

Chapter 9

The Relationships Between Employees and Organizations

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On July 24, 2009, after learning the merger of their company and Jianlong Heavy Industry Group would lead to their layoffs, about 1000 employees of Jilin Tonghua Steel Group started a riot, and it lasted for 10 hours. The general manager of the new corporation, who used to be the vice CEO of Jianlong Group, Chen Guojun, was beaten to death in Jianlong Group's offices while confronting a group of workers who were against the merger. That evening, Jilin Provincial State-owned Assets Supervision and Administration Commission announced that Jianlong Group would no longer be involved in the restructuring of Jilin Tonghua Steel Group. Herein, an attempt at restructuring in the steel industry ended tragically, and the result was "people went forward, the state compromised".

Some commentators deem that, during this incident, it was the Jilin Provincial State-owned Assets Supervision and Administration Commission which had been negotiating with Jianlong Group on behalf of Jilin Tonghua Steel Group, and the interests of the employees, the main body of the enterprise, had been ignored. The "setting up" was a non-market behavior and, together with the insurmountable barrier created by the types of ownership involved, was the reason for the workers being angry with Jianlong Group (Xinhua News 2009).

This incident totally reflects the complexity and the fraught situation of the relationship between enterprises and employees in China today. Properly dealing with the relationship between an enterprise and its employees is the precondition for effective people management. During the 30 years of Reform and Opening-up, changes in the ownership of enterprises and the role of governments have made the relationship between enterprises and employees complex and variable. This chapter investigates the evolution and the dilemma of organization-employee relationships, and some Chinese enterprises' preliminary explorations into improving labor relations.

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9.1 The Evolution of Labor Relations Between Enterprises and Employees

In law, labor relations are defined as the social economic relationships between employees and employers (including all kinds of enterprises, private business owners, institutes etc.) during their working processes. Generally speaking, any social relations caused by engaging in labor between any employees and any kinds of employers belong to labor relations (Lwas and Regulation Publishing Centre 2008).

There are substantial differences between China and Western countries in terms of political system and economic structure; however, certain similarities exist in terms of economic marketization, industrialization and the process of urbanization. Thus, on some level, the evolution of labor relations in Western countries is worth considering. Western countries have developed different kinds of labor relations during the interactions between labor and management (Millward 2005); different kinds that reflect different tendencies from the point of view that labor and management are fundamentally contradicted.

If the conclusion is that the interests of labor and management are consistent, then labor relations can be viewed from the unitarist perspective. In unitarism, the organization is perceived as an integrated and harmonious whole with the ideal of “one happy family”, where management and other members of the staff all share a common purpose, emphasizing mutual cooperation. Furthermore, unitarism has a paternalistic approach which demands the loyalty of all employees.

The neo-unitarist philosophy of labor relations is the new derivative of unitarism. It is a market-oriented philosophy where the whole organization is geared to success in the marketplace, with commitment to customer satisfaction and high standards of quality. It emphasizes the importance of the development and maintenance of an organizational culture that seeks to develop everyone to their full potential and hence secure their full and enthusiastic commitment to the aims of the organization. A key component of neo-unitarism is the importance given to human resources management. It focuses strongly on the training of individuals, providing them with a career development plan, opportunities for promotion and performance-related pay.

Labor relations can also be viewed from the conflict or radical perspective if capital and labor are fundamentally inconsistent and in interest and are impossible to reconcile. There is a fundamental division of interest between capital and labor, and therefore conflict is unavoidable and trade unions are a natural response of workers to the conflict. The two parties engage in the game based on self-interests. Organizations can development only through the balance between the owners’ and labor’s interest.

The pluralist perspective holds that if conflict between capital and labor is inconsistent but can reconcile. Different from the conflict perspective, pluralist perspective believe conflict can be resolved peacefully in a better way. Organizations should seek to resolve any conflicts by reaching a workable compromise

acceptable to all stakeholders, hence collective bargaining and union play an important role. Each group within the stakeholders can maintain balance in order to gain self-interest.

The evolution of labor relations in China has been full of complexity. It went through two typical phases: the first phase was the unified labor regime from 1949 to 1978; the representative of this period is the labor relations of state-owned enterprises. The second phase is the fragmented labor regime which formed after 1978; various kinds of labor relations existed during this period. Due to the differences in the macro economy and policy environments, as well as the inertia of path dependence, the labor relations modes of state-owned enterprises, private enterprises and foreign-invested enterprises experienced three different evolutionary paths, and formed different labor relations with their own features.

9.1.1 The Evolution of the Labor Relations of State-Owned Enterprises: From Completely Attached to Differentially Attached

State-owned enterprises (including state-run enterprises in early times) are an economic form under public ownership. It doesn't have the characteristics of capital; conflicts borne from capital hiring labor (as described by Karl Marx) traditionally do not exist in this regard.

State-owned enterprises in early times mostly adopted the patriarchal management method, namely enterprises (and management) have all kinds of unlimited power, while also having the responsibility to take care of the employees like parents taking care of their children. Enterprises were a paternalistic asylum for employees (Walder 1996), providing employees with different kinds of social and public welfare, while expecting and requesting employees to show unconditional dedication and loyalty. The feature of the labor relations model during this period of time is a vertical relationship with high attachment. At this phase, the labor relations of state-owned enterprises have the characteristics of the unitarist perspective.

Since the 1980s, the reforms of state-owned enterprises and collective-owned enterprises, the marketization of labor relations and compensation systems, the socialization and marketization of social security systems, as well as the revocation of the welfare systems, progressively broke the identity-based and unit-based labor relations which had high attachment to the old planned economy period. In the 1990s, enterprises enforced full reforms and entered marketization. The workers in state-owned enterprises gradually became common employees in the labor market. Some of them were employed in the labor market, and others became unemployed due to the "downsize staff and improve efficiency" policy enacted during the reform of state-owned enterprises. Enterprises and employees formed a market-oriented labor exchange relationship. After the reforms, the management of enterprises

accrued significant power, including recruitment, planning of compensation and personnel management. The pursuit of economic targets had the potential to cause interest conflicts between management and workers. Meanwhile, the labor relations model of the planned economy period could also affect the establishment of labor relations at this stage. In addition, administrative power still played a certain role, as did the function of the market. Under these multiple influences, the labor relations of state-owned enterprises divided into three different forms around the year 2000 (Tong 2008).

The first form basically extended the paternalistic style of state-run enterprises. After restructuring, incomes remained equal and homogeneous inside the enterprises (Wang et al. 1992); the internal management method also stayed human interest-oriented. The socialization and marketization of the welfare security system didn't really reduce employees' welfare and remunerations. Workers still had quite strong dependency feelings. This type of labor relations typically exists in large-scale monopolized state-owned enterprises which have good economic efficiencies, such as large-scale energy enterprises, petrol corporations, and electric power corporations.

The second type of labor relations shows as a despotic management from top management. Due to the fact that the supervision and control by the government of state-owned enterprises are quite weak; many enterprises are fully controlled by their top management (Chang and Qiao 2009). Meanwhile, the adoption of scientific management methods and the promotion of marketization have eliminated the dependency relations between workers and enterprises. Part of this type of labor relationship reflects the pluralist perspective. Some state-owned enterprises which have gone public at deeper marketization level are the representatives of this labor relations type.

When Liu Chuanzhi was responding to the article "Company is not home", written by employees of Lenovo, he said: We cannot see a company as a real family. In a family, children are allowed to have different kinds of faults, make different kinds of mistakes, and parents are always tolerant; but in a company, it can't be like that.

In the article "Company is not home", it mentioned the issue that leaders made mistakes in strategic adjustment, but regular employees were held responsible for it. When I looked at this point, I stopped and did some deep thinking. I think he was right. This time, the lay-off of some staff is the result of the mistakes made in decision-making by some leaders; it is also caused by mistakes in the strategic planning. This is a very painful thing. So, we should sincerely say "sorry" to those who got laid off. However, as the chairman of the board, I will always be developmental oriented (China Youth Daily 2004).

The third type of labor relations presents as a conflict type. Some state-owned enterprises employ large amounts of unofficial labor, such as migrant workers. This group of workers does the same work as official workers, but receives lower incomes and entitlements, which becomes an effective way for enterprises to reduce their labor costs. This unequal relationship, in which one party occupies the major advantage, is specific to a special group of the population. It exists in large-scale state-owned industrial manufacturing enterprises, shipyards etc.

