

# A “Race To the Bottom”

Globalisation and China’s labour standards

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THE Chinese government rejoiced on the occasion of gaining World Trade Organisation membership in November 2001. There was an expectation in Peking that once the country became integrated into the world economy, it would be on the right track to attain economic prosperity. There might be some bumps along the way: some industries and agriculture would suffer, affecting employment, but as a whole, it was predicted, China would gain. Employment has been a major concern in China, and the government’s best sell was that foreign investment would increase and the labour-intensive manufacturing sector would gain: according to one estimate, 2.8 million additional jobs in textiles and 2.6 million jobs in the garment trade, as the constraints of quotas for garments and textiles end<sup>(1)</sup>.

As predicted, foreign investment has been flowing into China in the past year at the expense of its South-East Asian neighbours and the tiger economies of Hong Kong, Taiwan, Korea and even Japan. Hong Kong and Taiwan have been the nurturers of Chinese export industries for more than a decade, only to discover now that some of their own industries are being “hollowed out”<sup>(2)</sup>. As one observer, William Greider, describes it, China is “sucking away” jobs. “Globalisation”, he writes, “is entering a fateful new stage, in which the competitive perils intensify for the low-wage developing countries. [...] In the ‘race to the bottom’, China is defining the bottom”<sup>(3)</sup>.

In other words, though employment in the low-wage industries in China may be expanding, the wages of the workers in these industries are not rising, and for many of them have been falling. What within the Chinese system allows it to lead in this race to the bottom in labour standards?<sup>(4)</sup> First, let us examine the empirical evidence showing that, when compared with other devel-

oping export-oriented countries, wages in China are very low relative to the cost of living.

## Chinese wages in comparative perspective

There is a popular image that the global divide in competition in world trade is between the developed and underdeveloped countries. I would like to argue here that increasingly the competition, particularly in the labour-intensive industries, is largely among countries in the developing world. The intense competition in wages among these countries is well illustrated by Figure 1, which shows the minimum legal wage in a number of countries around the world as of 1999.

This shows an enormous gap between the minimum wage in the United States and those of developing countries in Asia and Central America—with the US minimum wage at least twenty times higher. Faced by cheap labour abroad in this era of global production, labour-intensive industries are basically finished in the US and in most other high-wage nations. Such goods continue to be produced there only to a marginal extent by using illegal immigrants<sup>(5)</sup> and home workers<sup>(6)</sup>, “sweated” at a wage well below the legal minimum wage.

Competition in these labour-intensive industries lies instead today among the countries of the third world. All of the minimum legal wages in the developing countries in Figure 1 hovered around US\$30-50 a month. This is equivalent in China to 240-400 yuan a month. The legal minimum wage in Shenzhen, the Chinese city with the highest minimum wage, was equivalent to only US\$42. China has set its minimum wage standards very low, to the point that it is even competitive with Vietnam and Cambodia, two countries where the cost of living is lower than in China. In Mexico, El Salvador and Nicaragua, the wage levels are slightly higher than Asian wages, but this competitive disadvantage is largely cancelled out by the proximity of Central America to the American market.

When China first instituted a minimum legal wage system in the early 1990s, it had the good intention of protecting workers in the export sector. But soon the function of the minimum wage changed character. It simply became the amount that employers reported to the government they had paid their workers in the labour-intensive export industries; they rarely pay assembly-line workers above the monthly legal minimum wage. The great majority of the workers in this sector are migrant workers from the countryside, and as can be seen from Figure 2, they are not sharing in the standard of living of the urban population.

