 2011). The One Child Policy was introduced in the late seventies, so this generation were at the time in their forties or younger. At the time the factories all relied on the older generation as the backbone of their workforce, however this group were aging and would not be part of the workforce for very much longer. Therefore there was an urgent and growing need for the factories to find ways to motivate and retain the little emperors. As discussed in Section 3.5.4 the younger generation were said to appreciate

involvement initiatives and showed a preference for a participative management style (Gu & Nolan 2017, Cui et al 2016, Zhu et al 2015, Huang & Gamble 2011). As discussed in Section 3.6.3 in prestigious technology companies such as Huawei the younger generation were said to work what was labelled the 996 schedule for the hubris of working for an elite employer (Cooke et al 2020a, Xiao & Cooke 2020a). SMEs are at a disadvantage as they lack a strong brand identity, however the fact that the younger generation could be motivated suggests organisations need to change their approach to this demographic, as they are the workforce of both the present and the future. Having considered the practical implications of the One Child Policy and its implications for HRM, the discourse moves on to consider another contextual imperative, that of automation, which had the potential for major job losses (Girault 2018, Cooke 2013, Akhtar et al 2008).

6.2.4 Automation

The Government is encouraging Automation and gives factories grants for installing automatic and semi-automatic equipment. The following examples show the multi-stakeholders' opinions on Automation, starting with the owners and senior managers:

P164F4:

> *"Cost is always the biggest pressure, have used automation to try and take out some repetitive tasks, or tools to help build more efficiently."*

P66F3:

> *"Machine can work twenty-four hours, standardised quality, no emotion and no psychology needed, easier to control machinery."*

Workers all said that Automation was good and the following sentiments were repeated across all groups:

P43F2:

"*Automation is good. Can be massively efficient. But if there is a quality problem which is not found in time, could be a very big problem.*"

P126F5:

"*Now work is more manual in future automation. Next generation not easy to find job, automation will take over, will have to change to retail or services.*"

P151F6:

"*Automation will do all the boring jobs.*"

Owners were using automation to control costs and improve quality, although they said semi-automation would be more realistic. They all had small volume production runs, which meant full automation would not be cost effective. The workers were realistic in that they recognised that automation would displace some workers. They discussed having to change to the retail or services sectors, which the researcher contends misunderstands the implications automation had for significant job losses (Girault 2018, Cooke 2013, Akhtar et al 2008). In practice automation had been used to reduce both costs and lead-times and to standardise quality. Since the Government is giving grants for each machine installed, the researcher contends that the level of automation will likely reach the levels suggested by Girault (2018), Cooke (2013) and Akhtar et al (2008). The discourse now moves on to consider culture, which acts as a mediating factor on HRM practices (Yang et al 2018, Gu & Nolan 2017, Syed & Pg Omar 2012, Cooke 2009, Warner 2009, Latham & Ernst 2006, Hofstede 1980).

6.2.5 Culture

Culture embeds values and attitudes in individuals. In China these are characterized by collectivism, Confucianism, respect for authority or power distance, face and guanxi, which are seen as enduring sources which influence patterns of behaviour in the workplace (Xiao & Cooke 2020a, Yang et al 2018, Gu & Nolan 2017, Syed & Pg Omar 2012, Cooke 2009, Warner 2009, Latham & Ernst 2006, Hofstede 1980). The discourse now uses the participants' voices to explain these cultural values and attitudes from their perspective.

6.2.5.1 Family & Respect for Authority

Earlier in this work it was argued that family is a major Confucian value. Examples of this arose when discussing having a family with the focus groups, and show how deep-rooted these values were. In response to the researcher's question "*Can you just decide to have a baby",* the following comments highlight how little control the women had in this area of their lives:

 P27F1:

> "*Women have no rights, family decide. The family normally want a baby and under their pressure we have no choice.*"

The above comment confirmed what the researcher had been told by business women over the years that they were under pressure from their family if they were still single in their mid or late twenties. These comments support work by Siu (2020) who contends that women also use migration to escape gender oppression and the subjugation of patriarchal control. Once married the pressure on the

women then focused on providing grandchildren. What the researcher had not

heard before and acted as a timely reminder of potential bias, was the follow-up

comment:

P27F1:

"*We may have to have an abortion, again decided by the family.*"

This last comment was said in a very matter-of-fact manner by one of the women in

the focus group, which was made up of ten workers, all women, ranging in age from

twenty-three to forty-five. Everyone else in the group either verbally agreed or

nodded along with these comments. This phenomenon also came up in another of

the focus groups and was said by a thirty year old female university graduate, who

was an office worker:

P52FS2*:*

"*We can just decide, tradition at least one, have to. We are Chinese, it is our
tradition to have baby.*"

P33F2 (a male HR Manager):

"*We can decide, but parents can force us to have baby, big pressure*."

Everyone else in the room nodded along in agreement with these two comments.

The researcher explained to the group that earlier in the week, female participants

in another focus group said family members can also put pressure on them to have

an abortion. Everyone in the room nodded in response to this statement. The

focus group was made up of fifteen people, with a mix of two senior managers one

female one male, both graduates, one male middle manager educated to senior

secondary school level, one female line leader educated to junior secondary school

level, eight workers two males and six females all educated to junior secondary

school level and three office workers all female and graduates. The age range in the group was from the youngest at eighteen to the oldest at forty years of age. This group also treated the phenomenon as normal and several of the participants commented: *"it is our way."* The quotes above show practical examples across more than one focus group and from a range of demographics which once again support work by Siu (2020) who described gender oppression and patriarchal control. The power of the family is also evidenced in a study by Li et al (2014), who found that one of the four reasons most commonly given for internal migration was pressure from their family. This was also the case in the current study with all the migrant workers having left home for financial reasons. Having considered family and respect for authority from the participants' viewpoint the discourse now moves on to consider their views on maintaining harmony.

6.2.5.2 Maintaining Harmony in a Collectivist Culture

The extant literature explains the maintenance of harmony in the employment relationship as putting reciprocal obligations on all. Examples given by the senior management revealed some contradictions:

P174F4:

> *"Managers are encouraged to act like a family, say good morning, how are you, show concern. Previously managers are concerned with status, not polite. Have learned to be more agreeable."*

A similar sentiment was voiced by participant 163F3:

> *"Theory X & Y learnt in college, no need for strong power, need communication, not dictatorial. China gradually shifting to Theory Y."*

The owners and senior managers in the six factories said that creating a family feeling is a must and that without it workers would leave. They explained how they actively encouraged this family feeling and used it to underpin the feeling of being part of a harmonious collective. They all gave examples of being helpful listening and encouraging workers to speak. The quotes above show that this is a learned behaviour as Chinese managers are now encouraged to be more agreeable, which supports work by Siu (2020, 2017) who also showed that control mechanisms are in flux and now include coercive control.

The importance of a family feeling was also supported in all the focus group discussions. In fact there was so many examples given that the groups often erupted into laughter and clapping. The following are examples of what was said:

P4F1:

> *"The boss is like our parent and all workers are like his son/daughter, it's like a family to work here. The factory treat us good, even ex-worker who comes back, is always welcome. We saw such and felt good."*

P31F1:

> *"This factory does not offer dormitories. We are poor and live in simple wooden houses. When the typhoons come the houses are not strong enough, the boss says come and stay in the factory for safety. There are no beds, but I am very impressed with the management concern for our safety."*

P90F4:

> *"The management here is good, if for example you have some special reason like family issue and want sudden leave, this factory will allow this. More understanding than other factories, who do not allow any sudden leave."*

A further example from a different dimension came from a manager:

P169F5:

> "*If factory is busy no problems. Need at times to guarantee minimum salaries, even to those on piece rate, or there will be fighting.*"

Everyone else in the group nodded in agreement with the above quote, which included other managers, line leaders and workers. The topic of fighting was raised in another focus group when they were asked by the researcher, "W*hat one thing would you do differently if you were a manager?*":

P63F3:

> "*Organise the whole company for recreation, must be own will/choice to join in or not. Busy together fight together recreation leisure better than fight.*"

Others in this group signalled their agreement with these comments. Considering harmony is a fundamental Confucian value (Xiao & Cooke 2020b, Yang 2012, Huang & Gamble 2011, Cooke 2009), the researcher was at first surprised to hear different groups talking about fighting. Owners and managers explained that when workers are new, they need to get used to working and living together and there is often a 'settling in period'. This is certainly true for participant 63 above, who had only been with the factory in question one month. The senior management teams in all six organisations, said that most fighting occurred if the factories were not busy and overtime was reduced or stopped. Considering the Chinese propensity to save (Wong 2019, Chan & Selden 2014) and their strong "*cash now mentality*" (Shen 2008:102), the researcher contends it is to be expected that this hugely disadvantaged group (Cooke 2011a) would respond negatively if their overtime was cut, as it could half their salaries (table 1 page 104). Having discussed harmony and

the importance of creating a family feeling particularly from the migrant workers viewpoint, the discussion now moves on to consider another key cultural trait, that of guanxi (Xiao & Cooke 2020b, Zhang 2012, Yeung 2005).

6.2.5.3 Guanxi

The literature review showed Guanxi as an important cultural trait (Huang et al 2020, Xiao & Cooke 2020b, Yang et al 2018). However, the researcher argues that the extant literature did not situate it as the most important cultural influence which plays a fundamental and ubiquitous role in daily life. When the topic was first introduced it was met with complete silence in groups which had been lively until then.

One worker who had been quite vocal up to now but had said nothing so far about guanxi. She was asked directly if she thought the influence of guanxi is changing, her response was:

P27F1:

>   *"Never thought about this before and have no idea or comment."*

There was lots of nodding around the room in response to this comment. This reaction was mirrored across the focus groups and the following comments were typical of workers responses, as no group got into any depth around the subject:

P85F4:

>   *"Guanxi is fundamental."*

P98F4:

>*"Guanxi is our way."*

The owners, managers and line leaders were less reticent on the subject:

P67F3:

>*"Depends on case by case, if you do something right guanxi unimportant. If you do something wrong and need a short cut, then need guanxi then it will be very important."*

P126F5:

>*"Skills will become more important if you have skills and guanxi very lucky."*

P175F4:

>*"No way, thing are changing President Xi is locking up corrupt officials, but guanxi is a way of life."*

The female owner of Factory Five mirrored the comments of other owners but added some subtle nuances when she said:

P166F5:

>*"Guanxi is the most important cultural influence in China. It's a kind of knowledge, communication, relationships. Guanxi always important, maybe in a very, very, very, very long time, it will reduce. Shenzhen is well organised, if more regulations guanxi may reduce. Inside inland China it is even more important. Mr. Xi is doing a very good job, trying to make things more standard, less corruption more open but will take a very long time. Big cities will standardise, modernise, and introduce systems first. Then other cities but slowly, slowly. "*

The older generation are said to have a higher power distance orientation and are therefore likely to perceive guanxi as normative (Yang et al 2018, Gu & Nolan 2017,

Kim et al 2016). Yet there was consensus at all levels and with all generations in the study that whilst guanxi is changing, its influence will endure for generations. None of the participants in the study could envision a time when it would not be important, as they explained that guanxi was a deeply ingrained way of life.

When this topic was introduced it was met with complete silence in four of the focus groups. It appears that guanxi was not a term that the workers usually use. It may be that the construct is just accepted as the norm and not given a name or label, although back-door seemed a more understood term. Two of the groups began to discuss the subject following a further explanation from someone within the group, normally a line leader or manager. Where there were only workers in the group, the translator who, as explained in the methodology chapter is a thespian, acted out not going through the front door and going round the back. This met with laughter and nodding. Although beyond saying it is their culture or way, they seemed puzzled or reluctant to discuss the subject and certainly the researcher suggests their responses indicated that it was their way of life and they do not question it. The discussion now moves on to considers power distance and the effects this had on group dynamics.

6.2.5.4 Focus Groups & Hierarchy

There are no quotes in this section as this is an analysis of the researcher's observations of focus group behaviour during group discussions. It has been proposed that in a focus group scenario some participants may not feel comfortable

in the presence of someone who is in a higher hierarchical position to them (Yin 2014, Robson 2013, Saunders et al 2012). This had both positive and negative impacts in the focus groups. The negative impact occurred when one owner joined a group and his presence appeared to dampen the interactions with the workers. They were then reluctant to discuss some topics, such as Would you recommend the company as a good employer?, What one thing would you do differently if you were a manager? and What form of discipline is in use? The group were also much quieter than other groups. The researcher later explained to the owner that his presence may have had a negative impact and in fairness to him he understood and did not attend the subsequent meeting held a year later. This subsequent meeting was much livelier and mirrored similar interactions with other groups. However in other groups, the presence of line leaders and managers had a positive impact on interactions. The line leaders in particular encouraged reticent workers to open up and join the discussions. It would appear that in practice the hierarchical effect was mitigated when the positional gap between the participants was narrow and exaggerated when the gap increased, thus mirroring the Confucian cultural trait of respect for authority and power distance (Xiao & Cooke 2020a, Yang et al 2018, Gu & Nolan 2017). The discussion now moves on to consider education which is pivotal, if China is to transition to become a knowledge-based economy (Cooke et al 2020b, Gereffi 2020, Cooke 2013, Zhang 2012, Akhtar et al 2008).

6.2.6 Education & the Dissemination of HRM in China

Nine years of education was made mandatory in China in 1986 (China Labour

Bulletin 2018, Cunningham & Rowley 2007, Hutchings 2004). Primary education

takes five to six years, while senior-secondary lasts a further three to four years.

Therefore any participant in the current study over the age of twenty-nine when the

final focus group interviews took place would have completed only five to six years

of education. This low level of education was confirmed by participants in the

current study. An example of the practical implications of this low level of

education for business was given by a line leader:

P37F2:

> *"Even if a worker felt something was wrong on the production line, they won't*
> *speak out and/or ask, they let the issue go on down the line. Need to train the*
> *workers in self- discipline, to not let any problem go to the next station.*
> *Intensive training to show them how important it is that they find problems*
> *themselves."*

The senior management teams all said when training they have two objectives, the

first was to educate the workers mind-set and the second was to upskill them.

Participants in the focus groups also voiced opinions that reflect these views.

All six senior management teams said China had learnt a lot from FDI with managers

from Taiwan and Hong Kong bringing HRM practices with them. These practices are

then filtered down through a form of isomorphism (Cooke 2013, Akhtar et al 2008)

which has helped the development and implementation of HRM practices in China.

The effects this has had on indigenous firms can be seen in the comment below, which was a short discussion between two participants:

P166F5 & P113F5:

> *"Managers are encouraged to communicate not dictate, encourage, show*
> *interest, care. Previously factories not experienced with how to manage and*
> *develop workers, more about control. Have learned to manage, learnt from*
> *FDI and managers from HK and Taiwan who are more experienced."*

This low level of education goes some way to explaining why China became the workshop of the world (Danciu 2020, Yu & Luo 2018, Sun & Grimes 2016, Yang 2014). As China transitions to become a knowledge-based economy the migrant workers, who have already been described as the largest disadvantaged group (Cooke 2011a), are likely to become even more marginalised. Having discussed the low level of educational achievement in China and its implications for HRM, the discourse now turns to the hukou and dormitories which are key in delivering a low cost labour force to the EOI.

6.2.7 Hukou & Dormitories

The Chinese Hukou works like a caste system, dividing the population into rural or urban. Once the migrant workers leave their hometowns and villages to travel south to find better paid work they are denied social and welfare rights in the urban sectors, where the majority of the work is located (Zhou 2014, Mitchell 2009). This results in the majority of the workforce being totally reliant on their employers for their welfare needs (China Labour Bulletin 2017, Zhao et al 2017, Roberts 2014,

Swift 2011) and has resulted in the dormitory regime. The notion that Chinese work ethic is given primacy over family life was explored in the literature review (Cooke 2018a, Huang & Gamble 2015, Xiao & Cooke 2012).   This was borne out in the focus groups and the following is what one manager said on the subject:

P90F4:

> *"Normally only one child and working far away, our relationship not that close, more like brother or sister relationship."*

At the beginning of the study two of the factories, one and three, did not offer dormitories. Factory One previously offered dormitories, but decided that they were not of a good enough standard and were at the time using the former dormitory land to expand the factory. Factory number three had been through a few turbulent years, however during the study they started to share dormitory facilities with their latest business partner. Of the factories who offered dormitories, all reported that there was a growing trend for people wanting to live outside. It tended to be younger workers who wanted more freedom and people on higher salaries, so managers and line leaders. This is partly driven by the need for a two month deposit plus one month's rent up front, so three months in total and it was explained that migrant workers do not have the money. There was consensus across the senior management teams that the cost of renting outside was 200-300 RMB per month (approximately twenty to thirty GBP), plus 100 RMB for electricity. All the factories offered a 50 RMB monthly allowance towards the cost of rent (approximately five GBP). Seventy to eighty percent of workers and managers in the study lived in dormitories, Factory Five offered family dormitories,

and only two to three percent of their employees lived outside. This was borne out in the focus group with only one person from Factory Five living outside. A family dormitory was at the time unusual as only one of the factories offered them, while another was building them in their new factory which was under construction, and a third was thinking of it but they would have to relocate to facilitate this.

The workers' reliance on their employers resulted in the majority of the workforce living in factory supplied dormitories and being given three meals a day, again also supplied by the employers (China Labour Bulletin 2018, Chan 2013). Little was known of what life was like living in factory dormitories prior to the current study and it is to this subject that the discourse now turns.

The occupancy rate averaged eight beds to a dormitory room but this was beginning to change as managers were taught to be more caring. The number of workers per dormitory room had reduced to six with the spare beds used for luggage:

P128F5:

> *"Previously did not care filled up rooms, left some vacant. Now more thoughtful give everyone more space."*

The factories assigned dormitory rooms to the workers, normally organised around the work-group and the workers were not given any choice of who they shared with. The managers' dormitories had four beds per room instead of the normal eight and had better facilities including for example baths and tables and chairs, while the workers shared toilets and shower facilities.

Four of the five organisations had a dormitory keeper who ensured that the dormitory was kept clean and they would remove any prohibited items, such as knifes and alcohol. Other rules included no fighting, a limit on the number of items

requiring electrical recharge and twelve o'clock lights out. They also had a rota

showing who was responsible each day to clean the floor and the washroom.

Factory Two followed McKinsey's 7s principles throughout the factory and had a 7s

audit team who regularly inspected the dormitories:

P51F2:

> "If a worker does not tidy up, rubbish, cigarette ends, untidy, the 7s audit
> team will punish the whole dorm."

Participant 32 who was a manger expanded on this last comment and confirmed

that the first time they transgressed they would receive a warning. The rest of the

group agreed with this comment. The researcher then asked if the 7s audit team

had ever punished the whole dormitory?

P51F2:

> "Yes, there was one case, one worker did not tidy up his area and the whole
> room were given penalty of 20 RMB for each person. Also warning notice in
> the factory."

P45F2:

> "Others in the dorm would not be happy, cannot be an excellent worker with
> big black mark."

Two of the factories ran an excellent worker scheme, which is covered in greater

detail under the heading Motivation Section 6.3.2. All groups reported that noise

was the worst issue of living in dormitories, making it difficult to sleep. The

researcher enquired further as she had been told earlier that there was a curfew

and the workers laughed in response:

P77F4:

"There is a rule, but with almost three hundred people living in the dorm, even when people are talking quietly it is still loud."

P152F6:

"It is a bad experience. The sleeping hours are not the same, cannot sleep with others coming and going."

These last two sentiments were echoed across all the focus groups, with only two people expressing opposing views. Both these participants said they loved living in the dormitories and the fact that they are loud and crowded. Other criticisms of dormitory living included: music being played too loud; washrooms that were too small; and finally not enough chairs to sit on resulting in them having to sit on their beds.

Living outside was said to be quieter and more peaceful. Workers liked the freedom to come and go as they pleased and they also valued their privacy and the opportunity to have their friends visit. Dormitories were single sex and if the factories employed both sexes, they would be housed in separate dormitories. This means married couples could not live together unless the factory offered family dormitories. Having used the participants' words to paint a picture of life in dormitories, the discourse now moves on to consider Hukou reform and what this meant to the participants.

6.2.7.1 Hukou Reform

The Government's plan to reform the Hukou system were discussed in the HRM

literature review Section 3.6.1. In brief the objective is to have sixty percent of the

population living in cities by 2020, with forty-five percent of these covered by a full

urban Hukou (Wong 2019, Sheehan 2017, The Economist 2014).

The subject of Hukou conversion met mostly with stunned silence from the

workers. University graduates were more likely to be aware of the discourse

around the subject and the researcher had to explain to five of the focus groups

what had been proposed by the Government. Participants in Factory Three were

aware of the ongoing debate, having been briefed on the subject by the factory

owner. When asked what the proposed changes to the Hukou system would mean

to them, the workers were largely silent. The comment made by participant 146

below was the only comment made by a worker, and the other comments were

from managers and an office worker who was a graduate:

P146F6:

> *"Will only affect people with agricultural land, agricultural land is reducing*
> *and this is unfair to rural people."*

P33F2:

> *"Nothing, I do not believe it."*

P34F2:

> *"Will not really happen in China, not put in five year plan. Beautify only, for*
> *show."*

P32F2:

> *"To surrender rural Hukou, means also have to surrender my right to rural land. Price of land increasing rapidly, if I surrender my Hukou and my hometown develops, could lose double."*

P66F3:

> *"Education level will be fairer for children from different areas. Also medical welfare will be more equal, agricultural welfare is not as good as urban. One Child Policy if have two babies, one kept hidden. Changed Hukou will be fairer."*

P113F5:

> *"Supposed to be 2020, but do not think it will be that quick."*

The percentage with an urban Hukou has been increasing although migrant workers have proved reluctant to convert their Hukou, as to do so meant they would have to give up their right to the use of collective land in their hometowns. In a study by the Renmin University only twelve percent of respondents said they would be willing to give up their rights to the land (Fan 2017).   The value of land had increased sharply in recent years and as corruption in China is legendary, this had resulted in the main source of unrest involving disputes over exploitation by local governments regarding expropriation of land (Sheehan 2017, Chan 2013, Göbel & Ong 2012).

As with other subjects the participants' opinions showed a dichotomy, in that some felt it would never happen and others were looking forward to a more equal society. The owners all thought that the changed Hukou would ultimately mean there would be no need for dormitories, but they all felt this would be a very long

time in coming. Having considered what it meant in practice to live in dormitories and what the people in the study thought of Hukou reform, the discourse now moves on to the meso and micro environment and considers the implications of these policies on HRM from the perspectives of the people in the study.

6.3 HRM Practices

6.3.1 Recruitment

All six factories used a variety of methods to recruit and the most successful method by far was personal recommendation. This method was said to aid retention as the new worker already had a good idea of what to expect. This supports work by Han & Han (2009) and Wilson & Jones (2008), who concluded that this resulted in greater role clarity and more realistic expectations. Critics of the use of guanxi in recruitment have argued that it can lead to unsuitable people being employed and even promoted due to their personal connections (Xiao & Cooke 2020b, Zhang 2012, Yeung 2005). However at the level of assembly workers, all senior management teams reported that retention was higher for employees recruited in this way. An example of how this guanxi recruitment previously worked in practice can be seen in the comment below:

P39F2:

> "*In previous times, when workers have a relationship, if factory is recruiting for thirty people, even if they are full up but you have guanxi then apply. Can get a position even if full up. Now thirty is thirty, no special relationship allowed to disturb the rule.*"

However things have changed since then, and at the time of the study all the factories paid an introduction fee ranging from 200 to 500 RMB per recommendation, payable to the referrer once the new worker had stayed for a minimum of three months. This word of mouth recommendation resulted in clusters of workers from the same region in each of the factories. For example in one factory approximately fifty percent of their workforce came from Hunan, with Hubei representing another thirty-five percent.

The second most popular recruitment method was the use of recruitment boards, which usually show photographs of the inside of the factory, salary levels and benefits (see Appendix 19). These boards were usually positioned outside the factories and increasingly at entrances to industrial estates (see Appendix 20). However, the workers did not believe the information provided on the boards, as can be seen in the comments which follow:

P5F1:

"My last factory the board looked beautiful, but not the reality."

P65F3:

"All newcomers have factory tour & interview, can only know if you look. Some factories photo on board just show. Nobody believes them at all."

The managers also monitored the recruitment boards of factories within their locale and mirrored the workers feelings. The following comment is typical of what was said about them:

P171F6:

> *"Recruitment boards outside all factories so it is easy to check what others are paying. Some Taiwanese companies cheat advertise 5000 RMB, then deduct more for dorms and catering."*

All organisations used job fairs as a last resort if word of mouth was not successful and the paradoxes behind this can be seen in comments from an owner and HR manager:

P164F4:

> *"Booth at local fair, held twice per week, costs 300 RMB per day. Have to decide immediately. Have car available to put worker in. If they walk away next factory will offer more."*

P113F5:

> *"If we have orders to fulfil and no word of mouth then will try other methods, but maybe short-term, if workers don't like."*

The quotes above confirm that the factories were under pressure from short lead-time orders (Dundon & Wilkinson 2018, Choksy et al 2017, Ponte & Sturgeon 2014, Riisgaard & Hammer 2011, Gibbon et al 2008, Pietrobelli & Saliola 2008) which resulted in them continually recruiting. However, this form of recruitment did not lead to retention particularly with younger workers (Campbell 2019, Hruby 2018) and appeared more like a self-fulfilling prophecy.

All factory owners in the study talked about professionalising their management teams and to that end all sent their management vacancies to local universities. In Factory Two, one of the sales staff who took part in the focus groups was part of a cohort of fourteen from her university class to join the organisation that year.

Professional websites were also used by the factory owners for management recruitment. In addition there was a Government website, but it did not offer any sifting so was not considered effective. None of the organisations in the study used agencies.

Before employing any staff all factories by law had to test potential workers for diseases, including sexually transmitted diseases, and workers were sent to the local hospital for blood tests. They were retested every six to twelve months and the timing varied according to local government rules. If the manufacturing process included the use of any hazardous chemicals such as lead banned in Europe under RoHS, again the workers' blood had to be tested regularly. Having discussed the recruitment methods used, the discourse moves onto the subject of motivation.

6.3.2 Motivation

In answer to the question, "W*hat do you do to motivate workers*"?, two of the factories ran an excellent worker scheme, although there were nuances in the approach:

P162F1:

> "*Excellent Worker award yearly. The Award is more important than the money, there is a big ceremony at the CNY dinner, red pocket money.*"

Red pocket money in the quote above refers to a red envelope, as the colour red signifies good luck and the envelope would contain money. Prior to closing for the CNY holiday it was the norm for factories to hold an end of year dinner with their

workers which the researcher had attended many times over the years. The dinner

was the owners' opportunity to thank their workers for their work in the previous

year. During the dinner there was always a ceremony where the owners reward

outstanding workers with red pocket money as in the example above. Two of the

factories used the occasion to name and reward excellent workers. There was

normally also a number of random prize draws where workers who were not

considered excellent could win a prize.

P33F2:

> *"Excellent worker reward scheme, out of every 20-30 workers there will be 1
> or 2 who are excellent. Last year the company had eight excellent workers
> who are given a red pocket. The factory encourage family feeling, will* send
> money to the family to pay for the education of their children*, like
> sponsorship for excellent workers. Worker with big black mark cannot be an
> excellent worker."*

The quote above shows that the factory used a black mark scheme of discipline

when workers' were given a small black mark for minor transgressions. Three small

black marks equated to one big black mark. A worker with a big black mark was

excluded from the excellent worker scheme, and three big black marks would result

in termination.

P33 & 39F2:

> *"The company will give excellent workers interest free loan, to buy a house.
> Every month have a small reward for excellent worker that month, will give
> smaller gift like special herbs or cake. Then at CNY overall excellent workers
> bigger red pocket, plus train ticket for CNY 400 RMB."*

Participant 33 and 39 above spoke as one, each interjecting whilst simultaneously laughing and clapping. They talked about the factory giving excellent workers loans to buy a house. How realistic this was for a factory worker the researcher suggests is open to question, as both these participants were senior managers, yet they both lived in the factory dormitory and neither owned their own home.

