Opening the “Black Box”:
Transnational Private Certification of Labor Standards in China

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Abstract

This paper examines the dynamics and possible effects of transnational private certification of labor standards in Chinese export-oriented consumer products industries. Drawing on interviews with various relevant actors in Guangdong, Shanghai, and Beijing and a survey of manufacturing firms in Guangdong province, we investigate: How have initiatives originating outside China been shaped by the Chinese context and potential competition from domestically-driven standards? What are the circumstances in which factories get certified, and to what extent does being certified indicate compliance with standards? To what extent are there clear differences in the performance of certified and non-certified factories? Overall, we find that factory certification has been insufficient to transform labor conditions and relations in Chinese factories, but it sometimes supports improvement or formalization in management practices. In addition, we consider whether factory certification may have indirect effects on the evolution of labor relations in China and the shape of global governance.

摘要

本文探讨了跨国私营劳工标准认证在中国出口导向的消费品制造业的发展动态和可能产生的影响。根据我们在广东、上海、北京三地对相关人员的访谈以及对广东省制造企业的调查数据的分析，我们研究：最初产生于中国以外的劳工标准认证的倡议是如何被中国国情和受国内因素驱动的标准的潜在竞争所形成？工厂获得认证的条件是什么，并在何种程度上得到认证表明符合标准？在何种程度上被认证的和非认证的工厂在表现上有明显的差异？总的来说，我们发现工厂认证不足以改变中国工厂里的劳动条件和关系，但它有时能够促进管理实践的改善或正规化。此外，我们还探讨了工厂认证是否可能对中国劳动关系的演变和全球治理的形式产生间接的影响。
Introduction¹

The globalization of production has spurred challenging and important debates about transnational business and labor rights. Though the traditional international regime for labor rights and standards—based, for instance, on ILO conventions—remains weak and fragmentary, the past two decades have witnessed dramatic growth in global labor standards emanating from NGOs and firms. Systems for certifying compliance with these standards have become a prominent mode of transnational private regulation (Cashore, Auld and Newsom 2004; Haufler 2001; Meidinger 2003; Vogel 2008). It is becoming clear that social and environmental certification is “not merely—or even primarily—a marketing device or signal for consumers; but rather a mode of regulation, being put to use by various NGOs, governments, and industry bodies” (Bartley 2011) and a dynamic field of transnational governance (Bartley and Smith 2010). On the other hand, evidence is mounting that such systems rarely live up to their purported goals (Locke, Amengual and Mangla 2009; Seidman 2007; Vandergeest 2007). This raises serious questions about what exactly global standards and certification initiatives are and are not capable of doing, their effectiveness in different industries and nations, and their role in broader fields of global governance.

China looms large over all of these questions, given its huge role in global production and its growing impact on global governance arrangements. For the past two decades China has experienced explosive economic growth, surging exports, and massive foreign investments from around the world. With China becoming the world’s factory, “made-in-China” products are

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popularly associated not only with low prices but also low quality and sweatshops. It is widely held that with the mobilization of China’s vast reserves of cheap and disciplined labor that have no independent trade unions and right to strike under an authoritarian regime, a “race to the bottom” has been unleashed, producing an endless downward spiral in workers’ bargaining power and labor standards around the world. Clearly, the labor situation in China has posed great challenges for international advocates of labor standards and labor rights. This has also led some to question the effectiveness of “western” norms and actors in the Chinese political economy.

At the same time, China has witnessed a rising tide of strikes and labor protests with the mass movement of capital into China and the deepening of commodification of labor in recent years. According to official Chinese government figures, mass protest increased from 10,000 incidents involving 730,000 protestors in 1993 to 60,000 incidents involving over 3 million protestors in 2003. Moreover, the number of cases brought by workers before the official labor arbitration committees increased steadily from 78,000 per year in 1994 to over 800,000 per year in 2003 (White 2007). Faced with mounting labor unrest, the Chinese central government passed three new labor laws in 2007, in an attempt to stabilize labor relations and pacify disgruntled workers. The new labor laws is said to have raised awareness of rights among Chinese workers who are now more willing to stand up and defend their rights through formal legal system (China Labor Bulletin 2009). Moreover, China’s new labor laws, as recent strikes indicate, are very likely to serve as the catalyst for a new wave of labor activism and militancy in China—especially if employers attempt to evade the law and if the arbitration system becomes too

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2 The sole legal state controlled union—the All China Federation of Trade Unions (ACFTU)—is widely considered to be either unable or unwilling to defend workers’ interests in the market economy.

3 According to the Chinese official statistics, in 2008—one year after the implementation of the Labor Contract Law, 1.2 million workers filed over 693,000 labor dispute cases with Chinese authorities, a 98% increase from 2007.
burdened with cases to be able to resolve workers’ grievances quickly, encouraging them to turn instead to direct action. Chinese workers’ rising rights consciousness (especially among the young generation of migrant workers), coupled with their growing marketplace bargaining power derived from a labor shortage and changing demographics, as well as the government’s attempt to change from an export-led development model based on cheap labor to a more balanced one based on domestic consumption (and thereby higher wages), point to an ongoing major shift in the balance of power between labor and capital at the workplace.4

It is within this context that labor standards certification initiatives have expanded rapidly in China—including Social Accountability International’s SA8000 standard, programs driven by American and European brands, like the Worldwide Responsible Accredited Production program, and the domestically driven China Social Compliance CSC9000T standard. On one hand, skeptics cast doubt upon the sincerity and effectiveness of these initiatives in transforming labor relations in China. On the other hand, optimists note that private labor standards certification has catalyzed the rapidly expanding discussion of “corporate social responsibility” in China and that codes of conduct and other private standards have, along with labor law, contributed to the growth of rights consciousness among rural migrant workers.

Though we cannot fully resolve these debates in this paper, we contribute to the discussion by examining the dynamics and possible impacts of factory certification in Chinese export-oriented consumer products industries. We address several questions: How have initiatives originating outside China—most notably, the SA8000 standard—been shaped by the

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4 A good illustration of this shift is the success of the 2010 auto workers’ strikes in winning employers’ concessions, which quickly produced a ripple effect with a wave of strikes across sectors and regions pushing a rapid trend towards wage increases in China.
Chinese context and potential competition from domestically-driven standards (like CSC9000T)?