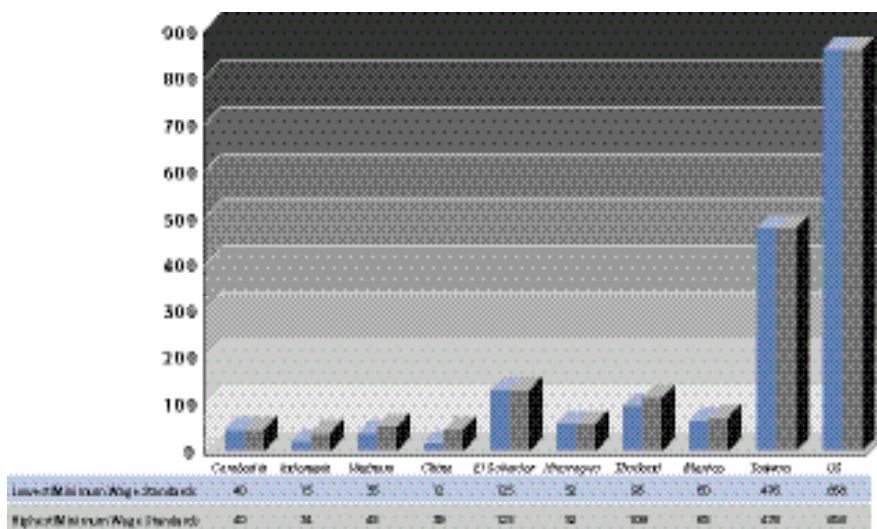
It can be noted from this table that the setting of a minimum wage level is extremely decentralised in China. In most Western countries there is only one nationwide minimum wage, but in China there are hundreds. Each city or even a district in a city can set its own minimum wage based on a formula provided by the central government. This takes into account the cost of living in the locality, the prevailing wage, the rate of inflation etc., and it is adjusted each year<sup>(7)</sup>. The table shows that these minimum wages have been rising every year, but when these increases are compared with the annual consumer price indexes for each of these cities, it becomes evident that the rises in the minimum legal wage only kept pace with inflation. In other words, even though the Chinese economy is rapidly developing, in real terms the minimum wages have remained level throughout the 1990s.

As can be seen in Figure 2, the cities in Guangdong province and other big cities along the coast have the highest cost of living and consequently the highest minimum wages. Elsewhere in China, the minimum legal wages are lower, which poses a threat to the coastal region. The results of this threat, as I shall explain, are shown in Figure 2.

Legally, the minimum wage in each locality is not simply supposed to keep up with inflation. According to the international standard employed by the Chinese government, the minimum wage of a locality should be set within the range of 40% to 60% of the average wage in that locality<sup>(8)</sup>. This Figure uses 40% as the cut-off point to see whether the minimum wages officially set by various localities have reached this standard in past years. 1993 was the only year in which all of these minimum wages fulfilled the Chinese government's own criterion of reaching at least 40% of the average wages. Since 1993, in most localities, the minimum legal wages did not attain even this 40% mark, in direct violation of the national directive requiring that it do so. Instead, with only a few exceptions (see the squares shaded in grey), the general trend in minimum wages has been one of stagnation or steady decline when compared to the incomes of urban residents. This results, for example, in the minimum legal wage in Peking declining from 36.7% of Peking's average wage in 1994 to only 27% in 1999; and in Shenzhen city from 40% in 1993 to a bit under 24% in 1999. This means the income gap between the regular urban population and the migrant workers kept on widening in the 1990s<sup>(9)</sup>.

Another important conclusion that can be drawn from Figure 2 is that globalisation scarcely leads to improved wage conditions for the workers who make goods for export compared to the populace at large. Guangzhou and Shenzhen, the two cities that have the highest average income in the country, and the first cities in China that the central government allowed to woo foreign investment, have the lowest minimum wage to average wage percentage. In these two cities it did not even reach 30%. The worst of all the nine cities is Shenzhen, the most famous model in China of a special export zone. The percentages in these two cities have been consistently the lowest of the nine cities since 1997, dropping to a low of 23.8% in 1999. On the other hand, in the interior of China the minimum legal wage in the city of

Figure 1 E Minimum wage standards of textile, garment and footwear workers in different countries, 1999 (in US\$)



Source: Based on wage figures provided by U.S. Department of Labor, Bureau of International Labor Affairs, *Wages, Benefits, Poverty Line, and Meeting Workers' Needs in the Apparel and Footwear Industries in Selected Countries*, Washington D.C., Department of Labor, 2000, p. 1-51.



With her “help” China undercuts even Cambodia and Vietnam

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Chongqing, which is the least linked with the global economy, reached that mark of 40% in 1999. These figures reflect a very worrying trend. As a region becomes more prosperous, it violates the national guidelines and seeks to maintain its attractiveness to foreign capital by keeping its minimum wage level low, in order to compete with other localities in China in selling the labour of migrant workers. The benefits of globalisation in accordance with this competitive logic have not, and will not, trickle down to those who make the products.

What is even worse—and is not revealed by this table—while on paper the local governments comply with the central government’s decrees about raising minimum wage levels annually to adjust to the average urban wage and inflation, in reality the wages of the migrant industrial workers are often considerably lower than the official standards. For one thing, the minimum wage, set by the month, does not reveal the illegally long hours worked by migrant workers to attain that minimum. According to a survey I conducted in China’s footwear industry, the average workday there amounts to about 11 hours each day, often with no days off—that is, about an 80-hour work-

week. Nor do the official statistics take into consideration the staggering amount of wages owed but not paid to migrant workers. Of the 51,000 cases of workers’ complaints lodged by letters and by personal visits to the Shenzhen authorities during 2001, 43% related to unpaid wages<sup>(10)</sup>. One Chinese newspaper article described the non-payment of wages as having become a “custom” in Guangdong<sup>(11)</sup>, while another described it as an “incurable disease”<sup>(12)</sup>. When the illegally long work hours and these unpaid wages are taken into account, a sizeable proportion of the workers are making considerably less than the minimum legal wage.