The ownership reform of enterprises is one important part of China's economic reform; the change in ownership leads to changes in the roles and status of enterprises and workers. The nature of the labor relations of foreign-invested companies and private enterprises has reflected the principle of "capital hires labor".

9.1.2 Foreign-Invested Enterprises: Co-existence of Conflicts and Harmony

Foreign-invested enterprises became a very important economic force after they came to China. The labor relations of foreign-invested enterprises can be divided into two models (Tong 2005).

The first type is a conflicting labor relationship. In this relationship, the capital side reduces employees' incomes and welfare or deliberately increases working hours to gain more residual value; and employees become unhappy about it to the point where they protest against it. This type of labor relations mainly exists in foreign enterprises which engage in outsourcing of processing (including joint ventures), such as shoe making or garment enterprises etc.

The second type is neo-unitarist labor relations. This kind of labor relations is based on the principle that the long-term interests of both the capital side and the labor side are consistent. Enterprises use various human resource measures to include employees' benefits in their future development. This kind of enterprise provides employees with favorable welfare security, diverse training, development opportunities and career plans, as well as diversified job design. Enterprises try to use these measures to gain the loyalty and dedication of the employees. Prestigious transnational companies, especially American and European companies mainly belong to this type.

"What kind of company is Motorola? How are your wages and conditions? Do you provide housing?" These are the questions which Lin Caian, who was the vice CEO and the HR director for the Asia-pacific region of Motorola Company, encountered the most when he first came to China to conduct recruitment. When Lin Caian realized that "providing housing" was a big attraction to Chinese talents, he applied for a fund from the global CEO at that time and promoted the "EHOP" program in China, which was to build residential buildings for Motorola employees in China. The company also provided loans to employees to help them buy the houses. This successful move won Motorola many local great talents; it was also a successful move in achieving localization of Motorola.

In 1995, Motorola built a high-quality housing estate, "Motorola village", in a prime part of Tianjin city. Then it provided the employees with housing funds and long-term loans that were 2 % lower than those offered by banks, to help the employees purchase houses. Employees who worked with the company for longer than 10 years would have the ownership of the houses. In "Motorola village", there were shopping malls, kindergartens, home service centers and other supporting facilities (Zhou 2004).

9.1.3 *Private Enterprises: Centralized Representation of Market Despotism*

Chinese private enterprises are similar to private capital in a regular market economy, in that they hire labor and gain residual value. Employers not only have predominance in labor relations, but also control labor relations by controlling the production process. Even though the labor relations of some private enterprises show as neo-unitarist, due to the features of the industry and the concept of values of the entrepreneurs themselves, most private enterprises reflect the conflict nature of labor relations.

Private enterprises where the conflict-type labor relations extensively exist, as well as some foreign enterprises and a few state-owned enterprises, which also have this type of labor relations, are actually following the path of market despotism, where the market plays the decisive role in labor relations. Under this type of labor relations, the capital side takes the lead and control, workers receive unfair treatment. The main characteristics are: low income (in some enterprises, even the minimum wage standard is not met); severe delay of salary (according to an investigation by the All China Federation of Trade Unions in 2006, only 6 % of migrant workers received their monthly salaries on time); very low labor contracting level (there are no laws to secure the entitlements of workers); bad working conditions and intense labor (incidents caused by bad production conditions are frequent); long working hours (45 % of the manufacturing enterprises in the area of the Pearl River delta have shifts lasting 12–14 h a day); lack of social security (workers don't have some or any pension, unemployment, healthcare, working injury or maternity entitlements; they are basically uninsured); lack of basic occupational training (on one hand, workers don't have opportunities for self-development, on the other, it is the source of frequent industrial accidents).

Migrant worker Zhang Haichao from Xinmi in Henan Province suspected he had pneumoconiosis from working in a local factory, and many authoritative hospitals confirmed the diagnosis (pneumoconiosis is an occupational disease associated with breathing coal dust). However, in a designated health institute for diagnosing occupational diseases, the Zhengzhou City Occupational Disease Prevention Center, he was diagnosed as having pulmonary tuberculosis. After seeking help from many places but with no results, he took drastic action. On June 22, 2009, he went to Zhengzhou University First Hospital and had his chest opened by surgery. It was a desperate and radical move but it proved he had pneumoconiosis, not pulmonary tuberculosis (Li 2009).

Up until July 26, 2009, the legal and public disturbance caused by Zhang Haichao's actions showed no sign of quieting down. Zhang Haichao claimed that, "if necessary, I would like to open my chest and test my lung for the second time". This incident attracted the close attention of the Ministry of Health. A few days ago, the Ministry of Health sent out an expert team to Henan province to supervise the settlement of this incident. The expert team made a special trip to Zhang Haichao's home for a group consultation (Wang 2009).

These market despotism-type enterprises all have vivid features of the industry. Most of them belong to labor-intensive or capital-intensive enterprises. They mainly seek to accumulate profit through reducing costs, especially labor costs. We all know

that cheap labor is the main support of China's low-price manufacturing industry. Even though it wins a big amount of production orders, the profits are limited. There is a children's toy on sale on the American market. The retail price for each toy is 100 US dollars. However, the manufacturer in China and the trade company together only receive ten dollars, which is only 10 % of the retail price of the product; and the labor cost is a big part of the total cost. Slender residual profits force enterprises to take measures to cut down the labor cost.

The forming of conflict-type labor relations mainly lies in the severe imbalance between capital and labor. From the perspective of market demand and supply, there is a big amount of excess labor of the same quality in the labor market. Since the 1980s, excess labor from the rural areas started to move to areas where the economy was better developed, and formed a "migrant worker wave". Nowadays, the number of migrant workers exceeds 200 million. The situation where supply far exceeded demand in the labor market certainly led to the demand side obtaining qualified labor despite depressing the price. Low labor cost has helped the profit accumulation of enterprises, and also made a great contribution to China's economic miracle.

However, we should also recognize that the labor relations decided by market demand and supply will change in line with changes in the labor market. In the spring of 2004, a "worker famine" started to appear in coastal areas and even in some inland areas; the supply of labor was insufficient. Some enterprises could only maintain minimum production. Even in 2008, when the economy had recovered, this situation didn't change much. Let's use Dongguan city as an example. The financial crisis in early 2009 caused the unemployment of 600,000 migrant workers and a million migrant workers left the city. In the second half of the year, purchasing orders recovered; however, 99 % of the enterprises had difficulty in hiring workers, causing them to turn away orders.

Many enterprises attracted workers by directly raising salaries. From the short-term point of view, the welfare policies of enterprises can attract employees, alleviate temporary shortages and reach a new balance between demand and supply.

In the Chiling industrial district of Hou Street, Dongguan city, there are more than 20 enterprises hanging out recruitment signs on the street every day, they even stop people on the street. In addition, the requirements for jobs on the recruiting board are also lower than before; "not limited to experienced workers, both male and female are eligible" are especially marked. Some enterprises even have cars waiting there. When interested people come along, they will immediately send them off to the company for free. An officer from a Hong Kong-invested shoe factory told our reporter that many purchase orders had been received recently, but they were suffering from a labor shortage.

In the face of the coming severe "worker famine", enterprises in Dongguan city have used various methods to cope. Besides upgrading equipment and reducing numbers of workers on each post, they also use a human-based management model, keeping existing employees by improving their entitlements and enriching their lives.

Compared with other garment factories around, which are all having difficulty recruiting, one garment factory in Dongguan is full of people. The officer in charge of this factory said the basic way they kept workers was increasing their remuneration; besides increasing their salaries, human-based management was also needed, which

included improving workers' accommodation conditions, enriching their lifestyles, and setting some encouragement awards, such as an award for old employees introducing new employees, an award for a new employee reporting to duty etc. He also said that solving the "worker famine" was not only about dragging new people in, but investing more energy in keeping existing employees and discovering their value was more important (HongKong Takung Newspaper 2010).

From this continuous 7-year "worker famine" (2004–2010), we can see that China's labor supply shortage is becoming the reality. According to the United Nations' forecast on population, the growth rate of Chinese labor age will start to decrease fast; the working age population will comparatively decrease or absolutely decrease. The internal structure of the population at labor age will also age. All these trends will eventually lead to the shortage of labor becoming entrenched (Cai 2006). The "demographic dividend" will also disappear.