P32F2:

> *"Employer offered outdoor training like army combat training, to let everyone have team spirit. Would like to have more such training the plan is to do this once a year, it is the idea of the new HR manager, team building games run by outside company. Like big day out we love it, also have company picnic.*
> *If Sales targets achieved Company hire a coach & hotel accommodation for one night."*

P39F2:

> *"Let workers know what direction target for next year. Let them know we are sharing the same goal."*

P74F3:

> *"My personal feeling, bonus is one thing, not important to me, but manager's care/notice and say well done, then feel good for the whole day."*

P97F4:

> *"If do something excellent then get an extra bonus, not just words. This is something more than words. Like it when a superior notices I've taken some action. The point is someone will care and observe our work."*

The last two quotes above again show a dichotomy with participant 74 more interested in the fact that her manager had noticed her actions and said well done, which she said was more important to her than money. In contrast participant 97

was more interested in the money. This is likely to be another example of the generational differences as participant 74 was forty-five and participant 97 was twenty.

The researcher questioned *"If you are given a Bonus, how much would it be?"* P96F4:

> *"Encouragement scheme 30 RMB for a small credit, if very good 50 RMB, if excellent 100 RMB."*

The researcher asked, "W*hat other things are done to motivate the workers*?" The first quote below is from a factory owner, the second is from a HR manager:

P166F5:

> *"Recreation room inside and basketball and football pitch outside."*

Factory Five was unusual in that not only did it offer family rooms in their dormitories, in addition it had recreational facilities within the factory compound. None of the other factories in the study made any provision for recreation.

P33F2:

> *"Managers & line leaders told to encourage, be helpful, caring and open."*

Similar comments about being caring and open and not giving the workers a hard time if they did something wrong were reflected across all hierarchical levels in all six participating organisations.

Training is another construct which has the potential to motivate and is said to be *"significantly and positively associated with …job satisfaction"* (Huang & Gamble 2015:340). The workers were unanimous in wanting more training to both upgrade themselves and to equalise the workload. Training proved to be such an emotive

subject that it warranted a section on its own and is therefore discussed in greater detail in Section 6.3.6. Having considered motivation from the perspective of the study participants, the discourse now moves on to consider discipline from their viewpoint.

6.3.3 Discipline

The senior managers in all six organisations said that in general the older generation were very obedient and followed the factories guidance. Issues with younger workers tended to be around absence, lateness, the use of telephones and noise levels in the dormitories. Where there was an issue across the generations it tended to be talking and eating. The following are examples of what was said on the subject:

P52F2:

> *"Office worker 1 minute late penalty 2 RMB, worker would be fined 1 RMB and a Manager 5 RMB, penalty doubles for every extra minute late."*

P50F2:

> *"Absent 1 day deduct 3 days salary plus a black mark. Black mark scheme 1 day absent equals one black mark, three black marks equal 1 big black mark. Worker with a big black mark can't be an excellent worker. Three big black marks will mean termination."*

Other sentiments expressed show that workers responded positively when they were not given a hard time if they did something wrong:

P43F2:

"When did something wrong superior tried to understand the issue and help to resolve, helpful. Concerned shows concern even if do something wrong not hard feeling."

P121F5:

"If do something wrong, the leader will not just give me a bad temper, will try and find the cause of the problem and find a solution. The leader will explain the problem to us. This lets me feel good even if done something wrong. It's a kind of encouragement to me."

Similar comments about not being given a hard time and line leaders and managers being supportive and helpful rather than difficult were made by all the participants. This supports the claim that Chinese managers would discipline but also encourage employees and work groups (Yang 2012, Beamer 1998, Westwood 1997, Easterby-Smith et al 1995).

The senior management teams in five of the organisations in the study said in the first instance they would talk to the worker and ask them to stop or improve. If an issue was repeated the second offence would result in a financial penalty, which ranged from 10 to 100 RMB (one to ten GBP). Penalties doubled each time the same issue occurred but were re-set monthly. The researcher asked all participants, "What happens if the penalty in one month reached 100RMB"? The following response is representative of what was said by five of the senior management teams:

P171F6:

"Mark on record card will effect bonus, if problem persists manager or line leader will talk softly to worker are you happy here or is it time to leave?"

The owner of Factory Four said they previously used financial penalties but under the labour laws they were at the time not allowed to take deductions from wages, although clearly the other five factories were still doing it. This supports the argument that workers' rights are routinely ignored (Chan & Selden 2014, Cooke 2013 & 2011a, Xiao & Cooke 2012, Shen 2008). The owner of Factory Four had resorted instead to restricting overtime as a way of punishment. For example, if the mistake was significant the factory manager would not allow overtime for one week. However, he said limiting their overtime had no effect on the younger workers as they did not want to work extra hours. Factory Five also restricted overtime in addition to financial punishments. A further outlawed punishment for a big transgression which was still in use by two of the factories was to put workers' names and photographs on notice boards. All managers said discipline was individual and that it would be unusual to have a disciplinary issue with a group. This would be more likely to be a training issue or a problem with a line leader or QC.

A number of the focus groups were uncomfortable with this topic and there was lots of whispering and bowed heads. The discussions were often facilitated by line leaders or managers if they were in the groups, as suggested by Yin (2014), Robson (2013) and Saunders et al (2012). In one group in particular the factory manager, participant 66, was adamant that they never had any disciplinary issues. He insisted there was never any lateness and said managers led by example and the workers followed. He was so insistent that the researcher changed the subject, but managed to return to it later, when this same manager gave an example of how workers could speak freely. He gave an example of where he had punished a work

group for building a product incorrectly, but cancelled the penalty when a line leader pointed out that the bill of materials (BOM) was impossible to build. It is interesting that the issue was brought to the manager's attention by a line leader and not a worker, which suggests that the workers were not as free to speak up as the manager asserted.

This discussion on discipline again shows differences between the generations with the older generation described as obedient and the younger generation as very spoilt and difficult to manage. The discussion now moves on to consider pay and the minimum wage system which was brought in following the move away from the egalitarian pay system of the Iron Rice Bowl (Xiao & Cooke 2020b, Busse et al 2016, Zhu & Dowling 2002). This, it has been argued, has resulted in wage disparity which is a major source of social instability (Chan & Selden 2014, Cooke 2013 & 2011a, Boxall & Purcell 2011, Shen 2010 & 2008, Cunningham & Rowley 2007).

6.3.4 Pay & the Minimum Wage

Minimum wage regulations were implemented in China in 2004, when wages were then increased by approximately ten percent per annum. In Dongguan, one of the EOI powerhouses, the minimum wage doubled in an eight year period from 2002 to 2010. Foxconn, China's largest industrial employer, increased its wages by sixty-seven percent in 2010, following high-profile labour disputes (Chan & Selden 2014, Yang 2014).

Labour shortages and growing industrial unrest led regional governments to increase the minimum wage in 2010, and it was then subsequently increased annually up to and including 2015. The following comments from owners and senior managers on the subject is representative of what was said by all the senior management teams in the study:

P158F1:

> *"No help from Government. Since Foxconn legislation is to give workers more rights, freedom, increased pay. Have not helped manufacturers. Not helpful to manufacturers, just add more cost."*

P163F3:

> *"Minimum wage since Foxconn wage revolution, big pressure on factories."*

P36F2:

> *"Wages in Dongguan now very high."*

P33F2:

> *"There is no Minimum Wage in Hunan Foxconn have moved there, they can save a lot of money."*

P164F4:

> *"Biggest headache, increasing labour costs annually. Local Government sets minimum wage."*

P171F6:

> *"Realistically workers only care about pay if can earn more, happier. Do other things to make them happy but pay is number one."*

The owners all admitted that they do not implement increases immediately and tried to delay as long as possible and in fact the senior management teams all laughed when this question was posed. The quote below is typical of the comments

made on the subject. The organisation and participant numbers are again not

identified to protect the speaker's anonymity:

"No do not implement wage increases immediately nobody does."

When asked what then triggers them to implement the increase, other factory

owners responded:

"The internet, now workers know the law. When Government increases the
minimum salary workers leave if boss has not increased salaries 3-4 months
later."

"Will delay wage increase, until other factories locally increase. We monitor
other recruitment boards."

Growth in the minimum wage has eroded China's competitive position and had led

Chinese firms to offshore to even lower cost economies such as Cambodia and

Vietnam (Chan & Selden 2014, Yang 2014, Tung & Baumann 2009, Levy 2005). In

response to this offshoring many of the provinces including the economic

powerhouse of Guangdong announced that they were freezing the minimum wage

for two years starting from 2016 (China Labour Bulletin 2016).

The senior management teams in the study all used the Government minimum

wage as the basic wage for their workers, and overtime then doubled their salaries.

The minimum wage was also what was paid for three months as maternity pay. In

all six factories the workers worked up to four hours compulsory overtime per day

Monday to Friday and eight hours on a Saturday. All the senior management teams

said they tried not to work Sundays, but as they were constantly recruiting this was

likely to be an aspiration rather than the reality. This level of overtime also called

into question the claim that working hours had remained steady at forty-four hours

according to the statistical yearbook quoted by Xiao & Cooke (2012). The majority of the participants had personal experience of previous employers not paying the minimum wage and withholding overtime payments. They also said previous employers had withheld wages once they resigned.

As was described earlier in Section 5.4.2, one of the factories was, at the start of the current study, building a second factory in Hunan. The main reason for selecting Hunan was that it had no minimum wage. The owner and HR manager said they could save a lot of money by locating their new factory there.

It has been said earlier in this work that migrant workers' work ethic is given primacy over family life (Cooke 2018a, Huang & Gamble 2015) and that in China cash is king (Xiao & Cooke 2020b, Chow & Liu 2009). Therefore, it should come as no surprise that they would value pay above any other forms of reward, as they send it home to support their families. The discussion now moves on to consider performance management from the viewpoint of the multi-stakeholders in the study.

6.3.5 Performance Management

None of the factories used formal appraisal systems. Although in the scoping interviews in May 2014, the factory manager in Factory One had said they appraise the workers every year, however when this subject was re-visited in October 2014 it caused much laughter, as the senior managers explained that they had misunderstood the term appraisal:

P162F1:

> *"We* [he and the boss] *looked up appraisal after the first interviews. We do review with the workers annually, but more like a conversation between friends, is the worker happy here do they have any issues/concerns. "*

P158F1:

> *"Formal interview with pre-prepared questions not our way."*

Similar comments were made by all six senior management teams, who said they know foreign companies use appraisal, but for them it is cultural:

P175F4:

> *"Tried it once, it was a disaster, atmosphere not good, would not do it again. Chinese are not used to giving direct one to one comment/criticism. Praise one on one is O.K., but not this."*

The only form of appraisal was at the induction stage where the line leaders would assess the workers ability to carry out the task. Depending on the complexity of the task the training could take from a few hours to a maximum of one week. This supports the view that training in China is under-utilised and is considered a cost rather than as a means of achieving competitive advantage (Price 2015, Shen 2010, Akhtar et al 2008). Considering the cultural preference of preserving face giving direct feedback is not popular in China (Gu & Nolan 2017, Yang 2012). The discussion now turns to training and development.

6.3.6 Training & Development

The global harmonisation of standards has resulted in many Chinese factories gaining approvals such as ISO and UL (Gereffi 2014), which was the case for all the

organisations in the study. A requirement of these standards is that organisations carry out training to ensure their workforces are brought up to the required standards. The need for this training can be seen from the comments across all levels of the organisations:

P33F2:

> "Nowadays some difficulty how to operate machine. Need to read instructions, education level is low will need additional training."

P79F4:

> "School education does not include management subjects, we are like babies need help to understand management tasks."

A practical example of how training led to better protection for the workers was given by the owner of Factory Five. They make batteries, which included lead, a substance banned in Europe under the RoHS directive, when products containing these hazardous materials were offshored to economies with less advanced protections, such as China:

P166F5:

> "Have increased training to relieve boredom and equalise the workload, for example workers now understand why they have to wear personal protection. They were always being told they must wear it for their protection but were not given examples. Face masks very hot previously would remove when the line leader was not looking. As part of the training were shown what happens with lead poisoning, now managers do not have to remind."

P141F6: answered with a Confucian quote

> "I hear I forget, I see I remember, I do and I understand."

In the first focus group interviews in October 2014, the workers in all six organisations said they wanted further training to relieve boredom and to equalise the workload. The researcher asked the participants to expand as the majority of them were paid piece rate and workers would be slower during training, until proficient. Considering that in China cash is king (Xiao & Cooke 2020b, Wong 2019, Chow & Liu 2009, Tung & Baumann 2009, Shen 2008) and the Chinese have a strong "*cash now mentality*" (Shen 2008:102), the fact that the workers were unanimous in being prepared to cost themselves money showed the potential motivating effects of training (Cui et al 2016, Zhu et al 2015, Cooke 2013, Zhang 2012, Zhao & Du 2012). The researcher fed this desire for further training back to all six senior management teams and explained its potential for increasing job satisfaction (Huang & Gamble 2015:340).

In December 2015 all owners and senior managers said that they had given the workers additional training. However participants in one focus group said they had only received ad-hoc training over and above their induction. The identity of the participant is not disclosed here to protect the anonymity of the speaker:

> *"Had Induction and then ad-hoc training on unfamiliar products, would like more training as would like to improve myself."*

The participants in the other five focus groups all confirmed that they had received additional training. All seemed delighted that they had learnt more, with many of the participants saying they were using the training to upgrade themselves. When the researcher went back to the senior management team in the factory that did not appear to be offering additional training to query this inconsistency, the response was:

> *"Due to high turnover, training new workers is not very cost effective, just teach them good workmanship. Once they have stayed more than 3 months then training increased. It is an ISO requirement that we train, we use case studies. The Line Leaders are responsible for training workers, they stay with them until they are o.k. to work without supervision. Have an evaluation team if not good enough on one task they will switch to another and try again."*

However seven of the eleven participants in the focus group from this organisation had been with the factory for more than a year and there was consensus within the group that they had only received ad-hoc training. The manager's answer above appeared to be saving face, which is a strong cultural preference. The answers were therefore likely to have been biased towards a socially desirable response (Gray 2017, Warner 2011, Cooke 2009, Zheng & Lamond 2009, Cunningham & Rowley 2007). This approach to training also supports the argument put forward by Brookes et al (2017), that where labour is easily replaceable training is likely to be kept to a bare minimum and take the form of induction for new employees.

All six factories brought in external trainers to develop the human capital of their managers (Jamali & Afiouni 2012), the managers then trained the line leaders who in turn trained the workers. One of the factories explained that it was more relaxing for the poorly educated workers to be trained by people they know and in a familiar setting. Factory One was unusual in that in addition to in-house training, it also sent their managers on external training programs:

P22F1:

> *"Have had both internal and external training. This shows that the boss is good, invests in our future."*

P16F1:

"Happy to have any amount of training to upskill ourselves."

P43F2:

"After training know what is good or NG. Also know more about materials if mixed, if should be material A but we are given material which includes material B, I would know now."

P53F3:

"Ambitious and want more Training, not for current role want to understand different positions/jobs."

P81F4:

"Love training, can never have enough."

P144F6:

"Would like to learn something new."

All workers were unanimous in wanting more training. The older generation explained that they were poorly educated and wanted training to upgrade themselves. They gave examples of times when they were not under pressure but could see that others were and explained that they did not have the skills to assist. There was consensus across all focus groups that additional training would facilitate equalisation of the workload. Younger workers wanted training to multi-skill themselves to relieve the boredom of repetitive tasks.

All six organisations used case studies as teaching aids to train the workers. They explained that as the workers education level is low (Cooke 2004), it was easier to use practical examples and pictures, with examples of good and NG (no good). Once the workers understood an example the pictures were added to the BOM. If they had a subsequent issue such as a faulty product, the managers and line leaders

would work through the problem with the work group and create a corrective action report. The report included pictures of good and NG, and these along with an explanation from quality control were put on the notice board and formed part of the BOM. All six senior management teams used a reward system when, if a worker suggested an improvement, they were given a small gift like special herbs or a cake.

Training and development it has been argued should be viewed as crucial to China's future development (Cooke 2013, Easterby-Smith et al 1995). It appears that five of the six senior management teams had learnt this lesson, whilst one continued to exhibit the historic reluctance to invest in training (Brookes et al 2017, Cooke 2013). The subject of staff turnover was what originally prompted the researcher's interest, and it is this topic that the discourse now considers.

6.3.7 Retention

The foremost reasons given for thoughts of leaving were homesickness, being too far away from their families and in particular missing their children. The vast distances between the workers hometowns and the factories can be seen in Appendices 21 to 26. These show the shortest journey time was half an hour's travel from home to factory, which was unusually short.   The longest journey time was twenty-six hours from factory to home.   Almost sixty percent were ten hours travel or longer from home, with forty percent travelling for fifteen hours or more. China's response to the 2008 global financial crisis was to introduce a massive stimulus package, which significantly improved its infrastructure, with large

expansions in road and highway building and a faster than planned ramp-up in the provision of the high-speed rail network (Vaswani 2018). Workers described how only a few years earlier, their journey times took two to three days or more. The difference in infrastructure and the vastness of the provinces is evident in each organisation, for example participants 124 and 128 were both from Hunan Province, yet their journey times home had a marked difference. Participant 124 took 7 to8 hours to get home by high-speed train, which contrasted with participant 128 whose journey time took twenty-two hours (Appendices 25).

A further prime reason for leaving across all the focus groups was taking care of the older generation. The first three comments which follow are from participants from Factory Four and reflect the sentiments which were expressed by the majority of the migrant workers:

P90F4:

> *"Our home towns are in the north, but wages there are lower, so for practical reasons we stay here."*

P95F4, an eighteen year old female worker, who had been with the factory six months:

> *"I am still young and have to face reality."*

P86F4:

> *"Family are far away. Family steady so no need for me that much, if crisis with family then I will have to go. Right now I have to earn money for some more years for my family."*

P166F5:

"It is better for workers not to be alone, have married quarters & 13 family rooms."

P113F5:

"We offer family dorms, which is unusual, this makes it is easier for us to recruit than other factories locally."

Participant 95 above talks about facing reality which was that she was living in the dormitory three days travel each way from her home. This reality means that she will now return home only once a year, a round trip of six days meaning she will only get to spend four days of the CNY leave with family from now on, unless the holiday time is extended. The family rooms in the last quote proved so successful in attracting and retaining staff that within eighteen months the owners of Factory Five had expanded the number of family rooms to eighty.

All participating factories subsidised the cost of catering. The owner of Factory Four said that food was very important, although they did not offer in-house catering but used an outside caterer who used the factory facilities to cook and prepare the food. They had a canteen committee who decided each day the menus for the week. They were given a budget and each morning bought meat, fish etcetera. The owner explained that complaints about food had reduced since they put this system in place. This reduction in complaints was not borne out in the focus group, however, workers from this factory were as vocal about food as the focus groups from the other factories. One of the owners of Factory Five said some workers took a food allowance as they did not want the factory to control everything. The following quotes also pertain to retention and also show demographic differences:

P171F6:

> *"Older generation grateful for job very loyal stay with factory for many years. Very obedient and respectful. Very grateful for overtime never complain.*
> *Conduct exit interviews. New workers say boredom or too much pressure, with experienced workers normally personal reason like family issue, or not enough overtime."*

P36F2:

> *"Hired new HR manager last spring. Need to have better lures to keep workers. New ideas, training and teamwork."*

P114F5:

> *"I live outside do not have any hot water. The factory allow me to take hot water from the dorm."*

One of the factories employed a number of disabled workers who they described as having a very good working attitude.

Considering China is considered as a high power distance society, employee involvement in the country is weak (Kim et al 2016, Chow & Liu 2009, Hofstede 1980). The discourse now moves on to consider how the organisations in the study perceive employee involvement.

6.3.8 Employee Involvement

All six factories had opinion boxes and notice boards and the owners put their written responses to suggestions on the notice boards. The following two comments from workers show a dichotomy which was typical of that expressed in the focus groups:

P30F1:

> *"Have been with this factory for two years and have confidence in the Boss. Can see he has taken action on the opinions with my own eyes."*

P24F1:

> *"Very happy to work here and never have any comments/suggestions, not once in ten years."*

The quotes again highlight generational differences, since participant 30 was twenty-eight years old and would have been born under The One Child policy, whereas participant 24 was forty-five years old. Owners and managers all said that although they had suggestions boxes, they received very few opinions, as workers would rather talk directly to the most senior manager on site if they had a suggestion or a complaint. If a worker had an idea for improvement it was said that they would speak to their immediate line leader, which was confirmed in the focus groups. All six factory owners held regular staff briefings, where the direction of the businesses and any changes or good news was explained. The briefings also gave the workers the opportunity to ask questions or voice opinions. The above discussion shows that the owners and managers were taking steps to improve employee involvement and also to become better managers. However, empirical evidence in the study has shown that employee rights are routinely ignored, and the researcher therefore posits that the need for trade union representation is evident and it is to this subject that we now turn.

6.3.8.1 Trade Union Membership

There is only one trade union allowed in the Country, the ACFTU, although it has been criticised as being a mouthpiece of the Communist Party (Xiao & Cooke 2020b, Cooke 2013 & 2011a, Zheng & Lamond 2009). Only one factory in the study had union representation and this was due to the regulations of the local government, as they worked with hazardous chemicals. The chairman of this union was the factory manager, who was also the trade union representative for the geographic area. The factory senior managers were asked if there was any form of consultation. Participants' identities in this section are once again obscured to protect their anonymity:

> *"There is no consultation or negotiation, it is for show only, not real."*

This factory mirrored the opinions of all the other organisations in the study, that the ACFTU was an illusion and was in reality the Government. The owner and factory manager explained its function in the following terms:

> *"Every year from 2-3 years ago 2% of salary costs to Union fund. After two to three months 60% returned to the factory for workers welfare. 76K RMB current size of the fund, held in separate bank account. At CNY 150RMB to buy ticket to return home for each worker. Money goes to agent to buy ticket as tickets scarce. Factory have to apply to their Union to use the fund to purchase tickets, must be approved."*

The evidence from this factory supports the conclusions on the Union's veracity proffered by Xiao & Cooke (2020b), Cooke (2013 & 2011a) and Zheng & Lamond (2009), who argued that the Union's main function is in delivering welfare and social functions, and the researcher contends that the example above supports this view.

Having considered the cultural and institutional influences on HRM policies the participants were asked to compare and contrast their lives with that of their parents.

6.4 Comparing the Migrant Workers Lives with those of their Parents.

It was interesting to hear that the workers all considered their lives better and easier than their parents:

P27F1:

> *"Now is very different. Oldies were just working, never concerned about rest. Now working environment better, no need for very hard working and workers get more rest."*

P69F3:

> *"More leisure time compared to 10-15 years ago. Parents only working, words recreation and leisure almost never heard."*

P77F4:

> *"Working hours have improved many years ago the factories didn't care. Working until midnight, even 2-3 o'clock, they don't care. Now overtime is restricted 3-4 hours."*

P140F6:

> *"Pay is better, dorms are better we are very lucky."*

The above quotes were accompanied by the focus groups all erupting into laughter following these or similar comments, considering they were far from home, regularly work up to four hours a day compulsory overtime and were likely working

seven days a week in order to double their basic pay. These positive views of their lives seem somewhat paradoxical, however they were comparing their lives to their parents who they explained worked incredibly hard in comparison. These views support work by Siu (2015) who argued that the first wave of migrant workers were so poorly fed and ill-treated that they were on the margins of survival. He contrasts this with local governments by the late 2000s learning to give the migrant workers more discretion over their time when compared to the first wave of migrant workers from the 1990s. Moreover, he convincingly argues that local governments have had to adapt social practices in order to maintain a harmonious society. The empirical evidence clearly shows that the migrant workers in the current study felt their lives were less stressful and more fulfilling than their parents. Having considered the cultural and institutional influences on HRM policies and practices the discourse now moves on to conclude the chapter.

6.5 Conclusions

The chapter began by considering the major institutional and cultural influences which impact the industrial relations process and practices (Collings et al 2018, Cooke 2018a, Gooderham et al 2018, Brookes et al 2017, Beer et al 2015). Labour market reforms moved away from the Iron Rice Bowl and egalitarian pay and replaced these with labour laws which granted minimum basic employment rights (Xiao & Cooke 2020b, Busse et al 2016, Zhang 2012, Warner 2011). Empirical evidence from the factories shows that as with earlier studies these rights are routinely ignored (Chan & Selden 2014, Cooke 2013 & 2011a, Xiao & Cooke 2012,

Shen 2008, Gallagher 2004). Examples of this were not paying social insurance for

workers who opted-out of signing their contract and postponing minimum wage

increases for months.

The second institutional influence was education, as the migrant workers described

themselves as poorly educated, with most having only five to six years of education.

They were all willing to sacrifice money to learn new skills. It is open to conjecture,

but as China transitions to become a knowledge-based economy (Cooke 2013,

Zhang 2012, Akhtar et al 2008), this low educational achievement is likely to

continue to position the migrant workers on the side of the have-nots.

A further macro influence is the One Child Policy, and the empirical data shows

clear differences in work ethic and attitudes between the generations. The older

generation were characterised by the managers as obedient and biddable and the

younger generation as very spoilt and easily bored. This younger generation had

earned the title of little emperors, who could rely on the financial support of their

parents and grandparents, labelled the 4-2-1, if they are out of work (Campbell

2019, Hruby 2018). This can be evidenced in a comment from one of the factory

owners who described young workers as work shy, with some young workers only

staying a few hours or maybe a day.

All the senior managers explained some of the processes required good eyesight

and nimble hands, hence their need to employ young workers, even though they

were more problematic to manage and unlikely to be long-term employees (Zhu et

al 2015, Shen 2010, Burke & Ng 2006, Cartwright & Holmes 2006). All the owners

had also recognised this difficulty and hence their agreement to take part in the

current study.

Factory Two had hired a graduate HR professional with a number of years of practical experience to improve retention particularly with the younger generation. He had instigated an excellent worker scheme, which resulted in the company sponsoring the education of the excellent workers' children. In addition he had commenced a program of training and team building exercises which made him very popular with the workers.

A further macro influence was automation which had major implications for job losses (Girault 2018, Barton et al 2017). All the workers thought automation would improve their working lives and they also recognised its implications for job losses, in that they talked about moving to other sectors like retail or services.

The empirical evidence supports the importance of cultural influences such as harmony and guanxi (Xiao & Cooke 2020b), which was described by participants as the most important cultural influence, and it is was also the preferred method of recruitment. None of the participants in the study could envision a time when guanxi would be unimportant and they explained that it is a deeply ingrained way of life.

The workers in this study predominantly lived in factory-supplied dormitories far from their families. Notwithstanding this the migrant workers conceptualised their working lives as much improved when compared to the lives of their parents, who were described as just working with no time for rest or leisure. However, the construct of work-life balance was not covered in this study, as the researcher contends that it will be some years before this has any meaning for the migrant workers in China who are still heavily reliant on the reform of the hukou system.

The senior managers in all six organisations in the study said, with the exception of appraisal which is culturally inappropriate, all HRM practices were in use, although there were some nuances in the way they were applied in practice. In the next chapter, based on the perceptions of the one hundred and eighty participants in the study, the researcher reviews key findings, which shows a hybrid model of HRM was in use in the six SMEs in the study. This unique study situates the SMEs in the GVC and shows how participation in the chain was actually driving the turnover problems which is still relevant in China today.

Chapter 7: Conclusions

7.1 Introduction to Conclusions

In the introduction to this study it was argued that HRM is highly contextualised (Huang et al 2020, Xiao & Cooke 2020a, Brookes et al 2017, Beer et al 2015). In China the cultural and institutional contexts are unique and pivotal in shaping the industrial relations process. This longitudinal, in-depth study set out to explore the macro influences and the impact they had on the SMEs HRM practices.   The study also aimed to situate the SMEs in the GVC and considered what impact the asymmetry of power in the chain had on organisations and the implications this had for staff retention.

The study responds to calls for more qualitative research into HRM practices in China (Xiao & Cooke 2020a), in order to fill gaps in our knowledge of what HRM practices were in use in SMEs. This was achieved by taking a multi-stakeholder approach as advocated by Beer et al (2015), Cooke (2009) and Colakoglu et al (2006).   The empirical data was collected from six SMEs, all privately owned, and the discourse came from talking directly to the one hundred and eighty participants which included business owners, managers, line leaders and the migrant workers. Their views were used to explore HRM practices from the perspective of people who understand them.