In short, as China develops, the benefits have not trickled down to the assembly-line workers from largely rural backgrounds who make the exported goods. Indeed, their situation has even worsened since the Asian financial crisis of 1997-98; the downturn intensified competition with South-East Asian labour, which had become much cheaper in the wake of currency devaluations. Among the reasons why China is attractive to foreign investors, who have been rushing into China at the expense of its Asian neighbours, is that local Chinese authorities have been

able to hold down wages by turning a blind eye to violations of China's own labour regulations and laws. The central government normally does not intervene.

Competition within China between different regions exacerbates the problem of low wages. And the central government has intervened in a way that encourages even lower pay. Though migrant workers' wages in Guangdong province are very low, the central government has been worried that Guangdong is pricing itself out of the international market. The government therefore has started to encourage foreign capital to move inland, to places where the pay is even lower. The owner of an Australian toy company who sources some of her merchandise from China noted enthusiastically to me this past year that she is now contracting toy production at factories further north and away from big cities. The products, she said, are just as good and cheaper.

### Mexico: China's main competitor

The geographic race to the bottom that operates within China also operates in an international context. In the 1990s China's main competitor for the American garment market was Mexico, on the other side of the globe<sup>(13)</sup>. Since the signing of the North American Free Trade Agreement (NAFTA), Mexico has gained a large number of new clothing factories. Today China and Mexico are competing neck and neck for the American market, each supplying around 15% of all apparel imports to the US. Mexico enjoys two substantial advantages over China: it is next door to the US (and hence can meet a faster turnover rate for orders) and it enjoys an absence of quota restrictions due to NAFTA. As a result, Asian investors who serve as the subcontractors for the name-brand Western multinationals—and these are particularly South Koreans and Taiwanese—became increasingly active there in the 1990s, even moving apparel production out of Asia to Mexico. Along the US-Mexican border assembly plants called *maquiladoras* have mushroomed, employing about a million migrant workers in various labour-intensive industries. This number is still small compared to the 12 million in Guangdong province alone, but it represents a 150% increase in Mexico since 1990<sup>(14)</sup>.

As in China, expansion in employment does not mean rising wages for Mexican migrant workers. The minimum legal wages there are almost double that of Shenzhen, and this produces pressures on Mexican wage trends. In the manufacturing sector, real wages dropped by 20% during the 1990s. According to the International Labour Organisation's estimate, the migrant workers' wages in Mexico's apparel industry shed 28% of their purchasing power in the period between 1994 and 1999.

Despite this drop in real wages, the *maquiladoras* recently have been losing ground. As trade barriers con-

tinue to fall due to the WTO, the middleman firms from Taiwan and South Korea have begun shifting production back to Asia, particularly China. The numbers of *maquiladoras* swelled from 120 in the 1970s to 3,700 in 2000, but have dropped by 500 factories since then<sup>(15)</sup>. Pressures are therefore tightening on Mexican enterprises to more vigorously compete with China's long working hours and bargain-basement wages. This also explains why Mexico was the last country to sign a trade agreement with China, delaying China's entry into the WTO. Mexico knew that when the trade barriers are removed, it would have much to lose. But the international pressure was too great for Mexico to stand its ground.

### China's pass system—the drive to the bottom

There are numerous reasons why Chinese wages can be kept so competitive compared to other countries. First, it has an almost inexhaustible supply of cheap labour from the countryside. Second, the decentralisation and deregulation in wage-setting under China's economic reforms has enabled local governments to turn a blind eye to labour exploitation. Third, there is no autonomous union movement in sight in the foreseeable future to fight to preserve wage levels, and the Chinese government is intent on making sure that none is allowed to arise.

There is also a fourth fundamental reason—China's so-called *hukou* system, or household registration system, which prevents an uncontrolled rural-to-urban influx of population. This works in similar ways to the pass system under South Africa's former system of apartheid. To be sure, the two systems differ markedly from each other in origin and ideology. The South African pass system was intertwined with a history of racism, colonialism and the development of South African capitalism, all of which favoured the control of movement of African people to provide greater political security and enhanced efficiency in the use of black labour. The ideology on which the system was based was white supremacy, and apartheid was the cornerstone of the state-building project of the South African white ruling elite after World War II.