In addition, from the 1980s to the early twenty-first century, in order to promote economic development, the government did not regulate or control, or make any intervention in labor relations by taking the position of not compulsorily intervening in the market, which is the external reason for the prevalence of market despotism and the forming of conflict labor relations.

9.1.4 Government's Role During the Evolution of Labor Relations: From Functioning, to "No Action", to Functioning Again

Government is the main influencing factor for the change of China's labor relations. Government's role changed from unified empire, to "government backwards, people forward", then to "government forwards, people backward" again, which created the historic change of functioning-no action-functioning. In detail, the state's influence on enterprises changed from being parents which took care of all to a walk-away shopkeeper, and then to a harmonious macro environment builder. The labor relations between Chinese enterprises and employees transformed during these different levels of government intervention.

Under the planned economy, the government showed an "all-round" feature. The state was the only "employer"; the government directly controlled all areas of the enterprises, and determined the model and content of labor relations; the management and workers in the enterprises were all an "employed group". From this perspective, labor relations were more like a kind of administrative relations. Under this kind of labor relations, enterprises have no real stakeholders. The difference between enterprises and employees is just a different social division of labor. Workers are fully attached to the enterprises and the government.

The role of the government changed after the reform of state-owned enterprises. It withdrew from enterprises' labor relations and the supply of social welfare; workers lost various kinds of rights and welfare. The government also increased the management power of the enterprise owners while withdrawing from the

enterprises, which resulted in enterprises becoming independent economic entities. The management level of the enterprises had the power to decide on hiring, salary or other human resource matters. This put enterprises and employees on each side of the employment relationship. Traditional labor relations developed from an “administrative relationship” to a “contract-based relationship”. The government fully withdrew from the labor relations arena and let the market take the lead; however, all the mechanisms in the labor market were not completed yet, which caused the labor relations between enterprises and employees to transform into a “non-organized market despotism” situation. The labor relations between enterprises and employees were getting worse by day; disputes happened frequently and even affected social stability.

In addition, governments were blindly, enthusiastically pursuing economic development so much so that they tended to ignore the rights of workers. In a worse case scenario, some local government officials and employers would support each other, with enterprises assisting government officials to achieve political performance, while government officials deliberately ignoring the rights of workers; these all fostered the growth of market despotism.

In 2003, the new central government proposed “use the power in the interests of people, empathize with the feelings of people, work for the wellbeing of people” and the concept of a “harmonious society”. It started to pay attention to social justice and protect the interests of vulnerable groups. The government started to play its macro-control function, adjusting and guiding enterprises’ labor relations through legislation and execution.

Under the guidance of the Chinese government’s objective of establishing a “harmonious society”, a new labor law was issued which encouraged the setting up of trade unions inside enterprises, together with the growing of the market economy. This entire external environment led Chinese enterprises’ labor relations in both easing and intensifying directions. On one hand, for those enterprises who actively responded to the government’s call and complied with the new labor law, their labor relations were going in a moderate and positive direction. Taking state-owned enterprises as an example: a state-owned enterprise has unique internal and external environments which other business entities don’t, so it is most likely to develop a neo-unitarist type of labor relations. Currently, the stable employment relations and good welfare of state-owned enterprises have attracted many talented people to come back to work for them; it is also becoming the most attractive employer for new university graduates. On the other hand, for those enterprises that continued to enforce full control compulsorily in this big environment, employees have started to use legal means to protect their own interests, which has intensified labor relations. Legal cases involving labor relations shapely increase in recent years. The amount of labor disputes have increased from 135,000 cases in 2000 to 317,000 cases in 2006, and to 944,000 cases in 2008 (China Statistics Press 2001, 2007, 2009). From these figures, we can see that the government is getting involved in the relations between enterprises and employees, and playing an important adjusting and control function.

In August 2009, China HR.com posted “The seventh investigation report of the best employer to Chinese university students”. It shows that 34.1 % of the students chose state-owned enterprises; followed by foreign-invested companies and joint venture corporations, the percentages for which were 23.0 % and 17.5 %, respectively.

According to the analysis of ChinaHR.com, the number of people who are choosing state-owned enterprises is growing year by year: from 17.9 % in 2007, to 23.1 % in 2008, then to this year's 34.1 %; the percentage of students choosing state-owned enterprises has doubled. Conversely, the number of people who choose foreign-invested companies, joint venture corporations, and private business decreased each year. Since the best employer investigation 2002, “foreign-invested company”, for the first time, fell behind “state-owned enterprise” and was listed as second most popular (HR Manager 2009).

9.2 The Dilemma of Business Owners in Labor Relations

The above mentioned current status of the labor relations of China's enterprises shows that two opposite opinions are formed by enterprise runners in labor relations: one is that the interests of enterprise and workers are consistent; the other one is that the interests of the two parties are contradicted. Looking at it from another angle, how enterprise runners define the role of workers, namely are workers the resources of or costs to an enterprise, decides the kind of labor relations model they choose to adopt. This is also the core issue of Western management theory and practice converting from traditional personnel management to modern human resources management. Enterprise runners face many contradictions and confusion in defining the role of workers, which makes it hard for them to solve labor relations effectively.

9.2.1 *Survival or Charity?*

We cannot deny that maximizing profits is the priority target for the development of an enterprise; it is also a necessary tool for an enterprise to survive in the market. Most of the enterprises with conflicting labor relations are facing cruel market competition and survival challenges. Firstly, there is competition from the international market: enterprises supplying to the international market are mostly labor-intensive enterprises with low technical levels, so only cheap labor can gain them comparative advantages. Therefore, cutting labor costs becomes their priority strategy. Secondly, enterprises in the same industry frequently use the low-price competition model, so, if an enterprise lifts its labor cost, there is a high possibility it might be replaced by other competitors in the market. Due to this pressure, enterprises have to adopt the low-price measure.

However, enterprise owners are not simply economic persons, they are humans with feelings. People are born innocent; nobody takes exploiting and oppressing people as a pleasure. For example, when a devastating earthquake struck Sichuan in

2008, private enterprises in Jiangsu province donated 1.2 billion Yuan to the disaster area; and 80 out of 100 people on the “2007 Hurun Rich list” made donations totaling 1.04 billion. This shows private entrepreneurs do have a heart. So, how come they cannot treat their own employees well?

In facing the choice between surviving in the market and treating employees well, there is no doubt that enterprises would choose the first one. Only after having secured their place in the market can enterprises spare the energy to start thinking about their employees. So, is survival in the market and treating employees well really contradicted?

9.2.2 Is Treating Employees Well a Waste of Money?

Many private business owners think that improving working conditions, raising salaries and other measures will add costs. The labor output cannot balance the added cost, so it's not good business.

Enterprise owners may have limited understandings on labor output. Labor output actually has multiple meanings. It most directly shows as the increasing of the quantity and quality of products, like in the garment or toy industries. In addition, labor output also has other forms, like the loyalty and satisfaction of employees to their enterprises. Research shows that employees who are loyal and happy with their employers will be fully dedicated to their work and are happy to take on extra work, which is beneficial to the enterprises and their colleagues. For example, there are enterprises which lost no employees during the “worker famine”. This certainly will secure the long, stable development of those enterprises. Enterprises with a low operation rate due to a lack of labor will suffer bigger losses.

In 2004, when the “worker famine” happened, an electronic factory in Dongguan city, Guangdong province lost no employees. They even put up an advertisement to recruit 100 people and, as a result, 2000 people showed up to apply. The main reason is this factory treated its employees very well. Employees not only have access to an Internet bar, movie bar, coffee bar, gym, library and other facilities, their dorms and cafeteria are very clean and bright. In addition, they also receive a 12 Yuan meal subsidy per person per day. In such an environment, employees are always in a good mood; they get along well with the management, value their work opportunities, and their working efficiency is much higher than other enterprises. The owner of factory said: “I invested one billion in this factory; only 6 million was used to build entertainment facilities for employees. When employees recognize the company and feel like they are at home here, they work much harder.” His conclusion is: “treat employees nicely, the return will be even better” (Yang 2005).