What are the circumstances in which factories get certified, and to what extent does being certified truly indicate compliance with standards? To what extent are there clear differences in the performance of certified and non-certified factories? Answering these questions provides an important baseline for considering potential direct as well as indirect effects of private certification of labor standards at multiple levels—from particular factories to global governance arenas.

To answer these questions, we draw on approximately 50 interviews with various actors involved with private labor standards in China—auditors, factory managers, compliance staff for international brands, migrant labor NGOs, and others—conducted in 2010 and 2011, mainly in Guangdong province, Shanghai, and Beijing. We also use evidence from a smaller number of interviews with factory workers, some done by research assistants who found workers outside certified factories in Guangdong, some done by the second author during factory visits. In addition, we have gained access to new data from a survey of managers in manufacturing firms in Guangdong province, led by scholars from Guanghua School of Management at Peking University. Finally, our analyses are also informed by each author’s broader research on labor relations and standards in China and beyond (Bartley 2010; Zhang 2011).

In what follows, we first overview the development in labor standards and factory certification in China, noting the evolving competition and cooperation between different schemes as well as different actors’ perceptions of certification initiatives. We then open the “black box” of labor standards certification in China by taking a close look at the labor conditions at the selected certified factories. We also examine the practice and function of

5 CSC9000T (China Social Compliance 9000 for Textile & Apparel Industry) is a Social Responsibility Management System based on China’s laws and regulations, international conventions and standards, and China’s particular situations.
worker committees at some suppliers’ factories promoted by some brands and certification programs to address freedom of association. We further compare certified and uncertified factories based on a new survey data of managers in manufacturing firms in Guangdong to assess whether SA8000 certification is linked with more formalized structures for the employment and care of workers. We conclude by discussing the possible indirect effects and the limits of transnational private certification of labor standards on changes in labor rights, labor regulations, management, and the evolution of labor relations in China.

The Contested Terrain of Labor Standards and Factory Certification in China

The rapid growth of Chinese exports in the 1990s—especially in apparel, footwear, toys, and consumer electronics—drew a great deal of attention to issues like forced labor, harsh militaristic styles of Taiwanese, Korean, and Chinese managers in export-oriented factories, and the exploitation and marginalization of migrant workers. By the early 2000s, China was the center of the universe of labor codes of conduct, factory auditing, and certification, mostly sponsored by NGOs, high profile brands, and retailers in the U.S. and Europe. China’s accession to the WTO in 2001 and the 2005 phase-out of the Multi Fiber Arrangement, which had set maximum quotas for countries’ apparel and textile exports, further fueled the growth of consumer products manufacturing, especially in the coastal regions. In becoming the “world’s factory,” China had also become the nexus of debates and experiments about factory auditing and corporate social responsibility (CSR). Most large American and European brands and retailers engage in some type of factory auditing in China, whether done by their own compliance staff or by external auditors. Some brands participate in collective standard-setting and monitoring-oversight programs like the Fair Labor Association (FLA), Ethical Trading
Initiative (ETI), and Business Social Compliance Initiative (BSCI). Some firms also call for suppliers to be certified by the Worldwide Responsible Accredited Production (WRAP) program, spawned by the American Apparel and Footwear Association. A few brands with higher standards encourage suppliers to be certified to Social Accountability International’s SA8000 standard.

The SA8000 standard played a particularly important role in introducing labor-oriented CSR to China. This program was founded in 1997 by the Council on Economic Priorities, a New York-based non-profit organization focused on socially responsible investing and shopping. As the anti-sweatshop movement in the U.S. gained steam, this organization brought together several groups of brands with codes of conduct and eventually joined with some—like Toys ‘R’ Us, Avon, Otto-Versand, and the global certification firm Société Générale de Surveillance (SGS)—to create the SA8000 standard and a system for certifying factories.

By early 2001, there were 28 SA8000 certified facilities in China, a tiny fraction of the thousands of export oriented factories in the country but nearly half of the total SA8000 certifications at the time (SA8000 Certified Facilities, as of Jan. 2001). SA8000 was so central to the discourse on CSR in China as to lead CNCA to seek to clarify that “SA8000 certification is not the same thing as CSR” (Worker’s Daily 2004).

There are several reasons why SA8000 made such a splash—symbolically at least—in China. First, it mimicked the style of ISO standards—such as ISO 9000 and ISO 14001—which had become a de facto requirement for many Chinese exporters. Second, the SA8000 standard generated more controversy than the codes of conduct of individual companies or programs like the Fair Labor Association because it sought to address the problem of freedom of association in China. Most other codes endorsed freedom of association but were silent on the question of how
this could be implemented in China or other countries where freedom of association is legally restricted and trade unions are closely tied to government and management. SA8000 called for “parallel means” of worker representation—such as worker committees—where trade unions could not be independent.

While this provision earned SA8000 a modicum of credibility among international labor advocates, it also fed into a reaction from Chinese industry and government officials, who framed SA8000 as an illegitimate foreign intrusion. As one scholar put it, “before 2005, the government was very defensive about SA8000 . . . [and] saw it as trade protection measure.” (interview with labor researcher, Beijing, 12/9/10). The People’s Daily warned that “the voluntary standards could become a trade barrier that consumes the profits of Chinese exporters and denies them their biggest advantage in foreign trade, inexpensive labour” (People’s Daily 2004).