The *hukou* system in China has a very different history. It was established after the Communist Party came to power in 1949. To ensure that the planned economy met the basic needs of the urban population, a rationing system was instituted in the 1950s, which in turn required the registration of people. As ration coupons could only be used in the locality where they were issued, this automatically restricted the geographical mobility of all people, not just peasants<sup>(16)</sup>. To reside in a different locality, one needed a special temporary certificate.

This system of passes has been retained to the present day. The constraints this system places on the geographical mobility of migrant workers, and the means



by which this can drive down wages and other labour standards today, is what is similar to what prevailed in South Africa. In China it is there by default. It was in place before it had its present function. It simply continued to be used, when it was found to work well under a greatly changed economic system.

In this transitional period from socialism to capitalism, the temporary work permits required under the *hukou* system act like sluice gates controlling the influx of labour into urban centres. The *hukou* system helps to regulate the flow, letting in more labourers when needed and driving them out when their number exceeds demand, or when the number stretches local facilities to the limit. When workers lose their working ability due to industrial accidents, or when they have become too "old" by the age of about thirty to keep up with the break-neck work intensity, the pass system enables cities to ship them back to the countryside—because without a job a migrant has no right to stay in an urban area. This kind of labour flexibility cannot be as easily imposed on the local urban population.

As more and more state factory workers were laid off in the nineties, some urban governments placed tighter restrictions on job opportunities for the immigrants. One category of jobs after another, especially in the service industries, was reserved only for local residents. In 1993, 40,000 rural migrants in Shanghai were detained and deported; but as the cities clamped down on opportunities, this rose in 1996 to 80,000, and in 1997, 100,000<sup>(17)</sup>. There are, however, regional differences in how strictly local governments enforce the *hukou* system. In areas where the supply of labour does not exceed demand by a large margin, the police and local government are considerably more relaxed about the presence of migrants. This is the case in Chengdu in Sichuan province and Fuzhou, Fujian<sup>(18)</sup>.

For local governments, allowing migrants to come in from the countryside can be lucrative. Migrant workers generate local tax revenues by attracting companies that want cheap labour, but because of the *hukou* system the local government has no obligation to pay anything for the welfare of these temporary sojourners. They are not eligible for any of the medical, housing or unemployment benefits available to the local urban populace. Nor are the workers from the countryside allowed by China's pass system to bring their families with

Figure 2 E Proportion of minimum wages to employees average wages in cities of China (1993-2000)

	1993			1994		
	Minimum Wage (R)	Average Wage (Y)	M/A	Min. Wage (R)	Average Wage (Y)	M/A
Beijing	R0			228/214	545	86.70%/74.55%
Tianjin	R0	340		R0	447	
Shanghai	215	476.8	44.80%	225	876.8	35.87%
Chinan	255	333.3	46.50%	255	733.9	33.37%
Shenzhen	280	984.8	40.37%	285	301.3	31.88%
Chengdu	R0	282.1		R0	328.2	
	1995			1996		
	Minimum Wage (R)	Average Wage (Y)	M/A	Min. Wage (R)	Average Wage (Y)	M/A
Beijing	310/288	576.7	36.09%/55.30%	310/279	728.2	26.21%/73.62%
Tianjin	278	541.5	49.75%	279	535.9	43.05%
Shanghai	220/278	773.3	28.09%/34.81%	220/265	828.2	24.39%/38.76%
Chinan	328	661.7	52.16%	365	1022	33.26%
Shenzhen	388	1579	36.89%	488	1342	33.09%
Chengdu	R0	484.2		125	417.3	41.17%
	1997			1998		
	Minimum Wage (R)	Average Wage (Y)	M/A	Min. Wage (R)	Average Wage (Y)	M/A
Beijing	328	816.2	31.86%	R0	1024	
Tianjin	328	826.2	42.34%	R0	824.9	
Shanghai	375	852.1	33.09%	325	1463	33.34%
Chinan	328	1148	33.26%	365	1253	35.37%
Shenzhen	428	1495	28.89%	450	1828	27.31%
Chengdu	278	498.2	43.89%	R0	495.2	
	1999			2000		
	Minimum Wage (R)	Average Wage (Y)	M/A	Min. Wage (R)	Average Wage (Y)	M/A
Beijing	378	1748	37.87%	412	1782.5	35.34%
Tianjin	388	865.8	31.87%	360	1040	32.85%
Shanghai	R0	1779		425	1944.3	26.82%
Chinan	378	1434	34.46%	425	1990.9	29.29%
Shenzhen	488	1894	33.89%	547	R0	
Chengdu	278	323	48.80%	285	381.7	45.89%

■ Proportion = 45%

Sources : average wages are from various statistical yearbooks and minimum wages are from various sources, including newspapers and labor bureaus.

them, and thus the urban government has no additional educational expenses to meet either.