The empirical evidence shows that a hybrid model of HRM (Cooke et al 2020a, Warner 2009) was in use in the SMEs, with employment practices based on the Confucian paternalistic tradition of maintaining harmonious relationships (Xiao &

Cooke 2020b, Yang 2012, Huang & Gamble 2011, Cooke 2009), typified by

nepotism, reciprocity and benevolence with concern for the welfare of their

subordinates (Xiao & Cooke 2020a, Tian et al 2016, Yang 2012, Cooke 2013 &

2011a, Chen 1995).

This study has generated new insights into how participation in the GVC constrained

the SMEs' ability to use HRM to mitigate turnover. It further highlights generational

differences between the older workers and those born under the One Child Policy.

It uses insights gained to augment knowledge and practice and concludes with a

consideration of the limitations of the study and suggestions for future research.

The discourse now considers how Confucianism was used in the daily lives of the

study participants.

7.2 Confucian Values in Practice

In Chiena culture is characterized by collectivism, Confucianism, respect for

authority, face and guanxi, which are seen as enduring sources which influence

patterns of behaviour in the workplace (Yang et al 2018, Gu & Nolan 2017, Syed &

Pg Omar 2012, Cooke 2009, Warner 2009, Latham & Ernst 2006, Hofstede 1980). It

was highlighted by Gamble and Tian (2015) that it is somewhat naive to think that

China has a homogenous culture. As discussed in the findings chapter as the main

recruitment method in use was guanxi and this resulted in clusters of families and

friends working together, there were therefore only small apparent differences

reported and these were around food preferences. The owners explained that

some workers preferred spicy food whilst others preferred theirs sweeter, in

response they offer oils with chilli or lemon grass in them as condiments to cater to these partialities.

Confucianism values hierarchy and harmony, which emphasises the good of all (Xiao & Cooke 2020b, Yang 2012, Cooke 2011a, Huang & Gamble 2011). A practical example of this was that the senior management teams in all six factories said that creating a family feeling was a must and that without it workers would not stay. All the factory owners encouraged managers to be agreeable and to take a listening and caring approach, although some of their responses when probed revealed a more pragmatic reality as suggested by Gill (2018), Cook et al (2016), Boxall & Purcell (2011) and Shen (2010), in that they have learned to be more agreeable. All of the factory owners concurred that previously managers were more concerned with status and were now explicitly told to be helpful and encouraging and not to shout at workers. A practical example of this was when the senior managers explained that previously they did not care and filled the dormitory rooms, even leaving some rooms empty. In contrast they were now more considerate and gave the workers more space, which highlights that changes were taking place in China at the time. The next section discusses guanxi which was described by participants as a way of life and one of the most fundamental concepts in Chinese culture.

7.2.1 Guanxi

The ubiquity of guanxi can be seen in that it was the preferred method when recruiting. It was also seen as crucial in maintaining supply and quality in the supply side of the businesses and was also the strategy used to counter the asymmetry of

power in customer relationships (Cooke 2018b, Davis et al 2017, Gereffi & Fernandez-Stark 2016, Ponte & Sturgeon 2014). However, the empirical evidence questions how effective this was in Buyer Driven Chains, with buyers constantly pressurising their suppliers on price whilst concomitantly pushing risk further down the chain, by way of a lack of forecasting and through the use of short lead-time orders (Dundon & Wilkinson 2018, Choksy et al 2017, Ponte & Sturgeon 2014, Riisgaard & Hammer 2011, Gibbon et al 2008, Pietrobelli & Saliola 2008). The level of pressure can be seen in a quote by one of the managers, who explained that nowadays to be a worker is to be happier than being a boss, as the boss has too much pressure. In response to these multiple pressures, all six businesses were stocking piece parts and finished goods at their own risk. The example used in Section 5.6.1 of Midea awarding an annual contract and then firming up orders on a monthly basis clearly shows the asymmetry of power in the chain. The factory gave several examples of the piece part situation, for example plating costs had increased twenty fold due to environmental pressures, so they had to buy in much bigger batches. They explained buying in small batches was very costly. This resulted in the factory buying these parts only three to four times a year, in order to manage the batch costs. What this meant in practice was the factory were funding and holding stock for three to four months at a time, while in contrast Midea only firmed up their orders on a monthly basis. Therefore all the risk and the opportunity cost of stocking the parts was firmly with the factory. All six factories believed that customers would appreciate them sharing some risk in the chain and that this would help build guanxi with their customers. Nonetheless, there was no evidence to support this last strategy in any of the organisations and the example of

Midea just described illustrates what happened in practice. The next section considers the subject of employment contracts.

7.3 Employment Contracts

One would expect migrant workers to appreciate the security the contract offers in the employment relationship, however the following discussion suggests otherwise. It has been reported that not all migrant workers sign their employment contracts, which was highlighted by The China Labour Bulletin (2017) who found that only thirty-six percent of migrant workers had signed their contracts in 2015. Several reasons were put forward to explain this phenomenon. Firstly the workers did not want to be tied to their employers (Shen 2010), however Cooke (2011b) posited that it was more likely that employers and workers did not want to pay the mandatory social insurance. The data from this study supports Cooke's conclusions and adds to knowledge by uncovering how this avoidance works in practice. This was by mutual consent and the workers were happy to sign 'opt-out' contracts even though this was not permissible by law. By doing this the factories were attempting to protect themselves from workers reporting them to the labour department. The factory owners explained that due to high levels of corruption, the workers did not trust the Government. They had to pay the insurance immediately but could not get a pension until they were sixty and therefore preferred to keep the money as it represented ten percent of their salary. This reflects the argument that in China cash is king (Chow & Liu 2009, Tung & Baumann 2009, Shen 2008). A further lesson can be learnt in that the owners also benefitted from this 'opt-out', as they could

save the cost of their proportion of the benefit, which at fifteen to twenty-one percent was not insignificant (the rate is set by local government, so can differ between regions). At least one worker in each focus group confirmed they had the right to refuse to sign the contract and several other participants agreed with these comments. In other groups many of the participants looked down as if it was a guilty secret. The researcher also discussed this with other SMEs owners not in the current study and it was confirmed that this avoidance was the norm.

Considering the low education level of the workers it is perhaps not so surprising that there was confusion regarding the length of the employment contract. A number of participants understood, even although their contract was for two years, that they could leave after giving one month's notice, while others thought they had to stay two years. One of the workers who had only been with the factory for one month said that her employment contract obliged her to remain with the employer for two years, however she felt that was too long.   Having a worker this disgruntled so early in her employment was unlikely to result in job embeddedness. The owners and managers should attempt to create harmony from the start by explicitly explaining that the two years is to protect the worker, but does not preclude them from giving a month's notice anytime in that period. The discussion now turns to a consideration of pay systems.

7.4 Pay, Reward & Overtime

A further contradiction from the empirical data was uncovered when discussing pay. Owners and workers all said that pay was individual, however all the owners confirmed at three thousand RMB per month workers were happy, which indicated that pay was still egalitarian. This supports the conclusions of a systematic review of HRM on Chinese SOEs over a period of twenty-five years which posited egalitarian pay was still prevalent (Xiao & Cooke 2020b). The factory owners in the current study explained they ensure pay falls within a small range, mirroring the traditional egalitarian pay system. The narrow gap which exists was between experienced and less experienced workers. The real reason behind this practice is deeper and goes to the heart of Chinese culture, as it is important that factory owners maintain harmony in a workforce which lives and works together twenty-four hours a day, seven days a week. Each factory used a small reward system, and if a worker suggested an improvement they were given a small monetary reward ranging from thirty to one hundred RMB (three to ten GB pounds), or alternatively special herbs or a cake and then a larger financial reward at CNY. Two of the organisations ran excellent worker schemes which were very popular with the workers. As mimetic isomorphism disseminated HRM practices following FDI (Cooke 2013, 2011b, Akhtar et al 2008), it is therefore likely that these schemes will increase in popularity in the future.

Despite the fact that harmony is a fundamental Confucian value, the researcher listened to workers talking about fighting amongst themselves. Having reflected on this apparent contradiction the researcher felt it necessary to go back and seek

clarification, when senior managers and owners confirmed that fighting was not a

problem when the factories were busy. However, when they were not busy the

strategy was to guarantee minimum salaries, even to those on piece rate pay, which

alleviated the pressure on the workforce. This is borne out in that fighting was not

brought up as an issue in the factory that had grown forty percent year on year and

whose workforce was constantly busy. Considering the Chinese propensity to save

and a strong *"cash now mentality"* (Shen 2008:102), it is not surprising that

emotions would run high at times when the factories were not busy, as overtime

doubles the workers' salaries. This lack of overtime would put a lot of pressure on

the workers who described themselves as poor, and supports the extant literature

which says that HR systems built around pay work well in China (Xiao & Cooke

2020b, Wong 2019, Chow & Liu 2009, Tung & Baumann 2009, Shen 2008).

China, like the UK, would also be characterised as having an over working culture,

with working longer hours accepted as self-sacrifice for the good of the family

(Huang & Gamble 2015). Working long hours is described as a psychological

stressor by Tian & Gamble (2018) and they argue that control can be used as a

moderator of the stress. However, the workers in this study have no control as they

work compulsory overtime on a minimum of six days a week. Average working

hours in urban areas in China have remained steady at forty-four hours according to

the statistical yearbook quoted by Xiao & Cooke (2012), however, they and other

writers on China confirmed that real hours worked are a lot longer. This is borne

out by the empirical evidence in this study with all the participants working up to

four hours overtime a night Monday to Friday and eight hours on a Saturday. The

owners all said they tried not to work on Sundays, however as they were all

constantly recruiting, this was likely to be an aspiration rather than the reality.

There were generational differences in the acceptance of overtime, and the owners

and senior managers were unanimous in saying that young people did not want to

work overtime and the older generation would leave without it. These attitudes

were confirmed in the focus group interactions. Having said that the older

generation want overtime, if it did not make up fifty percent of their salaries, would

the older cohort be so keen to work this level of overtime? Considering that

overtime by law is supposed to be restricted to thirty-six hours per month, the

China Labour Bulletin (2017) points to this as yet another example of weak

enforcement of law labours. The discourse now moves on to dormitory living.

7.5 Dormitories

It has been stated earlier in this work that Chinese work ethic is given primacy over

family life (Cooke 2018a, Huang & Gamble 2015, Xiao & Cooke 2012), which results

in migrant workers leaving their hometowns in the north and travelling south to

find better paid work. The distances involved and the duality of the hukou system

results in the majority of the workforce living in factory supplied dormitories

(Anderlini 2014, The Economist Mar 2014, Zhou 2014, Cooke 2009). Little was

known about what life was like for those living in dormitories prior to the current

study, therefore the empirical evidence is part of the researcher's contribution to

knowledge and the recommendations made to improve the dormitory regime

which follow are contributions to practice. Without doubt the significant reason

for turnover with older workers was that they were homesick, while in contrast, with younger workers it was boredom. The majority of the workforce lived in dormitories, having left their children behind in the care of elderly relatives (Zhao et al 2017, Karlsson & Xin 2014, Li et al 2014, Roberts 2014, Zhang 2014, Swift 2011). The researcher added to knowledge and practice by suggesting improvements to the dormitory regime by making recommendations to the factories to address some of the problems reported by the migrant workers during focus group interactions. These included where possible upgrading the dormitories to family rooms to enable the workers to live with their families. Where this was not possible the researcher suggested the factories install Wi-Fi in the dormitories to make it easier for the workers to communicate with their families. In addition it was recommended that the existing dormitories should be upgraded to include air-conditioning and should be decorated to make them more homely, and also that sanitary conditions should be improved (see Appendix 13). At the time of the fieldwork five of the factories offered dormitories, one was already upgrading their facilities and the others quickly installed Wi-Fi. Three of the remaining four then made arrangements to decorate the dormitories and install air-conditioning. The owner of Factory Three said their dormitory was too basic and as only two of their workers lived-in the upgrade was considered cost prohibitive. The researcher further recommended that all the factories should create permanent recreation rooms, with board-games and possibly karaoke television (KTV) to overcome the problem of boredom, particularly with younger workers. A year later during a meeting with the second set of focus groups the workers thanked the researcher, gave the thumbs up sign or clapped to indicate their appreciation of the improvements. Other

recommendations by the researcher included mid-year leave to improve retention

of key workers and a mentoring programme for young workers to include socialising

them into living in dormitories. A further suggestion was that the SMEs should

consider setting up a crèche for the workers' children, either factory run or in

conjunction with other factories locally (see Appendix 13).

The researcher also recommended that the factories considered offering loans for

deposits for private accommodation to retain experienced workers. The average

rent was said to be 300 RMB per month, therefore with a two months deposit and

one month's rent in advance, this would cost them 900 RMB per worker

(approximately £90 GBP). Considering the factories were already saving a lot of

money by not paying the compulsory social insurance, this would be a cheaper

alternative than having to constantly recruit and then train the new workers. It

would also be successful in retaining the younger cohort who want more freedom.

If this was successful the factories could use the additional free space in the

dormitories to offer family rooms, which have proved in Factory Five to both attract

and retain workers. The discourse now turns to training which was very important

to the migrant workers.

7.6 Training

The insights gained in talking to the workers allowed the researcher to further add

to practice by suggesting actions and improvements the factories could make to

increase worker motivation, with the aim of reducing staff turnover. Training was a

topic which was highlighted in the first interactions with the focus groups, a subject

which resulted in very lively responses. Workers were very animated in describing

that they were poorly educated which drove their desire for more training to

advance themselves, relieve boredom and equalise the workload. This reflects the

potentially motivating influence of training, which is said to improve efficiency and

lead to gains in competitive advantage (Cui et al 2016, Zhu et al 2015, Cooke 2013,

Zhang 2012, Zhao & Du 2012), underlining how important the construct of training

was to the workers, who described themselves as poor. This can be seen in that

they wanted to learn new skills despite the fact that this could negatively affect

their pay, as many of them were paid piece-rate and they would likely be slower to

begin with when learning a new skill. A year later five of the factories had

implemented a regular training program. It was obvious to the researcher that

things had improved considerably over the previous year as the skill matrices

confirmed increased competencies across the workforce. All the participants in five

of the focus groups reported that they were enjoying the additional training and

many felt that it was helping to upgrade them. This supports the use of the AMO

model in developing employees' ability, motivation and opportunity (Rayner &

Morgan 2018, Su et al 2018, Tian et al 2016, Wright et al 2015, Kaufman 2010). By

improving the workers KSAOs, which is said to increase employees' ability,

motivation and job embeddedness (Chao & Shih 2018, Saridakis et al 2017,

Kaufman 2010) this should lead to improved retention which was the original

purpose of the study. Reflecting the historic reluctance to invest in training

(Brookes et al 2017, Cooke 2013), one of the factories offered only induction

training, as they felt that due to high staff turnover further training was not cost

effective. The researcher challenged this decision and explained how enthusiastic

the other factory workers were regarding the training as upskilling had alleviated the boredom of repetitive tasks. The senior management teams of these other factories had confirmed that it had allowed them to equalise the workload and had increased motivation. The researcher suggested that it could be the old chicken and egg adage and encouraged the senior managers in this factory to try a controlled experiment to see whether the benefits outweighed the costs. The discourse now turns to the subject of the GVC with emphasis on governance and upgrading.

7.7 Global Value Chain

7.7.1 Governance in the GVC

Governance describes how the chain is controlled and coordinated (Davis et al 2017, Gereffi & Fernandez-Stark 2016, Gereffi 1994). The empirical data shows how OEMs used price and cost effectiveness as the main drivers in their inter-actions with their suppliers (Gereffi 2014, Gibbon et al 2008). A prime example from one of the factories shows the power of buyers in the GVC (Barrientos et al 2016, Sun & Grimes 2016, Ponte & Sturgeon 2014) and supports Levy's assertion that this type of interaction does not result in *"win-win"* (Levy, 2005:686) outcomes for all. This factory's largest customer Midea had given them an award for supplying for ten years without a single failure, whilst concomitantly inviting this same company to attend an open tender with other potential suppliers where price was the only determinant.

This demonstrates that Midea had no loyalty to a supplier who had consistently proved their competence.

Harmonisation of standards such as UL and ISO has apparently made judicial governance, or how standards are set and maintained, easier to manage and has allowed GVCs to become increasingly fragmented (Cooke 2018b, Gereffi 2014, Gibbon et al 2008). However, data from this study shows that in practice corruption throws doubt on the authenticity of certificates of accreditation, which need to be checked carefully, and it was discovered that a company auditing against these same standards were themselves fraudulently trading.

The evidence shows that executive governance, or lead firms assisting others to upgrade within the chain, does occur but the motives behind it may be open to question. For example one factory was trying to solve a quality problem by sending their QC department to inspect and correct processes in their supply chain. The second example was Midea who provided annual training for engineers who worked for their supply chain factories. However, it can be argued that their involvement was more about efficiency gains. This would enable suppliers to control costs as price has already been shown to be their main driver in the GVC. The next section discusses upgrading within the value chain.

7.7.2 Upgrading Strategies

All six factories were following a mixture of upgrading strategies to improve their position in the value chain, in order to increase their margins and make them less

vulnerable within the chain (Barrientos et al 2016, Gereffi & Fernandez-Stark 2016, Sun & Grimes 2016). These strategies included process upgrading, as at the time they were all turning to automation to try and reduce costs and remove repetitive tasks. They were also upgrading their products by becoming more specialised to improve their margins and to make it harder for competitors to emulate or undercut them. Functional upgrading was another strategy with all six factories increasing the level of training for managers. Five were also upskilling their workforce, although one continued to view training as a cost rather than an enabler (Brookes et al 2017, Cooke 2013). The final upgrading strategy utilised by the factories was chain upgrading. The success of this strategy resulted in one of the businesses growing forty percent year on year and another used both export sales and marketing to diversify their customer base. All six SMEs attempted to attract new customers by using e-commerce sites such as Google, Alibaba and Global Sources to showcase their capability. However, one of the factory owners was nervous of attracting new customers at a time when many businesses in China were closing, following the stock market crash. He viewed new customers as a huge risk and preferred to maintain their existing customer base. The discourse now moves on to summarise the findings of the study.

7.8 Summary of Findings

The empirical evidence shows that institutional and cultural practices and generational differences were key determinants in shaping the industrial relations landscape (Xiao & Cooke 2020b). Examples of these included the hukou system,

which necessitated the factories supplying dormitories to house the migrant workers (China Labour Bulletin 2018, Chan 2013, Swift 2011, Mitchell 2009). A further example was the retention problems with those born under the One Child Policy (Campbell 2019, Hruby 2018), who did not want to work the constant overtime unlike the older generation. The ubiquity of guanxi was much in evidence, being the preferred recruitment method, and it was also used in both supplier and customer interactions. The fact that workers did not appear to understand the term and explained that they had never thought about guanxi and that it was a way of life, shows how deeply ingrained the practice is in Chinese culture.

This study fills gaps in our knowledge utilising perspectives from a multi-stakeholder group, which included the factory owners, the senior managers, line leaders and the migrant workers (Beer et al 2015). Insights gained from the participants reveal a hybrid version of HRM combining many of the largely Western HRM practices, which had been adapted to suit Chinese cultural preferences, which supports work by Xiao & Cooke (2020b), Cooke et al (2020a) and Warner (2009). The exception to this is the concept of appraisal which was culturally challenging as direct feedback was avoided to save face. This finding is a particularly interesting contribution to knowledge as it contradicts the extant literature which claims that the most important HR practice in China is performance appraisal, based around self-assessment and the opinions of colleagues or subordinates (Tian et al 2016, Akhtar et al 2008). Furthermore, it has been argued that due to cultural preferences, appraisals only function is to determine pay (Gooderham et al 2018, Cooke 2013, Shen 2010 & 2008, Chiu 2002), however this again is contradictory to the findings of

this study. Following revelations in the current study, the findings of the extant

literature would appear to be based on socially desirable responses (Gray 2017,

Warner 2011, Cooke 2009, Zheng & Lamond 2009). The data from this study came

from SMEs, however the data from previous studies came from a whole range of

industries including MNCs, whose HRM practices are normally more structured than

in SMEs, which could account for the apparent discrepancy in the findings. These

new findings support the use of longitudinal studies. For example the senior

managers of Factory One told the researcher in the first set of interviews that they

used appraisal. However, when the construct was probed again at a later date, the

senior managers laughed and explained that the appraisals were more like a

conversation between friends, based around whether the worker was happy to

work there and whether they had any issues or concerns. A second had tried

appraisals and said they would never do it again as the process had been a disaster

which negatively affected the atmosphere in the factory.

Other HRM practices were in evidence although at a very basic level, and there

were also nuances in the ways they were used. For example the use of guanxi in

recruitment and pay, which all claimed was individual, appeared to instead follow

the egalitarian tradition which supports the findings of Xiao & Cooke (2020b) and

Zhang (2012), with small differences between experienced and less experienced

workers. Only one organisation in the study was approaching HRM from a strategic

perspective, having hired a graduate HR manager with several years of practical

experience. He was using training and team building exercises to improve

recruitment and retention and he was clearly treated as one of a handful of senior

managers in the organisation. Four of the other factories had HR managers but

they were neither strategic nor did they get a seat at the top table. They were really just administrators looking after welfare functions and organising social activities as highlighted by Cui et al (2016) and Xiao & Cooke (2012). HRM in all the organisations was based around the personality of the owners and is characterised as paternalistic control. This can be evidenced in the comment of one manager who explained this succinctly when he explained managers cannot change anything, only the boss has the authority to make changes. This comment resulted in the whole group who were largely managers, laughing, nodding and clapping in response to the observation, and similar observations were made in all the focus groups.

The empirical evidence shows clear generational differences, with the younger generation labelled as little emperors, very spoilt and easily bored and the older generation characterised as grateful, obedient and biddable. The factories were already pursuing automation to take out repetitive tasks, to speed up their processes with a view to reducing lead-times and to standardise quality. One of the factory owners showed the researcher four newly installed automatic machines and explained that each machine could replace forty workers. Automation, as suggested by the World Bank, will lead to major job losses (Girault 2018, Barton et al 2017). Rather than cutting jobs, if the factories used the opportunities offered by automation to take a differentiated approach to the generations, it might solve their turnover problems. At the same time, it should also help to retain experienced workers, which it was highlighted was important to all six organisations. The factories all reported a high turnover rate with young workers. Furthermore, the younger

workers did not want to work overtime, whereas the older workers said they would leave immediately without it as it doubled their wages. Overtime was compulsory however if it had been optional rather than compulsory, this would most likely have resulted in younger workers opting not to work, or working reduced hours. The older workers would continue to want overtime as they send money home to their families. However, it must be questioned if the older workers would still want to work this high level of overtime if it did not double their salaries. At some point in time it is hoped that some innovative practitioners will begin to experiment by reducing hours in order to improve the work-life balance of their workforce and consider the long-term consequences of HRM practices on both individual and societal wellbeing (Beer et al 2015). Taking this approach would negate issues of turnover, enhance their competitiveness and make them employers of choice in an environment where it is difficult to attract and retain staff.

Turning to theories of HRM, the most popular in use is the RBV model which concentrates on a firm's internal resources to look for competitive advantage. However, considering the low education level of the migrant workers and the fact that employees wanted more training and would even sacrifice piece rate earnings to learn new skills, the businesses should look to increase workers' knowledge, skills, and abilities (KSAOs). Concurrently, they should continue to encourage the family feeling in each organisation, and increase employee's ability, motivation and job embeddedness (Chao & Shih 2018, Saridakis et al 2017, Kaufman 2010).

A further aim of the study was to situate the SMEs in the GVC in order to generate an understanding of how participation in the chain worked in practice, and to

understand the impact this had on the SMEs' ability to use HRM to both improve their position in the chain and to reduce staff turnover. The construct of the GVC is considered from the viewpoint of the factories who were at the time all supplying Buyer Driven Chains. Examples from these clearly show the asymmetrical patterns of power within the chains (Dundon & Wilkinson 2018, Choksy et al 2017, Ponte & Sturgeon 2014, Riisgaard & Hammer 2011, Gibbon et al 2008, Pietrobelli & Saliola 2008). All organisations in the study were responding by using a variety of upgrading strategies, including automation to speed up repetitive tasks and to mitigate the increasing costs of the labour input. The objectives of these upgrading strategies were to improve their margins, reduce the risk of competitors emulating their skill-sets and to make them less vulnerable to cost pressures within the chain (Cooke 2018b, Davis et al 2017, Gereffi & Fernandez-Stark 2016, Ponte & Sturgeon 2014). A further key pressure in the chains directly impacted the factories' ability to carry out any real manpower planning. All six organisations were constantly responding to short lead-time orders by working overtime. They all kept workers' basic pay low which allowed them if they lacked a full order book to cut overtime. This would result in workers leaving immediately, which allowed the factories to avoid the additional costs of having to lay workers off. However, this also resulted in the loss of experienced workers which left the factory owners with a young inexperienced and unstable workforce.

The unequal power in GVCs is unlikely to be addressed unless nation states work together to guarantee minimum basic rights for their low skilled workforces. While the efficacy of GVCs has been called into question for years, the current corona virus

pandemic may result in positive changes and a paradigm shift in the way production is organised. It has been persuasively argued that the current system was not robust enough when put to the test (Danciu 2020, Hippe Brun 2020, Knut et al 2020, Strange 2020, Seric et al 2020, Verbeke 2020). This can be evidenced in the lack of PPE and basics like toilet paper when the current corona virus struck, which led to protectionist measures being put in place in eighty countries (Arora 2020, Pananond et al 2020). The supply shortages led McKinsey to urge governments and companies to audit their supply chains, in order to understand the points of vulnerability and then decide how much "*insurance*" (Knut et al 2020:8) they need in the form of increased buffer stocks, dual or multiple sourcing and even re-shoring or near-shoring production (Danciu 2020, Knut et al 2020).

Having developed guanxi over a long period of time the researcher has maintained contact with the factory owners and very little has changed in the GVC since the primary research was conducted. The asymmetrical patterns of power continue to drive the need to work overtime which constrains the factories abilities to use HRM to improve staff retention.

Factory One was used as a possible contrast as suggested by Lee and Lings (2008), as they did not offer dormitories, were not based in the PRD and were at that time reliant on the domestic market. However, there were no discernible differences found between Factory One and the other five factories, in that participation in the GVC had a direct and immediate impact on HRM policies and practices in all six factories and was the primary driver of staff turnover.

Considering the migrant workers lived in dormitories far away from their families they were all very positive about their situation. When asked to compare their lives with that of their parents the workers explained how their pay was higher, dormitories were better and working hours were shorter. They described their lives as better and easier when compared to their parents' experiences, who did not enjoy as much leisure and rest as their children. Having summarised the findings the discourse now moves on to consider limitations of the study and the implications for future research.

7.9 Limitations of the Study & Implications for Future Research

7.9.1 Limitations of the Study

One limitation stands out above others and that was the researcher's inability to talk directly with the workers. The researcher knew common phrases and could say, hello, thank you etcetera, but could not hold a conversation. This led to the use of a translator who was fluent in Mandarin and several other dialects. He was also of Chinese heritage, so some of the nuances of the culture were natural to him. Once a focus group began debating a topic, the translator regularly asked them to pause so that he could immediately translate in order to allow the researcher to make notes, moderate, probe further or ask for examples of the topic under discussion. This could have inhibited the depth of discussion at times, however it did not seem to have a negative effect on the group interactions and discussion and the participants seemed relaxed throughout.

The results of the study are revealing and in depth as the sample was chosen from organisations where the researcher had guanxi rather than a randomly chosen data set. Without this guanxi it is debatable whether a researcher unknown to the factories would have been able to gain access, or achieve this level of understanding of the lived reality of the migrant workers. Furthermore, with more than twenty years' of experience of working with Chinese nationals the researcher believes the results of this study can be generalizable to other similar factories throughout China.

The researcher's lack of Chinese language skills meant that the researcher relied on secondary literature in the English language. The growing number of journals published in the Chinese language has been noted by Xu (2020) and Xie and Freeman (2019), and this would be a good starting place to expand and extend the study. This section highlights the limitations of the study. However, section 4.15 on reliability, replicability and validity details the steps that were taken to minimise the limitations and the researcher believes that these did not detract from the uniqueness or validity of the research data.

7.9.2 Implications for Future Research

Anyone wanting to carry out research or trade with China would have a much richer and deeper understanding of social, institutional and cultural norms having read the current study.

The most significant change in China will be the reform of the hukou system, whose roll-out has been impeded for a number of reasons. These include the 2008 recession, the 2015 stock market crash, the on-going trade war with America and the migrant workers reluctance to convert their hukou (Fan 2017). In light of the above, it will be interesting to see if the Government will change the terms of the hukou reform. Further research in this area could identify what impact this would have on the migrant workers and their families and explore whether these changes will improve the work life balance of this marginalised group (Cooke 2011a).