It was in this context that domestic actors developed their own set of voluntary labor standards. At the request of Chinese, Taiwanese, and Hong Kong-based companies, the Chinese National Apparel and Textile Council (CNTAC), introduced its CSC9000T standard in 2005 (interview with compliance program representative, Beijing, 7/15/11). This was a clear attempt to appropriate the discourse of international standards, as well as to tailor them to the realities of Chinese manufacturing. The CSC9000T standard focused on management systems more than outright performance, on domestic labor law more than international norms, and on gradual improvement more than pass-fail compliance. The initiative’s 2006 annual report included an astute analysis of the limitations of existing auditing and certification models, noting the drift toward falsification, the problem of individual auditors’ skill and integrity, and the contradictions between brands’ compliance and sourcing practices. Similar arguments have been made by
critical scholars of private regulation (Locke, Amengual and Mangla 2009; Sum and Pun 2005). Yet CSC9000T also reinforced the role of the ACFTU as a legitimate mode of worker representation and treated the use of formal labor contracts as more of a goal than a requirement (CSC9000T Annual Report 2006). Although the program does not certify compliance, it did include procedures for internal and external evaluation of factories. By the end of 2007, and handful of auditing firms had been incorporated as evaluators and nine apparel manufacturers had been designated as CSC9000T implementers (2007 Annual Report).

While many observers initially viewed CSC9000T as an industry- and state-sponsored threat to international standards initiatives (interview with NGO representative, Hong Kong, 5/17/07), CNTAC very quickly began to collaborate with international buyers. Personal connections between CNTAC and the European brands in the Business Social Compliance Initiative (BSCI) soon led to formal connections between their programs. In 2008, CNTAC and BSCI agreed to explore “compatibility between two systems and thus lay foundation for further cooperation and mutual recognition” (CSC9000T Annual Report 2009). Though CNTAC and SAI had little communication (interview with program representative, Beijing, 7/15/11), they became indirectly linked by virtue of their shared ties with BSCI. BSCI and SAI had already come to an agreement whereby BSCI members would use SAI-accredited auditors, and BSCI sometimes portrayed its auditing program as a step toward eventual SA8000 certification. More recently, some observers have begun to suggest a three-step process for factories, from the CSC9000T program to BSCI-endorsed auditing to SA8000 certification (interview with certification representative, Dec. 8, 2010), though this process has not yet actually occurred.

Several factors seem to have kept CSC9000T from become a strong domestic competitor to international standards like SA8000. Some manufacturers have noted that the lack of interest
of international buyers in CSC9000T kept it from growing (interview with factory managers, Nov. 25, 2010). In addition, state actions that might have privileged domestic over international standards were not forthcoming. The Certification and Accreditation Administration of China (CNCA), which is charged with approving certification bodies, has not explicitly endorsed SA8000. But importantly, neither has it weighed in against SA8000 (though it has done this to some other international standards). In 2004, CNCA announced that SA8000 certifications would require its approval (Pacific Institute 2005, http://inni.pacinst.org/inni/inni_online_update_9.htm). But CNCA was apparently satisfied with simply being informed of SA8000 certifications and has not challenged them in practice. One participant recounted a 2005 meeting in which CNCA decided not to explicitly promote the Chinese standard, nor to restrict others from operating in China (interview with labor standards consultant, Beijing, 7/21/11). Overall, SAI has gotten what participants describe as a “yellow light” from CNCA—not outright approval but not interference either (interview with certification representative, Beijing, 12/8/10). As one observer put it, “the Chinese [government] attitude is seen as ambiguous, but being ambiguous is an attitude. Not preventing you from doing something is meaningful” (compliance program representative, quoted in conference discussion, Beijing, 12/7/10).

Some observers continue to describe SA8000 as “illegal” in China, citing the lack of explicit government endorsement, the vexing issue of worker representation, and sometimes other issues as well. One vocal critic complains that SA8000 is not a truly international organization—just an American group—that invokes vague international norms (e.g., ILO conventions, Universal Declaration of Human Rights), and treats Taiwan as a separate country (interview with CSR researcher, Dec. 1, 2010). In slightly more measured terms, one specialist
noted that “SA8000 asks you to do things in China that are against the law, which gives factories a reason not to do anything” (interview with certification official, Jan. 5, 2011).

Although tensions remain between international norms and domestic cultures of production, since approximately 2005-07, the Chinese government has sought to incorporate CSR as a pillar of the “harmonious society.” Indeed, the party has promoted CSR standards and reporting for private and state-owned companies alike and has embraced some (though not all) international CSR standards.

SA8000 certification has grown substantially, with 410 facilities, employing over 291,000 people, certified in China as of late 2011. Yet most observers suspect that the growth of SA8000 certification in China has been due to lax auditing, and sometimes, to outright fraud. As one factory owner put it, “I believe among every ten certified factories, nine are fake” (interview with factory owner, Dongguan, 6/24/11). By all accounts, Chinese factories can rarely if ever meet the standards for maximum hours of work prescribed by Chinese labor law—no more than 44 hours per week and no more than 36 hours per month of overtime—which is required by both SA8000 and WRAP. In one SA8000 certified factory in Guangzhou, employees reported working for approximately 11.5 hours per day Monday through Saturday, plus at least 8 hours on most Sundays (worker interviews, Guangzhou, Nov.-Dec. 2010). Such factories may have achieved certification either through the common practice of falsifying records or by having the certification audit done at an especially low point in the production season. Several SA8000 certified factories have been found, on later inspection, to have serious problems with workplace safety and child labor (interview with certification representative, Shenzhen, 11/12/10). Speaking about certification programs in general (including but not limited to SA8000), one compliance official for an international brand suggested that “some
factories are getting certified by just hiring a consultant to get them certified,” and that some brands tell factories, “if you’re certified, we won’t bother you with audits” (interview with compliance official, Shanghai 7/13/11).

Opening the Black Box: Portraits of Certified Factories

Despite the growth of labor standards certification in China and elsewhere, scholars know surprisingly little about certified factories. It is clear that essentially no factories can fully meet the letter of the standards—whether these are the basic standards of ICTI and WRAP or the more challenging standards of SA8000. But it is less clear what does happen in factories that are certified. What leads managers to seek certification, and what kinds of changes do they make in order to get certified? How much variation is there among factories certified to the same set of standards? In this section, we describe several certified factories as a way to begin to construct profiles of labor standards certification in China.