Despite this system of permits, the enormous bureaucratic edifice that was erected to control the influx of migrants has not been able to stem the flow, just as had occurred in South Africa. It is impossible to estimate the exact number of Chinese peasants surging out of poor regions in search of jobs, but a range of between 50 to 80 million is often cited. In the week immediately after the Chinese New Year, when migrant workers who have gone home for the festival return to the cities, bringing with them relatives and friends, the effect on transport is dramatic. For instance, in a matter of days Guangzhou, the largest city in South China, suddenly has to handle several million migrant workers descending upon it in trains and buses. In early 2002, before the Chinese New Year, the Guangdong provincial government, in the hope of dampening this vast simultaneous inflow, announced that factories should not recruit new migrants at that time of year; but 5.2 million migrants nonetheless poured in after the New Year, a quarter of a million more than the year before<sup>(19)</sup>.

This large volume of people looking for low-end jobs drives down wages and working conditions and allows these migrants to be exploited by employers, who can pay them the lowest possible wages. New arrivals, in particular, desperate to recoup the amount they have invested in transport expenses and in applying for the array of necessary documents and certificates before leaving home, will take any job available.

Here is the case of one migrant reported in a Chinese newspaper. The young migrant was informed by a friend that if he went to Shenzhen he would find a job. But he was advised that before he left he had to apply for a number of documents. These included a "border region pass" (at 120 yuan, taking six months), a personal identity card (another 80 yuan, taking one month), an unmarried status certificate (60 yuan, valid for one year) and a certificate to prove that he was not born out of quota (45 yuan, valid for one year), all of these totalling 305 yuan<sup>(20)</sup>. To put this into perspective, the minimum wage in Shenzhen in 2000 was 547 yuan for a full month's work, and this young man would be lucky if he could enter a factory that would pay him as much as that minimum wage.

On arrival in Shenzhen, armed with all these documents, he thought he could become a "legal" migrant worker and could begin working without a problem. But the factory demanded 300 yuan as a deposit before it would give him the job. He then had to spend 40 yuan for a work permit, and another 300 yuan for a temporary residence permit. It short, on arrival at his destination he had to spend another 640 yuan. In all, without including transport costs, he had to spend almost twice as

much as the monthly wage. Most new migrants therefore are usually in debt after they first arrive in a city.

According to official statistics, each of the three or four million migrants in the Shenzhen Economic Zone on average spends 600 yuan a year on certificates<sup>(21)</sup>. Migrant workers have to carry these documents with them at all times or, if caught without them, may be held in detention<sup>(22)</sup>. To possess all of the necessary certificates, one needs to have proof of a job, and so there is a nervous race to secure one. The deposit that this particular migrant needed to pay to the employer is symptomatic of the desperate situation of most migrant workers. Paying a substantial deposit has become a common practice at the foreign-funded factories. At first sight, the practice seems paradoxical. Instead of the employer paying a worker for the work he or she performs, the worker first has to provide a payment to the employers as surety for the job. The deposit obliges the worker to remain at the factory, or he or she forfeits it. To all intents and purposes the worker is bonded labour<sup>(23)</sup>.

Another practice used by many unscrupulous employers is not to pay a portion of the wages every month, promising to pay the withheld portion at the end of the year. In this situation, the longer a worker has worked, the more money he or she is owed by the employer, and the more difficult it is for the worker to leave. This leaves the worker vulnerable, scared to forfeit all of these unpaid wages when facing poor treatment at the hands of managers.

Finally, and perhaps most effective of all, it is a widespread practice among employers to take away the migrant workers' documents. Without these, under China's system of permits, the workers could not look for another job even when the working conditions in a factory are intolerable and they desperately want to quit.

Workers' dormitories, usually located within the factory compound, extend management control over workers' lives beyond work hours. Movement into and out of the factory compound can be monitored and controlled. Disciplining workers is easier because there is near-total control over them. Especially in the factories in China managed by Taiwanese and Koreans, where the discipline is so strict that the management style can be described as militaristic. In some of the bigger factories that I have visited, workers are even marched to and from meals and to and from dormitories in tight military-style squads<sup>(24)</sup>.

With migrant workers so controlled and cowed, physical abuse has become pervasive in some of the factories owned and managed by Taiwanese, Koreans and Hong Kong Chinese, and acute occupational health and safety problems are also commonplace. A startlingly high incidence of severed limbs and fingers has been recorded.

