

Chapter 3

Chinese MNCs' globalization, work and employment

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The fear exists that these initial Chinese investments represent a beachhead from which China will spread its own labour model into Europe and that companies which are run by Chinese masters will inevitably influence those that are not. As the president of the dockworkers' union at the Piraeus declared, 'the result is that companies not run by the Chinese are being influenced by what the Chinese are doing in lowering labour costs and reducing workers' rights'. (Meunier 2012: 8)

1. Introduction

The arrival of Chinese firms in Europe, America and the rest of the world has elicited both excitement and anxiety. As the new investors are still relatively unknown and the impact of their investment unclear, fears and protectionist rhetoric that Chinese firms present unfair competition are prevalent in the press and popular literature in both the United States and Europe. Typical of these claims is the idea that Chinese investment comes with implicit strings and can act as a 'Trojan Horse' (Meunier 2012: 7), affecting US and European norms and policies, from human rights to labour laws. In Europe one widespread narrative is the challenge posed by a new authoritarian investor with deep pockets to an open market in crisis and its welfare capitalism model. Claims are legion that all Chinese firms are state dominated. On labour issues, Chinese firms are accused of breaking rules on working hours and health and safety; using coercive forms of labour control – including withholding wages to inhibit mobility – and taking a deposits to control migrant workers, whether irregular or regular (Wu and Liu 2014); trafficking forced labour (Gao 2004); ignoring or suppressing trade unions (Burgoon and Raess 2014); paying wages below subsistence levels; and even employing prison labour on construction and civil engineering projects (Hairong and Sautman 2012).

Much of this talk is underpinned by a protectionist standpoint, or is part of a wider agenda demonizing Chinese investments. American commentators reporting that Chinese investors are hostile to trade unions is a bit rich, when US firms have resisted unionization at home and abroad for decades (Royle and Towers 2002; Almond and Ferner 2006; Ferner et al. 2013). Whenever newcomers enter a new space (whether nation or region) there does need to be caution about over-valuing nationality and reading capitalism through a myopic (and confusing) national lens. What we need to do is separate out practices that are also used by others and hence are *systemic* practices of capitalism, from those that are novel and might come from *societal* differences and, finally, practices that may be paradigmatic from a *dominant* lead country that create new trends in work and employment (Smith and Meiksins 1995).

China, as an emerging capitalist state, is the origin of burgeoning MNCs with diverse ownership structures: SOEs, joint ventures and private firms. The state-owned enterprises (SOEs) that account for three-quarters of Chinese investment overseas, possess complex ownership patterns, including central state-backed, local state invested and hybrid public-private forms (Goodman 2014). Overall, the SOEs are characterized by relatively stable conditions of production, compliance with national law and the presence of a union, although such practices are often perpetuated by the introduction of sub-systems of casualized labour relations (Cliff 2015). Chinese private firms are mostly small family firms, expanding internationally through social networks (Wu and Sheehan 2011; Ceccagno 2012; 2015). Some large-scale and established private firms, such as Huawei and Geely, are found to be working with host country institutions and developing new employment practices, rather than reproducing their home labour regimes (Gugler and Fetscherin 2011; Cooke 2012). China has become the home base for joint ventures and wholly owned subsidiaries of MNCs from the Greater China region – Hong Kong, Taiwan and Singapore. Some of these are loop-line Chinese investors: often foreign direct investment (FDI) is from the People's Republic of China, but labelled FDI to obtain benefits that go to FDI in China. Some other firms have developed their production regimes in China, such as Foxconn – the focus of this book. These Greater China firms have shaped China's economic growth as well as employment relations (Henderson et al. 2013).

Furthermore, as China's move to a capitalist state has gone through several experimental stages, it embraces a number of regional and sub-

national development models. For example, business models have been observed to be different in Guangdong, Sunan (Southern Jiangsu Province), Wenzhou (Zhejiang Province), Zhongguancun (Beijing 'Silicon Valley') and Chongqing (City) (Zhang and Peck 2014). Some distinctive employment relations are embedded in the regional development models. Structural differences also have implications for work organization and employment relations when Chinese firms relocate abroad.

China therefore does not present a single integrated model in terms of development patterns, work organization and employment relations. Chinese firms with different ownership structures show persistent differences in terms of their work organization and employment relations (Zhu et al. 2012). Foxconn carries with it imprints from its Taiwanese origins, its expanded business and production model honed within mainland China and its internationalization, dovetailing with generic movements of neoliberalism and more casualized and fragmented labour markets across the world, especially in Europe (see chapter by Andrijasevic and Sacchetto in this book). Nevertheless, Foxconn is only one case and perhaps an extreme one that could be labelled 'bloody Taylorism' (Lipietz 1987) to emphasize the use of established production models, but within more authoritarian or despotic contexts, in which the state reinforces the power of capital and high reserves of labour dampen labour activism. But the Foxconn case cannot simply be read through its *Chineseness*, because this is like forming a full picture with only one piece of the jigsaw. Rather, unpacking such 'Chineseness' will be a useful starting point for us to better understand the country-of-origin effects that often inform work and employment practices adopted by Chinese MNCs, such as Foxconn.