There were clear generational differences between those born under the One Child Policy and the older generation. The older generation are aging and will not be long-term employees, which has implications for HRM practices with the younger generation, who are said to appreciate involvement initiatives and show a preference for a participative management style (Gu & Nolan 2017, Cui et al 2016, Zhu et al 2015, Huang & Gamble 2011). Currently HRM in the SMEs is based on a system of paternalistic control contingent on the personality of the owners (Cooke et al 2020b, Xiao & Cooke 2020a, Chow & Liu 2009). How the owners and senior management teams respond to changes in preferences between the generations will be a major HRM challenge which will require a longitudinal study to record how they respond to these phenomenon.

From the GVC perspective the current pandemic is leading organisations and nations to question their reliance on this form of arbitrage (Danciu 2020, Hippe Brun 2020, Knut et al 2020, Seric et al 2020, Verbeke 2020). It would be interesting

to revisit this construct in the future to see if the balance of power has changed and whether manufacturing has been re-shored or near-shored.

As previously noted the data from this research was collected from six factories and comes from one hundred and eighty participants. As such, this research looks to open up a discussion on the efficacy of GVC and the impact the asymmetry of power within the chain has on the lived reality for the migrant workers. This study is unique in that it is the first to combine the GVC, HRM, and SMEs in China.

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Research Map

	Research Focus	Research Methods	Theoretical Considerations
Macro Environment	Chinese culture	Literature review	Culture
	Confucian values	PRC published data	Gender – Patriarchal Society
	One party system	Published NGO reports	Collectivism
	Open Door Policy	World Bank reports	Labour Market Theories
	EOI	Media reports	GVC
	Education		5-6 Yrs Compulsory Education
	Hukou system		Caste System, Urban vs. Rural
	Labour market reform		Labour Laws
	One Child Policy		Generational Differences
Meso Environment	SMEs	Literature review	Labour Market Theories
	GVC	PRC published data	Guanxi
	EOI	Published NGO reports	GVC
	HRM	Media reports	Competitive Advantage
		Case studies	
		Focus groups	
		Semi-structured Interviews	
Micro Environment	6 x SMEs	Literature review	HRM Policies
	Migrant Workers	Media reports	Staff Turnover
		Semi-structures Interviews	Quality
		Focus groups	Lead-time
		Participant observation	Loyalty

Appendix 1: Conceptual Framework, adapted from Layder's Research Map (1996)   311

Research Map

	Research Focus	Research Methods	Theoretical Considerations
Self	Socially Deprived	Literature review	Collectivism
	Separated from Children	Media reports	Motivation
	Living in Dormitories	Semi-structures Interviews	Guanxi
	Dependant on employer	Focus groups	Loyalty
	Socially excluded	Participant observation	
	Education		

Appendix 2: Picture of a Typical Factory Compound   313

Section	Topic	Question(s)/Prompts	Reason for the Question
1	**Business Structure**	What reasons for starting the business? How was the business funded/financed? What is the ownership structure? Why this business/technology? Was any other business/technology considered? • Then? • Now? • Future?	Easy questions for the owners to answer, to relax them at the start of the interview (Saunders et al 2012, Bryman & Bell 2011).
2	**Global Value Chain**	Do the owners consider themselves part of the GVC? • If yes, where would they position themselves in the GVC? • Who drives their position in the chain e.g. them/customer? • How much power/room for manoeuvre does their position in the chain afford them e.g. how easy to move up or down the chain? • Any examples of them moving within the chain? • Do they have future plans? • Do they communicate with any other parts of the chain e.g. others suppliers supplying the	To underpin the importance of the GVC and its impact on social and economic welfare, a World Investment Report (UNCTAD 2013) estimated that 80 percent of world trade by 2013 came from GVC's. The OECD (2013), comment that labour intensive tasks in GVC's take place in emerging and developing economies with an abundant supply of labour. Kaplinsky describes the commoditisation of supply chains as a *"race to the bottom"* (Kaplinsky, 2000:141). Leading writers on the GVC suggest lead firms in the chain should assist others to upgrade within the chain, they label this as executive governance (Ponte & Sturgeon 2014; Gereffi 2013; Gereffi et al 2005; Levy 2008 & 2005 & Kaplinsky 2000).

Section	Topic	Question(s)/Prompts	Reason for the Question
		same customers via supplier conferences or other?	
3	**Socio-Economic, Political Environment**	The Government has said it does not want China to continue to be the workshop of the World. It wants the whole economy to move up the value chain and become a more knowledge-based economy :- • Has this or will this have any impact on the factories business? • What impact for the future? • Is the Government offering any support to businesses?	China's strategy is to move away from the low skill, low value add EOI model to the creation of a domestic demand model. (The State Council, The People's Republic of China).
		The Government is increasingly legislating on pay & labour laws • In what ways has legislation impacted staffing?	Shen (2008) points to the lax enforcement of China's Labour laws and claims this puts workers at a significant disadvantage in the labour relationship.
		Are there any other Socio-Economic or Political factors that will impact the business or employment?	Open question
4	**In-Shoring vs Offshoring**	Many factories are re-locating inland • Have the factory considered this? • Do they have any experience of this or intentions/plans? Another trend is offshoring • Have the factory considered this?	Ponte & Sturgeon (2014) discuss the power of global buyers, who drive down costs, which ultimately results in their suppliers relocating to lower cost economies.

Section	Topic	Question(s)/Prompts	Reason for the Question
		• Do they have any experience of this or intentions/plans?	Boxall & Purcell (2011) cite Cooke (2007) who points out that large cos. go offshore to take advantage of lower labour costs and less regulation.
5	**The Hukou System**	What are the current advantages/disadvantages of employing rural workers? China has said it intends to change the Hukou system and give rural workers more rights. • Is the factory planning for this now? • In what time-frame do you think this will come in? • What will this mean for recruiting & retaining workers? • Do you think this will have a knock on impact on other things e.g. dormitory living, wages any other examples/topics the factory are considering?	Under this system internal migrant workers have no entitlement to social welfare benefits once they leave their home towns and villages to find better paid work in the urban environment. These withheld benefits include education for their children, healthcare and social housing (Swift 2011, Mitchell 2009).
6	**Pay & Overtime**	How is pay made up? What is the percentage of:- • Basic pay? • Piecework? • Overtime? • Bonuses? • Other? Have these factors of pay changed over time? Examples of each factor now and in the past?	Cooke (2009) comments that Chinese pay is unique, in that bonus makes up a large proportion of pay,

Section	Topic	Question(s)/Prompts	Reason for the Question
		• Basic pay, now vs. past? • Piecework, now vs. past? • Overtime, now vs. past? • Bonuses, now vs. past? • Other, now vs. past? Do you always pay salaries on time? • Exceptions? • Examples? Do you always pay in full? • Exceptions? • Examples? How often is Overtime worked? Is there a maximum number of hours Overtime per day/week? • Examples in last week/month? Does the factory work at weekends? • Is this part of the normal working week or over-time? Is Overtime paid at the same rate or different to the normal hourly rate? • If different, in what way?	Shen (2010) notes that the majority of labour disputes in POE's are regarding payment. Labour laws were designed to curb exploitation, which includes limiting working hours and regulating vacation time (Gallagher 2004). Overtime pay is regulated in China, so the factories should pay time and a half for overtime worked Monday to Friday, double pay for weekend overtime and triple time if workers are required to work on a national holiday (The China Labour Bulletin 2015).

Section	Topic	Question(s)/Prompts	Reason for the Question
		Is weekend work paid at a different rate to Monday to Friday work? • If differentiated in what way?	
7	**Training**	We discussed training when I visited in May. Several of the factories discussed the need to educate the workers mind :- • Do you agree this needs attention? • If yes, how are you going to achieve this? • Have you tried anything yet? • If yes. What? • With what results? • Examples?	Training is a core concept of SHRM, which it is claimed can lead to sustainable competitive advantage, but (Akhtar et al 2008) argue that it will take China another decade or two too fully embrace the concept . (Shen 2010) found Training and development were under-utilized in China seen as a cost rather than a benefit. Yet it is seen as crucial to China's development by others (Easterby-Smith et al 1995)
8	**Guanxi & Gender**	Is Guanxi important? • If yes, how important? • Examples? • More or less important inside vs. outside the business? Can you imagine a time when Guanxi will be unimportant or replaced by something else? • e.g. qualifications? Does gender have any influence on Guanxi at work? How does an employee get promotion? • Is it dependant on Guanxi? • Any recent example of promotion?	Cooke suggest that Guanxi *"has an enduring source of influence that explains the differences between Chinese and Western behavioural patterns and the dynamics of workplace relationships"* (Cooke 2009:13). Guanxi plays a large role in promotion (Shen 2008, Easterby-Smith et al 1995).

Section	Topic	Question(s)/Prompts	Reason for the Question
		What is the highest rank of Female employee in the organisation? • In Charge? • Manager? • Supervisor? • Line Leader? • Engineer? • Other • How many in each role? • How does this compare to Males in similar roles? • Is this typical?	Kamenou (2012) suggests that the researcher needs to consider structure, agency and culture when examining the impact of gender.
9	**Workers Life's Compared to Their Parents**	How do you think current workers life's compare with their parents? • Can you give examples? What about the next generation, how do you think the world of work will change for them?	There have been fundamental changes in social values and work ethic between the generations with the older generation more used to authoritarian control and the younger generation more open to performance related rewards (Chan & Seldon 2014, Wang at el 2014, Cooke 2009).
10	**Foreign Cos. In China**	There are a huge number of Foreign Cos. With factories in China • Do you have any experience of their personnel practices? • How do you think they differ from Chinese personnel practices?	Western culture focuses on cause and effect with the emphasis on results. Chinese value relationships that achieve results. The Chinese may bend the rules to get to the end goal, whereas Western cultures emphasize individual responsibility (Beamer 1998).

Section	Topic	Question(s)/Prompts	Reason for the Question
		• On what do you base your opinion? • Have you imported any of these foreign personnel practices? • Examples? • Are there any personnel practices from these foreign companies that the Chinese would not use? • Why?	
11	**Open ended question**	Is there anything else that I have not asked that you would like to comment on, regarding your experience of the GVC, or work and life in China & how it is changing?	Open question

Section	Topic	Question(s)/Prompts	Reason for the Question
		GENERAL QUESTIONS RELATED TO VALUE CHAINS	
1	**Business Background**	What is your key activity/production?	All six organisations are involved in China's EOI which has been described as the workshop of the world (Yang 2014, China Labour Bulletin 2015).
		How has what you make changed and why? (Prompt have you become more or less specialised)	There are four upgrading strategies put forward to improve an organisation or nation states position in the GVC, that of process, product, functional or Chain upgrading (OECD 2013).
		What were the key dates?	Background information
2	**Upgrading**	What changes have you made to improve your business organisation? (HRM, Marketing, Finance, logistics)	Upgrading within the value chain (Levy 2005 & 2008, Sturgeon 2002, Kaplinsky 2000, Gereffi 1994).
		What changes have you made to improve your product, processes, functional or chain upgrading?	Process, Product, Functional and Chain upgrading (OECD 2013, Gereffi et al 2005).
		What stimulated these changes and where did you get the ideas from	Open question

Section	Topic	Question(s)/Prompts	Reason for the Question
3	**Suppliers (Vertical linkages)**	Who and where do you get your raw materials & components? Have your suppliers changed? • If so, why?	Since the early 2000's rising raw material costs is a factor in making China less competitive Yang (2014). China's EOI was responsible for importing 67 percent of the Worlds processing exports in 2011 (Gereffi 2014, WTO 2013). These are then incorporated into final products, which are then re-exported duty free, which results in little value add being generated by the Chinese assemblers who are at the bottom of the value chain (Kraemer et al 2011). As the supply chain in China has developed, all six factories have been able to reduce their imports.
		Does the cost of raw materials fluctuate? If so, what do you do to cope with this? Is this a problem that your competitors face? Do they cope with the problem in different ways?	Commodity speculators can have a huge influence on the pricing of raw materials (Sanderson 2015). Open question Open question
4	**Customers (Vertical linkages)**	How many customers do you have? How long have you had these customers? Are you dependent on one or a few large customers?	How reliant are they on a small number of customers? Buyer Driven chains follow a strategy as suggested by Levy (2005), of commoditising their supply chain. The SME's try to counter this *"race to the bottom"* (Kaplinsky 2000:141), by seeking to establish relationships with the buyers, Resilience?

Section	Topic	Question(s)/Prompts	Reason for the Question
		Are the customers in the home or export market?	Are they dependant on the EOI? (Yang 2014, Cooke 2009).
		What would be the impact if you lost a major customer, particularly with regard to manpower?	Resilience
		Have you tried to diversify your customer base (in the domestic market, in the export market)?	
		Do your customers expect you to be flexible (i.e. do you get short-term orders)	Asymmetrical patterns of power relationships in Buyer Driven Chains give assemblers in China's EOI, limited power when large customers give them short lead-time orders (Kaplinsky 2000, Sturgeon 2002, Levy 2005 & 2008, Gereffi 1994).
		• Does this affect the planning of your labour (i.e. workers on short-term contracts?)	In the Focus groups workers and even office staff reported having to work all night to fulfil short-term orders.
		Have you been asked to lower your prices?	Factories previously reported customers demand stable prices, increased flexibility, with JIT deliveries.
		Have customers helped you improve your business in anyway • Suggestions for management, process or product improvement?	Key authors on the GVC describe executive governance where lead firms in the chain assist others to upgrade within the chain (Ponte & Sturgeon 2014, Gereffi 2014, Gereffi et al 2005, Levy 2008 & 2005, Kaplinsky 2000),
5	**Institutions**	Do you get any help from local/ regional Government?	Kaplinsky (2000) points out that governance can come from both inside and outside the value chain.

Section	Topic	Question(s)/Prompts	Reason for the Question
		Are you a member of a chamber of commerce, business club? • Are these useful in terms of information/ideas?	Ponte & Sturgeon (2014), highlight the importance of external actors in chain governance; including Governments, civil-society through boycotts and campaigns, specialist help from consultants and global economic governance carried out by institutions such as the OECD, IMF and the World Bank.
		Do you have contact with or get help from national Government? • Have they introduced policies that are useful to you?	Syed & Pg Omar (2012) argue that whilst globalization has allowed MNCs to source from disparate countries, the employment relationships in each of these countries has been shaped by national systems of employment legislation which are influenced by the cultural context.
		Do you implement increase(s) immediately?	Many countries including China have used legislation to set a minimum wage (Shields 2012). Business owners have previously admitted that they do not always comply or delay complying with legislation, Shen (2008) also uncovered this lack of compliance.
		Do others delay the increase? • If yes, how do you know?	Open question
6	**Competition**	How many competitors do you have? Where are they based; in the city, the provinces, inside or outside China? Is Technology allowing new entrants?	Hollingshead et al (2003), uses an earlier study by Marchington & Parker (1990) to show that companies who have a low market share are likely to pursue a cost minimising strategy, in response to fierce competition.

Section	Topic	Question(s)/Prompts	Reason for the Question
		Is competition becoming more or less intense? What pressures does this put on the business and what strategies used to respond to competition? Is the pressure experienced in terms of cost, quality, delivery times or flexibility? What has worked well, or not so well e.g. cost down or quality? Are experienced workers leaving to set up their own business? • How frequently does this happen?	Value add is not static as it can move up or down the chain, driven largely by changes in technology or disruptive new entrants. Business owners have brought this subject up previously Open question, how big is the problem?
7	**Technology & Regulations**	Have changes in Technology or Regulations impacted the business? Examples, International Approvals, Transportation or Consumption Tax?	Boxall & Purcell (2011) argue that improvements in processes and technology are now allowing firms to both improve quality and drive down costs.
8	**Global context**	Do you have competitors in other countries? What advantages/disadvantages do they have?	Background information

Section	Topic	Question(s)/Prompts	Reason for the Question
		Have you been subject to anti-dumping?	
		Did the crisis of 2008 affect your business? • What specific measures did you take?	Boxall & Purcell (2011) liken the employment contract to an exchange relationship, between the employer and employee. They say all employees have some power and those who are harder to replace have more power. They point to employers in the 2008/9 recession reducing the working week and encouraging workers to take additional unpaid leave, rather than lay people off. But how this translates to migrant workers in China is open to question.
		Do owners have any plans to re-locate? Within China? Offshoring?	Many factories are moving from coastal to lower wage inland areas, or lower cost economies such as Cambodia & Vietnam (Gereffi et al 2005, Chan & Seldon 2014, Levy 2008).
		Does the Owner have any other plans to restructure or reposition the business?	Open question

QUESTIONS SPECIFICALLY RELATED TO HRM

Section	Topic	Question(s)/Prompts	Reason for the Question
9	**Pay**	Is pay individually or team based?	Chow & Liu (2009), argue that employee involvement in China is weak, as it is a high power distance society and that HR systems built around pay work well in China.
		Is it performance related?	There is much debate about the merits or otherwise of performance related pay, its detractors argue that extrinsic rewards will not result in intrinsic motivation. However there is much evidence that the two are not dichotomous and incentive based rewards can both improve performance and boost team work (Cerasoli et al 2014, Shen 2008).
		How is pay made up e.g. basic pay, piecework, bonuses, and other subsidies?	Basic pay is the minimum pay an employee will receive and is normally the largest part of total remuneration, which could also include performance related or other benefits (Shields 2012).
		How is pay set, Government minimum, or market rate?	China implemented minimum wage regulations in Mar 2004. In Dongguan (where three of the factories are located), the minimum wage doubled in an eight year period, from 2002 to 2010 (Yang 2014).
		Has the structure of pay changed? If so why and when. • Did you change pay structures to attract and maintain workers?	An effective reward system has four primary functions which are to attract, motivate, develop and retain staff. Rewards can be either extrinsic or intrinsic to the job (Shield 2012).
		Are you aware of the pay and pay structure of your competitors	Market surveys aim to understand pay rates for similar work in other organisations and could be described as what the market

Section	Topic	Question(s)/Prompts	Reason for the Question
			will bear; organisations then use this survey knowledge to position themselves to attract and retain talent (Shield 2012).
		Do you pay less, more or the same as your competitors	Four POEs in Shen's study (2008), all claimed to pay above the average to retain skilled staff, but how sustainable would that be?
10	**Training**	What is the educational level of the Owner, Managers, Line Leaders & Workers	The educational level of much of the Chinese workforce is limited (China Labour Bulletin 2015, Hutchings 2004).
		What training is provided for; Managers, supervisors, line leaders & workers	Management competency levels in China need improvement, (Zhao & Du 2012).
		Is there a strategy for training Supervisors, Line Leaders & Managers on coaching & problem solving or do you deal with problems as they arise?	Training often considered more of a cost rather than as a means of achieving competitive advantage, with its main focus aimed at achieving efficiency improvements (Shen 2010, Murray 2012). Shen (2008) discusses the very limited or non-existent training and management development in the POEs in her study in China.
			There is a long standing tradition in the Chinese education system of memorisation and regurgitation of factual knowledge, decision making capabilities are therefore not fostered (Cunningham & Rowley 2007).
		As part of this research workers said they wanted training to relieve boredom and equalise the work load.	Assembly tasks in China based around simple repetitive movements (Holland 2012, Jamali & Afiouni 2012).

Section	Topic	Question(s)/Prompts	Reason for the Question
		• Have you taken any action on this? • Is it working? Can you give any examples? As part of this research several factories discussed the need of 'educating the workers minds'. • How have you/are you going to do this? Where do you get your ideas for HRM? (prompt, MBA, other firms, books, customers) Have foreign companies brought any personnel practices to China, that the Chinese like and have assimilated? Are there any personnel practices from these foreign companies that the Chinese would not use & why?	Akhtar et al (2008) in discussing the Confucian value of maintaining harmony, explain this means people do not cross their own boundaries or get involved in other people's business. In practice this means workers on a production line, allow products with an obvious defect to pass on down the line. Background information FDI was originally encouraged as a means of acquiring technology, management knowledge and creating employment (Cunningham & Rowley 2007). Warner suggest China may use a hybrid form of HRM "with Chinese characteristics" (2009:2188).
11	**Working conditions and contracts**	Are all workers directly employed? (%) Are there differential contracts? • If yes, when were these introduced and why?	Background Storey (2007) discussing differentiated HR policies and cites the example of Kuehne & Nagel, a global logistics company, who segment their customer base by the level of service the customers are willing to pay for, workers who are working on premium

Section	Topic	Question(s)/Prompts	Reason for the Question
			contracts have differentiated sets of terms and conditions than those working on lower value added contracts.
		Do you use agencies?	In her study (Shen 2008) found that POEs in China utilise job fairs or media advertising when recruiting managers or technical staff and word of mouth or agencies for unskilled workers (Shen 2008)
		What benefits do workers have? • Have you improved these? • Is this connected to job retention?	Benefit plans are designed to supplement cash based pay with the aim of improving the welfare of employees (Shields 2012).
		Do you try to provide better benefits than competitors?	Björkman & Xiucheng (2002) argue that competitors may emulate individual HRM practices, but that the whole HRM system is harder to copy.
		How long do you close for CNY and has this changed?	The workers only return home once a year at CNY, which has been described as the largest annual human migration (Chan 2013).
		How much holiday pay?	Holiday pay would form part of the benefits package (Shields 2012).
		What are the working hours?	Kamenou (2012) cautions against the long hours cultures where input is considered more important that output.
		How often does this factory work over-time? How many hours overtime worked?	Overtime is regulated by law in China, which sets a maximum number of hours per day and per month and stipulates the

Section	Topic	Question(s)/Prompts	Reason for the Question
			remunerations level, but as with other labour laws, regulation is lax (China Briefing 2014).
		Do workers want more or less overtime?	Open question. Workers in POEs in Shen's (2008) study worked 10-12 Hours per day.
		Maternity Leave? • How long, is Maternity leave? • Is it paid leave? If yes, what level of pay & for how long? • Who pays employer or Govt? • Do Women work whilst pregnant? • Can the worker return to their previous job after Maternity leave?	In 2010 China introduced the first comprehensive national insurance system, which included maternity leave and maternity pay (China Labour Bulletin 2015).
12	**Motivating and disciplining workers**	What could a Line Leader or Manager do to encourage or motivate the workers? • Examples	There is huge debate as to whether extrinsic or intrinsic rewards lead to superior performance (Shields, 2012), although even this statement is questionable, as which performance is being referred to and superior to what?
		Would any disciplinary action address an individual or a group?	In the first round of focus groups held in Oct 2014, some subjects such as discipline seemed culturally sensitive. This is in line with the Confucian value of maintaining harmony (Akhtar et al 2008)

Section	Topic	Question(s)/Prompts	Reason for the Question
		What discipline issues occur?	
		Workers cited two main reasons for staying with particular factories. The first was being happy at work and the second was a family like feeling. • Do Owners, Managers & Line Leaders actively encourage these feelings? If so, how?	Family is one of four significant Confucian values which are culturally deep-rooted (Cunningham & Rowley 2007).
		Do you think the motivation of young workers differs from that of their parents' generation?	Cooke (2009) observes that there have been fundamental changes in social values and work ethic between the generations.
		Do you engage in any form of staff consultation? • e.g. works committee?	Employee involvement in China has historically been described as weak, as it is a high power distance society (Chow & Liu 2009)
		Is there a trade union here? • If so, how does consultation and negotiation work?	By Law only one union organisation is allowed in China, the All-China Federation of Trade Unions (ACFTU), which acts as an umbrella organisation for all trade unions, independent unions are illegal in China. The officials of the union are normally local Party officials who often have joint management roles in their enterprise such as personnel managers (Gallagher 2004). As a result of these strong links to The Party the ACFTU is described as ineffectual or toothless (Cooke 2013, & 2011a, Zheng & Lamond 2009).
		What are the main disciplinary issues? (Prompt: absence, poor work)	
		If a Line Leader or Manager wanted to discipline an Individual or Team	What else would be considered poor performance?

Section	Topic	Question(s)/Prompts	Reason for the Question
		• How could they do this? • Would this be directed at an individual or be team based? • What types of punishment?	Western managers would dismiss an employee for poor performance, in contrast Chinese Managers would discipline and encourage but not dismiss, their collectivist culture would lead them to consider the whole family and the effect on the work group (Beamer 1998).
		If a Worker resigns, do you conduct exit interviews?	Owners reported in the first set of interviews that immediate availability was a key decision in hiring production workers, when they had short lead-time orders to fulfil.
		What is the Turn-Over of production workers this year?	Open question
13	**Government legislation**	Has Government legislation around labour affected; pay, working conditions, job security, and environmental legislation?	Syed & Pg Omar (2012) argue that employment relationships in different countries has been shaped by national systems of employment legislation which are influenced by the cultural context. The Iron Rice Bowl was replaced by labour laws which were designed to improve efficiency by ending lifetime employment and to curb exploitation, by granting minimum basic rights such as limiting working hours and regulating vacation time (Akhtar et al 2008, Gallagher 2004).
		What might the impact be of the end of the One Child Policy?	Swift (2011) notes that the younger generation are more combative than their parents and use social media to coordinate protests and strikes.

Section	Topic	Question(s)/Prompts	Reason for the Question
		What size are fines under the One Child Policy?	Factory owners had reported previously that they had been fined for having more than one child. This is reported to be a major revenue generator for local governments (Jing 2013).
14	**The Hukou System**	What proportion of your workers are rural/urban?	In order to provide a pool of low cost labour to the EOI, it is claimed that China deliberately created a dual economy and society (Chan 2013). This is maintained by the Hukou system of household registration, which marginalises rural peasants when they move South to find better paid work by restricting their social welfare rights in urban areas (Zhou 2014, Swift 2011, Mitchell 2009).
		Is the proportion increasing/decreasing/staying the same?	The Government has been modernising the system but slowly, by two thousand and sixteen only forty one percent of the population held an urban Hukou (Chan 2013).
		Where do they come from in China (approximate proportions)?	Background information
		Are they housed by the firm?	The restrictions under the Hukou system results in migrant workers being dependant on their employers and has resulted in the majority living in factory dormitories (Anderlini 2014, The Economist Mar 2014, Zhou 2014, Cooke 2009).
15	**Guanxi**	As China modernises, do you think the importance of Guanxi will- • Remain the same? • Be more important?	Guanxi or relationships in business in China are networked over long periods of time and are based on trust and reinforced through social exchange and reciprocation (Saunders et al 2012,

Section	Topic	Question(s)/Prompts	Reason for the Question
		• Become less important? • Change in some other way? Does gender have any influence on Guanxi at work?	Cooke 2009, Cunningham & Rowley 2007, Easterby-Smith et al 1995). Guanxi plays a big role in promotion (Shen 2008), does this disadvantage women in a patriarchal society? (Kamenou 2012)
16	**Open ended question**	Is there anything else that I have not asked that you would like to comment on, regarding your experience of the GVC, work or life in China and how it is changing?	Open question

Factory Locations	Location	Label	Port	Airport
Factory-4		**A**	Shenzhen or HK	Shenzhen, Guangzhou, or HK
Factory-2	Dongguan			
Factory-6				
Factory-3	Zhongshan	**B**	Zhuihai	Zhuhai
Factory-1	Wenzhou	**C**	Shanghai	Shanghai
Factory-5 (original)	Huizhou	**E**	Shenzhen	Huizhou
Factory-(relocated)	Yichun	**D**	Shenzhen	Yichun
Factory-2 (new factory)	Meizhou	**F**	Xiamen or Shenzhen	Meizhou

#	Topic	Prompt	Reason for Question
1	How Many Workers?	Directly vs. indirectly employed	Background question (warm up question, to set the scene and relax the interviewee with easy to answer questions)
2	Factory Location?	Province?	Background information (setting the scene)
3	Age of Business	When was the business started?	Boxall & Purcell (2011) HRM varies with the organisations life cycle, this resonates with an argument put forward by Legge (1995), who said that in fast changing markets, long-term planning is ineffective.
4	Size of Business?	Turnover Size of Factory	Background information
5	What do you understand by the term HRM? • What topics/headings would this cover?	The system used to manage people	Boxall & Purcell (Boxall & Purcell 2011)
6	What is your biggest HRM issue? • What is driving this?	Employee Turnover? Lack of commitment? Quality? Cross cultural differences (between workers from different provinces)?	It is suggested that the use of employee involvement schemes can reduce both employee turnover and absenteeism, whilst increasing commitment to organisation goals (Pyman 2012). One of the reasons put forward for adopting an employee involvement scheme, is improvements in quality (Pyman 2012). Beamer (1998) posits that attempting to change one cultures thinking on another's is unrealistic, but cross cultural training can help. Beamer was discussing completely different cultures in JV, but the concept could work across regional cultures.