More importantly, the output from the workers' good working attitudes can be further transformed into benefits for the company. Companies can “plant joy, and grow profits”, a point that has been proved by many research results. Hewitt Associates conducts a campaign called “Top 10 Chinese employers” every 2 years. It found, for every 3 % rise in employee dedication rate, the customer

satisfaction rate rises 5 %; and, for companies with a dedication rate of more than 80 % among their employees, average profit growth was 20 % higher than other companies in the same industry (Global Sources 2008a). An investigation by Denison Consulting shows that, between 1996 and 2004, annual sales revenue only increased 0.1 % for those companies whose employees were not happy; but for companies where employees were happy, their sales revenue increased by 15.1 % in the same period. Management expert David Maister said that, if enterprises could raise the satisfaction rate of their employees by 20 %, their financial performance would increase 42 % (Global Sources 2008b).

To sum up, caring about employees does not run counter to a company's profitability. It is not like you can only have one or the other. The moods of employees can directly affect the growth of profit for a company.

9.2.3 Is Profit the Objective or the Tool of Enterprise Owners?

Even though profit is the core objective of the development of enterprises, what does profit really mean to those who operate the enterprises? Is it a driving force for the expansion and development of enterprises? And what is the purpose of the development? Gaining more profit? If profit is the ultimate target, then the significance for business owners would be the increasing of fortune. If development is the ultimate target, then what business owners want might be the honor of the successful development of their enterprises. However, these two aspects don't seem to be, or not entirely to be, the goals of business owners.

Maybe we should consider the initial goals of entrepreneurs in establishing their enterprises. Many excellent entrepreneurs have their own dreams; their enterprises exist to accomplish those dreams. The president of Shengda Interactive Entertainment Limited Chen Tianqiao once said his dream was to build up an entertainment empire. Ma Yun's dream for the past 10 years is "let there be no difficulties in doing business"; and in the future 10 years, "Alibaba's goal is to forge the new civilization for e-commerce. It hopes to build up an information platform for the existence and growth of the ten million middle- to small-sized enterprises in the world, and to build an electronic consumption platform for one billion people around the globe. It believes that the future 30 years will be a fast-developing period for e-commerce". To this type of entrepreneur, enterprises and profits are just tools for making their dreams come true, and employees are their allies along the way; unlike another opinion which deems that everything is for profit. As Ma Yun said: "I do not think money is the goal, money is an outcome. If a company only pursues money, it will never succeed."

9.2.4 *Are an Enterprise's Economic Goals Contradictory to Law and Social Responsibility?*

An enterprise is the economic entity in the market; it is also one of the important units which constitute society. It plays an important role in social activities. Both international and domestic experiences show that the running and development of an enterprise are certainly affected and restricted by social factors. All the behaviors (economic behaviors) of an enterprise need to be in compliance with social institutions, rules and laws, and social development. This double-character requires an enterprise to always seek a balance between economic interests, laws and regulations, and social responsibilities.

Some enterprises deem that laws and social responsibilities are obstacles to maximizing economic interests; they think complying with social responsibilities and labor-related laws adds extra costs, and that will hurt their economic benefits. Pollution, mine disasters, poisoned milk powder, poisoned silk noodles, TEFLON, Sudan red, Paraffin . . . all these cases, which made headlines in China, are typical examples of enterprises' causing damage or having a bad influence on society while pursuing economic benefits.

Some enterprises have used different preventive and coping methods to avoid the potential extra cost of complying with the new Labor Contract Law. For example, Walmart's global purchasing center used a strategy of "dismissal with no conditions" as a method to reduce the possible increased labor cost which might be incurred as a result of the enforcement of the labor law.

At the end of 2007, part-time employees of Wal-Mart Stores, Inc. suddenly received notice they were being fired without reasons being given. China is the main disaster area of this lay-off. 100 people were dismissed, which is half of the total number being dismissed. A legal expert claimed that this action had violated the labor law, at least its procedural part (Chen 2007).

The "most expensive cleaning lady in history" case is an example of how an enterprise took irresponsible action within the limits of the law. We cannot deny that there are many blank and weak areas in China's current legal system, and the execution of the law is also relatively weak; and this provides enterprises with opportunities for rent-seeking or position-seeking. It is worth making one point clear: the law is the bottom line that enterprises should never cross when performing their social economic activities. Complying with the law is part of an enterprise's social responsibility.

In August 2007, the case of "the most expensive cleaning lady" caused a big debate on the Internet. On May 21, 2007, Ms Xiao Ting (alias) received the news that the project team she was in was being dismissed. About 10 employees were going to be laid off, including her. The company was ending the contract with her on May 29 and she had just found out that she was pregnant. On July 30, the HR department of the company issued her a new contract with the same salary as before but a different position: "employee is responsible for cleaning male and female washrooms; she is also responsible for the cleaning and disinfecting of the floor, rubbish bins, toilets and basins." Even though her monthly salary

was still 9,000 Yuan, Xiao Ting deemed this contract was a violation of her rights. Later, under the mediation of the city women's federation, the company and Xiao Ting signed an agreement that the company would provide certain compensation to Xiao Ting under the condition of maintaining the labor relations of both parties, and Xiao Ting would not work as a "cleaning lady" (Zhou 2008).

Nobel Prize-winning economist Milton Friedman had an article, "The social responsibility of business is to increase its profits", published in the New York Times in 1970. His point was basically that profits and the social responsibility of enterprises were of equal importance. The article has also become the mainstream point of view on this issue in American enterprise circles for the past 30 years. Since the start of the twenty-first century, scandals have constantly occurred in Wall Street companies, which has caused people to wonder whether their opinions on corporate social responsibility are too narrow. In 2005, John Mackey,¹ Milton Friedman and T.J. Rodgers² debated the meaning of social responsibility in the American magazine Reason. From their arguments, we can see that the conflicts between these people are the conflicts of values at a deeper level rather than the question of whether enterprises should perform social responsibility. With regard to the point that enterprises should perform their social responsibilities, they reached a consensus:

... .businesses were created by entrepreneurs with goals beyond maximizing profits, and that these goals are neither "hypocritical" nor "cloaking devices" but are aiming at benefiting for the society. John Mackey (2007)

... .I shall try to explain why my statement that "the social responsibility of business [is] to increase its profits" and Mackey's statement that "the enlightened corporation should try to create value for all of its constituencies" are equivalent. Note first that I refer to social responsibility, not financial, or accounting, or legal. It is social responsibility precisely includes the constituencies to which Mackey refers. Maximizing profits is an end from the private point of view; it is a means from the social point of view. A social mechanism based on private property and free markets is a sophisticated system of enabling people to cooperate in their economic activities without compulsion; it enables individual knowledge and social resources to combine together and play roles in the most efficient way. (Friedman 2007)

It is simply good business for a company to cater to its customers, train and retain its employees, build long-term positive relationships with its suppliers, and become a good citizen in its community, including performing some philanthropic activity. T.J. Rodgers (2007)

Complying with laws and carrying social responsibility doesn't always directly lead to a reduction in profits. From a long-term perspective, the two sides can balance each other and promote each other. If an enterprise is responsible enough to carry social responsibility, both the consumers and clients will show more respect and recognition to it, which will build a good public image for the enterprise, and therefore, its competitiveness will be increased. For example, Vanke Group became aware of the importance of social responsibility earlier than other enterprises in the

¹ The founder and CEO of US Whole Food.

² The founder of Cypress Semiconductor.

industry. It made the effort to think about and practice its behaviors as a corporate citizen from three dimensions, which are environmental, operational and social. Vanke Group was named “The most respected employer in China” six times in a row. It was also selected in the “Top ten most respected enterprises in China” by The Wall Street Journal in 2008, which won it large social support, and the recognition and return of consumers.

The influence of corporate social responsibility on the performance of an enterprise has also attracted the attention of scholars. So far, there is no consensus on the conclusion of the relationship between these two. Some scholars (Griffin and Mahon 1997) discovered from reviewing a study from 1972 to 2006 that, among 60 papers analyzing the relations between the two, 40 of them concluded that the influence was positive, 21 were negative, and 11 of them did not find obvious influence. However, the certain research conclusion is that corporate social responsibility did not reduce the economic performances of enterprises (Robins 1997).