If the SA8000 standard truly serves as a “high bar” that reliably differentiates the very best factories from the rest, then we should expect certified factories to be fairly similar in their performance, at least on the key criteria for certification. Instead, we find substantial variation among SA8000 certified factories. In one especially egregious case, a factory in Shandong province, making candles and candle-holders for Tchibo was certified despite what was later revealed to be horrendous health and safety practices. The dark factory, lacking in fresh air and rife with fire risks, had workers making candles by hand over a primitive gasoline bottle stove, and workers were not supplied with protective equipment (interview with certification representative, Shenzhen 11/12/10). Even in factories with less dire conditions, it is clear that certification does not necessarily mean real standardization of practices.
SA8000 and working hours in the apparel industry: A comparison

A brief comparison of two garment factories in Guangzhou further illustrates variation among SA8000 certified factories. This information is based on interviews with several workers, conducted by Chinese research assistants outside the factories. Though it provides only a partial view of each factory, this information is sufficient to identify at least one key difference—working hours.

Panyu PK Garment\(^6\) produces sport shorts and pants for export for Billabong and several other brands. Given Billabong’s promotion of SA8000 as part of its compliance program (http://www.billabongbiz.com/phoenix.zhtml?c=154279&p=social), it is likely that the brand directed the factory to get certified. On the research assistants’ first visit to the area near the factory, on a Sunday, they saw indications of work occurring, despite the SA8000 standard’s requirement that “personnel shall be provided with at least one day off following every six consecutive days of working.” On a return visit, the research assistants found three workers to interview, who reported working 11-12 hours per day, six days a week, with one Sunday off per month and shorter hours on most other Sundays. A 70+ hour workweek like this is certainly not uncommon in Chinese factories, but it contravenes both Chinese labor law and SA8000’s limit of 60 hours per week (though with exceptions possible under rare circumstances). The workers reported earning 1500 to 2200 RMB per month at Panyu PK.

Similar wage rates—between 2000 and 2400 RMB per month—were reported by workers at Kwangchow Garment Manufacturing, a Hong Kong-owned factory that produces pants for Nike and Seven Wolves, a Chinese brand. Here, however, employees reported working approximately 11 hours per day, five days per week, and then just four hours per day on

\(^6\) For this and other factories where interviews were conducted, we are using pseudonyms for the factory names.
Saturdays. There is reportedly no work on Sundays. This roughly 59 hour work-week, and especially the lack of work on Sundays, marks Kwangchow as unusual in Chinese export-oriented industries. In both factories, workers had at least a vague awareness of SA8000 certification, though in neither case did workers demonstrate knowledge of the content and implications of the standards.

The reason for the difference between these two factories is not clear, but we suspect it reflects some combination of factors that have been identified in previous research. First, it is possible that workers at Kwangchow are misrepresenting their hours of work, perhaps consistent with coaching by management. As many researchers and journalists have discovered, such coaching is rampant, and workers often go along with the charade in fear of reprisals from management, the loss of orders, or preferences for large amounts of overtime compensation. By some accounts, certification raises the likelihood of lying to auditors (and potentially to researchers as well), since the revocation of an all-or-nothing judgment (like a certificate) could have major consequences for the firm. While we cannot entirely dismiss the possibility that the researchers were fed inaccurate information, despite conducting the interviews outside the workplace, we suspect that there are real differences in working hours across the factories that could be accounted for by other factors.

It is clear that some brands impose not only more scrutiny than others on their suppliers, but that some brands are more likely to enter into relationships with suppliers that allow for some small but useful degree of trust, cooperation, and joint problem-solving (Frenkel and Scott 2002; Locke, Amengual and Mangla 2009). In addition, scholars have found that differences in the organization of work can sometimes allow productivity gains that allow for somewhat shorter work hours (Locke et al. 2007). Though Nike has not relinquished the sourcing practices that
give rise to cutthroat competition and exploitative labor relations, the company has become known for its attempts to build relationships with key suppliers and to push for innovations that can at least potentially increase productivity. Regardless of the reason for the difference, the comparison importantly suggests that something above and beyond factory certification may be necessary to support decent conditions in labor intensive industries. Whether or not certified factories are better on average than non-certified factories—a topic we return to in a later section—it is clear that certification is not a sufficient condition for compliance.

**High-Tech Electronics (Shanghai) Co., Ltd.**

A portrait of another SA8000 certified factory illustrates how some firms may seek to use labor standards certification to solidify a competitive advantage. While most firms appear to get certified in response to a specific demand from a buyer, a different path has been taking by at least a handful of firms—and may become more prominent in a context of labor shortages and movement up the value chain. The following information is based on the factory visit and interviews with company management by the authors in July 2011.\(^7\)

High-Tech Electronics was founded in 2006 as a Sino-Korean high-tech joint venture and became a wholly Chinese private high-tech company in 2007. The company focuses on designing and manufacturing of mobile communication terminal products. It is currently China’s No. 1 mobile TV terminal resolution provider and manufacturer with the largest market share. High-Tech’s customers include Motorola, Samsung, Sony Ericsson, and Lenovo. Because it had the monopoly in mobile communication terminal technology in China until most recently, the

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\(^7\) We were introduced to the company by the local government as an international research team studying the impact of SA8000 in China. The company’s Vice President, the HR manager, and the Production Quality Control manager met with us and provided the information. The interviews were conducted in Chinese and were recorded and translated into English. We also visited the company workshops accompanied by management after g the interviews.
profit margin was high—approximately 15-20% in 2010 and reportedly even higher when there was less competition.

High-Tech got SA8000 certification in 2009. According to the VP, the company aimed high from the very beginning and viewed the process of getting certified as a process of self-improvement and becoming a sector leader. It was also viewed as good publicity for a company supplying to well-known MNCs, although its customers were not themselves engaged with SA8000. The certification process took roughly one year and involved cooperation between the HR department and the Production Quality Control department, plus several audits by Bureau Veritas (BV)—an SAI-accredited auditor that the company chose for its cost effectiveness (with audits over three years coming to a total cost of about 60,000-70,000 yuan. (BV has also been much maligned for the quality of its audits, probably more than any other auditor in China (China Labor Watch 2009)).