7	Is worker turnover increasing? • If yes, what is driving this?	One Child Policy, young very spoilt • Boredom? • Do not like pressure?	Assembly tasks in China, based around simple repetitive movements (Holland 2012, Jamali & Afiouni 2012). What has been termed the 4-2-1 problem, under the One Child Policy a younger worker would have the support of two parents and four grandparents (Currier 2008).
8	Where do your workers come from?	Local or migrants • What is the percentage split?	In cities such as Shenzhen and Dongguan which are significant in China's EOI, migrant workers account for 70-80% of the workforce (Chan 2013).
9	Does the factory employ any local workers?	Factory or Office?	Background information
10	How does the factory recruit?	Do they differentiate the methods used for different roles? • e.g. Factory vs Office?	Personal recommendation from existing workers & recruitment boards most popular methods in Shen's (2008) study of POEs.
11	What methods are used to assess applicant's suitability for the role?	Interview? Trial?	Shen (2008) claims the Chinese have moved away from face to face interviewing and rely on personal recommendations and says this is more in tune with their cultural preferences.
12	Do you have an induction programme?	How do you ease a new recruit into their role?	Induction as a tool to expedite socialisation into the new role (Kyriakidou 2012).
13	Do you suffer from workers only staying a few days?	Average length of stay for new workers?	"Job hopping in Asia, is described as so bad it has almost become part of the culture" (Khatri et al 2001:54).
14	Do you offer dormitories	If yes, • What's the % split between those who do/do not live in dormitories?	The restrictions under the Hukou system leaves the migrant workers dependant on their employers, with the majority living in factory supplied dormitories (Anderlini 2014, The Economist Mar 2014. Zhou 2014, Cooke 2009).

15	Why do some choose not to live in Dorms?	Dependant on:- • Marital Status? • Rank? • Other?	
16	What is the cost of outside accommodation? • Does the factory offer rent allowance?	What proportion of salary?	
17	What is the average length of service in the Company	Does it differ across roles? • Management & Line Leaders? • Workers?	Cooke (2009) observed that there have been fundamental changes in social values and work ethic between the generations. Shen (2010) notes the longer the employment relationship the higher the likely organisational commitment.
18	Any initiatives to encourage workers to stay?	Intrinsic vs. extrinsic rewards Improving Dormitories? Teambuilding initiatives?	In some cultures developmental and societal rewards are more prized than financial rewards and can have more impact in motivating and retaining staff (Shields 2012). As the workers live in the Dormitories year round, (Anderlini 2014, The Economist Mar 2014, Zhou 2014). Improving their living conditions could be viewed as an intrinsic reward (Shield 2012).
19	Are there any other reward systems in use?	Rent allowance if living outside? Free meals (as part of salary)? Birthday gift?	Shen (2008) argues that deep-rooted egalitarian preferences hinders performance related pay systems and found that firms usually use group bonuses, regardless of individual performance. Although this view is being challenged for example Björkman & Xiucheng (2002) argue that individual rewards and performance appraisal have been used successfully to influence the behaviour of employees in China.

20	What forms of discipline are in use?	Fines? Shaming?	Confucian values emphasise harmony, hierarchy, discipline and conflict avoidance (Cunningham & Rowley 2007).
21	How much holiday per annum?	Is it paid holiday?	Benefit plans are designed to supplement cash based pay with the aim of improving the welfare of employees, holiday pay would fall into this category (Shields 2012).
22	Does the factory offer Training?	On the Job, by a more experienced worker? Upskilling? Other? Timescales on each?	It is claimed that training and development are under-utilised in China, instead viewed as a cost rather than a benefit in improving efficiency and gaining competitive advantage (Zhu et al 2015, Cooke 2013, Zhang 2012, Zhao & Du 2012,Shen 2010, Akhtar et al 2008).
23	Can workers get promotion?	How usual? • Examples?	Guanxi plays a big role in promotion (Shen 2008, Easterby-Smith et al 1995). How far down the hierarchy does it go?
24	Are Managers promoted from within or imported?	Recent examples?	As Guanxi plays a big role in promotion (Shen 2008, Easterby-Smith et al 1995), likely to be from within or personal recommendation.
25	What are the salary levels?	Individual or Team based rewards?	Deep-rooted egalitarian preferences hinders performance related pay systems, firms usually use group bonuses, regardless of individual performance (Shen 2008). China implemented minimum wage regulations in Mar 2004 (Shields 2012), under these regulations each region sets its minimum wage at 40-60% of the local average wage, how far above this is the factories pay?

26	Any other strategies to overcome retention issues?	Intrinsic vs extrinsic rewards	In its annual survey of CEO's from over fifty countries PricewaterhouseCoopers (2009) found that ninety seven percent of CEO's saw recruiting and retaining key talent was critical to sustaining growth over the long-term (Holland 2012).
27	Are they a member of any associations or trade bodies?	Manufacturing associations? Standard setting bodies?	Employee involvement schemes would involve initiatives such as works councils and trade bodies (Pyman 2012).
28	Do they discuss staffing issues with other factories?	Knowledge pooling?	China has been described as a low trust economy (Singh 2007, Nojonen 2004, Easterby-Smith et al 1995), so it is questionable if knowledge pooling is widespread.
29	Do all workers have signed Labour Contracts?	Labour Law that all workers should have an individual contract which must be signed by both parties to the agreement.	In a study of POE's in China, Shen (2008) found companies did not fully comply with labour laws, in that not all workers had signed labour contracts.
30	Social Security payments are now the law • Do all workers pay?	How much does it cost • Employer • Employee	In 2010 China introduced the first comprehensive national insurance system (China Labour Bulletin 2015). It has been argued that people do not trust the Government on social insurance and choose not to sign their employment contract, as a way of not contributing (Cooke 2009, Shen 2008, Saunders & Shang 2001).

#	Topic	Prompt	Reason for Question
1	What attracted you to work for this Company?	Influences? Personal recommendation?	Discussion on why people decided to work in this organisation
2	Is the reason still valid?	Would you be attracted to this organisation today?	Have they or the organisation changed over time (Shields 2012, Raby & Gilman 2012).
3	What do you like about the Company?	The Boss? Reasonable hours? Good Pay? Colleagues?	Extrinsic vs. intrinsic rewards (Cerasoli et al 2014, Shields 2012)
4	Would you recommend the Company as a good employer?	Have you recommended anyone to join this Company? Did you seek anyone else's opinion before you joined?	Personal recommendation is an important method of recruitment (Shen 2008). Business owners had previously confirmed this to the researcher.
5	Do you like your job?	How long in current role? Have other roles been tried?	To ascertain level of contentment/boredom, assembly functions repetitive (Shields 2012, Cooke 2009)
6	Did you receive training when you joined the Company?	How long did any Training last? Who did the Training? Any refresher training? Did it improve skillset?	Training as a tool to improve motivation & retention (Syed & Pg Omar 2012, Storey 2007, Legge 1995)

		Did it lead to improved pay?	
7	Do you feel you need more Training?	Can workers upskill themselves? Is there refresher training?	To ascertain workers motivation towards training and the likelihood that training requirements and needs are likely to change over time (Raby & Gilman 2012, Cameron & Pierce 1996).
8	If you could change one thing about the Co. What would that be?	Reduction in working hours? Improvements to facilities? Increased recreation? Money?	Soft vs Hard HRM (Jamali & Afiouni 2012, Shields 2012, Storey 2007, Legge 1995). In some cultures financial rewards viewed as less motivating than other intrinsic rewards (Shields 2012, Beamer 1998, Cameron and Pierce 1996)
9	If you were a manager what one thing would you do differently?	Motivation? Discipline? Training? Job-rotation?	Structure/Agency (Kamenou 2012, Storey 2007)
10	Have you ever considered leaving this Company?	Recruitment boards outside most factories, have they ever been tempted? Move to factory nearer hometown?	To gauge level of motivation/dissatisfaction (Shields 2012, Björkman & Xiucheng 2002, Storey 2007, Legge 1995) The migrant workers live in factory supplied, largely single sex dormitories for fifty plus weeks a year. The children of migrant workers are 'left behind' usually with elderly relatives (Zhao et al 2017, Roberts 2014, Swift 2011).
11	If yes, why were you thinking of leaving?	Money? Better Conditions?	Long hours described as over working culture (Kamenou 2012). In tight labour markets organisations respond by offering higher salaries and improved conditions (Syed & Pg Omar 2012, Boxall & Purcell 2011).

		Shorter working hours?	Living in factory dormitories, missing their children (Chan 2013).
		New challenge?	
		Homesickness?	
12	What made you decide to stay?	Relationships with co-workers?	Collective Culture (Syed & Pg Omar 2012, Hofstede 1980)
		Good Boss?	Relationships and harmony are important (Cunningham & Rowley 2007)
		Familiarity with role/function?	Shared dormitories, better someone you know? (Holland 2012, Cooke 2009)
		Fear of the unknown?	
13	Have any of your friends left this Co?	Relationships?	Could the move be seen as a mistake? (Cunningham & Rowley 2007)
		Collectivism?	
14	If yes, what were the reasons?	Money?	In some cultures financial rewards viewed as less motivating than other intrinsic rewards (Shields 2012, Cameron and Pierce 1996).
		Boredom?	Assembly tasks in China, based around simple repetitive movements (Holland 2012, Jamali & Afiouni 2012).
		Promotion?	Guanxi plays a big role in promotion (Shen 2008).
		Nearer home?	Migrant workers live in dormitories and many suffer from homesickness (Chan 2013).
	Questions for Managers		

15	What do you believe are the key business issues for the Co?	Quality? Staff retention? Training? Customers giving short lead-times? Finance? Government regulations? Increases in minimum wage?	Employee involvement being used as a tool to achieve quality improvements (Pyman 2012). Where is the management focus? (Jamali & Afiouni 2012, Pyman 2012, Boxall & Purcell 2011, Storey 2007, Legge 1995). There has been an ongoing increase in labour laws (Shen 2010 & 2008, Gallagher 2004). Minimum wage levels have increased by approximately ten percent per annum since the minimum wage was implemented in 2004 (Yang 2013, China Labour Bulletin 2015).
16	Have you had Management training?	On the job? From peers or outside agency? Refresher training?	Who trains the managers? (Shield 2012, Cooke 2009, Shen 2008). How often? Are their skills current? Not taught problem solving in school (Cunningham & Rowley 2007).
17	Do the managers think staff turnover is increasing? And if yes, why?	Motivation? One Child Policy? Younger generation less accepting of pressure?	What if anything can be done to mitigate staff turnover? (Jing 2013, Pyman 2012, Boxall & Purcell 2011, Cooke 2009)
18		Is there anything else that you would like to comment on, regarding your experience of work or life in China and how it is changing?	Open question

#	Topic	Prompt	Reason for Question
1	Motivation & Discipline	What would a line leader or manager do to encourage or motivate the workers? • Examples?	Does China have its own system of HRM that is not yet understood by Western observers? (Warner 1996)
		Would any motivation be addressed towards an individual or a group?	Collectivism vs. Individualism (Shields 2012, Oyserman & Lee 2008, Beamer 1998, Hofstede 1980)
		If a line leader or manager wanted to discipline an Individual or group • How would they do this? • What types of punishment?	Words, monetary penalty, or some other sanction? (Beamer 1998)
		Would any discipline be directed at an individual or be team based?	Collectivism vs. Individualism (Shields 2012, Oyserman & Lee 2008, Beamer 1998, Hofstede 1980)
		Is there any form of staff consultation? Examples?	All claim to use staff involvement, which it is argued is a component of high performance HRM practices (Björkman & Xiucheng 2002). One of the factories gave an example of a canteen committee, but how deep does it go? (Pyman 2012, Sheilds 2012, Chow & Liu 2009).
		In our last interviews workers gave two main reasons for staying with their current factory. The first was being happy at work and the second was a family like feeling.	Does China have its own system of motivation that is not yet understood by Western observers? (Holland 2012, Jamali & Afiouni 2012, Boxall & Purcell 2011, Shen 2010, Chui 2002, Warner 1996)

			• Do the owners, managers & line leaders actively encourage these feelings? • If yes. How- Examples?	
			How do you think your working life compares to that of your parents? • Can you give examples?	Effect of One Child Policy on motivation (Jing 2013). Older workers more money orientated than young? (Syed & Pg Omar 2012, Cooke 2009)
			What about the next generation, how do you think the world of work will change for them?	Young people less accepting than their parents (Zhu et al 2015, Chan & Selden 2014, Wang et al 2014, Swift 2011). China automating what happens to low skill workers? (Girault 2018, Knight 2017). Will social unrest grow? (Cooke 2009, Shen 2010, Shen 2008)
2		Training	Workers in last year's focus groups said they needed training to change their mind-set. So that they would not allow a faulty product to go further down the line. • Have you had training to help you overcome this? • Is it working? • Examples?	Pressures from short lead-times and participation in the GVC may limit organisations in how much resource they will give to training. Training is often at the bottom of organisations priority list, due to cost (Murray 2012, Syed & Pg Omar 2012, Shen 2010, Akhtar et al 2008, Storey 2007).

		Workers also wanted training to relieve boredom and equalise the work load • Have you had training to help this?	Assembly work in China tends to favour either a single or limited number of repetitive tasks (Holland 2012, Jamali & Afiouni 2012)
		How much time is spent fire-fighting?	Education based on memorisation and regurgitation of facts, this means creative thinking and problem solving have not been encouraged (Murray 2012, Cunningham & Rowley 2007).
3	Quality		
		This was identified by workers & managers as a business issue • Do workers think overtime working affects quality? • If Yes, why/how examples	In the last focus groups workers and managers described working through the night when an urgent order with a short lead-time was placed. Even office workers had been co-opted onto the assembly lines in all night working. The payslips of the first suicide in Foxconn in 2010, showed the worker had worked three times the legal limit of overtime (Pyman 2012).
		What else affects quality?	Managers described workers mind-sets, where they will allow an obviously faulty product to continue down the production line. Although this may be due to the Confucian value of maintaining harmony, where a Chinese worker would not cross boundaries by pointing out a mistake or suggesting improvements (Akhtar et al 2008). Reluctance to point out a problem to a more senior individual can also stem from a who shoots the messenger mentality, where employees are reluctant, as this could lead their boss to lose of face (Akhtar et al 2008, Cunningham & Rowley 2007, Beamer 1998).

4	Automation	What do workers think of automation	The Chinese Government is encouraging automation and giving grants to factories for each automated machine installed. In one example one of the factories reported that one automated machine replaced forty workers (Cooke 2013, Akhtar et al 2008).
		• How do they think it will affect their working lives?	
5	Pay	Is pay individual or team based?	Egalitarian vs. Individual payment (Shields 2012, Shen 2010 & 2008, Warner 1996).
		Are workers aware that the Government sets a minimum pay level?	Many of the owners admitted to bending employment laws (Shen 2008, Beamer 1998).
		Does their pay match the Government minimum?	Above or below set minimum?
		• If different how?	
6	Legislation	The Government is increasingly legislating on pay & labour laws	
		• Do you think legislation has improved job security? • What do the workers think of employment contracts?	Some of the factory owners had previously reported that not all workers wanted to sign employment contracts (Shields 2012, Syed & Pg Omar 2012, Shen 2008, Storey 2007, Legge 1995).
7	Living in Dormitories	What can you tell me about living in dormitories?	This is the workers main home for fifty plus weeks a year. The majority live in factory dormitories, which are normally single sex. Their children are normally left behind in the home town or village with elderly parents. So the dormitory

		• Do you get any choice of who you share a dorm with? • Can you change if there is a space in another dorm? • Do people from the same region prefer to share? • How many people in each dorm? • Are there dorm rules? • Anything else about living in dorms?	and its facilities affects their quality of life (Roberts 2014, Zhang 2014, Kamenou 2012, Swift 2011, Mitchell 2009).
8	Changes to the One Child Policy	China is to end the One Child Policy. • How will that affect them? • What do they think this will mean to employment/life in the longer term?	China has an ageing population (Elliott 2018, Fincher 2018, Jing 2013, Kamenou 2012).
		• Can a couple just decide to have a baby? Or are there quotas, or other rules?	Background information (Jing 2013)
		Maternity Leave? • Do women work whilst pregnant? • How long, is maternity leave? • Can the workers return to their previous job after maternity leave?	Questions of work-life balance (Shields 2012, Cooke 2009).

9	The Hukou System	China has said it intends to change the hukou system and give rural workers more rights. • Are you aware of this? • What will this mean to you? • In what time frame do you think this will happen? • Do you think this will have a knock on impact on other things e.g. dormitory living, wages any other examples?	Migrant workers are marginalised by the Hukou System which restricts their social welfare rights in urban areas, where they move to find better paid work (Zhou 2014, Chan 2013, Swift 2011, Mitchell 2009).
10	Guanxi	As China modernises, do you think the importance of guanxi will- • Remain the same? • Be more important? • Less important? • Change in some other way?	Guanxi or relationships in business in China are networked over long periods of time and are based on trust and reinforced through social exchange and reciprocation (Saunders et al 2012, Cooke 2009, Easterby-Smith et al 1995, Cunningham & Rowley 2007).
		Can you imagine a time when guanxi will be unimportant or replaced?	Guanxi culturally deep-rooted (Saunders et al 2012, Cooke 2009, Cunningham & Rowley 2007, Easterby-Smith et al 1995).

11	Foreign Cos in China	There are a huge number of Foreign Cos. with factories in China. Has anyone themselves or family/friends experience of working for a foreign co? • How do you think their management practices differ from Chinese owned factories? • What about the ways they manage workers?	How are Western vs. Chinese management practices viewed by Chinese workers? (Holland 2012, Jamali & Afiouni 2012, Sheilds 2012, Syed & Pg Omar 2012, Cooke 2009, Shen 2008, Björkman & Xiucheng 2002, Beamer 1998). .
		• Do you think Chinese owned factories have copied any of the foreign management practices? • Examples? • What do the workers feel about these policies, do they like them?	Have Western practices been adopted by Chinese factories and do the workers like them or not? (Beamer 1998)
		• Are there any personnel practices from these foreign companies that the workers do not like?	Cultural preferences vs. corporate policies (Syed & Pg Omar 2012, Björkman & Xiucheng 2002, Beamer 1998, Hofstede 1980)
12		Is there anything else that I have not asked that you would like to comment on, regarding your experience of work or life in China and how it is changing?	Open question

Position	Office Worker	Worker	Line Leader	Quality Control	QC Manager	Manager	HR Manager
Factory							
1		19 Females	3 Females 5 Males			3 Females 1 Male	
2	4 Females	7 Females 5 Males	1 Female			1 Female 2 Males	1 Male
3	1 Female	6 Females 4 Males	1 Female 5 Males	4 Females		1 Male	
4		15 Females 6 Males	4 Females	1 Female	1 Female		
5	1 Female	5 Females 7 Males	2 Females 2 Males		1 Female	8 Males	1 Male
6		16 Females	1 Female	1 Female	1 Female	2 Females 8 Males	
Sub-Totals	6 Females	68 Females 22 Males	12 Females 12 Males	6 Females	3 Females	6 Females 20 Males	2 Males
Total	6	90	24	6	3	26	2

Position	Owner	Owners P.A.	Owners Daughter	Son-In-Law	Agent	Factory Manager	HR Manager	Manager
Factory								
1	✓		✓	✓	✓	✓		
2	✓	✓					✓	✓
3	✓	✓						
4	✓	✓ x 2				✓	✓	
5	✓	✓				✓		✓
6	✓							✓
Total	6	4	1	1	1	3	2	3

n.b. The two additional companies who took part in the scoping interviews are not included in this overview

Reference no. Factory-**5**

Guangdong Province

Labour Contract

Guangdong Provincial Labor and Social Security Office
edited

Hotline : 12333)

Guidance

1. The parties shall carefully read this contract before signing this contract. Once this contract is signed, it has legal effect and both parties must strictly fulfil it.

2. The contract must be signed or stamped by the legal representative (or agent) of the employer (Party A) and the employee (Party B) and affixed with the official seal of the employer (or the special seal of the labor contract).

3. The blank space in this contract shall be filled out after negotiation between the two parties and shall not be in violation of laws, regulations and relevant provisions; not to fill area mark ' / '.

4. Working hours system is divided into standard working hours, from time to time, the integrated calculation of three types. The implementation of irregular, comprehensive calculation of working hours work system, should be approved by the labor and social security department.

5. For the matters not covered in this contract, a supplementary agreement may be entered into as an annex to this contract, which shall be performed together with this contract.

6. The contract must be carefully filled out, writing clear, concise text, accurate, and shall not be altered.

7. After the signing of this contract (including attachments), Party A and Party B shall each hold one for reference.

Party-A（Employee）：   Party-B（Employer）：

Name： __Factory-5__   Name： __Worker-A__

legal representative：   ID number ：

    _____   Citizenship address：

Address：

    _____   Contact address：

Business type：

Contact number： _____   Contact number：

In accordance with <the Labor Law of the People's Republic of China>, <the Labor Contract Law of the People's Republic of China> and the relevant provisions of the State and the province, Party A and Party B shall enter into this Contract in accordance with the principles of lawfulness, fairness, equality and voluntariness, consensus and good faith.

1、Labour contract period and restriction

  （1）Period

The parties agree to determine the duration of this contract in the following manner __1__ :

 1. Fixed period：From __2016__ Year __5__ Month __18__ Day To __2017__ Year __5__ Month __17__ Day。

 2. Unfixed period：From____ Year____ Month____ Day To when the legal termination condition occurs。

 3. To complete a certain task for the period：From_____ To

    _____ when the task is done。 The job is done with the

determination of _____。

  （2）Probation

The parties agree to determine the probationary period in the following manner (the probation period is included in the contract period)：

1. Without probation。

2. Probation From ___ Year ___ Month ___ Day To___ Year ___ Month ___ Day。

(The term of the labour contract shall not exceed one month; the term of the labour contract shall not exceed three years and the probation period shall not exceed two months; the fixed term and the fixed period Labour contract, the probation period shall not exceed six months.)

2、 Work details and workplace

（1） Party B working department is **Production department** ,

Position （Management of Technical and production position） is **Ordinary worker** 。

Duty is/are _____ 。

（2） Party B the job's nature and responsible are for **Looking after quality and production quantity** 。

（3） Party B is working at Factory-**5** 。

（4） Party A shall, during the term of the contract, adjust the work of Party B due to the production and operation needs or other reasons, or send Party B to the place other than that agreed upon in this contract. If the unit works, it shall handle the agreement and change the agreement as an annex to this contract

3、 Working hours and rest

（1） Party A and Party B agree to determine the working hours of Party B in the following way **1** :

1. Standard working hours, i.e. daily **8** working hours, weekly **5** working days, resting at least one day a week.。

2. From time to time work system, that is, by the labor and social security department for approval, Party B where the implementation of the work from time to time.。

3. Comprehensive calculation of working hours system, that is, by the labor and social security departments for approval, Party B where the

implementation of the post that the total hourly hours of comprehensive calculation of _____working hours.。

（2）Party A is required to extend the working hours after consultation with the trade union and Party B for production (work). In addition to the "Labor Law" Article 42 of the circumstances, the general daily shall not exceed one hour, due to special reasons for the longest day shall not exceed three hours, no more than thirty hours。

（3）Party A shall, in accordance with the regulations, give Party B a paid holiday, such as statutory holidays, annual leave, marriage leave, funeral leave, family leave, maternity leave, nursing leave and other paid wages, and shall pay the wages according to the salary standard stipulated in this contract。

4、Labor remuneration

（1）The wages of Party B's normal working hours shall be carried out in the following forms _**2**__ and shall not be lower than the local minimum wage。

1．Time wages：

（a）Party B normal working hours wages according to the _____ / month implementation, the initial wage amount of $_____ / month or $_____ / hour；

（b）Party B probationary wages for the $_____ / month (probationary wages shall not be lower than the same level of the lowest salary of Party A or 80% of the contract agreed wages, and not lower than the seat of the minimum wage of Party A)；

2．Piece rate：

（a）The piece price is calculated **according to the actual processing unit price**；

（b）Labor quota _____ (the fixed labor quota should in principle make the unit with more than 70 percent of the workers in the statutory labor time to complete)；

3．Other forms (such as the implementation of the annual salary system or pay the salary by the assessment cycle)：

。

4. Party A shall determine the wage distribution system of the unit according to the situation of the production and operation of the unit, the price level and the wage growth guideline promulgated by the government. By Party A and Party B in consultation or in the form of collective consultation, according to the law to determine the normal growth of wages and the specific approach。

（a）Party B 's performance pay or bonus payment method is：

_____。

（b）Party B 's allowances, subsidies issued by the standard and approach：

_____。

（c）Wages must be paid in monetary terms and cannot be paid in kind and in securities。

（d）Party A on the **30th** of each month **last month** (current month / last month) wages. In the event of a statutory holiday or rest day, advance to the nearest working day。

（e）Party A shall arrange for Party B to extend the working hours according to law or work overtime on the rest day, and shall pay overtime wages in accordance with the provisions of the 《 Labor Law 》 and 《the Guangdong Province Wage Payment Ordinance》, except for the fact that Party B rests overtime。

5、 Social insurance and benefits

（1）During the contract period, Party A shall, in accordance with the relevant provisions of the State, the province and the region, go through the formalities of taking social insurance such as pension, medical care, unemployment, work injury and childbirth according to the law according to the stipulations of the payment base and payment Party bear the social insurance premiums, and in accordance with the provisions of the wages from the B on behalf of the deduction should be borne by the individual social insurance. Party A shall inform Party B of the formalities of taking part in social insurance procedures and withholding social insurance premiums。

（2）Party B shall pay medical expenses and medical treatment according to the provisions of the State and local government, reimburse medical

expenses according to medical insurance and other relevant regulations, and pay sick pay or sickness relief fee within the prescribed medical period , The amount of $＿＿＿＿＿＿＿ / month (not less than 80% of the local minimum wage)。

6、 Labor protection, working conditions and occupational hazards protection

（1） Party A shall provide labor and workplace in line with the national labor hygiene standards according to the provisions of the State and the relevant labor protection regulations, and effectively protect the safety and health of Party B in the production work. Party B may work in the course of occupational hazards (such as occupational chronic lead poisoning, occupational dentate disease, occupational chemical eye burns, occupational skin burns, occupational acute chemical toxic bronchitis, pneumonia and other occupational diseases Headache, dizziness, fatigue, insomnia, dreams, memory loss, limb numbness, abdominal pain, loss of appetite, constipation, mouth salivation, toothache, loose teeth, mouth ulcers, mouth, teeth on cold, hot, sour Touch, tears, sore throat, chest tightness, shortness of breath, cough, sputum, asthma and other eye and respiratory symptoms), Party A should inform Party B in real terms, and according to the 《Occupational Disease Prevention Law》 to protect the provisions of Party B Of health and its related rights。

（2） Party A shall, in accordance with the relevant work of Party B, issue Party B to the necessary labor protection products according to the relevant provisions of the State, and arrange Party B for medical examination every year (annual / quarter / month) according to labor protection regulations。

（3） Party A in accordance with the relevant provisions of the state, provincial and local, do a good job of female workers labor protection and health care work。

（4） Party B has the right to refuse Party A's illegal command, forced to take risks, the Party and its management personnel to ignore Party B's life safety and health behaviour, the right to Party A criticism and report to the relevant departments。

（5） Party B suffering from occupational chronic lead poisoning, occupational tooth etching, occupational chemical eye burns, occupational skin burns, occupational acute chemical toxic bronchitis and other occupational diseases, due to work injury or death due to work, Party Shall be handled in accordance with the provisions of 《the Work Injury Insurance Regulations》 。

7、 **Contract change**

（1）Any party who wishes to change the contents of this contract shall notify the other party in writing。

（2）Party A change the name, legal representative, principal responsible person or investor and other matters, does not affect the performance of this contract。

（3）Party A merged or divided, etc., the contract continues to be valid, by the commitment of Party A's rights and obligations continue to perform the unit。