In Shenzhen city alone, there were over 10,000 certified cases in 1999 among a migrant population of some three to four million <sup>(25)</sup>.

The system of permits needs an enforcement agent—in this case the police. Under the *hukou* system, much as in apartheid-era South Africa, detention by the police if caught without the necessary papers is an inherent part of the system. Their behaviour towards migrant workers has become associated with corruption and abuses of power. Detention is associated not only with fines and deportation from the city, but also with mistreatment, physical violence and forced bribery <sup>(26)</sup>. With so many migrants pouring in, the arrests are essentially random. In much of Guangdong, people who seem to be of rural origin are simply pulled off the streets and roughed up, sometimes for no particular reason. Among ten young migrants whom I interviewed recently in Shenzhen, five said they have been picked up by the police within the several months they had been there, a few of them more than once; and nine out of the ten knew of a friend or relative who had been detained.

Many migrants do not have all the right papers on them because they are not aware of what they need. Others are too poor to buy them all. But oftentimes, through no fault of their own, their documents are kept locked up by their employer; or they have left a factory without being able to get their documents back because the employer did not want them to leave. As a result of the latter, borrowing documents from friends and purchasing forged ones off the street have become very common <sup>(27)</sup>, as it was in South Africa. According to one survey conducted by a government labour bureau in Guangdong, 80% of foreign employers openly admitted that they did not care whether the documents were fake or not, as this did not affect production <sup>(28)</sup>. The infringement of regulations being so widespread implies tacit approval has been granted by the local authorities and police.

Yet this does not stop the police from detaining migrants arbitrarily. Police stations consider this a profitable business, because bail, fines and forced bribes, also imposed arbitrarily, can amount to several hundred yuan. Even neighbourhood committees that have no power of detention get into the act. Some have been detaining migrant workers and charging bail <sup>(29)</sup>. The practice has become so out of hand in the past couple of years that the central government in January 2002 issued a decree reducing the fee for a temporary resident permit to 5 yuan a year nationwide, to enable migrants to afford one and thus avoid detention. And in March 2002 the Guangdong provincial government passed regulations emphasising that the detention of “vagabonds” should be restricted to beggars and not applied to migrant workers who do not have the right papers on

them <sup>(30)</sup>. But rather than obediently comply with the regulations, the provincial police responded by declaring that they have done a good job in sheltering beggars and vagabonds; and reaffirmed the necessity of rigorously implementing the pass system, without mentioning that they were continuing to detain and abuse large numbers of migrant workers <sup>(31)</sup>. In a few months local-level governments and the police came up with new fees to make up for the loss in revenues and private incomes. Proclamations of new policies do not mean elimination of the *hukou* system. Those who gain from the system are not going to desist so easily.

As can be seen, the Chinese *hukou* system and the pass system under apartheid in South Africa generated quite similar outcomes. They produced a large, vulnerable underclass living in constant insecurity, accompanied by daily discrimination, repression, hardship and denial of their human dignity.

In light of these circumstances, it becomes possible to perceive how the Chinese *hukou* system can keep wages down more easily than in Mexico. As already noted, in Mexico the workers who produce for export are, as in China, largely migrants from the countryside, and the majority similarly are female. But there is a major difference. Almost all of the Chinese female migrant workers are single women in their late teens or early twenties who, because of the household registration system, cannot bring their families with them <sup>(32)</sup>. Many factories make sure that only single women are recruited by asking to see their officially issued identity certificates, which in keeping with the Chinese state's strict family-planning policy require that the marital and family planning status of each woman is listed. Since the workers are poor single women living in dormitories, management only needs to pay them enough for their individual survival <sup>(33)</sup>.

In Mexico the context is different. While most of the women workers in the *maquiladoras* are migrants from poorer regions, many of them have come with their families, since there is no pass system, and quite a number are single mothers. Very often these women workers are the sole bread-winners. Since they live with their families, a part of their waking hours has to be spent on “unproductive” chores (from management's vantage point): in commuting, in household tasks such as cooking, taking care of the old and the young. No matter how ruthless, there is a limit to the amount of overtime work that management can squeeze out of these Mexican workers—fewer hours than with the young single women in dormitories in China.

There are also legal pressures in Mexico to pay workers a bit more so that they can provide for part of their families' livelihood. The Mexican Labour Law states that “The minimum wage must be sufficient to satisfy the normal necessities of the head of the family in the material, social





An endless supply of labour

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and cultural order, and to provide for the obligatory education of his children”<sup>(34)</sup>. This article echoes Article 25 of the Universal Declaration of Human Rights of the United Nations. It is similar to the concept of a living wage. Although in reality the minimum wage levels set in Mexico are far below the standard stipulated in the law, the notion of a wage that can provide for a family exists.