The company reports roughly 110 production workers in its factory, with labor costs amounting to less than 15% of total costs. Brief observation in the factory revealed that production workers were female workers, most in their early 20s with a minimum of middle school education. About 40% workers had high school or technical vocation school education. Most workers were from places outside Shanghai, such as Anhui, Sichuan, Jiangsu, Hubei. The HR manager said explicitly that the company preferred 21-22 year old female workers with some working experience in electronics sector. While visiting the shops, we noticed that it was simple assembly production, and the required skills for workers were not very high. But it certainly required carefulness and flexible fingers—typically seen as the attraction of young women workers.
According to the HR manager, some workers have worked at the company since 2007 when the company first started production. Annual labor turnover is about 20%. Beginning in 2010, formal employees could sign 3-year labor contracts with the company and they were eligible for unfixed labor contract after two renewals of their 3-year labor contracts according to the 2008 Labor Contract Law. But most production workers were dispatched workers from a labor dispatch company in Fengxian, suburb of Shanghai. Although the HR manager claimed that these workers were interviewed by High-Tech and were employees of High-Tech, the actual labor contract we obtained later showed these workers actually signed labor contracts with the labor dispatch company and they were not formal employees of High-Tech. In the other words, there is no responsibility of High-Tech to sign unfixed labor contracts with the dispatched workers no matter how long they worked at High-Tech. High-Tech paid workers wages directly, but workers’ social security were handled by the dispatch agency based on Fengxian standard, which was of course much lower than the Shanghai standard.

High-Tech’s HR department has four staff (including the department manager). Company union chairman was by a VP. The current work representative was a common production worker who was elected by workers. According to the PQC manager, the work representative was from Sichuan, she complained about meal quality on behalf of workers, which was one of the major complaints among workers.

Regular working hours are 8 hours, 8am-5pm, with 1-hour lunch break and half-an-hour breaks in the morning and afternoon respectively. Shops were clean with air-conditioners (not on though). Production is organized by assembly lines, and line managers were the lowest level managers (similar to group leaders). The automation level was not very high, according to the
VP, they were still in the process of expanding and building new shops and news lines that would advance the process and organization of production.

Workers’ wages were about 2200-2500 yuan per month [base wage (minimum wage of Shanghai) (50%) + seniority wage + bonus (including overtime) plus free meals] Annual wage is around 30,000 yuan. This was considered more than local average.

The VP said many workers actually wanted more overtimes, but because SA8000 sets the limit on overtime, some workers were unhappy about having fewer overtimes and thus smaller pay checks. The VP commented that SA8000 and other international certification programs should consider China’s own unique conditions. The HR manager said there is no difficulty in recruiting workers because the company’s working conditions were good and the company had good reputation for treating workers fairly.

Overall, the information we could gather about High-Tech suggests a factory where workers are receiving somewhat higher wages and working few hours than average. It is also a company that proactively rather than reactively embraced certification. On the other hand, it appears that the company’s labor contracting practices may conflict with SA8000’s requirement that, “The company shall not use labour-only contracting arrangements, consecutive short term contracts, and/or false apprenticeship schemes to avoid fulfilling its obligations to personnel under applicable laws pertaining to labour and social security legislation and regulations.”

**Dongguan Excellent Umbrella**

Labor standards certification is, of course, not limited to SA8000. For factories producing for some American brands and retailers, WRAP certification has become common. For those in the toy industry, certification to the International Council of Toy Industry’s (ICTI)
CARE program is quite common. While these standards are in some ways less rigorous than those of SA8000, they may in some circumstances help to support improvement in factories, as suggested by the example of Dongguan Excellent Umbrella. The information is based on the factory visit and interviews with the factory owner by one of the co-authors in June 2011 in the factory in Dongguan, Guangdong Province. The co-author was also allowed to walk around the factory workshops and talk with workers free from management presence of management.\(^8\)

Excellent is a Taiwanese-owned company founded in 1993 and exporting mainly to the US, Europe, South Korea, and Japan. It is a supplier to Wal-Mart, Target, Disney, and several other companies. In addition to being ISO 9001 certified, the factory has been certified to the ICTI CARE standard, which calls for decent conditions and systems for continuous improvement in labor management. It was first certified to the ICTI standard in 2006 and re-certified most recently in 2011. Ms. Wang, the factory owner, portrayed certification as necessary to receive orders from customers like Disney and Wal-Mart. In addition to certification, the factory is subject to scrutiny from Wal-Mart’s auditors and the SGS auditors hired by Disney.

On one hand, Ms. Wang was frank about her company did some “make-up” for auditors, such as having workers studying and memorize prepared answers to auditors. On the other hand, Ms. Wang mentioned that the process of certification and auditing had some positive impact, especially on workplace safety measures and workers’ living conditions (in dormitories). For instance, Excellent added a new fire-alarm and protection system, installed extra fans in the shops, refurbished factory toilets, and reduced the numbers of workers living in each dorm room from 12 to 8 when preparing for getting certified and auditing. Those requirements were not that difficult to meet and were good for the factory as well.

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\(^8\) The co-authored was introduced to the factory owner through an acquaintance who is a close friend of the factory owner, which explains the openness of the factory owner to the researcher.
This case exemplifies how relatively small but meaningful changes might come about through certification. Interestingly, it also suggests a process by which ceremonial actions to please auditors gradually shifts the operation of the factory. Ms. Wang mentioned that after studying the prepared materials to deal with auditors, workers have become more aware of their rights and would ask for better working conditions and overtime payments. As she summarized about the impact of certification and auditing, “It becomes real if a company fakes a long time” (jia jiu le jiu bian zhen le).

Observation in the factory and brief interviews with workers revealed working hours of approximately 10 hours per day, six days per week. Wages are based on piece-rates, with a base rate of 1100 yuan per month (the minimum wage in Dongguan in 2011) and average earnings around 2,200 RMB per month. The shops appeared clean and had fans on, but there were no air conditioners and the shops felt hot. ⁹ The level of automation was low, with most work being done by hand. There were some chemical and plastic smells in the shop, which Ms. Wang said was normal for an umbrella shop.