（4）Party A and Party B may, by consensus, change this contract and go through a written change procedure. The text of the changed labor contract shall be given by both parties。

8、 **The release and termination of the contract**

（1）**Release**

A. The contract can be lifted by agreement between Party A and Party B. Which by the Party to lift the contract, should be required to pay economic compensation。

B. In any of the following circumstances, Party A may terminate this Contract

：

（a）Party B is proved to be incompatible with the conditions of employment during the probation period；

（b）Party B has seriously violated Party A's rules and regulations；

（c）Party B serious dereliction of duty, malpractice, causing serious damage to Party A. ；

（d）Party B at the same time with other employers to establish labor relations, the completion of Party A's work tasks have a serious impact, or by Party A, refused to correct；

（e）Party B to fraud, coercion or by the risk of taking the party in violation of the true meaning of the circumstances to enter into or change the labor contract caused by this contract or change agreement invalid；

（f） Party B is held criminally responsible；

（g） Party B is sick or non-work injury, after the prescribed medical period cannot engage in the work agreed upon in this contract, nor can it be engaged in the work arranged by Party A；

（h） Party B cannot do the job, after training or adjustment of work, still cannot work；

（I） The objective of the contract is based on the objective situation of a major change, resulting in the contract cannot be fulfilled, the two sides failed to negotiate on the agreement to reach an agreement；Party A shall terminate Party B in accordance with the provisions of (g), (h) and (I), and shall notify Party B in writing (or pay an additional one month's wages) in advance 30 days in advance and pay economic compensation to Party B The payment of the contract in accordance with the provisions (g) and in accordance with the relevant provisions of the need to pay the B medical expenses。

C．In any of the following circumstances, Party A shall, after fulfilling the prescribed procedures, reduce the personnel and pay the economic compensation as required：

（1） Party A shall be reorganized in accordance with the provisions of the Enterprise Bankruptcy Law；

（2） Party A production and management of serious difficulties；

（3） Party A conversion, major technological innovation or mode of operation adjustment；

（4） Other significant changes in the objective economic situation on which the labor contract is based, resulting in the failure of this contract to be performed。

D．Party B shall terminate Party A and shall notify Party A in writing 30 days in advance; Party A shall notify Party A three days in advance of the probation period. In any of the following circumstances, Party B may terminate this contract, Party A shall pay the economic compensation as required：：

（1） Party A fails to provide labor protection or labor conditions as stipulated in the labor contract；

（2） Party A did not pay the full amount of labor remuneration in time；

（3）Party A does not pay the social insurance premium for Party B according to law；

（4）Party A's rules and regulations violate the laws and regulations, damage the interests of Party B；

（5）Party A to fraud or coercion or by the risk of taking Party B in violation of the true meaning of the circumstances to enter into or change the contract, resulting in this contract or change the agreement is invalid；

（6）Party A waives its legal liability and excludes Party B's rights from invalidating this contract；

（7）Party A violates the mandatory provisions of laws and administrative regulations, resulting in the contract is invalid；

（8）Party A violates, threatens or illegally restricts the freedom of personal means to force Party B to work, or violate the rules and regulations, and force the adventure to endanger the safety of Party B；

（9）Laws and administrative regulations stipulate that Party B may terminate other cases of labor contract。

Party A has the circumstances mentioned in paragraph (8) above, Party B may immediately terminate the labor contract, without prior notice to the employer.。

E.　In any of the following circumstances, Party A shall not in accordance with the "Labor Contract Law" Article 40, Article 41 of the provisions of the termination of this contract：

（1）Party B is engaged in occupational hazards or has not carried out the occupational health check before leaving the job, or suspected occupational disease patients during the diagnosis or medical observation；

（2）Party B in the unit suffering from occupational diseases or work injury and was confirmed to lose or part of the loss of labor capacity；

（3）Party B is sick or not due to work injury, within the prescribed medical period；

（4）Female workers during pregnancy, maternity, lactation；

（5）Party B in the unit for 15 years of continuous work, and from the statutory retirement age of less than five years；

（6）Other circumstances prescribed by laws and administrative regulations。

（2）Termination

1. If the contract expires or the legal termination condition occurs, the contract shall terminate。

2. If Party A is terminated by one of the following circumstances, Party A shall pay Party B with financial compensation：

（a）In addition to Party A to maintain or improve the terms of labor contract to renew the labor contract, Party B does not agree to renew the situation, the labor contract expires；

（b）Party A was declared bankrupt according to law；

（c）Party A has been revoked the business license, ordered to close, revoke or Party A decided to dissolve in advance；

（d）Other circumstances prescribed by laws and administrative regulations。

3．Party B has one of Article 8 (1) of (e) of the circumstances, the contract expires, Party A shall extend the contract period to the corresponding situation disappears. But Party B in the Party suffering from occupational diseases or work injury and was confirmed to lose or part of the loss of labor capacity of the termination of labor contracts, in accordance with national and provincial regulations on the implementation of industrial injury insurance。

（3）**Party A shall not continue to perform the contract or the contract cannot continue to perform, Party A shall be twice the required economic compensation standard Pay Party B compensation。**

（4）**The procedure for the termination or termination of the contract Party A shall issue a certificate of termination or termination of the labor contract upon the termination or termination of this contract and shall handle the transfer of the file and social insurance relationship with Party B within 15 days。**

9、Mediation and arbitration

If the parties fail to negotiate or negotiate fails, they may apply for mediation to Party A's labor dispute mediation agency. If the mediation is invalid, they may, within the time limit of statutory arbitration, go to the labor dispute arbitration committee with jurisdiction Apply for arbitration; can also apply directly to the Labor Dispute Arbitration Commission for arbitration. Those who are dissatisfied with the arbitral award may bring a lawsuit to the people's court within the statutory time limit。

10、Service period and field competition

（1）Such as Party A Party B to provide special training costs, its professional and technical training, the two sides agreed as follows：

（If Party B violates the stipulations of the service period, Party A shall pay the liquidated damages in accordance with the contract. The amount of liquidated damages shall not exceed the training fees provided by Party A and shall not exceed the training costs that the part of the service period shall not be fulfilled）

（2）If Party B master Party A's trade secrets and intellectual property related to the confidentiality matters, the two sides agreed as follows：

_____ （Party B shall have the obligation of confidentiality, Party A may agree with the competition limit, and agreed to terminate or terminate this contract, within the period of non-competition within a limited period of time to give Party B economic compensation. If Party B violates the limitation of competition, it shall pay the liquidated damages to Party A according to the agreement. The personnel of the non-competition limit are limited to Party A's senior management personnel, senior technical staff and other persons with confidentiality obligations. The period of non - competition after the termination or termination of this contract shall not exceed two years。）

11、Others

（1）The matters not covered by this contract shall be handled according to the relevant policies of the State and local governments. During the contract period, if the terms of this contract and national, provincial labor management of the new provisions of the conflict, according to the new regulations。

（2）The following documents are provided for in this Annex and have the same effect as this Contract：

1．Party A《Personnel Management》_____。

2．Party A《Attendance management》_____。

3．Party A 《Dormitory management》　　　　　　　　　　　　　　　　　。
4．Party A 《Security management》　　　　　　　　　　　　　　　　　。
5．Spare　　　　　　　　　　　　　　　　　　　　　　　。

（3）Mutually agreed（The contents shall not be in violation of laws, regulations and relevant regulations, and may be accompanied by a signature or seal attached by both parties）：

1、During the contract period, Party A has the right to transfer Party B's work according to production needs。

2、Party B shall not unreasonably refuse Party A reasonable work arrangements。

3、Party B shall not engage in or hold any work or office that has nothing to do with Party A's affairs during the contract period。

4、Party B violates any of the above points as Party B unilaterally terminate the contract。

5、(Empty)

Party A：（Chop）　　　　　　　　　Party B：（Sign and chop）

Legal representative : **Factory-5**　　　　　　　**Worker-A**

（Or entrusted agent）

Date : **2016/Aug/11**　　　　　　　Date : **2016/Aug/11**

Forensic authority（Chop）：

Forensic person：

Forensic date：

Change labor contract agreement

Party A and Party B shall, on equal terms, agree to make the following changes to this contract：

Party A：（Chop）　　　　　　　　　Party B：（Sign and chop）

Legal representative :

（Or entrusted agent）

Date :　　　　　　　　　　　Date :

Participant Number Labelled P in Findings	Factory	Focus Group Number	Age	Gender	Marital Status	Length of Service Years	Role	Factory Location	Home town	Distance Km from Hometown	Domicile	Method of Travel to Home	Travel Time Hours	Education	Hukou Status	Interview Date
1	1	1		F		8	W	Wenzhou			O				R	Oct-14
2	1	1		F		6	W	Wenzhou			O				R	Oct-14
3	1	1		F		10	W	Wenzhou			O				R	Oct-14
4	1	1		F		9	W	Wenzhou			O				R	Oct-14
5	1	1		F		0.167	W	Wenzhou			O				R	Oct-14
6	1	1		F		8	W	Wenzhou			O				R	Oct-14
7	1	1		F		3	W	Wenzhou			O				R	Oct-14
8	1	1		F		10	W	Wenzhou			O				R	Oct-14
9	1	1		F		14	W	Wenzhou			O				R	Oct-14
10	1	1		F		1	W	Wenzhou			O				R	Oct-14
11	1	2		F		24	M	Wenzhou			O				R	Oct-14
12	1	2		F		0.917	M	Wenzhou			O			University graduate	R	Oct-14
13	1	2		M		10	M	Wenzhou			O				R	Oct-14
14	1	2		F		2	M	Wenzhou			O				R	Oct-14
15	1	2		F		19	LL	Wenzhou			O				R	Oct-14
16	1	2		M		2	LL	Wenzhou			O				R	Oct-14
17	1	2		M		2	LL	Wenzhou			O				R	Oct-14
18	1	2		M		3	LL	Wenzhou			O				R	Oct-14
19	1	2		M		0.833	LL	Wenzhou			O				R	Oct-14

Participant Number Labelled P in Findings	Factory	Focus Group Number	Age	Gender	Marital Status	Length of Service Years	Role	Factory Location	Home town	Distance Km from Hometown	Domicile	Method of Travel to Home	Travel Time Hours	Education	Hukou Status	Interview Date
20	1	2		F			LL	Wenzhou			O				R	Oct-14
21	1	2		M		1	LL	Wenzhou			O				R	Oct-14
22	1	2		F		3	LL	Wenzhou			O				R	Oct-14
23	1		34	F	M	1	W	Wenzhou	Chongqing	1,454	O	Coach	21	Primary school	R	Dec-15
24	1		45	F	M	10	W	Wenzhou	Sichuan	1,641	O	Train & Bus	32	Primary school	R	Dec-15
25	1		40	F	M	10	W	Wenzhou	Hubei	1,037	O	Train & Bus	18	Junior secondary school	R	Dec-15
26	1		39	F	M	6	W	Wenzhou	Chongqing	1,454	O	Coach	21	Primary school	R	Dec-15
27	1		45	F	M	10	W	Wenzhou	Chongqing	1,454	O	Coach	21	Junior secondary school	R	Dec-15
28	1		45	F	M	10	W	Wenzhou	Chongqing	1,454	O	Coach	21	Primary school	R	Dec-15
29	1		40	F	M	12	W	Wenzhou	Jiangxi	819	O	Car	8	Primary school	R	Dec-15
30	1		28	F	M	2	W	Wenzhou	Jiangxi	819	O	Car	8	Junior secondary school	R	Dec-15
31	1		23	F	S	4	W	Wenzhou	Hubei	1,037	O	Coach	14	Junior secondary school	R	Dec-15
4			35	F	M	10	W		Jiangxi	819	O	Coach	8	Primary school	R	Dec-15
158	1			M	M	24	O	Wenzhou	Wenzhou		O			Studying MBA		May 2014, Oct 14 & Dec 2015

Participant Number Labelled P in Findings	Factory	Focus Group Number	Age	Gender	Marital Status	Length of Service Years	Role	Factory Location	Home town	Distance Km from Hometown	Domicile	Method of Travel to Home	Travel Time Hours	Education	Hukou Status	Interview Date
159	1			F	M	7	OD	Wenzhou	Wenzhou		O			University		May 2014, Oct 14 & Dec 2015
160	1			M	M	10	A	Wenzhou	Wenzhou		O			University		May 2014, Oct 14 & Dec 2015
161	1			M	M	7	SILO	Wenzhou	Wenzhou		O			University		May 2014, Oct 14 & Dec 2015
162	1			M	M	16	FM	Wenzhou	Wenzhou		O					May 2014, Oct 14 & Dec 2015
32	2			F	M		SM	Dongguan			D				R	Oct-14
33	2			M	M		HRM	Dongguan			D				R	Oct-14
34	2			F	M	0.167	OW	Dongguan			D				R	Oct-14
35	2			F	S	0.33	OW	Dongguan			D				R	Oct-14
36	2			M	M	6	O	Dongguan			O				R	Oct-14
37	2			F	S	0.5	LL	Dongguan			O				R	Oct-14
38	2			M	S	0.5	W	Dongguan			D				R	Oct-14
39	2			M	M		PM	Dongguan			D				R	Oct-14
40	2			M	S	0.5	W	Dongguan			D				R	Oct-14
41	2			M	S	0.5	W	Dongguan			D				R	Oct-14

Participant Number Labelled P in Findings	Factory	Focus Group Number	Age	Gender	Marital Status	Length of Service Years	Role	Factory Location	Home town	Distance Km from Hometown	Domicile	Method of Travel to Home	Travel Time Hours	Education	Hukou Status	Interview Date
42	2			F	S	0.25	W	Dongguan			D				R	Oct-14
32			30	F	M	5	SM		Hunan	727	D	High-Speed Train	4	University graduate	R	Dec-15
33			32	M	M	3	HRM		Jiangxi	769	D	Car	12	University graduate	R	Dec-15
39			30	M	M	2	PM		Anhui	1195	D	High-Speed Train	7	Senior secondary school	R	Dec-15
37			26	F	S	1.5	LL		Jiangxi	769	O	Coach	8	Junior secondary school	R	Dec-15
43	2		22	F	S	0.5	W	Dongguan	Jiangxi	769	O	Coach	9	Junior secondary school	R	Dec-15
44	2		40	F	M	1	W	Dongguan	Hunan	727	O	Coach	10	Junior secondary school	R	Dec-15
45	2		30	F	M	5.5	W	Dongguan	Hunan	727	D	Coach	6	Junior secondary school	R	Dec-15
46	2		29	F	S	0.667	W	Dongguan	Guangxi	650	D	Coach	8	Junior secondary school	R	Dec-15
47	2		18	M	S	1.5	W	Dongguan	Hunan	727	D	Coach	6	Junior secondary school	R	Dec-15
48	2		19	F	S	1.5	W	Dongguan	Henan	727	O	Coach	20	Junior secondary school	R	Dec-15

Participant Number Labelled P in Findings	Factory	Focus Group Number	Age	Gender	Marital Status	Length of Service Years	Role	Factory Location	Home town	Distance Km from Hometown	Domicile	Method of Travel to Home	Travel Time Hours	Education	Hukou Status	Interview Date
49	2		19	F	S	3	W	Dongguan	Guangxi	650	D	Coach	10	Junior secondary school	R	Dec-15
50	2		40	M	S	1	W	Dongguan	Guangdong	97	D	Coach	3.5	Junior secondary school	R	Dec-15
34			26	F	M	1.3	OW		Hunan	727	D	High-Speed Train	4	University graduate	R	Dec-15
51	2		20	F	S	0.083	OW	Dongguan	Hunan	727	D	Train	10	University graduate	R	Dec-15
52	2		30	F	M	0.83	OW	Dongguan	Hubei	1026	D	Car	13	University graduate	R	Dec-15
53	3	1		M		5	LL	Zhongshan							R	Oct-14
54	3	1		M		1	W	Zhongshan							R	Oct-14
55	3	1		M		0.167	W	Zhongshan							R	Oct-14
56	3	1		M	M	8	LL	Zhongshan							R	Oct-14
57	3	1		F		1	W	Zhongshan							R	Oct-14
58	3	1		F	M	1	W	Zhongshan							R	Oct-14
59	3	1		F	S	7	PA	Zhongshan							R	Oct-14
60	3	2		M	M	9	LL	Zhongshan							R	Oct-14
61	3	2		F		1	LL	Zhongshan							R	Oct-14
62	3	2		M		0.083	W	Zhongshan							R	Oct-14
63	3	2		F		0.083	W	Zhongshan							R	Oct-14

Participant Number Labelled P in Findings	Factory	Focus Group Number	Age	Gender	Marital Status	Length of Service Years	Role	Factory Location	Home town	Distance Km from Hometown	Domicile	Method of Travel to Home	Travel Time Hours	Education	Hukou Status	Interview Date
64	3	2		F			W	Zhongshan							R	Oct-14
65	3	2		F		0.25	QC	Zhongshan							R	Oct-14
59		2		F												Oct-14
66	3		35	M	M	10	FM	Zhongshan	Hubei	1091	O	High-Speed Train	4	University graduate	R	Dec-15
60			40	M	M	10	LL		Guangdong	108	O	Coach	4	Senior secondary school	R	Dec-15
53			32	M	M	6	LL		Guangxi	635	O	High-Speed Train	4	Junior secondary school	R	Dec-15
67	3		26	M	M	1.5	LL	Zhongshan	Guizhou	1109	O	High-Speed Train	4.5	Senior secondary school	R	Dec-15
54			28	M	M	2	W		Guangdong	108	O	Coach	4	Junior secondary school	R	Dec-15
68	3		24	M	S	1	LL	Zhongshan	Guangdong	108	D	Coach	4	University graduate	R	Dec-15
69	3		20	F	S	0.5	QC	Zhongshan	Hubei	1091	O	Coach	15	Senior secondary school	R	Dec-15
70	3		24	F	S	0.333	W	Zhongshan	Guangxi	635	D	Coach	12	Junior secondary school	R	Dec-15
71	3		18	F	S	0.5	W	Zhongshan	Jiangxi	900	O	Coach	14	Junior secondary school	R	Dec-15

Participant Number Labelled P in Findings	Factory	Focus Group Number	Age	Gender	Marital Status	Length of Service Years	Role	Factory Location	Home town	Distance Km from Hometown	Domicile	Method of Travel to Home	Travel Time Hours	Education	Hukou Status	Interview Date
72	3		24	M	M	0.416	W	Zhongshan	Guangdong	108	O	Car	5	Junior secondary school	R	Dec-15
73	3		45	F	M	4	QC	Zhongshan	Hubei	1091	O	Coach	18	Senior secondary school	R	Dec-15
74	3		45	F	M	8	QC	Zhongshan	Sichuan	1766	O	Coach	26	Senior secondary school	R	Dec-15
163	3			M	M	15	O	Zhongshan	Zhuhai		O			MBA	OSC	May 2014, Oct 14 & Dec 15
75	4	1		M		0.5	W	Dongguan							R	Oct-14
76	4	1		F		3	QC	Dongguan							R	Oct-14
77	4	1		F	M	10	LL	Dongguan							R	Oct-14
78	4	1		F		1.5	W	Dongguan							R	Oct-14
79	4	1		F		12	LL	Dongguan							R	Oct-14
80	4	1		M	M	5	W	Dongguan							R	Oct-14
81	4	1		F		6	LL	Dongguan							R	Oct-14
82	4	1		F		0.5	W	Dongguan							R	Oct-14
83	4	1		F		0.5	W	Dongguan							R	Oct-14
84	4	1		F		0.5	W	Dongguan							R	Oct-14
85	4	1		F		1	W	Dongguan							R	Oct-14

Participant Number Labelled P in Findings	Factory	Focus Group Number	Age	Gender	Marital Status	Length of Service Years	Role	Factory Location	Home town	Distance Km from Hometown	Domicile	Method of Travel to Home	Travel Time Hours	Education	Hukou Status	Interview Date
86	4	2		M		3	W	Dongguan							R	Oct-14
87	4	2		M		1	W	Dongguan							R	Oct-14
88	4	2		F		2	W	Dongguan							R	Oct-14
89	4	2		F	M	1	W	Dongguan							R	Oct-14
90	4	2		F	M	10	QCM	Dongguan							R	Oct-14
91	4	2		F		2	LL	Dongguan							R	Oct-14
92	4	2		F		2	W	Dongguan							R	Oct-14
93	4	2		M		4	W	Dongguan							R	Oct-14
94	4	2		M		0.167	W	Dongguan							R	Oct-14
95	4	2		F		0.5	W	Dongguan							R	Oct-14
96	4		18	F	S	1	W	Dongguan	Henan	1554	D	Coach	18	Junior secondary school	R	Dec-15
97	4		20	F	S		W	Dongguan	Henan	1554	D	Coach	18	Junior secondary school	R	Dec-15
85			20	F	S	2	W		Guangxi	673	D	High-Speed Train	2.5	Junior secondary school	R	Dec-15
98	4		28	F	S	1	W	Dongguan	Sichuan	1773	O	Train	26	Junior secondary school	R	Dec-15
99	4		31	F	M	1	W	Dongguan	Henan	1554	D	Coach	18	Junior secondary school	R	Dec-15

Participant Number Labelled P in Findings	Factory	Focus Group Number	Age	Gender	Marital Status	Length of Service Years	Role	Factory Location	Home town	Distance Km from Hometown	Domicile	Method of Travel to Home	Travel Time Hours	Education	Hukou Status	Interview Date
100	4		36	F	M	2.5	W	Dongguan	Henan	1554	O	Coach	18	Junior secondary school	R	Dec-15
88			39	F	M	3	W		Guangxi	673	O	Coach	10	Junior secondary school	R	Dec-15
90			42	F	M	11	QCM		Chongqing	1470	D	Train	24	Primary school	R	Dec-15
101	4		46	F	M	8	W	Dongguan	Hubei	1034	D	Train	17	Primary school	R	Dec-15
89			30	F	M	2	W		Hubei	1034	O	Train	17	Junior secondary school	R	Dec-15
77			40	F	M	11	LL		Henan	1554	D	Train	16	Junior secondary school	R	Dec-15
164	4			M	M	19	O	Dongguan	Taipei		O			University Graduate	OSC	May 2014, Oct 14 & Dec 2015
165	4			F	S	1	PA	Dongguan	Hubei		D			University Graduate	R	May-14
174	4			F	M	6	HRM	Dongguan			O				R	May 14, Oct 14 & Dec 15
175	4			M	M	3	FM	Dongguan			O				R	May 2014 & Dec 2015
176	4			F	S	0.5	PA	Dongguan			D			University Graduate	R	Dec-15
102	5	1		M		15	M	Huizhou							R	Oct-14
103	5	1		F	M	15	QCM	Huizhou							R	Oct-14

Participant Number Labelled P in Findings	Factory	Focus Group Number	Age	Gender	Marital Status	Length of Service Years	Role	Factory Location	Home town	Distance Km from Hometown	Domicile	Method of Travel to Home	Travel Time Hours	Education	Hukou Status	Interview Date
104	5	1		M			M	Huizhou							R	Oct-14
105	5	1		M		8	M	Huizhou							R	Oct-14
106	5	1		M			LL	Huizhou							R	Oct-14
107	5	1		M			M	Huizhou							R	Oct-14
108	5	1		F		7	LL	Huizhou							R	Oct-14
109	5	1		F		1	LL	Huizhou							R	Oct-14
110	5	1		M		4	LL	Huizhou							R	Oct-14
111	5	1		M		9	M	Huizhou							R	Oct-14
112	5	1		F		1.5	OW	Huizhou							R	Oct-14
113	5	1		M			HRM	Huizhou							R	Oct-14
114	5	2		F			W	Huizhou							R	Oct-14
115	5	2		M			W	Huizhou							R	Oct-14
116	5	2		M			W	Huizhou							R	Oct-14
117	5	2		M			W	Huizhou							R	Oct-14
118	5	2		F			W	Huizhou							R	Oct-14
119	5	2		M			W	Huizhou							R	Oct-14
120	5	2		F			W	Huizhou							R	Oct-14
121	5	2		M			W	Huizhou							R	Oct-14
122	5	2		F			W	Huizhou							R	Oct-14
123	5	2		M			W	Huizhou							R	Oct-14

Participant Number Labelled P in Findings	Factory	Focus Group Number	Age	Gender	Marital Status	Length of Service Years	Role	Factory Location	Home town	Distance Km from Hometown	Domicile	Method of Travel to Home	Travel Time Hours	Education	Hukou Status	Interview Date
118			27	F	M	1.5	W		Hunan	781	D	Train	19	Junior Secondary school	R	Dec-15
124	5		40	M	M	5	W	Huizhou	Hunan	781	D	High-Speed Train	8	Primary school	R	Dec-15
120				F			W				D			Left Meeting	R	Dec-15
125	5			F			W	Huizhou			D			Left Meeting	R	Dec-15
114			44	F	M	5	W		Hunan	781	O	Train	19	Junior Secondary school	R	Dec-15
126	5		42	M	M	6	M	Huizhou	Hunan	781	D	Train	19	Junior Secondary school	R	Dec-15
106			48	M	M	8	LL		Hubei	1003	D	Train	15	Junior Secondary school	R	Dec-15
107			24	M	S	3	M		Hubei	1003	D	Train	18	University graduate	R	Dec-15
104			50	M	M	15	M		Hubei	1003	D	Car	18	Junior Secondary school	R	Dec-15
127	5		26	M	S	2	M	Huizhou	Guangdong (Huizhou City)	25	D	Car	0.5	University graduate	R	Dec-15
121			30	M	M	11	W		Hubei	1003	D	Train	19	University graduate	R	Dec-15
113			36	M	M	5	HRM		Guangdong	158	D	Car	2.5	University graduate	R	Dec-15
128	5		44	M	M	9	M	Huizhou	Hunan	781	D	Train	22	Junior Secondary school	R	Dec-15

Participant Number Labelled P in Findings	Factory	Focus Group Number	Age	Gender	Marital Status	Length of Service Years	Role	Factory Location	Home town	Distance Km from Hometown	Domicile	Method of Travel to Home	Travel Time Hours	Education	Hukou Status	Interview Date
166	5			F	M	29	O	Huizhou	Shenzhen		O			University graduate	OSC	May 2014, Oct 14 & Dec 2015
167	5			F	M		PA	Huizhou	Shenzhen		O			University graduate	R	May 2014, Oct 14 & Dec 2015
168	5			M	M		FM	Huizhou	Hainan		O			Junior Secondary school	R	May 2014, Oct 14 & Dec 2015
169	5			M	M		PM	Huizhou	Henan		D			Junior Secondary school	R	Oct 14 & Dec 15
129	6	1		F			QC & LL	Dongguan							R	Oct-14
130	6	1		M	M	22	M	Dongguan							R	Oct-14
131	6	1		M		26	M	Dongguan						University graduate	R	Oct-14
132	6	1		M		14	M	Dongguan							R	Oct-14
133	6	1		M		17	M	Dongguan							R	Oct-14
134	6	1		M		20	M	Dongguan							R	Oct-14
135	6	1		M		15	M	Dongguan							R	Oct-14
136	6	1		M		10	M	Dongguan							R	Oct-14
137	6	1		F		10	QCM	Dongguan							R	Oct-14
138	6	1		F		5	M	Dongguan							R	Oct-14

Participant Number Labelled P in Findings	Factory	Focus Group Number	Age	Gender	Marital Status	Length of Service Years	Role	Factory Location	Home town	Distance Km from Hometown	Domicile	Method of Travel to Home	Travel Time Hours	Education	Hukou Status	Interview Date
139	6	1		M		28	M	Dongguan							R	Oct-14
140	6	2		F			W	Dongguan							R	Oct-14
141	6	2		F			W	Dongguan							R	Oct-14
142	6	2		F			W	Dongguan							R	Oct-14
143	6	2		F			W	Dongguan							R	Oct-14
144	6	2		F			QC	Dongguan							R	Oct-14
145	6	2		F			W	Dongguan							R	Oct-14
146	6	2		F			W	Dongguan							R	Oct-14
147	6	2		F			W	Dongguan							R	Oct-14
148	6	2		F			W	Dongguan							R	Oct-14
149	6	2		F			W	Dongguan							R	Oct-14
150	6	2		F			W	Dongguan							R	Oct-14
151	6	2		F			W	Dongguan							R	Oct-14
152	6		18	F	S	0.25	W	Dongguan	Guangxi	651	D	Coach	6	Junior Secondary school	R	Dec-15
53	6		17	F	S	0.25	W	Dongguan	Guangxi	651	O	Coach	8	Junior Secondary school	R	Dec-15
140			19	F	S	1.5	W		Guangdong	98	D	Coach	4	Junior Secondary school	R	Dec-15