No such concept of a “living wage” exists in the Chinese discourse on wages, nor is it stipulated in the Chinese Labour Law. Even the migrant workers’ protests do not centre on how low the wages are, but instead revolve mainly around the issue of unpaid wages. Only when workers have not been paid for several months, when the situation becomes desperate, do the workers begin to protest. Local governments in Guangdong province occasionally launch campaigns, especially just before Chinese New Year, to collect unpaid wages or unpaid payments for overtime work<sup>(35)</sup>. But these brief campaigns to collect

money owed to workers are only the tip of the iceberg<sup>(36)</sup>. The expectation of adequate labour standards is much lower in China than in Mexico.

In China, the official trade union is an arm of the Party-state. It has little autonomous space to protect labour rights. In fact, because of the massive influx of foreign capital and the rapid rate of industrialisation, the trade union’s efforts, even when undertaken with good will, face a near-impossible task. A parallel situation used to exist in Mexico, where the trade unions were affiliated with the government. But since the defeat in the last election of the former ruling party, the Institutional Revolutionary Party, there is now a fledgling independent trade union movement. This is challenging the old unions’ authoritarian and pro-management practices with the help of North American trade unions and the anti-sweatshop movement. This anti-sweatshop movement is composed of trade unions, NGOs, labour advocates, university students, human rights groups and church groups. It grew rapidly in the 1990s and has become a force that can no longer be ignored either by multinational corporations or governments.

Ripples of the anti-sweatshop movement have spread to Asia, and China. The concept of corporate social responsibility is just beginning to circulate in China. The factories there that are run by contactors from Taiwan, Hong Kong and South Korea are now feeling pressure from the Western multinationals that they supply. The multinationals have nervously begun to urge them to upgrade their labour conditions. But the factories being monitored by the multinationals are just a small minority of the better and bigger factories, among the thousands and thousands of factories that subcontract production. The potential role of the state becomes important here. A willingness by the Chinese government to enforce its own laws would be much more effective than sporadic monitoring. But the Chinese government has not yet awakened to the growing pressures emanating from the West for improved labour standards in the export industries.

A few weak rays of hope have emerged in the past two years elsewhere in Asia. Three countries, Cambodia, Vietnam and more recently Thailand, have expressed interest in improving labour standards within their borders to attract foreign capital. Cambodia has signed a bilateral agreement with Washington that accepts linking labour standards to trade and has agreed to let the ILO monitor progress. The Vietnamese government has publicly encouraged its factories to try to raise standards in order to acquire the certifications issued by an American-based organisation that verifies labour standards for Western corporations. The Thai government is currently engaged in talks with this organisation about operating training programmes to upgrade labour standards in Thailand. That is



to say, three Asian countries are now taking a new direction in their industrial development strategies. They are trying to attract foreign investment and trade by raising labour standards instead of depressing them.

It is not clear whether Peking is aware of this new strategy adopted by its Asian neighbours. But so far, China has not shown any signs of changing its policy of low labour standards. The government has not publicly addressed the issue of corporate social responsibility, unlike the Vietnamese government. The Guangdong provincial government has tried to alleviate some of the most blatant abuses, but no fundamental change in policy has been adopted. Let me quote here the director of the human rights programme in Asia for Reebok:

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Who enforces Chinese labour law? Nobody. If it were enforced China would be a much better place for millions of people to work in. But it is ignored more than in any other country I work in<sup>(37)</sup>.

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There have been a few reforms of the Chinese *hukou* system, but only to allow successful people with considerable money or education to apply for an urban *hukou*. The controls over the unskilled migrant workers who work on the production lines and construction sites, imposed by the pass system, remain the same. And the police seem adamantly against any changes. The *hukou* pass system seems likely to remain in place for the foreseeable future, and China will continue to dominate the world's export market, to the point that the new initiatives taken by Vietnam, Cambodia and Thailand may possibly collapse under the weight of Chinese competition. ●