Any attempt to discuss the Chinese model in the EU must also take into account the host country contexts that can impede and challenge the same strategies in different ways and with different outcomes. A major problem with using the framework of an integrated Chinese capitalist firm moving from China to Europe and applying or adapting (Abo 1994) practices from home or in the new host society (central to the Japanization and Americanization debates in the past, Elger and Smith 2005) is that China patently lacks an integrated model to export and the EU, while a space of 28 countries with free movement of labour, is nevertheless not an integrated 'host' society. While national institutional regulations persist across the EU, there are also new developments, such as posted workers, social dumping and casualization, that allow workers

to slip through regulatory cracks and for new segmented labour markets to be created (Caro et al. 2015; Friberg et al. 2014; Refslund 2014). These new spaces can create segments for migrant workers, brought from low-wage economies within or outside the EU through employer or contractor or employment agency dependent routes, as a result of which they are living in marginal conditions and institutionally separate from their host society. These new structures in Europe's labour market mean that when new capital comes – such as Chinese firms – they can utilize these new practices and reproduce marginalization and segmentation, rather than simply conform to an EU-wide set of 'host' practices or specific practices in individual host countries. When newcomers do not conform to EU or country institutional rules a common reaction to these firms – especially new arrivals that stand out in the society, such as the Chinese – is to stigmatize and nationalize/ethnicize the practices they apply as something alien and new, when in fact they may only be reproducing (and perhaps extending or adding their own colour to) what already exists or is emerging in the new regional spaces of differentiating European labour markets. Therefore when we assess the work and employment practices of newcomers we must always be careful not to confuse the application of practices by the new arrival, rather than the emergent practices within the structure of the labour market.

With these brief analytical caveats to approaching Chinese companies overseas, this chapter reviews what we currently know about the nature of work and employment inside Chinese MNCs' overseas operations, especially in Europe. We will examine the scale and pattern of Chinese outward foreign direct investment. We aim to compare what we know about work and employment in China – which is fragmented between continued paternalism, modern human resource management and coercive forms of labour control – with the situation of Chinese MNCs overseas, especially in Europe. There is limited research into work and employment relations in overseas Chinese MNCs and our conclusion calls for more research to address our knowledge gap.

2. Chinese work and employment practices – home and away

In China the transition from state socialism to capitalism has been accompanied by many attempts to frame the nature of 'home-based' work and employment practices (Liu and Smith [forthcoming](#)). Attention has

been given to the way labour is attached to employment and organizations, with heavy use of internal migrants, an internal passport (*hukou*) system, casualization of labour contracts and radical breaks from former long-term bonds of dependency between worker and workplace (Lee and Friedman 2010; Kuruvilla et al. 2011). A very mixed picture of Chinese labour process emergences as an outcome of some 30 years of theorizing and empirical engagement with reform and transformation.

In an early work, Lee (1998) compared labour regimes in Hong Kong and China to note that in China there was what she called 'disorganized despotism'. A massive unskilled, rural migrant work force has arisen and a lack of properly functioning social institutions providing welfare or representing workers' interests. This has led to a situation of managerial domination inside factories, with unfettered power to discipline workers and control recreation relations, not just lives in the factories (Lee 1998; Smith 2003; Smith and Ngai 2006; Chan and Ngai 2009; Lüthje et al. 2013a). High labour turnover was initially the primary means of labour resistance, although with the new generation of Chinese workers (those born after 1990) strikes and workplace resistance were added to high labour churn as a sign of new found freedoms (Liu 2014; Zhang 2015).

In follow-up research, Lee (2007) divided labour regimes in China into two industry types: 'sunrise' (export-oriented, assembly factories around the coast – what can be referred to as the 'Guangdong model') were contrasted with 'sunset' industries (reforming and declining former SOEs in the North). She suggested that each possesses its own labour regime, labour supply and working class politics. More recently, Lüthje et al. (2013a) tried to further differentiate production regimes within China. These authors identified four divergent patterns of work organization: SOEs, joint ventures, private export-oriented manufacturers and low-end subcontractors. The state-owned enterprises are characterized by relatively stable conditions of production, compliance with national law and the presence of a union. The joint ventures tend to copy traditional Western company styles, paying higher wages and investing in skills and education. While individual labour contracts are commonly used to regulate employment relations, written collective agreements do not exist. The private export-orientated manufacturers diverge into high-end and low-end producers, which exhibit different labour sub-regimes – with divergent wages, working hours, labour intensiveness and more or less hostile managerial regimes. And finally, there are low-end subcontractors, particularly in the garment, toy and shoe industries. '[M]odern manufac-

turing technologies are combined with massive flexibilization of employment and large-scale exploitation of migrant workers, including long work hours, violation of legal standards and low wages and usually no presence of unions' (Zajak 2012: 84–86).