Participant Number Labelled P in Findings	Factory	Focus Group Number	Age	Gender	Marital Status	Length of Service Years	Role	Factory Location	Home town	Distance Km from Hometown	Domicile	Method of Travel to Home	Travel Time Hours	Education	Hukou Status	Interview Date
154	6		35	F	M	2	W	Dongguan	Hainan	643	D	Ferry & Bus	12	Junior Secondary school	R	Dec-15
144			32	F	M	5	QC		Guangdong	98	D	Coach	4	Primary school	R	Dec-15
155	6		16	F	S	0.166	W	Dongguan	Guangxi	651	O	Coach	8	Junior Secondary school	R	Dec-15
146			20	F	S	2	W		Guangdong	98	O	Coach	4	Junior Secondary school	R	Dec-15
151			33	F	M	7	W		Sichuan	1752	D	Train & Bus	28	Junior Secondary school	R	Dec-15
129			43	F	M	15	QC & LL		Hainan	643	D	Ferry & Bus	12	Junior Secondary school	R	Dec-15
156	6		18	F	S	0.083	W	Dongguan	Hunan	739	O	Car	6	Junior Secondary school	R	Dec-15
157	6		43	F	M	17	M	Dongguan	Chongqing	1448	D	Train	24	University graduate	R	Dec-15
170	6		28	M	S		S	Dongguan	Hong Kong						OSC	May 2014, Oct 14 & Dec 2015
171	6			M	M		M	Dongguan	Hong Kong						OSC	May 2014, Oct 14 & Dec 2015
158	1			M	M	24	O	Wenzhou	Wenzhou		O			Studying MBA		May 2014, Oct 14 & Dec 2015

Participant Number Labelled P in Findings	Factory	Focus Group Number	Age	Gender	Marital Status	Length of Service Years	Role	Factory Location	Home town	Distance Km from Hometown	Domicile	Method of Travel to Home	Travel Time Hours	Education	Hukou Status	Interview Date
159	1			F	M	5	OD	Wenzhou	Wenzhou		O			Graduate		May 2014, Oct 14 & Dec 2015
160	1			M	M		A	Wenzhou	Wenzhou		O			Graduate		May 2014, Oct 14 & Dec 2015
161	1			M	M		SILO	Wenzhou	Wenzhou		O			Graduate		May 2014, Oct 14 & Dec 2015
162	1			M	M		FM	Wenzhou	Wenzhou		O					May 2014, Oct 14 & Dec 2015
32	2		30	F	M	5	SM	Dongguan	Hunan	727	D	High-Speed Train	4	University graduate	R	May 2014, Oct 14 & Dec 2015
33	2		32	M	M	3	HRM	Dongguan	Jiangxi	769	D	Car	12	University graduate	R	Oct 14 & Dec 15
36	2			M	M	6	O	Dongguan			O			MBA	R	May 2014 & Oct 14
39	2			M	M		PM	Dongguan			D				R	May 2014, Oct 14 & Dec 2015

Participant Number Labelled P in Findings	Factory	Focus Group Number	Age	Gender	Marital Status	Length of Service Years	Role	Factory Location	Home town	Distance Km from Hometown	Domicile	Method of Travel to Home	Travel Time Hours	Education	Hukou Status	Interview Date
163	3			M	M		O	Zhongshan	Zuhai		O			MBA	OSC	May-14
164	4			M	M		O	Dongguan	Taiwan		O			Graduate	OSC	May-14
165	4			F	S		PA	Dongguan	Hubei		D			Graduate	R	May-14
174	4			F	M		HRM	Dongguan			O				R	Dec-15
175	4			M	M		FM	Dongguan			O				R	Oct 14 & Dec15
176	4			F			PA	Dongguan			D				R	Dec-15
166	5			F	M		O	Huizhou	Shenzhen		O			Graduate	OSC	May-14
167	5			F	M		PA	Huizhou	Shenzhen		O			Graduate	R	May-14
168	5			M	M		FM	Huizhou	Hainan		FSH			Junior Secondary school	R	May-14
169	5			M	M		PM	Huizhou	Henan		D			Junior Secondary school	R	May-14
113	5			M	M		HRM	Huizhou	Guangdong		D			University Graduate	R	Oct-14
170	6			M	S		S	Dongguan	Hong Kong		O			Graduate	OSC	May-14
171	6			M	M		M	Dongguan	Hong Kong		O			Primary school	OSC	May-14
172				F	M		M	Ningbo			D			Graduate	R	May-14
173				F	M		O	Shenzhen			O				OSC	May-14

* Participant 90 In the 1st first Focus Group Interviews with Factory 4, gave her length of service as 12 Years. A Year later she said eleven years, I double checked and she confirmed 11 years. So I changed her service to 10 years in the first interview.

Participants 120, 125 &114 left the meeting. Participant 120 & 125 left one hour apart, then Participant 114 left 30 minutes before the end of the meeting, called away by a phone call.

    Participants took part in more than one Focus Group   Participants did not speak directly, but nodded, laughed and seemed relaxed.

Where there are blanks this is deliberate, as this was a longitudinal study, the researcher built on data with each interaction, for example in the first set of Focus Groups the researcher did not ask for some demographic information such as age and marital status.

Abbreviations:	Gender	F= Female, M=Male
	Marital Status	M= Married, S=Single
	Role	A = Agent, FM = Factory Manager, HRM = Human Resource Manager, LL=Line Leader, M= Manager, O=Owner, OD= Owners Daughter, OW = Office Worker
		PA=Personal Assistant, PM=Production Manager, QC= Quality Control, QCM = Quality Control Manager, SILO= Son in Law of Owner, SM= Sales Manager, W=Worker
	Domicile	D= Dormitory, FSH= Factory Supplied House, O= Outside
	Hukou Status	OSC= Overseas Chinese, R= Rural

Throughout the study participants are referred to as P and then the unique participant number assigned to them during the focus groups or interviews.

This is followed by the letter F which stands for factory and the numbers 1-6, to identify which of the six factories the quote comes from.

Homesickness. The most significant reason for workers leaving is homesickness.

- Could the factories arrange Skype, QQ or Weibo or other to allow regular contact with families? This would obviously depend on the availability of Wi-Fi in the Country, particularly hometowns.
- Permanent fully equipped recreation room
- Improve/upgrade the Dormitories. Install air-conditioning & Wi-Fi. Decorate them, make them a proper home away from home
- Improve sanitation
- Mid-year home leave for key workers?
- Mentoring program for younger workers.
- Factories should consider the mentoring side of dormitory living? Particularly with young workers who could be thousands of miles away from home. Mentor to help settle them in, make them feel welcome and give them a reference point.
- Family dormitories (although this may not help if the children cannot get access to education etc. due to Hukou system). Hukou system is due to change, so factories should be ready to receive the family once it changes locally. Is it possible for the factories to work together with others in the same location/industry to lobby their local government to bring forward Hukou changes?
- Crèche for children either factory run or in partnership with other factories locally. Or subsidised childcare

Catering

- Catering is a really big issue, all factories need to pay closer attention.

Training

- Additional Training to stimulate feelings of achievement & personal development.
- Job Rotation to avoid the boredom generated by repetitive tasks.

Retaining Experienced Staff

- Long service awards/benefits to retain experienced staff. These could include additional pay, increased holidays, improved living accommodation etc.
- See some of the suggestions under Homesickness above i.e. mid-year home leave for key workers?

Attracting new workers

- Recruitment boards, use quotes from existing workers about family feeling, always paid on time and in full, working hours reasonable.

Relationships & Harmony

- This is very important to the workers and organisations should foster the family feeling.

Quality

- This is very important to the workers. Organisations should give more training and then up their quality standards.

Appendix 13: Researcher Suggestions/Recommendations following Focus Groups Interactions
Source: The Author

Workload & Pressure

- None of those interviewed wanted to work for high pressure organisations. Factories need to understand these feelings

Question No.	Topic/Question	Summary of Interviews
1	What attracted you to work for this Company?	By far the most significant reason was a recommendation from family or friends. Recruitment boards and a tour of the factory where the next most important factors. Recruitment boards are A boards which stand outside the factories to advertise vacancies. The boards normally include pictures of the inside of the factories and the living accommodation. They also give wage rates and working hours. The workers did not trust the Recruitment boards alone as they explained that the boards can beautify things, they said the only way to be sure is to have a tour of the factory.
		Stable wages was brought up by several groups, this meant payment in full and on time (see responses to questions 3 & 12 for further discussion on stable wages). Other factors included better working & living conditions & not working Sundays. All workers in one group knew of factories not paying the legal minimum wage. One factory in the study had moved to improve the dormitories of their workers. Another was upgrading all the facilities including the dormitories by installing air-conditioning and Wi-Fi
2	Is the reason still valid?	Most groups were uncomfortable with this question. The majority answered yes to this question after some prompting
3	What do you like about the Company?	A feeling of harmony was important in all groups. They explained that the boss creates the feelings of harmony, they all like to work in organisations with a family/team feeling (this subject came up as one of the reasons workers decided to stay with their current employers, see question12).
		Good management, relationships and communication with the boss and team leaders was mentioned by all groups. Examples given by workers of good/reasonable management included being given sudden leave for a special reason, like a family issue. They explained that other factories would not grant leave no matter what the circumstances. Other examples given was not being given a severe penalty

if a worker arrives five minutes late for their shift, and the team leader compromising if the worker does something wrong and explains (this factor was also given as one of the reasons workers stayed with their current employer and was considered a key business issue by managers, see responses to questions 12 & 15).

Workload, low pressure and working hours not being too long were important in all groups. All groups gave examples of high pressure working as working to daily quotas, with workers not being allowed to finish until the quota was fulfilled. All groups felt working to quotas affected the quality of the finished product. All groups knew of factories where workers were required to work seven days a week and none of them wanted to work for these organisations (see also responses to questions 5, & 12 regarding pressurised working).

Being paid on time and in full was brought up by half the groups interviewed and was also given as a response by other groups in answer to question one. These first groups did not mention this again in response to this question, but this subject maybe even more important than it seems in response to this particular question (see also responses to questions 1 & 12). All the workers knew of factories who used every excuse not to pay in full, particularly if a worker resigns.

Other answers included having breaks in the working day and enough holidays (these factors came up in more than one group). The workers again gave examples of other factories, where for example the working day was too long and holidays were cancelled or having to work compulsory overtime to make up for the working time lost due to statutory holidays (see also responses to question 5).

Catering and everyone all eating together was a factor in one of the groups and was unanimous in this

4	Would you recommend the Company as a good employer?	The majority of the groups were uncomfortable with this question, even groups who had been animated up to this point bowed their heads and the amount of eye contact reduced considerably.
		Two of the groups interviewed, both from the same company were very positive and continued to be animated and were insistent that the Boss is good and they would recommend the company (see responses to questions 3, 4 & 12 regarding importance of the boss in organisations in the study).
		The majority of the other groups misunderstood the question.
		Those who answered said they would recommend the Company they worked for.
		Two of the groups who seemed to misunderstand the question answered that they would like increased recreation. They suggested establishing a permanent room/area for recreation, already set up so they could go there at the end of the working day. Recreation to include things like table tennis, badminton, karaoke, a library and sports competitions. There was unanimous agreement following these suggestions, both groups became very animated. This subject was brought up later by other groups in response to later questions (see responses to questions 8 & 9).
		Three of the groups wanted increased wages and benefits (see also responses to questions 8, 11 & 14).
5	Do you like your job?	All groups were very animated and agreed they liked their jobs. The researcher asked one group if they liked the repetition of their work. They all responded yes. They explained that the faster they are the more

they can earn (all organisations in the study pay a low basic wage plus bonuses including output payments).

One group explained that the workload was easy/not pressurised (this subject also came up in answer to questions 3 & 12). The workers were asked if they had personal experience or family/friends working for factories with more pressure? The meeting became very animated with examples given where there was too much overtime, compulsory overtime, last minute overtime, high pressure working (see responses to question 3 for an explanation of what the workers consider high pressure working and question 12 for the importance of familiarity and low pressure work).

6	Did you receive training when you joined the Company?	All the respondents had received Training. One group of line leaders/managers answered that the Training is so good, two of the line leaders had left to set up their own company, making the same product.
		Many of the line leaders & managers said they brought their experience with them, as did the workers from a soldering department. Even these groups had been given training to bring them up to the individual organisations standards.
7	Do you feel you need more Training?	Six people all from the same organisation said they did not want any further Training. Although all interviewees in this particular group worked in a soldering department and responded to the previous question that they had brought their experience with them. Everyone else in the study all wanted additional training.
		In the group who liked the repetition in their work, as it allowed them to earn more; all wanted to learn something new (see responses to question 5). When the Researcher queried this and pointed out it could impact their pay. One worker explained that she wanted to learn more to upgrade herself. The rest of the group joined in and became very animated. They explained that they are not well educated, they wanted to learn more, to increase the co-operation with other workers and to build their self-confidence.

One worker answered the question with a Chinese poem about learning and harmony.

Generally the workers wanted to learn a wider range of skills, whereas the line leaders and managers wanted to become more expert in their specialism.

8	If you could change one thing about the Co. What would that be?	All groups were uncomfortable with this question, in most the question met with total silence; followed by some low level whispering, many people hung their heads. The Researcher explained to each of the groups that their organisation had agreed to participate in the study, as they wanted to be good employers. That the bosses had all seen the questions in advance and understood that responses would only be given in summary form to the organisations taking part in the research and individual answers would remain confidential. This encouraged answer from four of the organisations (8 groups of interviewees), but in two of the six organisations in the study (4 groups of interviewees) the response rate was extremely low. In one organisation only fifty percent of each group answered the question and only one person in the other organisation answered the question, all others either passed or gave a no verbal answer.

Catering was mentioned by all bar one of the groups (but this was the group where only one person responded, so it is perhaps not representative of the whole). All groups became very animated once one or more members in each group raised the subject of Catering. There was lots of laughter and banter in each group as they responded, often talking over each other. One organisation did not offer any form of catering, or catering allowance. The workers had to bring food with them. Both groups interviewed from this organisation brought up the lack of a canteen and all wanted one established.

In the other groups the majority wanted the quality and variety of the catering improved. In one organisation one of the workers wanted the amount of wastage reduced, he explained after every meal a lot is thrown away. In one organisation in the study, the boss had told the researcher in an earlier

interview that they had established a works committee to run the catering department. However workers from this organisation also brought up catering as the thing they would like to change, so this is obviously not as successful as the owner would have liked (the importance of catering to the workers can be seen in the responses to questions 3 & 9).

The next most mentioned factor was improving the wages and benefits package, this was brought up in four of the six organisations and in answers to questions 4, 11 & 14. Followed by the need to balance the workload more evenly (balancing the workload was also brought up in response to question 9).

Workers in one organisation were very concerned that experienced workers were leaving. They suggested a seniority bonus to be paid once a year, to try and retain the level of experience. Another group of workers in the same organisation said that managers were normally hired from outside the organisation and they would like to see more internal promotion.

Improving the Recreational facilities was brought up, but by a different group from the ones who brought this subject up in response to an earlier question. So this subject may be more important than it appears here (see also responses to questions 4 & 9).

In one organisation a worker said the uniform is difficult to wash, there followed much laughter, everyone in the meeting agreed with this comment.

One group wanted more training which in turn would allow their organisation to set more severe quality standards. Improving Quality came up in response to several of the questions and appeared important to all groups (see responses to questions 9 & 15 which was what the managers see as key business issues for their organisation).

9	If you were a manager what one thing would you do differently?	This question also met with complete silence from the majority of the groups. The two groups who were not silent started giggling and then following some whispering and side comments both groups were openly laughing.
		Many of the groups after some encouragement from the researcher and translator, explained that they had never thought that they could become a manager; so had no idea how to answer this question. This comment met with much nodding from others in each of the groups. One line leader explained that even if he was promoted to a manager it would not help to change anything. He said only the Boss can change anything. There was much laughter and side comments, in response to this answer. Everyone in the group agreed with the comment. One worker said he tries to be a good worker and that is good enough for him.
		Two groups wanted to improve the quality of their product and reduce the defect/failure rate. One worker explained that even if they felt that something was wrong, they would not speak out/and or ask. They would let the product carry on down the line. He explained they need training in self-discipline, to stop the problem from going onto the next station. In another group workers explained that training was important to workers emotions (quality was also emphasised in responses to questions 8 & 15).
		Another group wanted everyone to benefit from the in-house canteen, the whole group agreed. They explained that new workers are given an allowance and have to go outside to eat. Longer service workers have access to in-house catering. They wanted the whole Co. to eat together (eating together came up in another group in response to what they liked about the Co.). Catering as a subject was very important in all the groups see responses to the questions 3 & 8 above.
		Two groups, mostly line leaders and from different organisations wanted the pay and benefits of the

workers improved. One group of line leaders explained this would increase the family feeling in their organisation (this was also given as a response to question 4 by three of the groups).

Additional training to allow workers to be switched to other tasks during peak periods, to help equalise the workload (equalising the workload was a response from another group to question 8).

Improving sanitation, by cleaning the washhrooms was brought up in one group.

Recreation was brought up by one worker (in a group that had not mentioned this subject, in response to earlier questions). The worker wanted more voluntary recreation, including organisational days out and recreational games. The worker explained when they are busy together, they fight together. The worker said better to spend recreation time together, better than fighting (recreation was also discussed in response to questions 4 & 8).

A newly promoted line leader in one organisation said he wanted his team to be proud to work for him.

| 10 | Have you ever considered leaving this Company? | This question initially met with silence in all the groups. The Researcher reminded each group that their Boss had seen the questions etc. and the bosses all wanted the participants to answer openly. Many insisted they had not thought about leaving. |

In most groups it needed an influencer like a line leader to get the workers to answer truthfully. In one group a line leader said she had thought of leaving, she then went around the table and asked the question individually, people who had answered no, then nodded.

The Researcher mentioned the recruitment boards again (also discussed in response to question 1), with

other factories offering higher wages and asked if this makes them think of leaving. Most groups got very animated following this comment from the researcher. The groups reiterated their earlier comments that the boards beautify things, they are not real. They said once you change, you would find the conditions and wages are different from those on the boards.

11	If yes, why were you thinking of leaving?	Amongst the biggest reasons was homesickness. One young Lady explained that this was her first job and she was finding it hard to settle. She had been with the factory six months. The Researcher asked each group if they were homesick, the response was almost unanimous with all the groups agreeing they are homesick. The only ones who were not homesick, were those who lived locally. The majority of the workers come from the northern part of China and had moved south to find work. All bar one of the factories in the study had dormitories. The workers live in these dormitories, only returning to their hometown once a year, at Chinese New Year.
		The next highest reason for thinking of leaving, was to create their own business. Followed by looking to improve their wages, work not going smoothly & childcare. Missing their children, taking care of elderly relatives and following a disagreement with the boss, all had varying degrees of importance from group to group (see also responses to question 14).
		Missing their children was given as a reason by a gentleman in one of the groups. The children stay behind in the workers hometown, so they only see their children once a year, at Chinese New Year. The researcher asked this group, how many miss their children, the response was unanimous. In this group homesickness and missing their children were the two most prominent reasons, for thinking of leaving (see also responses to question 14).
		In one group the largest reason given was to learn something new. The group explained that to do the same repetitive job in the same factory was boring. This was only brought up by this one group, but could

perhaps be a factor with the other groups. This was the last group interviewed, so it could not be tested with the other groups. If this response is coupled with the fact that workers wanted to learn more even if it cost them speed and hence money (see responses to question 5). This should be taken very seriously by the factories, where workers do the same repetitive function day in day out.

One worker thought he was getting too old and slow and thought he should retire.

One of the managers, thought there was too large an age gap between her and other managers in her organisation.

| 12 | What made you decide to stay? | Harmony, family feeling, friends and relationships were important in four of the six companies in the study (see also responses to question 3). |

Familiarity was also important, when questioned further the workers explained that if they changed jobs they felt there would be increased work pressure in the new factory (see also responses to question 3).

Stable wages were also very important, one of the groups explained this meant they were predictable every month. One lady manager explained that if they resign then everything is a risk. Everyone in the room agreed with this comment (see also responses to question 1).

One of the Men who had said previously that he missed his children explained that the wages in Northern China are lower, so for practical reasons he needs to stay in the South. He explained that his family is stable and they need him to earn money, so he will stay in the South and earn money for his family for the next few years.

The young girl who was homesick explained that she has to face reality. Her reality is that she is working three days travel each way from her hometown and living in the factory dormitory. She will return home only once a year at Chinese New Year for the foreseeable future.

Two line leaders in one group (both ladies), said they did a comparison. They asked workers from the factory they were thinking of joining what happened if the factory got a sudden rush order. They found out that the factory would work three shifts with compulsory overtime, and seven days a week working. They said they preferred to stay with the current factory, whose working hours were more reasonable (see also responses to questions 1 & 3).

The workers in two of the companies mentioned their friends are still working in the factory and the wages are good, as reasons not to leave (see also response to question 1).

The workers with childcare issues, one was given a family dormitory, others explained that either the company or colleagues helped them.

Loyalty to the Boss was mentioned in only one of the groups in response to this question. In other groups many of the participants began their responses by saying either the Boss is good, or the management was not pressurised in answer to many of the questions.

One manager responded to this question with a Chinese poem. He explained the meaning was that nowadays being a worker means you are happier than being a boss, he explained the boss has too much pressure.

The worker who thought he was getting too slow, had been reassured by his Boss that his work was good enough and that he should stay.

The manager concerned about the age gap was moved to another section and is much happier.

13	Have any of your friends left this Co?	Each group answered yes to this question.
14	If yes, what were the reasons?	The biggest reason was due to homesickness. The second largest reason was for an increase in salary or better opportunity. Followed by pregnancy or childcare issues. Other reasons were to go back to further education and to create their own business (see responses to questions 4, 8 &11).
		One company had relocated two years previously and had only taken line leaders and above with them. So one reason given was too far to travel, but it was specific to this one organisation in the study.
		In one of the interviews participants were asked if they thought staff turnover was increasing. The response was a unanimous yes. When asked what they felt was behind the increase, the response was three reasons, homesickness, to create their own business and young people being lazy, they do not want to work (see responses to questions 4 &11).

Questions for Managers

15	What do you believe are the key business issues for the Co?	Managers from five of the six companies in the study answered quality and on time delivery. After sales service and cost control were also key. Managers in one company replied relationships and team spirit, quality was also mentioned in this company, but it came after relationships. Building the brand was an objective for two of the companies (in addition see responses to questions 8 & 9).
16	Have you had Management training?	Managers from one of the organisations in the study explained that management is not taught in school, they therefore depend on their employers to train them.

All six organisations outsource management training. The training is based around case studies which show the managers practical examples. One owner had studied the Taiwanese management system and had also been to Toyota to learn how they arranged production. The owner explained that he viewed professionalising the factories management as key to achieving competitive advantage. In this particular company the managers are set goals to achieve with their teams. They treat each goal as a case study and teach the managers what to do and how to do it.

One of the Companies in addition has an exchange program with other factories with whom they share guanxi. The manager's study the processes in the other factories and in this through a form of isomorphism learn from each other.

| 17 | Do the managers think staff turnover is increasing? And if yes, why? | All agree that staff turnover is increasing. They explained that as more factories open in the North, workers do not have to move away from home to find work. One factory explained that when they have enough orders, the workers will be stable. One manager gave the example of Foxconn and said once you have a good customer like Foxconn have, they have no need to worry about staff turnover. |

These responses show what attracted workers and managers to join their current organisation, what they would change, why they were personally thinking of leaving and why their friends had actually left the organisations in the study. It is hoped that the Companies in the study can use this information to accentuate the positives, reduce or manage the negatives and retain their key staff for longer.

LME Copper

Historical price graph for Copper

LME Lead

English ∨

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News Release

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MEP Made Public the Investigation and Sanction on Blood Lead Pollution Incident in Deqing County of Huzhou City, Zhejiang Province

| Article type: Translated | 2011-05-18 | Font Size:[S M L] | [Print] [Close] |

MEP spokesman Tao Detian told media today that blood lead concentration exceeding health standard has been found in employers and villagers in Huzhou City, Zhejiang Province since March, which threatens public health and causes bad influence on the society. Ministry of Environmental Protection decided to stop approval of any environmental impact assessment document of construction project in Huzhou City, take strong measures to further strengthen the efforts in prevention and control of pollution of industries involving heavy metals such as lead-acid batteries, ensure public environmental rights and interests and protect public health.

Mr. Tao Detian said, in view of the recent incidence of blood lead pollution in Huzhou City of Zhejiang Province, Ministry of Environmental Protection sent an investigation group yesterday. The group carried out investigation on blood lead pollution incidence in Huzhou City of Zhejiang Province with the support of relevant department of. It has basically identified the cause of the event. Established in May of 2003, Haijiu Battery Limited Company (hereinafter referred to as "Haijiu Company") in Zhejiang Province is located in Xinshi Industry Park of Deqing County. It mainly manufactures and sells small Lead-acid batteries used for motorbikes. With annual capacity of 10.50 million batteries, it has annual output of about 9 million with 450 million yuan of output and 1000 employers. Physical examination of employers of Haijiu Company and villagers living near the company has found their blood lead (PbB) concentrations exceeding health standard one after another since March of 2011. Deqing County Government began organizing the test of blood lead concentration of villagers living in vicinity of the company on May 2. Haijiu Company also arranged occupational physical examination of its employers. A total of 2152 people including both employers and villagers were tested on their blood lead level (1231 employers and their relatives as well as 921 villagers). Among them, 332 had their blood lead concentration exceeding the standard; 327 of them were employers and their relatives and 5 were villagers. Among the 327 victims, 233 were adult (232 were employers and one villager), 99 were children (95 were children of employers and 4 were children of villagers). At present, a total of 53 people were subject to hospitalization (26 of them were adult and 27 children) with stable conditions. Environmental monitoring found that lead concentrations in the soil, water and crops in vicinity of Haijiu Company meet national standard. Haijiu Company ceased its operation for corrections on April 29, 2011. Up to May 13, the major lead related equipment in the plant has been dismantled. Public security institution has carried out criminal detention of the legal representative of Haijiu Company according to law. Relevant departments of Huzhou City have decided to investigate the responsibility of 8 relevant officials in charge from county government, environmental protection bureau, health bureau and Xinshi Town of Deqing County.

Mr. Tao Detian pointed out, the investigation finds that this incidence is due to production in violation of relevant laws, poor protection measures for workers, failure of county and town governments to honor their commitment of relocating the residents who live too close to the company and poor supervision and response of local government and relevant departments. The specific circumstances are the followings:

1. Protection measures in workshop are not in place with poor work on prevention and control of occupational disease. Many ventilation pipes in the welding work site of the assembling workshop of Haijiu Company have crack or holes, leading to low ventilation efficiency and fugitive emission of lead dust. Current data shows that among 332 victims with blood lead concentration exceeding health standard, 327 are employers and their relatives. Health department of Deqing County used to test and evaluate the occupational hazard factors of the enterprise several times and found that lead concentration in dust and smoke of the workshop of Haijiu Company exceeds the standard. But it failed to urge the enterprise to make corrections. In early March, when spontaneous physical examination indicated that PbB concentrations of some employers and nearby villagers exceed health standard, it still did not attract high attention of health department of Deqing County.

2. Production of Haijiu Company in violation of relevant laws & regulations and poor supervision by relevant departments. Haijiu

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CI ceases operations in China

CI ceases operations in China

During 2014, CI stopped all assessment and certification activities in China. This change occurred as a result of an investigation into the activities of the CI partner (Shanghai Oriental Certification Services; SOCS) operating within the Chinese market. The investigation established that partner had conducted unethical and illegal actions on a large scale and that these actions had been concealed from the UK head office.

The CI partner in China, Shenghua Wu (Bert) had been issuing false and fraudulent certificates without the knowledge of the CI head office. In August 2014, CI notified Shenghua Wu that all cooperation with his team would be suspended and that he must stop making any claims of representing Certification International. In addition, formal notification was provided to CNCA that CI had stopped all operations in China and that we have requested a formal investigation to take place.

If you are in possession of a Certification International certificate then we urge you to check the validity of the certificate using . Many of the certificates issued by SOCS carry the CI and UKAS Marks and a falsified signature of a UK staff member so it is important that you validate them.