**The Challenge of Worker Committees**

As mentioned above, a distinctive feature of SA8000 certification is its call for factories to allow worker committees as a way to promote collective voice among workers in the absence of democratically controlled unions. Apart from SA8000, some brands have also promoted worker committees in their suppliers’ factories. In one provocative case, Reebok went even further, to organize elections for trade union representatives in two of its Chinese supplier factories. The factories did hold elections that were reasonably open, but elected representatives

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⁹ According to a worker the research talked with, the temperature of the shop was not considered hot on that day compared to the temperature in July and August.
struggled to maintain an active, independent role over time in the face of managerial pressure (Chan 2009; Yu 2008).

To date, worker committees—and related experiments, like the Reebok-sponsored election—have allowed brands, retailers, and certification initiatives to claim that they support freedom of association, but they have rarely generated a durable collective voice for workers. Not surprisingly, building worker committees has proven difficult in a setting in which managers are accustomed to high levels of control and turnover is high. According to one labor standards consultant, committees are difficult to sustain due to workers being paid by piece rates (which means they will lose pay if they spend time on a committee, unless management can be convinced otherwise) and due to a “culture of managers doing everything” (interview with labor standards consultant, Beijing, 7/21/11). In the certified factories that we described above, we saw no evidence of robust, empowered worker committees. In most, workers had no knowledge of there being such a committee.

Yet in a small number of cases, brands and certification programs have invested in building the capacities of worker committees. The most visible case of this is Chai Da (later renamed Ying Xie), a factory in south China producing jackets for Timberland. In 2004-05, Social Accountability International tried to do something similar to what Reebok had tried, while also learning from the pitfalls of that experiment. SAI organized an election for a worker committee, which it publicized as a way to move toward more active implementation of standards, an attempt “to help workers play an active, informed role in monitoring company working conditions and engage in a constructive dialogue with management on issues vital to business” (Center for International Private Enterprise and Social Accountability International 2009) (p.8). The SAI representative in China personally worked with both managers and
workers to build the committee (interview with certification representative, Beijing, 12/8/10). A follow-up study in the factory found higher rates of worker satisfaction with communication with management, lower rates of worker turnover, and a small raise that was framed as “an important boost in morale for the workers and was a real step along the path of mature, democratic industrial relations at Ying Xie” (Center for International Private Enterprise and Social Accountability International 2009:19). The progress in the factory got press attention within China, in Time magazine, and among Chinese labor scholars (Huang 2008; Huang and Guo 2006).

But the promise of this committee appears to have been short-lived. In 2008, the factory lost its orders from Timberland, apparently after Philips Van Heusen took over part of Timberland’s apparel business. The manager who had supported the worker elections left the company, and it is not clear if the factory is still operating or not. The advocates and scholars that had worked with this factory were unable to provide an update about the factory (interview with certification representative, Beijing, 12/8/10; interview with labor researchers, Guangzhou, 10/20/10).

Overall, there is no evidence that worker committees have gained the power to act collectively or work independently of management, much less bargain collectively or take up other core labor relations issues. At best, they seem to represent an internal channel for worker suggestions, which are sometimes received well by management. As one compliance official put it, committees are “only a vehicle for communication.” (Guangzhou, Nov. 10, 2010). Furthermore, many certified factories lack even a rudimentary committee. Auditors do little to check whether there is a well-functioning committee, instead simply asking factory managers if there’s a worker representative; “auditors don’t really understand the purpose of the committee,” admitted one certification representative (interview with certification representative, Shenzhen,
11/12/10). Of course, it is possible that more robust worker committees could take hold over time. Migrant workers remain in a vulnerable position, as do labor NGOs in China. But as workers’ expectations and the government’s response to the migrant worker population evolve, it is plausible that cases of effective worker committees will be revealed, though we doubt these would become the norm. We return to questions about the future of labor relations in China in our conclusion.

**Comparing Certified and Uncertified Firms**

While certified factories routinely fail to meet the letter of the standards to which they are certified, this does not necessarily undermine the meaning of labor standards certification. If certified factories are systematically better than other similar factories, even if neither has perfect conditions, then this might be considered a benefit of certification. Indeed, our interviews have revealed that many researchers and practitioners suspect that, despite serious problems, certified factories are on average better than non-certified factories. One player in this field noted that “companies that get certified at least have awareness.” They are at least more likely to “know that fire extinguishers should be there; others may never think about it” (interview with labor standards consultant, Beijing, 7/21/11). The leader of a migrant workers NGO argued that all factories have a long distance to get to the standard of decency and compliance with Chinese labor law but nevertheless suggested that “comparatively speaking, if a factory had certification, protection of workers would be better” (interview with labor NGO, Guangzhou, 12/20/10). A brand compliance official who criticized certification recognized that “certification puts you in a different level because you’ve gone through it. But we would still want to check it [rather than trusting the certification]” (interview with brand compliance manager, Shanghai, 7/13/10).
But is it true that certified factories are better on average than others—and if so, in what ways are they better? This important question has not really been tackled by researchers, largely due to the difficulty of getting information on comparable certified and non-certified factories. In this section, we report preliminary results from an analysis of new data from a survey of managers in manufacturing firms in Guangdong, led by scholars at the Guanghua School of Management at Peking University.

The research focused on five cities—Shenzhen, Dongguan, Zhongshan, Huizhou, and Foshan—all of which are major manufacturing centers. Researchers focused on companies in the following industries: apparel, textiles, footwear, electronic products, electrical equipment, paper products and printing, and plastics. The research also included some non-manufacturing firms, but these are excluded from our analyses.