Economist Zhang Weiyang has an even clearer point: profit is responsibility, profit comes from responsibility; an enterprise’s capacity to carry responsibility decides its capacity to gain profits.

9.2.5 Discrimination: An Enterprise’s Social Responsibility to Employees

One of enterprises’ social responsibilities is the responsibility to employees. This specifically includes being responsible for employees’ employment security, respecting employees’ civil and, health rights, and maintaining their legal rights, such as regular salary increases, social insurance, equal employment opportunity, occupational training, career development opportunities etc. However, there are many places in China where employees are mistreated; enterprises are not being responsible for employees.

According to investigations, the most serious discrimination in the Chinese labor market is identity discrimination; second is discrimination against women, followed by disability, age, health and body conditions (height, appearance, weight etc.). Among all the groups of people that suffer discrimination, people with HIV Aids, disabled people and migrant workers receive the worst treatment (Cai 2007).

On December 23, 2001, China People’s Bank Chengdu branch posted a notice, “China People’s Bank Chengdu branch recruitment notice”, in a newspaper after receiving the approval of the provincial human resources bureau. One of the conditions was “male, minimum height 1.68 m, female minimum height 1.55 m”. New graduate Jiang Tao from Sichuan University was excluded from the list only because he was not tall enough. Jiang Tao was very angry and sued the China People’s Bank Chengdu Branch. Jiang Tao’s attorney, Zhou Wei, a vice professor at Sichuan University Law School, called this case the “first case regarding constitutional equal rights accepted by a Chinese court” (Gao and Zhang 2002).

Wu Wei, Zhao Qiang, Fang Juan (all alias) and another 22 employees used to work for the former Tai Jin Bao Electronic (Suzhou) Co., Ltd (below referred to as "Tai Jin Bao"). They were requested to quit their jobs because they were found to be hepatitis B carriers after undergoing health checks.

Later, they submitted a 300-page appeal to Wujiang Municipal People's Court of Jiangsu province, accusing Tai Jin Bao of discriminating against hepatitis B carriers. They requested cancellation of "The agreement on the annulment of labor contract" signed by both parties, fulfill labor contracts, and claimed 500,000 RMB as compensation for emotional damage. (China Youth Daily 2007).

Even though the government has issued many new laws and regulations since 2007, for example, the Employment Promotion Act and employment service and employment management regulations, the problem of employment discrimination has not been solved at its roots, only changed from being obvious to invisible. For example, even though words like "male only" don't appear much in job advertisements, in reality, there are still more males hired than females; this is due to so-called invisible gender discrimination. Some people may say China has a large population, the labor force is excessive, and enterprises have the right to choose the people they want, so why do they have to hire women or disabled people? What's so wrong with them hiring young and beautiful people? This really is a dilemma faced by enterprises. Because of the Tai Jin Bao case and many other exposed discrimination cases, the social reputation and images of enterprises are damaged. As a result, enterprises will have difficulties in future recruitment, as well as cooperation with upper- and lower-stream enterprises, which is definitely harmful to their long-term development.

In addition, employees should be treated equally. For instance, maintaining an equal and fair principle in dealing with employees' short-term interests and long-term development opportunities is beneficial for building employees' trust and commitment to the enterprises. The failure embodied in the case of Zhengzhou Ya Xi Ya Group and successful modern management experiences tell us that matching proper people to proper positions is the fairest means of personnel allocation. A fair working environment can stimulate incentives for employees; by taking the opposite approach, employees' working enthusiasm will be reduced, and their determination to leave the job will be certain (Colquitt et al. 2001).

At the end of 1995, leaders of Ya Xi Ya Group recruited about 100 young people from Xi'an to staff Qian Villages department stores that were to open in Guangzhou and Shanghai. After short-term training, the president of the group appointed people based on their appearances and their oral skills. Ability and integrity was not taken into account. The store manager appointed to Kaifeng Ya Xi Ya was a young entertainment show host in a Zhengzhou city music and dance troupe who had zero experience in commercial work. Due to her zero knowledge of cost control and financial management, the store lost 70 million Yuan in two years. Kaifeng Ya Xi Ya had to close down eventually.

According to the source, a cousin of a Ya Xi Ya manager, who used to be a peasant from Laoyachen village in the suburb of Zhengzhou, was appointed as the general manager of a big store in Beijing; the two brothers of the wife of this manager, who were peasants from Shandong province, were also appointed to important positions; even the nanny at his home was appointed as the vice finance director of the logistics department of Ya Xi Ya Group.

9.3 The Frustration of Employees in Labor Relations

No matter whether business owners see employees as a cost or a resource, the production and running of an enterprise have to be accomplished by employees. As for business owners, employees also face many forced obligations and frustrations.

9.3.1 From the “Ownership Spirit” to “Contracted Worker Attitude”

In the short 60 years’ history of Chinese enterprises, the character and status of employees have changed a lot. Under the planned economy, due to the economic nature of public ownership, theoretically all the assets of enterprises and the state belonged to the workers; workers were afforded the identity of an owner of the state in New China and their status was identified as the owner of the enterprise. To a large extent, employees could feel their own importance to the enterprises and the state, and tightly connected their own futures and fates to the fate of the country. This strong sense of responsibility and spiritual encouragement stimulated workers’ passion and incentives to engage in labor. They were willing to bear the hardship of the labor without complaint; in life, they also restrained themselves with discipline. They composed a reform movement of hard work.

Shao Sen is 87 years old now. He was a famous model worker in Shanghai’s textile manufacturing system back in the 1950s. In 1952, as one of the pioneer workers, he moved from shantytowns to the first workers’ village in Shanghai- Cao Yang First Village, which is located in Shanghai Putuo district. “At that time, flowers were planted along both sides of the gate and in the courtyard. The road was paved with pebbles. On the day I moved in, I was wearing a red flower, standing on a Jiefang truck. There was a small car escorting in front of us, there were people beating drums and gongs on it. When I walked into my new home, I saw the walls were white as snow; window frames were green as jade, wooden floors were dark red. I didn’t even want to drive nails on the wall to hang stuff. When I invited families and friends over, I felt much honored.”

“The country’s economy was still in hardship, but the government still spared money to build houses for us. We really appreciated it.” Shao Sen described the workers at that time: firstly, they worked really hard, never knew what was tired, and they never claimed any overtime payments; secondly, they had a strong sense of being the owner of the enterprise, they thought themselves as “the big brother”.

Shao Sen also mentioned that the salary of the frontline technical workers was even higher than the leaders of the enterprises. “At the beginning of the 1960s, I worked as a ‘sketcher’ in a garment factory under the Shanghai Textile Industry Bureau. My monthly salary was 80 Yuan. But the head of our factory and the director of my department were only paid 60 Yuan per month.”

Shao Sen said: “At that time, the factory and the government treated the workers as a treasure. Every time, they raised the workers’ salary before the leaders, and they always raised more money for the workers than for the leaders of the enterprises” (Ye and Chen 2009).

The “ownership spirit” was restrained by different factors during the process of reform. Firstly, the reform changed state-owned enterprises from being an administrative unit to a market entity; employees soon changed from the owners of the enterprise to hired workers; the previous identity system of the employees of state-owned enterprises crashed (Wu 2008a, b, c). Large-scale lay-offs and unemployment meant many employees even lost their identity as a “hired worker”. Meanwhile, employees also lost benefits and rights in areas such as salary, welfare, pensions, unemployment and other aspects which they had during the planned economy period. Even though, in 2003, laws and social policies were issued to give new rights and benefits to workers on a macro level, these rights and benefits encountered many obstacles in reality and could not be enforced. Therefore, the “owner status” which these rights and benefits represented also disappeared. In terms of private enterprises and foreign enterprises, employees have come into enterprises bearing the identity of hired workers from the start. It is impossible for them to have the “ownership spirit” that was shaped in the planned economy period. Secondly, on some level, the scientific management system is incompatible with the “ownership spirit”. At the beginning of Reform and Opening-up, when foreign enterprises first established in China, the standard management system and the employees’ “ownership spirit” clashed. The “punishment for putting out fire” case vividly reflected the fact that the modern management system did not encourage and nurture the traditional “ownership spirit”. In the end, a sense of self arose among employees. The protection of self-interests proposed by economic reform encourages employees to maximally pursue their own benefits, which is inconsistent with the core value of the “ownership spirit”.