Certification International is saddened to have been effected by the fraudulent activities of one of its international partners. Please be reassured that we are taking every action possible to bring Shenghua Wu to justice and to ensure he is held accountable for his actions.

Global News

Appendix 18: CI UK Statement Regarding Fraud　　　　　　　　　　　　　　　Source: CI UK Website　　　　403

Appendix 19: Example of a Recruitment Board   Source: One of The Factories   404

Participant No.	Age	M / F	Home town	Distance Km	Single / Married	Domicile?	Attended first DBA meeting?	Length of Service Years	Method of travel to return to home town & length of time it takes to get there	Educational level
23	34	Female	Chongqing	1,454	Married	Outside	No	1	21 hrs by coach(bus)	Primary school
24	45	Female	Sichuan	1,641	Married	Outside	No	10	32 hrs by train+bus	Primary school
25	40	Female	Hubei	1,037	Married	Outside	No	10	18 hrs by train+bus	Junior secondary school
26	39	Female	Chongqing	1,454	Married	Outside	No	6	21 hrs by coach(bus)	Primary school
27	45	Female	Chongqing	1,454	Married	Outside	No	10	21 hrs by coach(bus)	Junior secondary school
28	45	Female	Chongqing	1,454	Married	Outside	No	10	21 hrs by coach(bus)	Primary school
29	40	Female	Jiangxi	819	Married	Outside	No	12	8 hrs by car	Primary school
30	28	Female	Jiangxi	819	Married	Outside	No	2	8 hrs by car	Junior secondary school
31	23	Female	Hubei	1,037	Single	Outside	No	4	14 hrs by coach(bus)	Junior secondary school
4	35	Female	Jiangxi	819	Married	Outside	Yes	10	8 hrs by coach(bus)	Primary school
374			Total	11988				75	172	

Workers travel from the agricultural North to the industrialised South to find work.   The distances involved and the cost of travel means the workers only return to their hometowns once a year, over the Chinese New Year holiday.   To illustrate this Interviewees were asked where their hometown was, how they travelled home and how long it took to get there, the table above shows the answers given to these and other questions.

From the location of this factory the shortest journey time home for the workers was 8 hours by either car or coach (workers #29, 30 & 4). The longest Journey home was 32 hours by train & bus (worker #24). In total participants who took part in this focus group travelled 11988 km (7449 miles), which took them 172 hours.

Workers 23, 26, 27 & 28 are all from Chongqing and all gave the same journey time to travel home. Chongquing covers an area of 82400 kilometres sq. (31780 sq. miles), it has 40 districts and a population of 31 million (Chongquing Foreign Trade & Economic Relations Commission 21/3/2016 & CityPopulation.de/China).

Participants 25 & 31 are both from Hubei Province, but their journey time is four hours different. This is due to differences in the transport infrastructure and the sheer size of Hubei. Hubei covers an area of 186000 kilometres sq. (71815 sq. miles) & has a population of 57.6 million (Provincial People's Government of Hubei website July 2016).

Worker 4 came from Jiangxi and travelled home by coach, workers 29 & 30 also come from the same Province but travelled by car. When asked they replied that they would prefer to travel by coach as it would be cheaper, but there is no service to their hometown. To put the distances involved into perspective, Jiangxi covers an area of 167000 kilometres sq. (64480 sq. miles) & has a population of 43 million (Government of Peoples Republic of Jiangxi Province website July 2016).

4 participants are from Chongqing Province, all have the same journey time 21 hours by coach (workers # 23, 26, 27 & 28).
1 participants is from Sichuan Province and takes 32 hours by train and bus to get home (workers # 24).
2 participants were from Hubei Province, one takes 18 hours by train and bus (worker # 25), the other takes 14 hours by & coach (workers # 31).
3 participants are from Jiangxi Province, two take 8 hours by car (worker # 29 & 30), the other has the same journey time but travels by coach (worker # 4).

Map Factory 1

Showing Locations of Workers Home-Towns and Factory

Case study-1				
No.	Age	M / F	Home town	Distance(Km)
23	34	Female	Chongqing	1,454
24	45	Female	Sichuan	1,641
25	40	Female	Hubei	1,037
26	39	Female	Chongqing	1,454
27	45	Female	Chongqing	1,454
28	45	Female	Chongqing	1,454
29	40	Female	Jiangxi	819
30	28	Female	Jiangxi	819
31	23	Female	Hubei	1,037
4	35	Female	Jiangxi	819

Source: Nations Online Project for basic Map

Numbers are those allocated to each participant at the Interviews to allow identification during transcription

Participant No.	Age	M / F	Home town	Distance Km	Single / Married	Domicile?	Attended first DBA meeting?	Length of Service Years /Months	Method of Travel to return to Home Town and length of time it takes to get there	Educational level
32	30	Female	Hunan	727	Married	Dorm.	Yes	5	4 hrs by high-speed train	University graduate
33	32	Male	Jiangxi	769	Married	Dorm.	Yes	3	12 hrs by car	University graduate
39	30	Male	Anhui	1195	Married	Dorm.	Yes	2	7 hrs by high-speed train	Senior secondary school
37	26	Female	Jiangxi	769	Single	Outside	Yes	1.5	8 hrs by coach(bus)	Junior secondary school
43	22	Female	Jiangxi	769	Single	Outside	No	6 months	9 hrs by coach(bus)	Junior secondary school
44	40	Female	Hunan	727	Married	Outside	No	1	10 hrs by coach(bus)	Junior secondary school
45	30	Female	Hunan	727	Married	Dorm.	No	5.5	5-6 hrs by coach(bus)	Junior secondary school
46	29	Female	Guangxi	650	Single	Dorm.	No	8 months	7-8 hrs by coach(bus)	Junior secondary school
47	18	Male	Hunan	727	Single	Dorm.	No	1.5	6 hrs by coach(bus)	Junior secondary school
48	19	Female	Henan	727	Single	Outside	No	1.5	20 hrs by coach(bus)	Junior secondary school
49	19	Female	Guangxi	650	Single	Dorm.	No	3	10 hrs by coach(bus)	Junior secondary school
50	40	Male	Guangdong	97	Single	Dorm.	No	1	3.5 hrs by coach(bus)	Junior secondary school
34	20	Female	Hunan	727	Single	Dorm.	No	1 month	10 hrs by train	University graduate
51	26	Female	Hunan	727	Married	Dorm.	Yes	1.3	4 hrs by high-speed train	University graduate
52	30	Female	Hubei	1026	Married	Dorm.	Yes	10 months	13 hrs by car	University graduate
411			Total	11014				28.3	130.5	

Workers travel from the agricultural North to the industrialised South to find work.   The distances involved and the cost of travel means the workers only return to their hometowns once a year, over the Chinese New Year holiday. To illustrate this Interviewees were asked where their hometown was, how they travelled home and how long it took to get there, the table above shows the answers to these and other questions.

From the location of this factory the shortest journey time home for a worker was 3.5 hours by coach (Participant 50).   The longest Journey home took 20 hours by coach (Participant 48).   In total participants from this factory travelled 11014 km (C 6844 miles), which took them 130.5 hours.

Participants 32, 44, 45, 47, 34 & 51 are all from Hunan Province, but their journey times and means of travel differ, due to the transport infrastructure and the sheer size of the Province.   Participants 32 & 51 both travel by high-speed train which takes 4 hours, this contrasts with Participants 44 & 34 who both take 10 hours to get home, travelling by coach and train respectively. Hunan covers an area of 211800 kilometres sq. (81776 sq. miles) & has a population of 67.4 million at the end of 2014 (website of Peoples Government of Hunan Province July 2016).

Participants 33, 37 & 43 are all from Jiangxi Province and again the journey times differ due to the transport infrastructure and size of Jiangxi.   It covers an area of 167000 kilometres sq. (64480 sq. miles) & has a population of 43 million (Government of Peoples Republic of Jiangxi Province website July 2016).

6 Participants are from Hunan Province, the fastest Journey home was by high-speed train and took 4 hours (Participant 32 & 51), the longest took 10 hours by both train & coach (Participants 44 & 34).

3 Participants were from Jiangxi Province, the fastest Journey home was by coach and took 8 hours (Participant 37), the longest took 12 hours by car (Participant 33).

2 Participants were from Guangxi Province, the fastest Journey home was by coach and took 7-8 hours (Participant 46), the longest took 10 hours by coach (Participant 49).

1 Participant was from Anhui Province, the Journey home took 7 hours by high-speed train (Participant 39).

1 Participant was from Guangdong Province, the Journey home took 3.5 hours by coach (Participant 50).

1 Participant was from Henan Province, the Journey home took 20 hours by coach (Participant 48).

1 Participant was from Hubei Province, the Journey home took 13 hours by car (Participant 52).

Map Factory 2

Showing Locations of Workers Home-Towns and Factory

Case study-2				
No.	Age	M / F	Home town	Distance(Km)
32	30	Female	Hunan	727
33	32	Male	Jiangxi	769
39	30	Male	Anhui	1,195
37	26	Female	Jiangxi	769
43	22	Female	Jiangxi	769
44	40	Female	Hunan	727
45	30	Female	Hunan	727
46	29	Female	Guangxi	650
47	18	Male	Hunan	727
48	19	Female	Henan	727
49	19	Female	Guangxi	650
50	40	Male	Guangdong	97
34	20	Female	Hunan	727
51	26	Female	Hunan	727
52	30	Female	Hubei	1,026

Source: Nations Online Project for basic Map

Numbers are those allocated to each participant at the Interviews to allow identification during transcription

Participant No.	Age	M / F	Home town	Distance Km	Single / Married	Domicile?	Attended first DBA meeting?	Length of service Years/ Months	Method of Travel to return to Home Town and length of time it takes to get there	Educational level
66	35	Male	Hubei	1091	Married	Outside	No	10	4 hrs by high-speed train	University graduate
60	40	Male	Guangdong	108	Married	Outside	Yes	10	4 hrs by coach(bus)	Senior secondary school
53	32	Male	Guangxi	635	Married	Outside	Yes	6	4 hrs by high-speed train	Junior secondary school
67	26	Male	Guizhou	1109	Married	Outside	No	1.5	4.5 hrs by high-speed train	Senior secondary school
54	28	Male	Guangdong	108	Married	Outside	Yes	2	4 hrs by coach(bus)	Junior secondary school
68	24	Male	Guangdong	108	Single	Dorm.	No	1	4 hrs by coach(bus)	University graduate
69	20	Female	Hubei	1091	Single	Outside	No	6 months	15 hrs by coach(bus)	Senior secondary school
70	24	Female	Guangxi	635	Single	Dorm.	No	4 months	12 hrs by coach(bus)	Junior secondary school
71	18	Female	Jiangxi	900	Single	Outside	No	6 months	14 hrs by coach(bus)	Junior secondary school
72	24	Male	Guangdong	108	Married	Outside	No	5 months	5 hrs by car	Junior secondary school
73	45	Female	Hubei	1091	Married	Outside	No	4	18 hrs by coach(bus)	Senior secondary school
74	45	Female	Sichuan	1766	Married	Outside	No	8	26 hrs by coach(bus)	Senior secondary school
361			Total	8750				44.25	114.5	

Appendix 23: Factory Three: Location of Factory & Workers' Homes

Participants 66, 69 & 73 are all from Hubei Province, yet Participant 66 gets home fourteen hours before Participant 73. This is due to differences in the transport infrastructure and the sheer size of Hubei, which covers an area of 186000 Kilometres sq. (71815 sq. miles) & has a population of 57.6 million (Provincial People's Government of Hubei website July 2016).

Participants 60, 54, 68 & 72 are all from Guangdong, yet worker 72 has to travel by car as there is no coach to his hometown. Workers in this and other factories in the study explained that if there is a coach available, they will use it, as it is the lowest cost option. Guangdong covers an area of 177900 Kilometres sq. (68688 sq. miles) & has a population of 104 million (Foreign Affairs Office of Guangdong Provincial People's Government, July 2016 & China Perspective.com July 2016).

4 Participants are from Guangdong Province, the fastest Journey home was by coach and took 4 hours (Participants 60, 54 & 68); Participant 72 lives in the same Province but takes another hour to get home, by car.

3 Participant were from Hubei Province, the fastest Journey home was by high-speed train and took 4 hours (Participant 66), the longest took 18 hours by coach (Participant 73).

2 Participants were from Guangxi Province, the fastest Journey home was by high-speed train and took 4 hours (Participant 53), the longest took 12 hours by coach (Participant 70)

1 Participant was from Guizhou Province, the Journey home took 4.5 hours by high-speed train (Participant 67).

1 Participant was from Jiangxi Province, the Journey home took 14 hours by coach (Participant 71).

1 Participant was from Sichuan Province, the Journey home took 26 hours by coach (Participant 74).

Map Factory 3

Showing Locations of Workers Home-Towns and Factory

Case study-3				
No.	Age	M / F	Home town	Distance(Km)
66	35	Male	Hubei	1,091
60	40	Male	Guangdong	108
53	32	Male	Guangxi	635
67	26	Male	Guizhou	1,109
54	28	Male	Guangdong	108
68	24	Male	Guangdong	108
69	20	Female	Hubei	1,091
70	24	Female	Guangxi	635
71	18	Female	Jiangxi	900
72	24	Male	Guangdong	108
73	45	Female	Hubei	1,091
74	45	Female	Sichuan	1,766

Source: Nations Online Project for basic Map

Numbers are those allocated to each participant at the Interviews to allow identification during transcription

Participant No.	Age	M / F	Home town	Distance Kilometres	Single / Married	Domicile?	Attended first DBA meeting?	Length of service - Years	Method of Travel to return to Home Town and length of time it takes to get there	Educational level
96	18	Female	Henan	1554	Single	Dorm.	No	1	18 hrs by coach(bus)	Junior secondary school
97	20	Female	Henan	1554	Single	Dorm.	No	2	18 hrs by coach(bus)	Junior secondary school
85	20	Female	Guangxi	673	Single	Dorm.	Yes	2	2.5 hrs by high-speed train	Junior secondary school
98	28	Female	Sichuan	1773	Single	Outside	No	1	24-26 hrs by train	Junior secondary school
99	31	Female	Henan	1554	Married	Dorm.	No	1	18 hrs by coach(bus)	Junior secondary school
100	36	Female	Henan	1554	Married	Outside	No	2.5	18 hrs by coach(bus)	Junior secondary school
88	39	Female	Guangxi	673	Married	Outside	Yes	3	10 hrs by coach(bus)	Junior secondary school
90	42	Female	Chongqing	1470	Married	Dorm.	Yes	11	24 hrs by train	Primary school
101	46	Female	Hubei	1034	Married	Dorm.	Yes	8	17 hrs by train	Primary school
89	30	Female	Hubei	1034	Married	Outside	Yes	2	17 hrs by train	Junior secondary school
77	40	Female	Henan	1554	Married	Dorm.	Yes	11	16 hrs by train	Junior secondary school
350			Total	14427				44.5	184.5	

Workers travel from the agricultural North to the industrialised South to find work. The distances involved and the cost of travel means the workers only return to their hometowns once a year, over the Chinese New Year holiday. To illustrate this Interviewees were asked where their hometown was, how they travelled home and how long it took to get there, the table above shows the answers given to these and other questions.

From the location of this factory the shortest journey time home for the workers is 2.5 hours by high-speed train (Participant 85). The longest Journey home took 24-26 hours by train (Participant 98). In total participants from Factory Four who took part in the Focus Group interview travelled 14427 kilometres (8965 miles), which took them 184.5 Hours.

Participants 96, 97, 99, 100, & 77 all come from Henan Province. All bar participant 77 take 18 hours to travel home by coach, Participant 77 gets home two hours earlier, as her hometown is on a railway line. Henan Province covers an area of 167000 kilometres sq. (64480 sq. miles) & has a population of 100 million (Government of Peoples Republic of Henan Province website July 2016 & the China Perspective.com July 2016).

Participant 85, takes 2.5 hours by high-speed train to get home to Guangxi, Participant 88 who lives in the same Province takes 10 hours by coach. These differences in travel time are due to the differences in infrastructure and the sheer size of Guangxi which covers an area of 236700 kilometres sq. (91390 sq. miles) & has a population of 48.6 million (Government of Peoples Republic of Guangxi Province website July 2016).

5 participants are from Henan Province, the fastest Journey home was by train and took 16 hours (Participant 77), the longest took 18 hours by coach (Participants 96, 97, 99 & 100).

2 participants were from Guangxi Province, the fastest Journey home was by high-speed train and took 2.5 hours (Participant 85), the longest took 10 hours by coach (Participant 88).

2 participants were from Hubei Province, both took 17 hours to get home by train (Participants 101 & 89).

1 participant was from Chongqing Province, the Journey home takes 24 hours by train (Participant 90).

1 participant was from Sichuan Province, the Journey home takes 24-26 hours by train (Participant 98).

Map Factory 4

Showing Locations of Workers Home-Towns and Factory

Case study-4

No.	Age	M / F	Home town	Distance(Km)
96	18	Female	Henan	1,554
97	20	Female	Henan	1,554
85	20	Female	Guangxi	673
98	28	Female	Sichuan	1,773
99	31	Female	Henan	1,554
100	36	Female	Henan	1,554
88	39	Female	Guangxi	673
90	42	Female	Chongqing	1,470
101	46	Female	Hubei	1,034
89	30	Female	Hubei	1,034
77	40	Female	Henan	1,554

Source: Nations Online Project for basic Map
Numbers are those allocated to each participant at the Interviews to allow identification during transcription

Participant No.	Age	M / F	Home town	Distance Kilometres	Single / Married	Domicile?	Attended first DBA meeting?	Length of service - Years	Method of Travel to return to Home Town and length of time it takes to get there	Educational level
118	27	Female	Hunan	781	Married	Dorm.	Yes	1.5	19 hrs by train	Junior Secondary school
124	40	Male	Hunan	781	Married	Dorm.	No	5	7-8 hrs by high-speed train	Primary school
120		Female	---		---	---	Yes	---	---	Left Meeting
125		Female	---		---	---	---	---	---	Left Meeting
114	44	Female	Hunan	781	Married	Outside	Yes	5	19 hrs by train	Junior Secondary school
126	42	Male	Hunan	781	Married	Dorm.	No	6	19 hrs by train	Junior Secondary school
106	48	Male	Hubei	1003	Married	Dorm.	Yes	8	15 hrs by train	Junior Secondary school
107	24	Male	Hubei	1003	Single	Dorm.	Yes	3	18 hrs by train	University graduate
104	50	Male	Hubei	1003	Married	Dorm.	Yes	15	18 hrs by car	Junior Secondary school
127	26	Male	Guangdong (Huizhou City)	25	Single	Dorm.	No	2	0.5 hrs by car	University graduate
121	30	Male	Hubei	1003	Married	Dorm.	Yes	11	19 hrs by train	University graduate
113	36	Male	Guangdong	158	Married	Dorm.	Yes	5	2.5 hrs by car	University graduate
128	44	Male	Hunan	781	Married	Dorm.	No	9	22 hrs by train	Junior Secondary school
411			Total	8100				70.5	160	

Workers travel from the agricultural North to the industrialised South to find work.   The distances involved and the cost of travel means the workers only return to their hometowns once a year, over the Chinese New Year holiday.   To illustrate this Interviewees were asked where their hometown was, how they travelled home and how long it took to get there, the table above shows the answers given to these and other questions.

From the location of this factory the shortest journey time home was 0.5 hours by car (Participant 127).   The longest Journey home took 22 hours by train (Participant 128) In total participants who took part in this interview travelled 8100 kilometres (5033 miles), which took them 160 hours.

5 Participants 118, 124, 114, 126 & 128 all come from Hunan Province, but their journey times to return home ranges from 22 hours for Participant 128, to 7-8 hours for Participant 124, who is lucky enough to live near a high-speed rail line. The disparity between the journey times illustrates the differences in infrastructure and the vastness of the Province, which covers an area of 211800 kilometres sq. (81776 sq. miles) & has a population of 67.4 million at the end of 2014 (website of Peoples Government of Hunan Province website July 2016)

4 Participants 106, 107, 104 & 121 are all from Hubei Province. The longest journey time is nineteen hours (Participant 121), with the shortest taking 15 hours by train (Participant 106).

The differences in the journey times are due to the vastness of Hubei which covers an area of 186000 Kilometres sq. (71815 sq. miles) & has a Population of 57.6 million (Provincial   People's Government of Hubei website July 2016).

Map Factory 5

Showing Locations of Workers Home-Towns and Factory
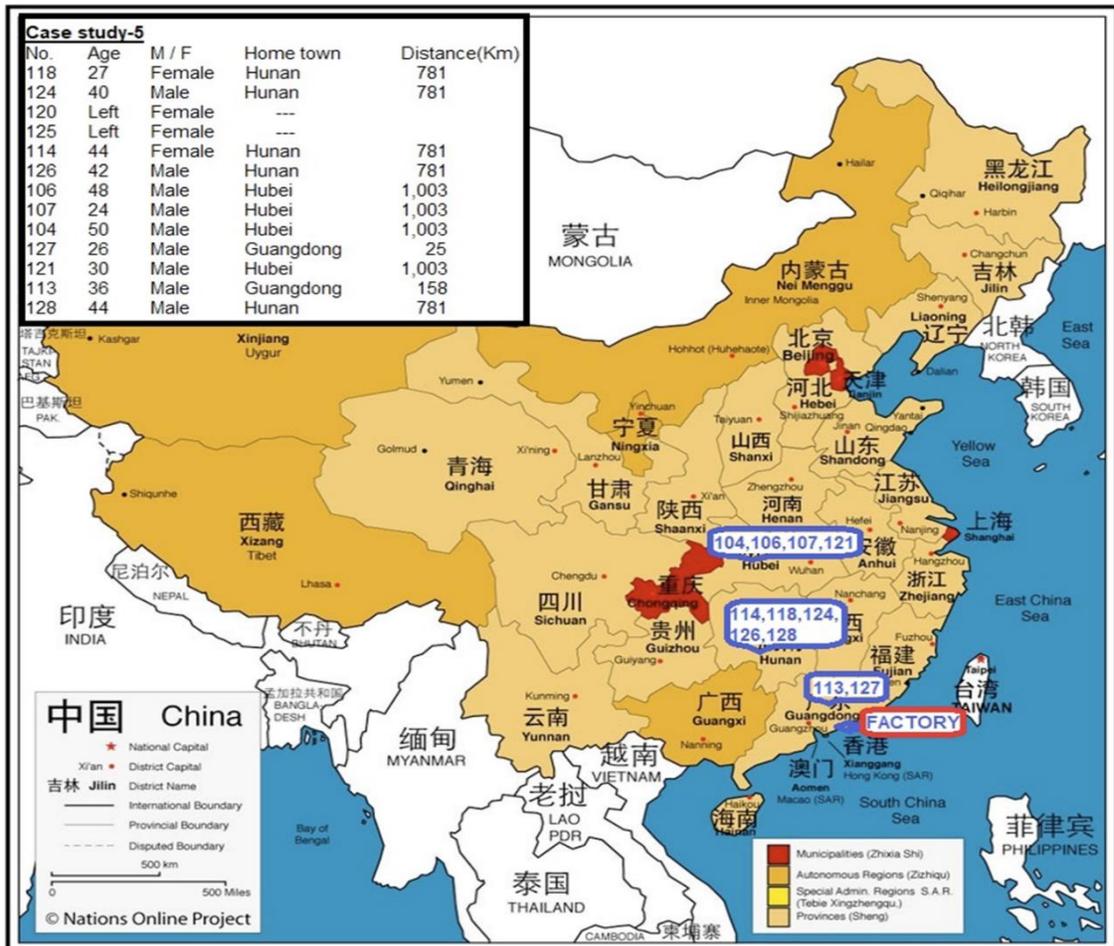
Case study-5				
No.	Age	M / F	Home town	Distance(Km)
118	27	Female	Hunan	781
124	40	Male	Hunan	781
120	Left	Female	---	
125	Left	Female	---	
114	44	Female	Hunan	781
126	42	Male	Hunan	781
106	48	Male	Hubei	1,003
107	24	Male	Hubei	1,003
104	50	Male	Hubei	1,003
127	26	Male	Guangdong	25
121	30	Male	Hubei	1,003
113	36	Male	Guangdong	158
128	44	Male	Hunan	781

Source: Nations Online Project for basic Map

Numbers are those allocated to each participant at the Interviews to allow identification during transcription

Participant No.	Age	M / F	Home town	Distance Kilometres	Single / Married	Domicile?	Attended first DBA meeting?	Length of service?	Method of Travel to return to Home Town and length of time to get there	Educational level
152	18	Female	Guangxi	651	Single	Dorm.	No	3 mths	6 hrs by coach(bus)	Junior Secondary school
153	17	Female	Guangxi	651	Single	Outside	No	3 mths	8 hrs by coach(bus)	Junior Secondary school
140	19	Female	Guangdong	98	Single	Dorm.	Yes	1	4 hrs by coach(bus)	Junior Secondary school
154	35	Female	Hainan	643	Married	Dorm.	No	2	12 hrs by ferry+bus	Junior Secondary school
144	32	Female	Guangdong	98	Married	Dorm.	Yes	5	4 hrs by coach(bus)	Primary school
155	16	Female	Guangxi	651	Single	Outside	No	2 mths	8 hrs by coach(bus)	Junior Secondary school
146	20	Female	Guangdong	98	Single	Outside	Yes	2	4 hrs by coach(bus)	Junior Secondary school
151	33	Female	Sichuan	1752	Married	Dorm.	Yes	7	28 hrs by train+bus	Junior Secondary school
129	43	Female	Hainan	643	Married	Dorm.	Yes	15	12 hrs by ferry+bus	Junior Secondary school
156	18	Female	Hunan	739	Single	Outside	No	1 mths	6 hrs by car	Junior Secondary school
157	43	Female	Chongqing	1448	Married	Dorm.	Yes	17	24 hrs by train	University graduate
294			Total	7472				49.75	116	

Workers travel from the agricultural North to the industrialised South to find work.   The distances involved and the cost of travel means the workers only return to their hometowns once a year, over the Chinese New Year holiday.   To illustrate this Interviewees were asked where their hometown was, how they travelled home and how long it took to get there, the table above shows the answers given to these and other questions.

From the location of this factory the shortest journey time home for the workers is 4 hours by coach (Participants 140, 144 & 146).   The longest Journey home took 28 hours by train & bus (Participant 151). In total participants who took part in this interview travelled 7472 kilometres (4643 miles), which took them 116 hours.

Participants 152, 153 & 155 all come from Guangxi Province. Their journey times differ due to the vastness of the Province which covers an area of 236700 kilometres sq. (91390 sq. miles) & has a Population of 48.6 million (Government of Peoples Republic of Guangxi Province website July 2016).

Participants 140, 144 & 146 are all from Guangdong Province and all travel by coach for 4 hours to get home. Guangdong covers an area of 177900 kilometres sq. (68688 sq. miles) & has a population of 104 million (Foreign Affairs Office of Guangdong Provincial People's Government, July 2016 & China Perspective.com July 2016).

3 participants are from Guangdong Province, all took 4 hours by coach to return home (Participants 140, 144, & 146).

3 participants were from Guangxi Province, the fastest Journey home was by coach and took 6 hours (Participant 152), and the longest took 8 hours by coach (Participants 153 & 155).

2 participants were from Hainan Province, both took 12 hours to get home by ferry & bus (Participants 154 & 129).

1 participants was from Chongqing Province, the Journey home takes 24 hours by train (Participant 157).

1 participants was from Hunan Province, the Journey home takes 6 hours by car (Participant 156).

1 participants was from Sichuan Province, the Journey home takes 28 hours by train and bus (Participant 151).

Map Factory 6

Showing Location of Workers Home-Towns and Factory

Case study-6				
No.	Age	M / F	Home town	Distance(Km)
152	18	Female	Guangxi	651
153	17	Female	Guangxi	651
140	19	Female	Guangdong	98
154	35	Female	Hainan	643
144	32	Female	Guangdong	98
155	16	Female	Guangxi	651
146	20	Female	Guangdong	98
151	33	Female	Sichuan	1,752
129	43	Female	Hainan	643
156	18	Female	Hunan	739
157	43	Female	Chongqing	1,448

Source: Nations Online Project for basic Map

Numbers are those allocated to each participant at the Interviews to allow identification during transcription