

# **Globalized Factory System and the Issue of "Ethical Reconstruction"**

Code of Conduct in Multinational Companies & Labour Relations in China

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**Abstract:** Looking back from the mid 1990s, there has appeared in China's enterprises a tendency of implementing the Code of Conduct of multinational companies, which instigates our reflections on the labour relations in modern China. Why does multinational capital take the initiative to protect the rights of Chinese workers? What is the role played by the multinational capital in the regulation of labour relations? How does the Code of Conduct transform China's factory system in the direction of globalization? What kind of impact will the establishment of globalized factory system have on China's labour relations and labour rights? The author states that the implementation of the Code of Conduct of multinational companies can be understood as a process of aggressive capital shaping labour relations – a process which may be conceptualized as “ethical reconstruction”.

We had an opportunity to participate in an investigation aiming at promoting the fair labour relation and ethical trade, and did a field study lasting for 18 months. In addition, we interviewed the supervisors and workers in two enterprises which have implemented the Code of Conduct in Pearl River Delta and Yangtze River Delta. Based on the comprehensive investigations and the documents from non-government organizations and mass media, we should give our opinion on the implementing process of Code of Conduct and its influence on factory system. The in-depth interviews were made in the interviewees' workplace or dormitories from 2002 to 2003. The reason why we chose these two enterprises is that they both had had a contract of Code of Conduct with TNC in Europe.

The two enterprises are M Clothing Ltd. (M Ltd.) in Yangtze River Delta and G Clothing

Ltd.(G Ltd.) in Pearl River Delta. We communicated with the general manager, the director of Production Department, the secretary of Personnel Department, social compliance officers and the chairman of Labour Union of each enterprise. Apart from that, we did an in-depth interview with workers at assembly line. The interviewees were classified according to their gender, age, marital status, and department, among whom there are 50 from M Ltd. and 32 from G Ltd. Interviewees were from different departments, such as Department of Design, Cutting, Processing, Quality Control and so on. Furthermore, when we did the interview at night, we checked the information we got in the workplace in the daytime.



*Female employees are on their way back to dormitory, in Baoan district, Shenzhen.*

As a Mainland-Taiwan joint venture company, M Ltd. invested 20 million Yuan in building a new 40-acre plant site. It has an effect of expanding the scope of the enterprise, updating the equipments and improving the working environment. The strategic goal of M Ltd. is to become a model of

enterprises in Yangtze River Delta

so that they can have more orders. The new factory came into operation in March 2001, including an office building, a three-floor working building and a one-floor flat as employees' canteen and warehouse. The factory is surrounded by walls and each entrance has guard. The factory site of M Ltd. was the biggest one in the High-tech Parks. Besides attaching importance of the quality control, M Ltd. set up a goal of being qualified by Code of Conduct of multinational company in Europe as well as the international certificates such as the ISO9000, ISO1400 and SA8000 (A Social Accountability Standard). The general manager of M Ltd. said,

“As a matter of fact, the Code of Conduct requires regulation of ‘market behavior’. At present, we seem to lose money (because of the money used in expanding the scope of the enterprise). However, we hope that we could earn our money back in a long-term development. That is also a kind of strategies to survive in the international market.”

The same as M Ltd., G Ltd. has a great ambition of being the model of enterprises in Pearl River Delta. Located in Dongguan of Guangdong Province, G Ltd. is a Hong Kong enterprise founded in 1993. The administration and supervision authorities consist of 1 general manager (HK), 5 managers (HK) and 20 supervisors in charge of routine operation and production. Besides the orders from TNC of Europe, G Ltd. also processes sports wear for several American sports companies. Because HK companies know well about the Code of Conduct, G Ltd. should implement exactly as the Code of Conduct requires. At the time of its establishment, G Ltd. has set up a goal of being an advanced modern enterprise, beyond thousands of enterprises of the same industry in Pearl River Delta. By the middle of the 1990s, G Ltd. has 1500 employees. What makes the supervisors proud is that their “empire” (enterprise) in Pearl River Delta, not only is powerful in external but also possesses modern advanced equipments as well as scientific management.

G Ltd. updated its facilities to adapt the requirements of Code of Conduct. In 1999, G Ltd. invested 50 million Yuan for a new dormitory building. Seen from outside, the building, which is surrounded by trees, looks like a modern boarding school. It has two employees’ canteens, a ballroom, a reading room, a store and a clinic. In front of the building, there is a space for recreation, where workers often play badminton, basketball and so on. At night, TV programs, sometimes movies, will be showed in employees’ canteens. In general, the building has the same function, at minimum, as a self-sufficient community. As is known, one of the features of Chinese factory is the classification of living condition among staffs, which helps to classify the workers. Supervisors live in a three-bedroom apartment, with an independent kitchen, a washing room and a bath room. The apartment also has household appliances like TV set, refrigerator, air condition, kitchen equipment and bath facilities. Meanwhile, the common workers live in the collective dormitories, each of which residents 6 to 8 workers. Besides their bed, each worker has a private storing space for clothes and daily necessities. There is a toilet in each floor, as well as a special room providing them with potable hot water.

The living condition in G Ltd. is comparatively better than that in other Ltd. That’s because G Ltd. strictly follows the Code of Conduct.