Against the reading of a mixed China labour story, others see rather a dominant form of 'bloody Taylorism' (Lipietz 1987), epitomized by an extended reading of the work regime enunciated by Foxconn. As chapters in this book make clear, this labour regime is characterized by military discipline and ideology; task simplification; and intensive work combining production and reproduction of labour power in huge industrial compounds that function like enclosed cities (Pun and Chan 2010; and this volume).

Such despotic employment relations are enabled by China's national institutions, but are they also *enclosed* by national institutions? Studies on how changes in China and in global markets have affected some of these models may shed some light on a potential answer. In particular, the low-wage export-orientated model faces upward pressure on wages, the rising cost of materials, a rising yuan (until recently) and more rigid labour legislation (after the implementation of 2008/2009 Labour Contract Law), alongside unprecedented external dynamics (for example, slackening global demand after the 2008 global financial crisis). Added to which the Guangdong local government has expressed a desire to move up the value chain (Zhu and He 2014). Such institutional pressure has affected the export-oriented manufacturing model only to some extent.

In a systematic study of two sectors (LED lighting and textiles and garments), Butollo (2014) observes increased use of high value technology and declines in labour use as the capital intensity of these industries expands, but he does not observe a corresponding rise in wages or improvements in working conditions. He suggests an underlying 'low cost, low trust, high control' managerial regime across a range of sectors, impervious to typical levers of change, such as labour shortages, upskilling and rising capital intensity of industry, all of which have not shifted Chinese management from its tight control regime. Firms that did not shut down in the recession moved within China to cheaper production sites and new entrants to the export sector 'went west' and not to the coast. Some others internationalized to other Asian countries, such as Vietnam and Malaysia, in order to maintain or prolong the low-cost labour regime (Zhu and He 2014).

Differences in employment and work systems in China suggest there is not a single dominant labour process model, except perhaps a management focus on tight cost control, competition and authoritarian control. When MNCs expand overseas for the first time the question is always whether they are taking what they know and do with them, or running away from home-country practices to develop new ways of working in host societies (see Elger and Smith 2005 for a review). It might be that many of the practices prevailing in China cannot move overseas, as they are tied to Chinese-based institutions. However, as shown by existing research on MNCs, firms can potentially preserve their labour policies through internal and external migration. As noted in the work of Sacchetto and Andrijasevic (2014, see chapter in this book) in the Czech Republic Foxconn used migrant labour from Romania and Bulgaria in order to lower labour costs and recruited through agencies to segment the workforce; this would seem to exemplify the transfer of rigid labour controls found in China. We must also not forget that the MNC is not an integrated actor doing the same things everywhere. This misses the importance of firm strategy, which can choose or be pushed through internal politics to do different things in different contexts. To further the understanding of Chinese MNCs in Europe, we must first know where they are and who they are.

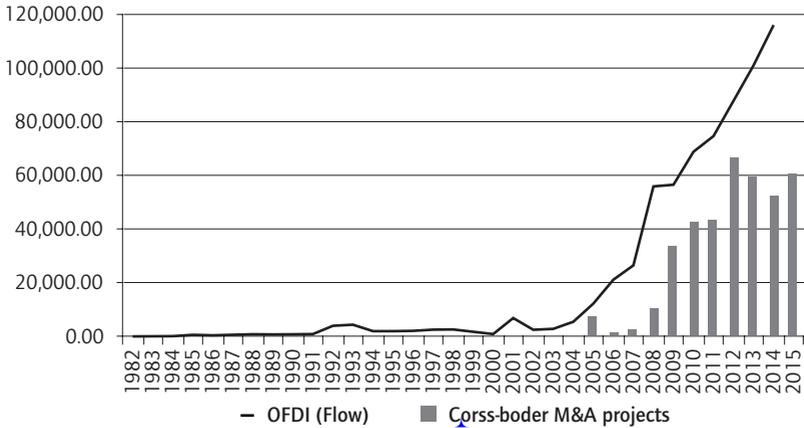
3. Outward foreign direct investment from China

Chinese outward foreign direct investment (OFDI) is still relatively small in scale. Total OFDI worldwide was 870.4 billion US dollars by mid-2014, including both actual investment projects and investment contracts (UNCTAD 2015). Its growth, however, has been impressive, although uneven. The average growth rate of Chinese OFDI during between 2005 and 2014 was 40 per cent (ibid.). By 2013, 15,300 Chinese investment entities had established nearly 25,400 overseas business units in 184 countries. Total overseas employees number 1.97 million, while 967,000 were recruited locally (MOC 2014).