When a state-owned enterprise in Shanghai merged with a foreign-invested company, all the managers and workers from the previous state-owned enterprise suddenly changed their roles, the owners of the enterprise became the employed workers under the control of an American boss. Once, in the evening of the day before the American boss was due to visit, a tire warehouse caught on fire. Based on the principle of “fire is the demand”, several middle level managers of the factory went to the warehouse to put out the fire and spent the whole night there without worrying about their own safety. At 9 o’clock in the morning the next day, they rushed into the meeting room to participate in the meeting with the American boss. When they showed up at the meeting, the meeting room was disturbed. After the American boss figured out what had been going on, he decided to have the meeting first, and then punish the managers, who were sloppily dressed. The punishment was to deduct one month’s bonus for each person. This decision confused all the Chinese employees: these managers still had dust on their face from putting out the factory fire without worrying about themselves. They saw the factory as their own home, they were all the Huang Jiguang, Qiu Shaoyong (heroes) in the new time. They didn’t really need flowers or prizes, but punishment? That was just unreasonable!

The explanations of the American boss are as below:

Firstly, each employee who participated in the fire fighting has a great sense of responsibility; however, the way they performed their responsibility was wrong. As a person who is not a professional fireman, what you should do is to trigger the fire alarm immediately and assist the police to evacuate people, but not put out the fire yourself. Secondly, the company has bought insurance for all the assets of the enterprise, any loss will be compensated by the insurance company, there shouldn’t be any guilt of watching

the assets being burned; to the contrary, the employees who participated in the fire fighting haven't purchased insurances for themselves, the company will have to be responsible for any loss of lives, which is something the company doesn't want.

Thirdly, the life of professionally trained employees is worth a lot more than the assets in the warehouse. The company doesn't allow you to trade your life for the commodities. This is the company's principle of "human oriented".

Fourth, punishing the middle level managers who participated in the fire fighting aims at correcting the wrong notion of "commodities are worth more than people's lives", making clear the different responsibilities of "asset owner, enterprise runner, post executor", enabling the employees to achieve real "modernization" as soon as possible. This point is more important than the first three! (Meng 2008).

The change of identity inside the enterprise, the marketization of the relations between the enterprise and the workers, as well as the growing sense of self-interest has formed the working attitudes of most employees. "I work for you, you pay me salary; if I receive more money, I will work more; if I receive less money, I will work less; if there is no money, I won't work for you." "They become very selective about their work, they choose lighter work over heavier ones, they haggle over every penny they earn, they have very negative working attitudes, being non-responsible at all; they even play tricks at work, avoid difficult work, try to do less work; they worry a lot about their personal interests, and couldn't care less about the interests of the enterprise and the organization." – many employees hold this attitude, especially in private enterprises.

Employee's attitudes towards their employers and their jobs, and their own work values have changed along with the change in their identity from "owners" to "employees". Good or bad? Right or wrong? There is no way to judge. However, one thing for sure is that, if employees all have this kind of attitude, it can cause negative effects on the long-term development of enterprises, while the career development of employees themselves will also be negatively affected.

9.3.2 Maintaining Individual Rights, Passive Reaction or Active Action

While the traditional ownership spirit is disappearing and the hired worker attitude is forming, the sense of self-protection is maturing. During the planned economy period, employees fully attached themselves to enterprises due to the administrative nature of the enterprise; they did not know what "independence" was. The marketization of enterprises created conditions for employees to be independent, especially for new generation employees born after the 1980s. They engage in their personal interests, protect their own rights and dignity, they have strong self recognition, pursue personal development and achieve personal goals (Zhang 2007). There we see a group of independent employees which is rising.

Previously, due to the weak sense of self-protection, employees often sought passive ways to deal with conflicts in labor relations; for example, resignation, suicide, killing employers and other original ways; or spontaneous lay-offs and

strikes; or even blocking a railway or national highway, and other drastic collective actions to get the government's attention. These passive ways not only jeopardized their own interests, they also jeopardized enterprises' interests, even harmed social order.

The increasing sense of individual rights protection has meant employees can balance the pros and cons in their labor relations, and look for a rational way to protect them. Individual workers do not have enough power to negotiate. Unified workers can form a stream of power which is strong enough to confront the owners of capital and seek more reasonable benefits through collective activities.

However, pre-conditions are needed for a collective negotiation or a strike. A legal organization is needed to present the labor side. If the labor side cannot find such an organization to present them and conduct spontaneously organized collective negotiation, there is the risk that the capital side will go after the leaders or the participators to settle accounts afterwards. In this case, the possibility for alignment and negotiation with the capital side will be smaller. In addition, there are still blank areas regarding strikes or alignment in law; the collective action of workers cannot be recognized as legal or be protected, which also causes disappointment for employees who have the will for self-protection but cannot act on it.

9.3.3 Strike: Either Die or Break Out in the Silence

However, even in circumstances where a trade union is not well established, blank areas exist in related laws, or worker's collective actions (strike, negotiation) cannot be well protected, strikes still happened constantly. This shows that contradictions were severe in some enterprises, and it had upgraded to confrontations and conflicts.

Strike is the last thing that employees have to do. It only happens because, if no action is taken, the civil rights of employees are threatened. "361 °C" is an example. In this company, workers work 12 h a day, 7 days a week, with low salary, delays to and deduction of salary, no social insurance and medical insurance, no legal holidays etc. If the workers go on strike, they could lose their jobs, it also could threaten their lives; but the strike might be successful, even though the chances are slim. Therefore, a strike becomes an option for the employees who are desperate. For example, in May 2009, employees of Baidu's southern China regional office felt the sales targets in the new performance appraisal plan had been increased so much, it was "a mission impossible", and salaries had been significantly decreased, so they went on strike to resist this plan.

On the evening of June 1, 2009, employees of 361 °C Company went on a collective strike due to the company delaying employees' salaries and reducing the salaries on purpose. A police car, a 120 car and a Mercedes were damaged. Even the armed police came last night fully equipped.

Strikes can strengthen employees' "negotiation" capacity, and may help to achieve a compromise on benefits that improve the current situation. Yantian International Container Terminals (YICT) is an example. Compared with 1994, Yantian International's profits have increased 500 times. However, over the past 10 years, employees' wages almost never increased. Increased prices of commodities and housing had put a lot of pressure on employees' living standards and created a strong will to start a strike. The result of the strike was "firstly, all employees' monthly wages increased by 3 %; secondly, drivers of tower cranes and dragon cranes received a 500 Yuan subsidy per month for working high above the ground; thirdly, the labor and capital sides signed a collective negotiation agreement which included salary increases, establishing a trade union, strengthening communications and another seven articles."

Yantian International Container Terminals (YICT) is a joint stock port enterprise. Its annual international cargo handling capacity has experienced double digit growth. In 2006, its cargo capacity reached 8.865 million standard containers. It has become the biggest container port in the world. On the morning of April 7, 2007, 280 tower crane and dragon crane drivers of Yantian International started a strike over salary, working hours, the right to establish a trade union and other issues, which caused a shutdown of the port. Fourteen cargo boats were affected. This incident had a big international influence. Later, through the mediation of Shenzhen municipal government and under the strong guidance of the municipal general trade union, the strike was terminated on April 8, and the operation was recovered.

9.3.4 Trees Become Shorter as the Water Rises: Job Hunting Is Even More Difficult After Training

Workers can increase their market value through receiving training, and turn themselves from excess labor into scarce talent. Scarce talent in the labor market has certain advantages in labor relations. Therefore, upskilling has been popular with workers seeking to improve their position. Specifically, workers attend different kinds of training courses or go back to school to enrich their knowledge, improve their skills and build up their capacities. Compared with collective action, this is a more feasible way and with fewer risks, so more workers are seeking to improve their positions this way.

People always have some dissatisfaction at work, so, in order to change the circumstances, most of them choose to pursue further education. All workers expect to increase their own value through this method. However, after they have obtained their new qualifications and returned to the labor market, they can find themselves not as competitive as they anticipated. The collectivization of this behavior means workers find it difficult to stand out from the crowd.

