

Codes of conduct in multinational companies and labour standards in foreign-financed companies in China

—A case study according to the “international-national-local” framework

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Sociological Studies, No. 5, 2007

Abstract: By examining the application of “human rights production standards” by an American multinational sports shoe manufacturer in Fujian province, this paper discusses the impact of the company’ code of conduct on labour standards and relations in foreign-funded companies in China. The author mainly examines the influence the code of conduct has had on working hours, wages, freedom of association and collective bargaining -- the most controversial labour standard issues. This paper attempts to fill the gap in existing research on this issue by using an “international-national-local” framework to conduct a thorough analysis of the complexity of the impact of the code of conduct. The author found it did effectively prevent a number of serious problems, such as child labour, workplace injuries and diseases, forced and excessive overtime and corporal punishment. However, the code is less effective when it comes to issues which may affect the maximisation of profit, such as wages, freedom of association and collective bargaining. The author found the effectiveness of the code in improving labour standards is limited by various factors at international, national and local levels. At international level, the ultimate goal is to maximise profit. Corporate social responsibility (CSR) and corporate codes of conduct become the tools for multinationals to “legalise” their capital earnings. Multinationals do not want to risk change their profit-oriented purchasing pattern and take on the costs resulting from the implementation of the code if this affects their earnings. As a result the multinationals use their dominance in the globalised merchandise chain and pass the costs on to suppliers, who in turn pass it on to the workers by using their dominant position in the labour market and their decision-making powers in the production process. At national level, existing violations of workers’ legal rights and the interests of the multinationals are closely linked to the existing labour system during China’s transition to a market economy. Labour laws are not effective at local level. Trade unions need to reinforce their functions as representatives and defenders of the workers, and especially migrant workers who do not yet benefit from the social security system. The minimum wage has not provided the material guarantee for workers to meet basic necessities. Meanwhile, the problems in the labour system during the transition period do not provide a favourable environment for putting the code of conduct into practice. At local level, the practice of CSR and corporate codes of conduct

highlight the conflict between efficiency and fairness in the capital production system. Faced with a choice between maximising profits and observing the code of conduct, no manager will abandon the pursuit of profit. Although these two factors have been reconciled to some extent by reforms in the production process, tighter labour control and falling production costs, the Taylorist management patterns and tyrannical labour controls have not been eradicated, but have rather increased. This prevents the code of conduct from being effective and workers from demanding their rights to free association and collective bargaining.

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