The surge of Chinese OFDI in the early 2000s stemmed from the country's 'Go Global' policy, which linked Chinese OFDI to the nation's development strategy (Voss et al. 2010). It is not random, but top down and directed. Early Chinese OFDI was concentrated in developing countries, but investment in developed countries is rapidly catching up. Excluding investment to some offshore financial centres and potential

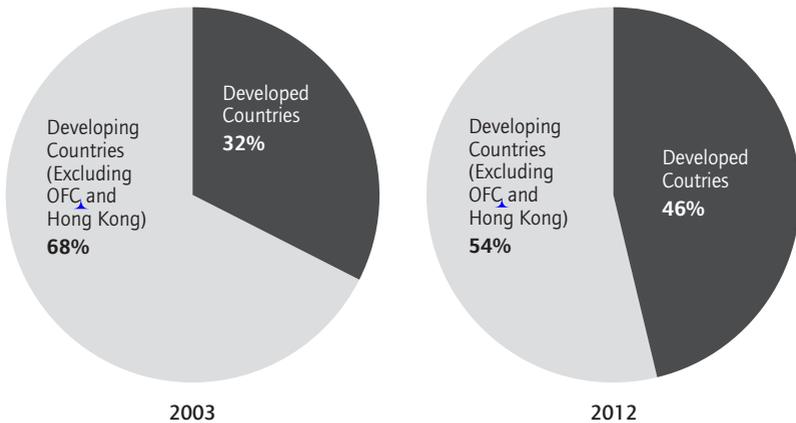
round-trip investment (often through Hong Kong) (see Figure 1), the share of investment in developed countries has been on the rise, from 32 per cent in 2003 to 46 per cent in 2013.

Figure 1 China's OFDI and cross-border acquisitions, 1982–2006 (million \$US)



Source: Authors' calculation

Figure 2 Chinese outward foreign direct investment flow worldwide 2003 vs. 2012 (million \$US)



Source: Authors' calculation based on UNCTAD's *Bilateral FDI Statistics*

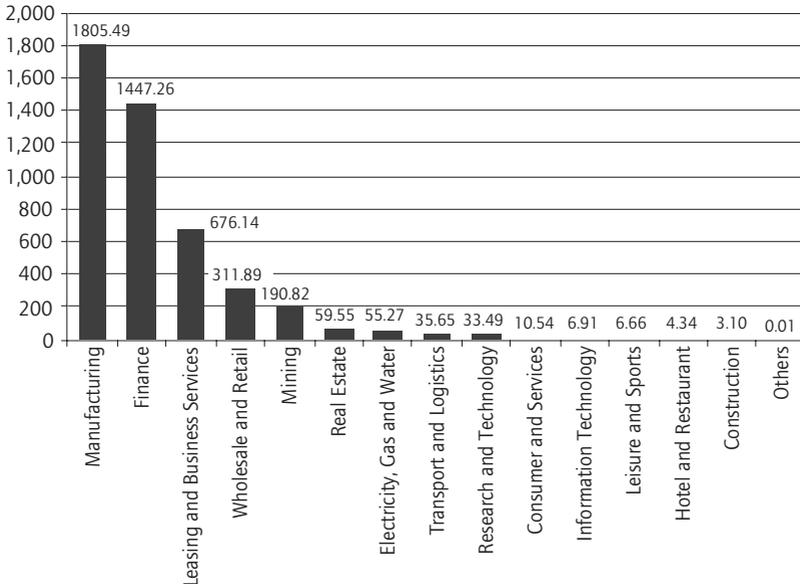
Europe accounted for 8.1 per cent of Chinese OFDI stock by 2013. China's FDI stock reached 103.87 billion US dollars by mid-2014, which is just over 1 per cent of the EU's total inward FDI stock. By number, 75 per cent of investments are made by private firms. By value, in contrast, more than 72 per cent is from state-owned enterprises. Seven deals account for the overwhelming share of the total SOE deal value: CIC's purchase of GDF Suez's exploration business (3.2 billion US dollars), Yantai Wanhua Polyurethanes's purchase of BorsodChem Zrt (1.7 billion US dollars), PetroChina's purchase of INEOS Group's European assets (1.0 billion US dollars), Sinochem's acquisition of Emerald Energy (878 million US dollars) and ChemChina's acquisition of Rhodia Silicones (504 million US dollars) and Drakkar Holdings (507 million US dollars). These firms also top the ranking of biggest government-controlled investors, together with China Ocean Shipping Group (Hanemann and Rosen 2012).

The strong involvement of SOEs in investment stands out, which creates the impression that

increasingly, Chinese companies are showing an appetite for infrastructure projects that can build up chains of influence and help with distribution channels in Europe, such as ports (for example, Piraeus in Greece, Rijeka in Croatia), airports (for example, Parchim airport in Germany, Larnaca in Cyprus) and railways (for example, in Slovenia and Hungary). (Meunier 2012: 3)

In reality, Chinese OFDI is much more diverse in terms of both industrial sectors and investment destinations. Although the resource sector receives the largest share of Chinese OFDI, the manufacturing and service sectors are catching up. In Europe, a high share of Chinese investment has gone into a handful of large-scale acquisitions in capital intensive sectors, in particular the energy sector. The wholesale and retail sector has attracted the largest number of Chinese invested projects. In the manufacturing sector, Chinese firms have targeted in particular the automotive industry (for example, Geely's purchase of Volvo Cars in Sweden, Great Wall Motors in Bulgaria, BYD automobiles in Hungary and London Taxi Company in the United Kingdom, with a major investment announced in March 2015 (BBC 2015); industrial machinery (for example, Sany's acquisition of Putzmeister in Germany); and information and communication technology (for example, Huawei in Hungary, China Unicom in the United Kingdom). The financial services sector has also attracted Chinese investors in selected countries (for example, ICBC in the United Kingdom).