The sampling strategy was designed to over-sample SA8000 factories, using the public list of SA8000 certified factories as of June 2010. Other firms were selected through business directories and personal contacts, with an attempt to include relevant types of variation across cities and industries. With the help of the Youth League and students from Shenzhen University, researchers contacted the firms, visited, and distributed surveys to four types of managers—production, HR, marketing, and finance—in the sampled firms in 2010. In each firm, the survey was completed most commonly by four managers, though the number ranged from one in several cases to over 15 in one case. Our analyses are limited to manufacturing firms. (There are 137 of these in the sample, but missing data reduces the sample size for some analyses.) The majority of firms produce electronics or appliances (40%), apparel or accessories (13%), or footwear or sports equipment (11%), though the sample also includes producers of metal products, paper/packaging, toys, plastics, and other items.
In total, approximately 26% of the firms in the sample are SA8000 certified. Of course, since the sampling technique deliberately over-sampled certified factories, this is not meaningful as an estimate of the prevalence of certification (which would be far lower). Nevertheless, this sample allows us to examine what types of firms are most likely to be certified and how certified and non-certified firms differ. The certified firms most commonly produce electronics/appliances (36% of the total), footwear/sporting equipment (17% of the total), or apparel/accessories (14% of the total).

Table 1 goes several steps further, to examine factors that may affect the likelihood that Guangdong-based manufacturers are SA8000 certified. We find that the likelihood of a firm being SA8000 certified decreases with size and increases with footwear/sports equipment production and having most of its production come from clients who ask for labor standards. These results suggest that SA8000 certification is driven from demands from clients and disproportionately appeals to smaller, rather than larger, firms. Not surprisingly, there is a positive relationship between export-orientation and SA8000 certification, although this does not reach conventional levels of statistical significance. There is also a suggestive positive effect of profitability on certification, although sorting out the causal ordering here is challenging.

Overall, we find that SA8000 certification in south China is structured by demands from clients, firm size, and to some extent, industry.

Table 2 further utilizes the survey of managers to consider whether certified factories provide different sorts of working environments than non-certified factories. Our ability to measure working conditions with this survey of managers is somewhat limited; managers have an incentive to report only the best features of their companies (perhaps even more so in certified
factories), and many questions on this survey asked for subjective evaluations of the factory’s performance. We focus on two measures, for which we expect managers’ answers to be reliable and valid. First, we consider managers attitudes toward Human Resource management. The survey asked managers to rate the importance of the HR office or department in their company. (We take the mean of their responses on a scale from 1 (does not matter) to 5 (very important)). Though this does not measure exactly how HR procedures are used, it does tap into an important aspect of managers’ perceptions. Given SA8000’s emphasis on management systems and formal personnel policies, we would expect certified factories to attach greater importance to HR management. As a second measure, we consider whether the factory has a medical clinic (which 43% of the sampled firms do). One might expect certified factories to be more likely to have a clinic for several reasons. First, CSR initiatives like SA8000 can be seen as a way of encouraging firms to take on welfare functions (some of which were once provided by the danwei) that migrant workers lack access to in contemporary China. Second, though SA8000 does not require a health clinic, it does emphasize occupational health and safety structures and stipulates that “In the event of a work related injury the company shall provide first aid and assist the worker in obtaining follow-up medical treatment.” A clinic is not the only way to achieve this, but we might expect certified factories to have a formal, reliable way of addressing health issues. In sum, these two measures allow us to assess whether SA8000 certification is linked with more formalized structures for the employment and care of workers.

<TABLE 2 HERE>

As shown in table 2, we find that managers in firms that are SA80000 certified do indeed attach greater importance to the HR office/department than managers in uncertified firms do. Being visited recently by local labor inspectors also increases the importance that managers
attach to HR management, which most likely reflects the role of the 2008 Labor Contract Law in promoting HR systems (interview with labor standards consultant, Beijing, 7/21/11). On the other hand, factories that simply have most of their production going to clients who demand labor standards (i.e., have codes of conduct) do not attach greater importance than others to HR. Neither are export orientation, ownership, or industry linked to the perceived importance of HR. We find no evidence that SA8000 is linked to the likelihood of having a medical clinic for workers. Clinics are more likely in factories producing footwear or sports equipment and in factories where most clients demand labor standards. There is a suggestive effect of firm size on the existence of a clinic, but it does not reach conventional levels of statistical significance. Overall, these findings paint a mixed picture of the meaning of SA8000 within factories. This type of certification seems to support at least a discursive emphasis on HR management. HR management systems were rare in Chinese factories in the late 1990s. They were boosted by the labor contract law of 2008, though there is clearly still variation in their importance. Certification plays a role in explaining that variation. (On the other hand, supplemental results raise doubts about how strongly this discourse is linked to particular hiring and oversight practices.) Certification does not appear to matter for the existence of a medical clinic, other types of CSR standards do appear to be linked to the existence of a clinic. In supplemental models, we have also examined some possible business benefits of certification. Notably, SA8000 is not associated with the perceived ease (by management) of recruiting workers (whether considered generally or in comparison to other firms in the same industry). Neither do SA8000 factories appear to be different from others in terms of their long term partners, stability in orders, or growth in clients or orders. These results—while preliminary—raise important questions about the direct benefits of certification for both workers and firms. At the very least,
they remind us that there is enough variation among certified firms that strong outcomes are difficult to identify.

**Conclusion: CSR, Global Governance, and the Evolution of Labor Relations in China**

The growth of private regulation through factory certification in China is an important case for scholars of global governance. The Chinese case certainly poses severe challenges for advocates of international labor rights. The space for independent labor activism is heavily constrained, and the culture of factory management in China evolved around assumptions of strong managers and docile workers. It is not surprising that the direct effects of factory certification have been quite circumscribed.

Although labor standards certification initiatives have failed to radically transform labor relations in China or elsewhere, our study suggests that they do play a role (albeit limited) in China by catalyzing the rapidly expanding discussion of “corporate social responsibility,” contributing to the maturing of human resource management, and contributing to debate about labor representation and the role of the ACFTU. In addition, there is some evidence that codes of conduct contributed to the initial growth of rights consciousness among workers (Lee 2007), and our research suggests that private standards continue to play a role, albeit not an overpowering one, in helping migrant workers understand what they are entitled to and opening up channels of communication within the factory. In this sense, the experience of global labor standards in China should not be dismissed but rather viewed as a dynamic process with important implications for both the evolution of labor regimes within China and of the international system as a whole.