We can have a look at the intake numbers for undergraduate and master degrees in China. The number undertaking undergraduate study at universities nationwide in 1990 was 608,900; in 2000, it was 2.2 million; and in 2008, it was 5.99 million. The number has risen tenfold in 20 years. In 1990, the number of those undertaking

master degrees nationwide was 30,000; in 2000, it was 135,000; and in 2008, it reached 390,000, a 13-fold increase. This means that the educational level in the labor market has greatly increased; even people with high-level degrees are facing severe competition. An international trading PhD holder said that, when he first graduated from college, he had a hard time finding jobs. He thought it was because his educational level was too low. So he studied for a master degree and a PhD. When he was about to graduate from his PhD course, his high degree became a new obstacle to finding jobs. Now he is 30 something and still unemployed. In October 2006, a master degree student at Tsinghua University committed suicide by jumping off the building because of not being able to find a job, a tragic situation.

People are looking forward to their future; however, the future is becoming ever more competitive. This has become the misery of every single worker.

9.4 Preliminary Attempts to Improve the Relationship Between Enterprise and Employee

In the face of complicated labor relations and the dilemma and frustration of enterprise owners and workers, how can we solve the conflicts in labor relations? Shall we just walk again the path walked by Western countries, namely to achieve the balance of power through drastic confrontation of the two major classes?

The development and conflicts of Western labor relations originated from the industrial revolution in the eighteenth century. During the process of industrialization, workers started to fight due to the bad working and living conditions. The government chose not to intervene in the interests of fairness, to let it go, or rather issue laws to ban workers' demonstrations and strikes, such as the Le Chapelier Law in France, which strengthened the structure of "weak labor, strong capital". Workers' movements were getting more radical and more frequent (there were 313 strikes alone in 1890 in France). By the end of the nineteenth century, the universal development of trade unions had greatly changed the power comparison between labor and capital; strikes and negotiations became the main methods of solving labor-capital conflicts. The governments of Europe and the United States started to turn to active intervention policies to coordinate the relationships between labor and capital (e.g. England issued the first Trade Union Act in 1871). In the 1930s, the economic crisis caused many banks and enterprises to collapse, the unemployment rate reached 25 %, many workers and peasants suffered from hunger, homelessness and violence. Labor relations became intense again. Three major strikes: the Toledo Auto-Lite strike, the Minneapolis Teamsters Strike, and the West Coast waterfront strike led to the issuance of Roosevelt's new policy. After the Second World War, in order to promote industrial development and to relieve the social risks, Western governments adopted various measures to promote the development of labor relations; confrontations reduced significantly.

The 150 years of industrial war in the West warns us that it costs too much to take this path and we need to seek more effective and peaceful ways to deal with and develop the relationships between enterprises and employees.

The powers to solve the conflicts of labor relations come from three aspects: worker, enterprise and government. Citizens' sense of self-protection should be awakened, workers should start actions to protect their own interests; enterprises should use different ways to satisfy their employees; governments should set up public policies and mechanisms to control both sides. In the following, we use some successful cases of enterprises' practices to discuss the several paths to improving labor relations by Chinese enterprises.

9.4.1 Successful Practices of Enterprises

9.4.1.1 Be Innovation-Oriented and Industrial Upgrading

As we mentioned previously, conflict-type labor relations mostly belong to labor intensive industries. The characteristics of the products of this type of enterprises are: low-end products with low added value, unitary product kind, highly specialized, low technical level, no core technology and R&D capacity, no independent brand, no pricing rights and bargaining power, and not capable of forming market and technology advantages. This type of enterprise mostly adopts the low-cost strategy in competition.

Increasing the technology level in production and using the advantages of a differentiation strategy can help enterprises escape the vicious circle of low-cost competition. ANTA Group, the sportswear partner of the China Olympic Committee from 2009 to 2012, was only a small manual workshop in 1993. However, its R&D capacity is at the top level of China's sports appliance industry. In 2009, when Chinese Prime Minister Wen Jiabao visited ANTA, he highly praised ANTA's development. He said: "Labor intensive enterprises can also be technology intensive enterprises. ANTA sees a pair of shoes as a technical product. We cannot look down on labor intensive enterprises; they also have technology content and inventions. We should actively promote labor intensive technology to transfer to technology intensive enterprises." Technology innovation led ANTA to a scaled operation, and also achieved standardized and human-based management. For example, ANTA organized a sports meeting for employees which lasted for 20 days, and the awards were up to 370,000 Yuan. As a result, even in the worker famine period, the operational rate of ANTA was still more than 95 %.

In technology intensive enterprises, especially the new IT industry, labor relations between enterprises and employees mostly appear as neo-unitarist. Employees are not only performing labor work, but doing high-tech knowledge work. This kind of employee is generally rare in the market, and their working outcomes are difficult to imitate or replace; therefore, workers are not just being hired in labor relations, but participating in the development of the capital side by investing their intelligence.

From this perspective, the investment of enterprises in employees no longer belongs to the cost category, it can be considered as an additional investment. HUAWEI is a large-scale international high-tech private enterprise, which is quite rare in China. Experts from China Social Science Academy deem that HUAWEI is no longer a traditional labor intensive enterprise with low added cost; it is already a high-tech labor intensive enterprise with high added value. HUAWEI deems that human resources are a more important capital than money; it will continue to use the development of human resources as an important condition to achieve the target of increasing the value of human capital.

People normally think the reason HUAWEI inputting high investment in human resources is that its high profits are enough to support this behavior. As a matter of fact, Ren Zhengfei made it very clear in the “Basic Law” early on: “The target of increasing the value of human capital is the priority, financial increase is the second.”

For 20 years, HUAWEI’s investment in human resources has been spectacular. It spent nearly 1 billion Yuan on the company’s training center alone. In addition, among the top 10 human resources management and consulting companies in the world, HUAWEI hired three of them in five years.

Human capital is the resource and power of creating financial capital. Even in those periods when HUAWEI’s business was lagging, it still insisted on this principle. HUAWEI deems that people are a kind of capital which is more important than money. So it uses all of its resources to recruit personnel with high intelligence, innovative spirits, and those who are dedicated. It also creates a good mechanism to attract and keep talents, and to make the best use of them.

HUAWEI largely promotes performance appraisal and post qualification management systems, namely a human resources management system which keeps the good and dismisses the bad, while promoting group development. Personnel teams can constantly be optimized during study and competition in this system. Through the constant “gold washing” processes, HUAWEI has created a team which overrides all the other competitors nationwide (Wu 2008a, b, c).

9.4.1.2 Treat Employees as Family

Those enterprises that have difficulty undertaking industrial or technological upgrades could consider escaping their original mentality and consider another employee management model.

In 1994, Haidilao Company only had four tables serving hot pot on the side of a street. Fifteen years later, the company has become a chain corporation with 36 shops in Beijing, Shanghai, Xian, Zhengzhou and other cities, and has become a well-known hot pot brand. This company claims that profit is not their first priority; however, its sales revenue is 0.3 billion each year, and its customer satisfaction rate and employee loyalty rate are among the best in the catering industry. Zhang Yong’s secret is treating his employees as family, and providing employees with independence and equal treatment. The good treatment of employees finally led to the development and growth of Haidilao.

Whoever visits Haidilao will strongly be aware of the extremely thoughtful services in there; some people exaggeratedly call it “abnormal service”: after the customers are

seated, the waiters immediately serve hair bands, aprons and cell phone covers; during the meal, waiters hand over hot towels from time to time. The most impressive part is that all the waiters are very energetic; their happy mood influences every customer in the restaurant. On the “Public Comment” section of its website, many customers describe how amazed they are at this thoughtful service, and express their feelings as “finally found the feeling of what it is like to be god”.

Zhang Yong deems that people are the foundation of Haidilao’s business. Customers have various needs. Waiters trained using procedures and systems can only reach a minimum level. Procedures and systems are necessary in ensuring products and services’ quality; in the meantime, they also constrain people’s personalities, because they ignore the most valuable part of employees – their brain. Making employees strictly follow systems and procedures equals only hiring their hands.

In what circumstances do brains facilitate creativity? Psychologists have proved that, when people really care about something, their brains are at their most creative. Therefore, getting all employees to care as much about Haidilao as he did became Zhang Yong’s basic philosophy in running his business. But how do you make employees see Haidilao as their home? The answer is easy: see employees as family. Employees of Haidilao live in standard residence buildings which are equipped with air conditioning and heating, free Internet, and 20 minutes walking distance to work. Furthermore, the company hires cleaning ladies to clean the dorms for employees, and do their laundry. Haidilao established a boarding school in Jianyang Sichuan province, which solved the education problems for their employees. Haidilao also thought of its employees’ parents. For excellent employees, the company directly posts their bonus back to their hometowns each month.