Figure 3 Chinese OFDI flow by industry sector, 2013 (million \$US)



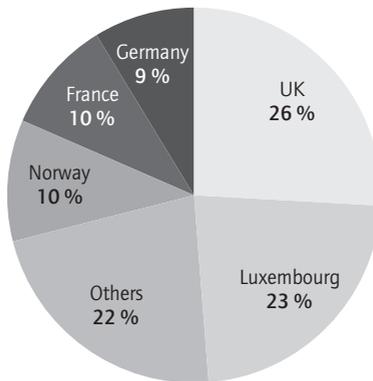
Source: MOFCOM Annual Statistic Report on China's Outward Foreign Direct Investment 2014

Geographically, most Chinese investments are in 'old Europe': the EU15 attracted more than 85 per cent of total investments between 2000 and 2013. The top destinations are the United Kingdom and Luxemburg, followed by France, Norway and Germany – from 2005 to 2014, those five countries received 78 per cent of the annual investment in the EU (Figure 4). Outliers are Hungary and Greece, with both countries receiving one large-scale investment that pushed them up the rankings. China has favoured mergers and acquisitions in western European countries. Hungary received a 1.9 billion US dollar investment in the chemical sector from the sale of BorsodChem to Yantai Wanhua Polyurethanes. Greece awarded China's COSCO a long-term lease in the port of Piraeus, which was tied to an investment of more than 700 million US dollars for modernization of the port's container terminal. Sweden fares well in the European ranks, thanks to the 1.5 billion US dollar acquisition of Volvo Cars by Geely and related follow-up investments. The new EU member states of central and eastern Europe, by contrast, have seen almost entirely greenfield investments (Hanemann and Rosen 2012: 4). Hungary in 2010 received more OFDI from China than all other CEE countries combined. Another high performer is Romania, attracting

several greenfield manufacturing investments. This includes a plant of Shantuo Agricultural Machinery Equipment to produce tractors (Hanemann and Rosen 2012). The speculation is that

The rise of Chinese investment in CEE countries can be explained by a combination of CEE economies serving as a manufacturing base supplying Western Europe and the perception that the political climate is more conducive to Chinese investments than in Western Europe. (Meunier 2012: 3)

Figure 4 Chinese OFDI stock in selected EU countries by the end of 2013



Source: MOFCOM Annual Statistic Report of China's Outward Foreign Direct Investment 2014

If we compare levels of Chinese OFDI with those of Japan, then we can see that by 1974 over 85 per cent of all Japanese OFDI, excluding investments in facilities for processing timber and pulp for the Japanese market (which are heavily concentrated in western Canada), was found in developing countries, although there were considerable services investments in the United States. Infrastructure projects are more common in developing countries for the obvious reason that it is in these countries where there is a lack of investment in these areas and improving road, airports and ports is often designed to both assist with exporting raw materials to China and importing finished goods from China. China is different from the earlier Japanese pattern inasmuch as it is more widespread globally and not just focused on Asia, but there are also some similarities in the spreading of investments from Asia. Japan's OFDI focused on Asia, with over 50 per cent by 1997. Korea exhibited a similar pattern and by 1978 it had more than half of its OFDI going to Asia. As

Korea developed the distribution of OFDI shifted – following a pattern that China looks likely to reproduce – so by 1994 Korea's OFDI in Asia had fallen to about 41.9 per cent, with North America hosting 35.3 per cent of Korean OFDI and Europe 12.8 per cent.

4. Employment, firm size and working practices in Chinese firms overseas

The globalization of Chinese business has attracted theoretical attention, especially around questions of motivation, strategy and differences between the patterns of 'Chinese' OFDI compared with more established or 'Western' practices (Berning and Holtbrügge 2012; Deng 2012). What remains far less researched is how the management of work and employment relations practices within different types of Chinese MNCs develop outside China as they interact with diverse host national contexts. As pointed out earlier, a number of key characteristics of Chinese firms have presented significant challenges to investigating work and employment of Chinese investment firms through the lens of existing frameworks.

One of these characteristics is that Chinese investment firms are relatively small, which makes aligning the Chinese case with the existing debate on the internationalization of work regimes problematic. A survey of Chinese firms in Italy by Pietrobelli and colleagues (2010) had data on employment for only 52 of the 68 companies they surveyed, but this revealed that 38 per cent of the companies were small or very small (with 10–50 employees). This result was in keeping with those in the United Kingdom. Only 10 out of the 169 Chinese invested firms have employed more than 150 employees. The majority of Chinese operations have fewer than 25 employees. But as noted above, investments have been increasing in scale and a bifurcation of Chinese firms by size may be emerging. Major investments are from SOEs or Chinese MNCs and not small firms that are produced through labour-based social networks, not capital accumulation on a larger scale.