At the same time, our study and the dynamics currently at working on the labor front in China have also led us to the conclusion that although it is possible for CSR to have productive
linkages to other labor advocacy strategies and forms of change, the most important factors have to do with workers’ bottom-up collective actions (whether organized or unorganized) and government enforcement of labor laws and regulations (often in response to the former). As the 2010 auto strike waves suggested, the extremely disruptive wildcat strikes can result in significant gains for workers (e.g., rising wages, improved working conditions, greater responsiveness of unions to workers on the shopfloor) and amplified social effects that catalyze the transformation of work and industrial relations in China.

In retrospect, throughout the 20th century, “bottom-up pressures from workers and concerns about social unrest from ruling groups have led to new labor legislation and policies designed to stabilize labor markets and industrial relations. Better working conditions, decent wage for decent work, access to more benefits, and long-term employment meant rising living standards for ordinary working people as both laborers and consumers. In this regards, the dynamics currently at work in China are parallel to those in many other developed countries in the early to mid decades of the 20th century” (Global Labor Strategy 2008: 6).

At the same time, however, it is also clear that no mechanical application of general theory will suffice. As this study has illuminated, national context and state institutions matter, and attempts by transnational standards to go beyond what is normally allowed by the state are typically fruitless, especially in the context of a strong state like China. Then the question is whether the clash between international norms and domestic governance produces powerful new experiments, coalitions, and compromises that might play out over time. At the current stage of our study, we can only say that we have not often seen labor-related CSR in China playing this role, at least in its first two decades.
Table 1: Logistic regression analysis of SA8000 certification on selected variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Standard Error</th>
<th>t-statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Log # employees</td>
<td>-0.727**</td>
<td>(-2.79)</td>
<td></td>
</tr>
<tr>
<td>Majority under codes of conduct</td>
<td>1.169*</td>
<td>(1.98)</td>
<td></td>
</tr>
<tr>
<td>Majority exported</td>
<td>1.125</td>
<td>(1.53)</td>
<td></td>
</tr>
<tr>
<td>Foreign owned</td>
<td>-0.0408</td>
<td>(-0.06)</td>
<td></td>
</tr>
<tr>
<td>Profit</td>
<td>0.580</td>
<td>(1.52)</td>
<td></td>
</tr>
<tr>
<td>Ind: Apparel or accessories</td>
<td>-0.0778</td>
<td>(-0.09)</td>
<td></td>
</tr>
<tr>
<td>Ind: Electronics or appliances</td>
<td>0.615</td>
<td>(0.99)</td>
<td></td>
</tr>
<tr>
<td>Ind: Footwear/sports equip.</td>
<td>1.630*</td>
<td>(1.99)</td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>0.105</td>
<td>(0.06)</td>
<td></td>
</tr>
</tbody>
</table>

\(N = 102\)

Omitted categories: + \(p < 0.10\), * \(p < 0.05\), ** \(p < 0.01\), *** \(p < 0.001\)

Industry: Other 2-tailed tests, t-statistics in parentheses
Table 2: Regression analyses of Human Resource and health infrastructure on SA8000 certification and other selected variables

<table>
<thead>
<tr>
<th></th>
<th>Importance of HR dept. (OLS)</th>
<th>Health clinic (logistic)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SA8000 certified</td>
<td>0.333*</td>
<td>-0.545</td>
</tr>
<tr>
<td></td>
<td>(2.03)</td>
<td>(-0.87)</td>
</tr>
<tr>
<td>Gov. inspected in 2009</td>
<td>0.304*</td>
<td>-0.229</td>
</tr>
<tr>
<td></td>
<td>(2.21)</td>
<td>(-0.43)</td>
</tr>
<tr>
<td>Majority of production under codes of conduct</td>
<td>-0.122 (1.298*)</td>
<td>1.298*</td>
</tr>
<tr>
<td></td>
<td>(-0.78)</td>
<td>(2.08)</td>
</tr>
<tr>
<td>Log # employees</td>
<td>0.0916</td>
<td>0.376</td>
</tr>
<tr>
<td></td>
<td>(1.40)</td>
<td>(1.39)</td>
</tr>
<tr>
<td>Majority exported</td>
<td>0.0751</td>
<td>-0.391</td>
</tr>
<tr>
<td></td>
<td>(0.46)</td>
<td>(-0.62)</td>
</tr>
<tr>
<td>Foreign owned</td>
<td>0.0991</td>
<td>-0.209</td>
</tr>
<tr>
<td></td>
<td>(0.59)</td>
<td>(-0.33)</td>
</tr>
<tr>
<td>Profit</td>
<td>0.140</td>
<td>-0.302</td>
</tr>
<tr>
<td></td>
<td>(1.16)</td>
<td>(-0.66)</td>
</tr>
<tr>
<td>Cash flow</td>
<td>-0.0919</td>
<td>0.694</td>
</tr>
<tr>
<td></td>
<td>(-0.57)</td>
<td>(1.11)</td>
</tr>
<tr>
<td>Ind: Apparel or accessories</td>
<td>-0.155</td>
<td>0.993</td>
</tr>
<tr>
<td></td>
<td>(-0.73)</td>
<td>(1.10)</td>
</tr>
<tr>
<td>Ind: Electronics or appliances</td>
<td>0.0164</td>
<td>0.0885</td>
</tr>
<tr>
<td></td>
<td>(0.10)</td>
<td>(0.16)</td>
</tr>
<tr>
<td>Ind: Footwear/sports equip.</td>
<td>-0.0659</td>
<td>2.615*</td>
</tr>
<tr>
<td></td>
<td>(-0.28)</td>
<td>(2.13)</td>
</tr>
<tr>
<td>Constant</td>
<td>3.211***</td>
<td>-4.154*</td>
</tr>
<tr>
<td></td>
<td>(6.11)</td>
<td>(-2.03)</td>
</tr>
</tbody>
</table>

N = 88 89

Omitted categories: p < 0.10, * p < 0.05, ** p < 0.01, *** p < 0.001

Industry: Other 2-tailed tests, t-statistics in parentheses
References