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1. *Gongren ribao* (Worker's daily), November 19th 2001.
2. George Wehrfritz and Mahlon Meyer, with Hideko Takayama, "Trapped in a Chinese Box", *Newsweek*, February 18th 2002.
3. William Greider, "A New Giant Sucking Sound", *The Nation*, December 31st 2001.
4. Labour standards, a term that was once used almost exclusively within labour and government circles, has been making inroads into ordinary conversations, in political speeches and in the mainstream press. It refers to wages, work hours, shopfloor conditions, work intensity, and occupational safety and health hazards.
5. Kwong, Peter. 1998. *Forbidden Workers: Illegal Chinese Immigrants and American Labor*, New York, New Press.
6. Ross, J.S. Robert, forthcoming. "Declining Labor Standards in the North American Apparel Industry", Chapter 10 in G. Kohler and E. J. Chaves, *Globalization: Critical Perspectives*, New York, Nova Science.
7. "Wages: After the Labor Law", *China News Analysis*, no. 1544, October 1st 1995.
8. See *Notice Concerning Regulations of Enterprises' Minimum Wages*, issued by the Chinese Ministry of Labour on November 24th 1993.
9. This trend parallels China's increasing Gini coefficient in the 90s — 0.42 in 1996 to 0.458 in 2000 (*Zhongguo gaige bao* (Chinese Reform News), September 11th 2001). A gini coefficient of 0.4 is considered high internationally.
10. *Zhongguo laodong baozhang bao* (Chinese labour social insurance daily), February 19th 2002.
11. *Gongren ribao*, May 9th 2001.
12. *Zhongguo laodong baozhang bao*, February 19th 2002.
13. The following two paragraphs draw from information in a paper I have co-authored: Robert J. S. Ross and Anita Chan, "From North-North to South-South: The True Face of Global Competition", *Foreign Affairs*, Vol. 81, No. 5 (September 2002), pp. 8-13.
14. *The Economist*, July 7th 2001, pp. 27-30.
15. *Washington Post Foreign Service*, June 20th 2002.
16. Tiejun Cheng and Mark Selden, "The Origins and Social Consequences of China's *Hukou* System", *China Quarterly*, no. 139, September 1994, pp. 644-668.
17. Jonathan Unger, *The Transformation of Rural China*, Armonk, M.E. Sharpe, 2002, p. 128.
18. Observations during field work in these two cities in September and October 2002.
19. Clara Li "Migrant Workers out in Cold", *South China Morning Post*, February 26th 2002.
20. *Yangcheng wanbao* (Guangzhou Evening News), March 30th 2001.
21. *Ibidem*.
22. See Human Rights in China, "Institutionalized Exclusion: The Tenuous Legal Status of Internal Migrants in China's Major Cities", November 6th 2002, 154 pp., [http://iso.hrichina.org/iso/article.adp?article\\_id=3441&category\\_id=30](http://iso.hrichina.org/iso/article.adp?article_id=3441&category_id=30).
23. Anita Chan "Globalization, China's Free (Read Bonded) Labour Market, and the Chinese Trade Union", *Asia Pacific Business Review*, Vol. 6, No. 3 & 4, Spring/Summer 2000, pp. 260-81.
24. Anita Chan, "Regimented Workers in China's Free Labour Market", *China Perspectives*, No. 9 (January-February 1997), pp. 12-16.
25. *Gongren ribao*, March 31st 1999.
26. See "A Report on Administrative Detention Under 'Custody and Repatriation'", September 1999, [http://iso.hrichina.org/iso/article.adp?article\\_id=41&category\\_id=30](http://iso.hrichina.org/iso/article.adp?article_id=41&category_id=30), and Nicolas Becquelin, "Enforcing the Rural-Urban Divide: Use of Custody and Repatriation Detention Triples in 10 Years", *China Rights Forum*, No. 2, 2002, pp. 22-27.
27. Anita Chan, "The Culture of Survival: Lives of Migrant Workers Through the Prism of Private Letters", in Perry Link, Richard Madsen and Paul Pickowicz, eds., *Popular China: Unofficial Culture in a Globalizing Society*, Boulder, Rowman & Littlefield, 2002, pp. 163-188.
28. *Nanfang ribao* (Southern Daily, Guangzhou), March 29th 2002.
29. *Nanfang gongbao, Dagongren* (Southern Workers' News, Migrants), April 5th 2002.
30. *Nanfang ribao*, March 29th 2002.
31. *Yangcheng wanbao* (Guangzhou Evening News), April 22nd 2002.
32. Author's source, 1998.
33. Author's source, 2002.
34. The Federal Labor Law of Mexico, Chapter VI, Article 90 (1970), amended in 1998. 1996 Translation Glenn McBride, [www.mexican-laws.com](http://www.mexican-laws.com).
35. *Nanfang ribao*, March 13th 2000; *Zhonghua gongshang shibao* (Chinese Commercial News), July 5th 1994.
36. Based on an interview in Guangzhou City with a reporter of a Guangdong provincial newspaper in November 2001.
37. Associated Press Newswire (Hong Kong), May 29th 2002.