Another challenge is that the thesis of global transfer of 'national paradigms' is built on the assumption that firms reproduce their advantages that originated in the home country through the diffusion of management practices. Many Chinese MNCs start their internationalization because they lack competitive advantages at home (Child and

Rodrigues 2005). The representative 'country of origin' advantages of Chinese firms, however, are believed to be bound to China— with access to pools of educated, inexpensive labour; strong state support; a large internal market permitting experimentation and segmented marketing; and legacies of collective and coercive labour management regimes. The implication is that there are incentives to remain at home for Chinese MNCs and that there is no standard model of working that is 'firm specific and codified' and available to be transferred through the international firm as work and management practices remain tied to Chinese institutions and not Chinese firms. This echoes much the same conclusion that was reached about the Japanese management practices prior to the take-off of Japanese FDI in the mid-1970s. Before the 1970s, it was thought the Japanese firm was 'embedded within Japanese society, tied through social networks, national institutions, cultural practices and state policies to the territory of the country' (Elger and Smith 2005: 3). When Japanese OFDI accelerated, there was an intense research focus on the management and work organization practices of Japanese firms abroad. A broad conclusion then was that that there was uneven (by sector and country) transfer and transformation of Japanese management practices through the experience of internationalization (see Elger and Smith 2005 for a review). Internationalization allowed for a more complete understanding of the distinct character of the Japanese firm. We suggest the same strategy could be adopted in understanding the Chinese firm. We follow Child (2009) in questioning the cultural-relativist or country-centred approach to the problem as this starts with the unrealistic claim that China has totally 'unique' management practices, rather than analysing the content and meaning of these practices within their context and diversity and through comparators from others elsewhere. This approach allows us to distil the core ingredients of a Chinese management system through the internationalization of Chinese firms.

4.1 A fledgling new employer? Adapting, ignoring or reforming local rules

Research into Chinese MNCs in Europe and their attitudes towards local institutions remains very patchy. There is a lot of rhetoric based on simplistic assumptions about Chinese investment and the openness of European economies to receive this investment, alongside changes in the nature of work and employment. The reasoning is based on China being

a new capitalist state with money, power and influence over a crisis-ridden and fractured European economy. Typical of this rhetoric is Meunier (2012; 2014a and 2014b) who in various publications rings the (American) alarm about Chinese investment in Europe. An example is the quote at the beginning of this chapter. It seems that investment from emerging countries is 'scarier' than other forms of investment (see Aguzzoli and Geary 2014 for a similar discourse on Brazilian investment in Canada).

Such a simplistic reading of Chinese OFDI's dominance in Europe is questionable and Chinese firms have been found to be adapting their strategic approach in the face of institutions in various EU countries (Jacoby 2014). Workplace-based research on Chinese MNCs in EU is very rare and therefore a definite picture is not available. What empirical research does exist does not help as it presents a mixed picture. Zhu and Wei's (2014) recent case study based on a Chinese takeover of an Italian motorcycle company suggests that the Chinese MNC is very capable of taking a pragmatic approach and embracing local norms. They observed that the newly acquired Italian subsidiary grew by offering technical workers *temporary* contracts because this was a standard practice in Italy due to the relative surplus of technically qualified labour. This is in contrast to the situation in China, where qualified technical workers were offered *long-term* contracts as a standard retention measure due to the shortage of such workers. We are reminded here that investment by Chinese firms is subject to economic calculations as with other private firms and it is misplaced to treat China differently: 'The selection of investment targets requires arduous work by Chinese firms and is undertaken for commercial reasons, not at the behest of back-room political strategists' (Hanemann and Rosen 2012: 6).

What we know from studies outside the EU is that Chinese MNCs take a fairly pragmatic approach in dealing with labour market institutions in the host country. One, possibly the best known Chinese MNC Huawei does not impose an ideological 'no union' policy, but works with the locality (Cooke 2012). Despite their strong preference for labour sourced from China, some SOEs, due to pressure from local unions, have to use local workers and work with local institutions (Lee 2009; Chen and Orr 2009; Corkin 2012; Mohan 2013). This kind of selective adaptation is likely to be what Chinese firms take with them to the EU.