In order to encourage the employees to use their brains, besides getting them to really care about the company, giving them power and rights are also very important. The company gives managers financial rights to decide matters below 2 million Yuan. It also gives its waiters rights to exempt fees for meals. For whatever reasons, when the employees deem it is necessary, they can always give customers free dishes or even a free meal. Intelligent managers know how to let their staff work for them by using their brains. When an employee is not only automatically following his superiors’ orders but thinking for himself, he is a manager. By this definition, Haidilao is a company that consists of 6000 managers.

People live in groups; they are born to seek fairness. Haidilao knows that for employees to feel happy, material rewards alone are not enough, they also need to feel that they are treated equally. Haidilao not only provides dignity to its employees, it also provides them with hope. At Haidilao, almost all the senior managers originally were waiters. These young people, though still maturing, independently manage several hundred employees each, and create 10 million Yuan in revenues each year. Some employees don’t have the talents to become a manager, but, as long as they work hard, their work will still be recognized. Normal employees receive salaries only a little bit lower than a restaurant manager if they become an employee with merits.

Haidilao calls training qualified employees “building people”. Zhang Yong sees building people as the basic development strategy of Haidilao. The company conducts appraisals of each restaurant manager with only two criteria: one is the satisfaction rate of customers; the other is the working enthusiasm of the employees: each restaurant is required to have staff numbers that are 110 % of their actual needs to ensure adequate staff. The human-oriented and slow-but-steady development strategies of Haidilao are good references for other Chinese enterprises (Huang et al. 2008).

9.4.1.3 Respect Employees and Protect Their Dignity

Some business owners may never think about the importance of their employees' dignity. Behavioral scientists tell us that "people are willing to receive less money for dignity" (Huang and Liang 2007); or in other words, if employees cannot receive proper respect in enterprises, they will leave eventually, no matter how much money is offered. Some people use a very vivid expression: if you treat employees as oxen, they will insist on being treated as people; if you treat them as people, they will work for you like oxen.

At Vanke Group, all employees are equally treated in terms of personalities and also access to opportunities. It is forbidden for family members to work in the company, because it would be unfair to other staff. The salaries of senior management at Vanke are considered medium level compared to what is being paid to other people working in similar positions in the same industry: 65 % of them have higher salaries than Vanke staff. People who work for Vanke receive more respect, which is lot more important than money. "A 20-year development journey has proved that being human-oriented and respecting people constitute the main characteristics of Vanke's culture. We insist on humanism; we respect people's dignity; this is what we've been proud of during the 20 years, this is also the key to Vanke's future" (Ren 2004, XXX). In 2004, Wang Shi wrote in the company's New Year's speech:

Respect formed Vanke's harmonious and passionate working environment, and brought together more and more excellent people. This excellent group is full of dreams and will lead Vanke to an eternal future.

Respect means equality, understanding, trust, generosity. At Vanke, we emphasize that all employees are equal. The company respects and must maintain their dignity. The company has strict requirements for each employee, provides employees with equal returns, and provides employees with full development opportunities.

Respect means having professional morality, insisting on transparent systems, and the constant pursuit of a healthy and rich life. Vanke believes that a healthy company is inseparable from standardization and employees with good dreams and good morals.

Respect also means listening to the voices of the clients, and paying attention to each detail. "No detail is too small when it comes to clients". Pursuing the maximum value for clients, "building an infinite life starts from building your own life". We are client-oriented, constantly providing products and services expected by clients, and guiding an active and healthy life style.

Respect is a core value that we should never change. This word includes many deep meanings; they are all big challenges for Vanke. For the past 20 years, we've been pursuing quality, effective and sustainable growth through market innovation, product innovation, service innovation and system innovation; this is the only path for Vanke to be in the lead in the industry and create healthy lives. While we are expecting bigger successes, what we should do is to stick to the human-oriented principle and respect for people, and create healthy lives. Vanke wishes to continuously provide customers with good quality products and services, make customers proud; continuously provide profit returns which are beyond the expectations of our investors, make investors happy; continuously provide development opportunities and revenues expected by employees, make employees proud.

Respect is a soil that gives birth to new spirits. Inside the company, Vanke believes that every person has sparkling intelligence in their minds; forced unification will only lead to the murder of personalities, creativities and passion. Allowing different voices is the

resource for a civilization to be creative, and the security for its constant development and progress. Now, the real estate industry has entered a new development phase, many rules have been changed; Vanke has also entered a fast-developing phase, new breakthroughs need strong wills to go forward and strive for innovation.

9.4.2 Trade Unions in China: Shoulder to Shoulder with the Workers

A trade union is a kind of spontaneously organized group in the history of Western labor relations. It is the representative of the labor side. Negotiations between trade unions and the capital side are the major way through which conflicts are settled between labor and capital. The development of China's trade unions has major differences.

During the planned economy period, trade unions were organized under the guidance of the government. They played a role of connecting the state, the party and the workers (Pravada and Ruble 1986). Trade unions represented the state's interests downwards and mobilized workers to perform production; they also channeled the requests of workers upwards to protect their rights and benefits. In state-owned enterprises and collective enterprises, basic level trade unions made great efforts to secure the interests of employees.

In the market economy, the development of private and foreign business caused more intensive conflicts of interests between labor and capital. This required changes in the function, content and other aspects of trade unions so they could really represent the interests of workers. The Trade Union Act, enacted in 2001, defined the essential responsibility of Chinese trade unions as the protection of the legal rights of employees. Since 2003, for the purpose of further protecting workers' rights and benefits, besides improving the Act, the government has also largely assisted in organizing trade unions for enterprises. Before 2004, Wal-Mart refused to set up trade unions in China, using the excuse that "not establishing trade unions is its global tradition". The government pushed Wal-Mart to establish a trade union, which consisted of basic level employees, and protected the interests of those employees.

On July 24, 2008, the Wal-Mart China HQ Trade Union and the trade unions of 15 operational units in Shenzhen held a collective contract signing ceremony with Wal-Mart Company at Shenzhen city trade union. As one of the top 500 enterprises in the world, Wal-Mart established its trade union in Shenzhen on the morning of August 4, 2006. Since then, the carrying out of collective negotiation and the signing of collective contracts has become a hot issue in society. The city trade union also immediately started the first collective negotiation in China; it also communicated with Wal-Mart China HQ many times regarding this.

After two rounds of negotiations, both sides reached consensus. They signed the collective contract on July 21; and from July 22 to 23, employee meetings were organized in the 16 Shenzhen trade unions of Wal-Mart to vote for the contract. According to the chief representative of the China side, Li Yixin, 90 % of the employees participated in the trade

union. During the voting, 5,500 out of 8,000 votes were affirmative, which represented 66 % of the total.

It was revealed that the contents of this collective contract, which covers 8,500 people, include a labor contract, labor wages, working hours and vacations, insurance, welfare and staff trainings etc. The main points are: setting up a wage collective negotiation mechanism (every December, the trade union discusses with the company the general salary increase rate for the next year; in 2008 and 2009, the annual average wage increase rate is "9+1", namely the wage increases 9 % on average, while 1 % is provided for promotion and special adjustment); the minimum wage should be obviously higher than the minimum wage announced by the Shenzhen Government; employees who have worked for three years in Wal-Mart can sign a permanent labor contract; and this collective contract shall be used as reference for any amending of policies and rules of the company etc. (Southern Daily 2008).

The organization and operation of Chinese trade unions are still in their preliminary phase. In fact, there are still cases of enterprises setting up trade unions administratively from higher level to lower level according to the law; most trade union members are from the management level. Enterprises comply with the law in appearance but, in reality, this cannot achieve the goal of protecting the interests of employees (Wu 2008a, b, c). The full functioning of trade unions and the effective protection of workers have a long and hard way to go.

During China's current economic transition period, many problems between enterprises and employees still exist. However, many successful cases have been provided by some excellent enterprises. We believe that we should combine the employee's personal goal with the organization's goal and, looking at long-term development, labor relations will certainly have a healthy future.

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