1. The dormitory should match with the requirements of relevant laws concerning Health and Safety, including fire safety, sanitary facilities, safeguards, safely using electricity, construction safety and so on.
2. Bedrooms should be separated by gender.
3. The living space of each member in dormitory should be according to the standard requirements of laws and local industry.
4. Provide bed or mattress for each member.
5. Provide private storing closet for each member.
6. Good ventilation. Each dormitory should have window opening to the outside; or there should be facilities like fan, air conditioner or heating, making sure that the air is fresh and the temperature is appropriate when everyone is sleeping.
7. Sufficient lighting supply.
8. Building should have at least two emergency exits on each floor. All units shall provide emergency lights for evacuation passages, exit and stairwells.
9. Fire drill should be taken at least once semiannually.
10. The hazardous and inflammable materials should be removed from dormitory building and the buildings nearby.
11. Sufficient washing room and bath room should be provided and separated by gender. And those places should be kept safe, clean and convenient for using.
12. Sufficient and clean drinkable hot water or water-boiling equipment should be provided.
13. Members are free to be in or out of the dormitory when they are not at work. There could be some limits, for security reasons and comfort purpose.

With the help of those delicate regulations, multinational capitals try to response to the criticism of the Chinese “autocratic” factory system. Meanwhile, they push Chinese factory system into globalization and modernization. However, there are always conflicts between profit and ethic. Hence the influence of multinational capital towards factory system may inevitably

become unstable. One of the group leaders told us, “Who cares for the rights of the workers? Do they (Multinational Corporations) really care about our working condition? We will violate the Code of Conduct when there is a huge production task.” A manager of a company in Dongguan, which processes products for Disney Corp. in US, told us frankly, “We are reluctant to follow regulations of Disney Corp. We will know which side weights more when there is conflict between production task and Code of Conduct. Once I called the production department (of Disney Corp.), and asked them ‘Do you want to receive the product in time?’ The surveillance delegate from Disney Corp. did not intervene us (when having seen that the workers worked overtime) and left.”

One of the major features of globalized factory system is that it is essentially full of absurdity and conflict during the process of “ethic restructuring” in factory within dozens of years. After in-depth interview with workers, we found that the ethic sense of capital is only a phantasm. The supervisors of M Ltd. and G Ltd. claimed that they gave each worker the copy of Code of Conduct when they signed the contract with workers. However, among the interviewees, none saw the copy except two. When the workers were asked whether the Code of Conduct was introduced to them in morning assemble or in other occasion, most of them had no idea. Only few of them know something about the Code of Conduct. One of the female workers even mistook the rules and regulations of the factory for Code of Conduct. She asked us,

“What is Code of Conduct? Do you mean the rules of the factory? We have strict rules. If we have done something wrong during work, we will be punished. This factory really has a high standard of quality control.”

As a matter of fact, M Ltd. and G Ltd. did introduce the Code of Conduct to their workers. However, the purpose of doing this is to let the workers know how to deal with the inspection and the inquiry of the Brand Corporation, especially how to answer to the specific question like working hours, day of rest and wage. They are all asked to give the uniform answer:

“We work 8 hours per day, without overtime working. On Sunday we have a rest. When working overtime, we get 1.5 times of common wage at night, 2 times at weekend and 3 times on holiday.”

Why the workers were so compliant when required to get the uniform answer? We found the answer when the workers talked more sincerely and freely in their dormitory.

“You have to know, we are all afraid that the factory will lose its order. We do not want to cause trouble because of the “wrong” answer. ”

All the workers are engrafted with such idea. If they do not answer the questions properly, the corporation will lose its profit; from a long term, they will lose theirs too. Thus lies, concerning the profit, led to the workers’ compliance towards the absolute administration.

On the other hand, supervisors in the corporations came to a conclusion that the implementation of the Code of Conduct is only a hypocritical measure for the multinational corporations to ease their “sense of sins”. In fact, the grim competition and delicate way of production restrict the implementation of Code of Conduct in the aspect of inner structure. In general, the regulations in the Code of Conduct are either hypocritical or absurd. Not only the supervisors in M Ltd. and G Ltd. use “hypocritical” and “absurd” to describe Code of Conduct, but also some of the corporations in Pearl River Delta.

Despite of things above, compared with that in other corporations without Code of Conduct, the working environment in “Code of Conduct Corporation” is better. In M Ltd. and G Ltd., we haven’t seen that the workers are forced to work. All the workers who finish the probationary period sign the contract with the corporation, though which is a little bit different from that of local labor bureau’ standard , simpler than that of the Code of Conduct standard. Apart from that, both corporations did not hold out workers’ ID card for hypothecation, which is quite common in some foreign-invested enterprises and private enterprises to prevent workers from quitting the job or going to another company. According to the Code of Conduct, the punishment system should be taken place by encouragement and compensation system; normally the working hours is 10 hours, from 8 o’clock in the morning to 8 o’clock at night, with 2 hours for lunch and rest; usually there is no overtime working, unless the production task is huge. Besides, workers have a day for rest in every working week and staff at least one day. That is one of the rule in the Code of Conduct.

In conclusion, because of the concern about ethic, capital advocated Code of Conduct to improve the labour standard and working environment. However, the implementation brings it to a dilemma. Enterprises follow the Code of Conduct under the outside pressure, which is direct from

the worldwide buyers who are under the pressure of Anti-sweatshop campaign. It is the profit that makes enterprises to implement the Code of Conduct. Such concern forces the capital to fulfill its social reasonability. However, the practice which is from the top downward and emphasizing labour rights, receives frustration because of the basic contradiction of capital. The implementation of Code of Conduct in enterprises seems to be reasonable, but actually it is parents-like autocratic. The implementation of Code of Conduct, like a coin, with two sides, presents two different processes. One is rationalization; the other is despotism. The rational implementation in Chinese factories may not lead to a transformation of parent-like despotism. The implementation of Code of Conduct in China is not to weaken the factory system, rather than that, it essentially responds to such factory system. However, it may intensify the influence of multinational capital towards the Chinese labour relations.

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