Host country institutions are never passive or simply embrace whatever employment practices are brought by MNCs. Europe's trade unionists do

not see FDI through value-laden nationalist lens, but much more in terms of the length of investment and the attitudes of investors towards local institutions. One of the few studies to examine this notes:

the labor officials with whom we spoke generally do not perceive Chinese investors differently than other foreign investors, be it American, Japanese, or else [sic]. Union leaders and works councillors do not look upon foreign investors through the prism of the national origin of capital. Instead, two lenses appear to be prevalent, whether the investment is driven by short- or long-term profitability considerations ('finance' vs 'productive' investments); and how foreign investors take comfort in relation to labor laws and practices. (Burgoon and Raess 2014: 185)

4.2 Global mobility? Workforce control through expatriation

The development of employment practices in China has often been linked to the retained internal mobility of Chinese workers (Knight and Song 2005). As Chinese firms internationalize, control of labour mobility has also been one of the central issues. Heavy use of employees sourced from the home country has been reported as a consistent feature of Chinese FDI (Cooke 2012; 2014; Zheng and Smith 2015). For example, the Turkish subsidiary of Huawei in Istanbul employed 1,000 employees, but 200 of them were Chinese – a high expatriate rate (one in five) looks to be unique within the framework of internationalization, even in a country such as Turkey where wage costs are not as high as in western Europe. Huawei subsidiaries in India had 30 per cent expatriates (Cooke 2012: 1844) – again exceptionally high. Huawei has more domestic employees than those working in the 140 overseas subsidiaries, but from 2008 more revenue was generated overseas than in the PRC. Like many Chinese MNCs Huawei has a competitive advantage in having a large pool of inexpensive workers in the home territory and therefore one of the reasons for OFDI is not to evade the high costs of domestic labour, as in the case of many western MNCs and Chinese MNCs try to create internal employment structures to continue to access labour reserves at home.

As a developing country, Chinese people (students, workers, entrepreneurs) seek international opportunities and therefore move independently of MNCs and can provide a source of labour for newly

arriving Chinese firms. Europe experienced an accelerated growth of its Chinese population, from 0.60 million in 1980 to 2.15 million in 2007 (Wu and Latham 2014: 304). While the United Kingdom and France have the biggest Chinese populations (1.1 million between them), southern and smaller European economies have seen the highest rates of Chinese population growth: Italy increased from 70,000 in 1998 to 300,000 in 2008; Spain from 35,000 to 168,000; and Romania, from 3,000 to 10,000 (ibid.: 305). Increased trade between Europe and China, increased consumer power in China, internationalization of higher education and internationalization of Chinese firms are all factors associated with the increased presence of Chinese people working in Europe. A feature highlighted in Wu and Latham's (2014) discussion of Chinese migration to Europe is the 'transnationality of Chinese entrepreneurs' (who move quickly across European countries (especially the Schengen treaty zone); the continued strong links to China, strong ethnic-communities (often characterized by 'closure, segmentation and fragmentation' (ibid.: 316) and a blend of legal and illegal movements.

The internationalization of Chinese firms and the mobilization of Chinese workers both demonstrate attempts to retain coercive controls over the freedom of Chinese workers overseas to move to other employers and move around the labour market. Chinese workers are there because they follow controls, they are more focused on work and as migrants usually living in company-based industrial dormitories they are tightly controlled and more likely to focus on work during the contract period and submit to compulsory overtime, which is resisted by local workers and work flexibly with less voice, which again is often against practices pursued by locals. Ethnic enclaves of Chinese businesses overseas reinforce home-country habits, as do language barriers, lack of awareness of host society practices or hostility in host societies towards new migrants. Lee's (2009) work on Chinese managers and workers working in Africa as extended expatriates (Zheng and Smith 2015) in Chinese MNCs, suggests patterns of tied employment, not unlike Kafala practices in the Middle East (Roper and Barria 2008; Khan and Harroff-Tavel 2011), all of which equates with unfree labour. In this context simply changing employers or moving out of ethnic enclave employment into local society employment can be seen as an aspect of class struggle or labour resistance and the assertion of mobility rights by Chinese workers (Wu and Liu 2014). These struggles and constraints are an important part of Chinese workers' international experience.

What warrants further investigation is the contestation between an emerging force of capitalist firms and a wider pool of labour. Altreiter, Fibich and Flecker (2015) argue that as work relocation and labour mobility increase, employment conditions and labour relations may be undermined 'through a dis-embedding of employment relations' (ibid.: 67). Chinese firms, being a new force in international capital and with the capacity to deploy an international workforce, produce this changing mobility of work and workers. So far, however, no empirical evidence supports the emergence of such a context-free model from Chinese firms overseas. However, we have observed a split between the employment practices adopted to manage Chinese workers and locals. This leads to our last point about diverging employment practices among a global workforce.

4.3 A double-faced master? Diverging employment practices in Chinese MNCs

Several authors have observed a dualism in Chinese subsidiaries: directly employed and indirectly employed workers on different labour contracts, benefits and wages. Some authors argue that management dualism denotes learning by absorbing 'advanced' local practices and diffusing them back to the home firm rather than transferring from home base to subsidiaries (Zhang and Edwards 2007). In particular, Chinese MNC subsidiaries in developed countries tend toward 'localization' due to their purpose of asset-seeking, tangible or nontangible (Cooke 2008).

Others may argue that dualistic features of employment reflect what some see as the emerging dualism in China. Zhang's (2008; 2015) study of the Chinese auto industry suggested there were dual labour management systems, what she called 'lean-and-dual'. While both contract workers and agency workers worked side by side with formally employed direct workers, for formal workers there was 'hegemonic control', with high wages, generous benefits, better working conditions and relatively secure employment, while for agency, contract and other temporary workers (close to 50 per cent of the workforce) there were 'despotic labour controls': lower wages and insecure employment. But this is not especially a Chinese pattern, as parts of the auto industry in the United Kingdom – the BMW Mini-plant in Oxford, for example – has just such a pattern, with 800 of the 2,500 workers recruited through agencies and on insecure contracts (Macalister and Pidd 2009). Similarly, Nissan in

Canton and Mitsubishi in the United States use temporary workers in 40–50 per cent of positions and are winding back regular employees (Jaffe 2014).

It seems therefore that agency workers are becoming a generic or systemic (not national) feature of employment in the some industries, allowing manufacturers to adjust more easily to changes in demand, both up and down and not something particular to one country or company. This highlights the need, as mentioned at the beginning of this chapter, for researchers and policymakers to examine employment and work organization practices in context, case-by-case and to separate systemic from local and dominant best practices, rather than to project linear movement towards either divergence or convergence (Smith and Meiksins 1995).

5. Conclusion

China is emerging from a developing to a significant globally dominant economy. ‘Very few transitional economies have undergone industrial restructuring, urbanization and the adoption of various market-oriented reforms simultaneously, as China is now doing’ (Cai 2010: 22). However, three decades of reform have created a puzzle when it comes to characterizing the nature of work and employment in the Chinese firm. Heterodoxy and diversity rule and China-centred research has not answered the question of what constitutes a ‘Chinese way of managing people’. The problem, we suggest, may be that the research focus has been ‘country centred’ and not ‘practices centred’. Given the size and diversity of China, researchers have produced models and ideas that reflect back that diversity, without any clear direction and implication for the evolution of the Chinese firm as it internationalizes. From being the main site for foreign direct investment, we are now witnessing quantum growth in Chinese outward foreign direct investment (OFDI) and this new development has created further puzzles about whether China ‘abroad’ is following ‘Western’ patterns (in terms of international company forms, strategies, motivations and competitive advantages); HR processes (recruitment, selection, rewarding, expatriation) and norms (conforming to local institutional rules and laws); or breaking from these norms; or coevolving new rules between firms and local states/governments. Paradoxically, we suggest that we will better understand the Chinese firm at home by studying the management practices of Chinese firms overseas

in a variety of sectors, countries and regions. We anticipate that what Chinese firms are doing overseas will also influence what they do at home – that there will be some coevolution in practices – as the testing of practices within the overseas context both legitimates and institutionalizes them for application at home. Moreover, given the stepping up of Chinese OFDI, we can no longer begin an accurate characterization of what working practices are within Chinese firms, without the international dimension being brought into the picture.

There is interaction between home and international practices where Chinese firms are internationalizing; therefore research needs to study the dynamic interaction between the continued changes to the old system within China and the ‘modernization’ processes evolving through internationalization. ‘The complexity and range of organizations and environmental sectors in China make it unlikely that a single, all-encompassing Chinese theory of management will prove adequate’ (Child 2009: 70). However, by studying the Chinese firm outside China we will have a more robust understanding of the core characteristics of the Chinese business system overall.

We are just starting to examine the impact of Chinese investment on work and employment relations in Europe. One line of argument is that Chinese firms are a threat to EU institutions and labour practices. This assumes that Chinese investors are integrated (when they are diverse) and homogenous in policy terms, when there may be sector and ownership differences within Chinese investments, as well as in the different host-society institutional environments. Another line is that Chinese are new players and as such they will take time to learn the local rules. However,

there appears to be a shared sentiment among practitioners, market and academic analysts that Chinese investors initially got many things wrong due to a lack of experience in dealing with business and labor in Europe, *but they have learnt to allay concerns*, for instance by pledging to safeguard jobs or embrace collective-bargaining practices. (Burgoon and Raess 2014: 186, *emphasis added*)

The problem with this line is that it assumes that local rules are immutable, when they are changing (the rise of flexible working across all European countries, for example) and it assumes stasis, when both newcomers and local environments are dynamic.

China is not set in stone either, but in a period of transition, and there might be some co-evolution of employment relations at home and overseas. In a recent review of labour relations in China, Liu (2014: 117) noted that

the evolving Chinese labor regime has met growing resistance from workers, as reflected in the rising number of labor protests that circumvent both the legal system and state corporatist arrangements. However, the authoritarian labor regime has caused worker activism to be fragmented and lack cross-factory, cross-region mobilization and actions. Nevertheless, several notable changes in worker activism with the potential to unmake the authoritarian labor regime have emerged in the past several years.

When we look at Chinese MNCs overseas there is no reason to assume that the patterns of the emerging labour struggles at home will not find their way into Chinese firms overseas.

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All links were checked on 27.10.2015.