

The Impact of the State on Workers' Conditions— Comparing Taiwanese Factories in China and Vietnam*

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As Asia has become the fastest industrializing region in the world and as labour rights have become a controversial issue in the world's trade agenda, the industrial relations of Asian factories that produce labour-intensive goods for the global export market have come under scrutiny. Many of these factories have Taiwanese, Korean and Hong Kong owners, who hail from the so-called Newly Industrializing Countries (NICs). Today, these firms occupy a special place in the global production chain. Unlike many transnational corporations of the developed world that no longer manufacture goods but instead buy from offshore suppliers, these Asian corporations are the front-line producers in poorer foreign countries.

Korean and Taiwanese managers are particularly known for their disciplinarian¹ approach in their offshore factories, which have gained a reputation for harsh working conditions not only in Asia but also elsewhere

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¹ This is common knowledge that has not been the subject of academic study. But in talking to Chinese workers, Chinese newspaper reporters, trade union officials in China and in the Asian region, labour NGOs in the US, ILO officials and Western managers working in China, there is a widespread belief that the Koreans and the Taiwanese are the most abusive managers. For the behaviour of Korean investors abroad, see "Korea Exporting Tough Labor Practices—Some of the Country's Overseas Plants Abuse their Workers, Critics Say," *Asian Wall Street Journal*, 18 July 1996, p. 1. For a general discussion of the Korean authoritarian management style, see Roger L. Janelli and Dawnhee Yim, *Making Capitalism: The Social and Cultural Construction of a South Korean Conglomerate* (Stanford, CA: Stanford University Press, 1993), pp. 48-49.

in the world, including Central America² and southern Africa.³ The impression has been that the workers in such factories are treated the same way in all the host countries, but this paper argues that the stance of the host government makes a noticeable difference to industrial relations and working conditions at the factories. The paper supports this thesis with a study of Taiwanese management behaviour in factories in Vietnam and China.

Taiwan: From an Indigenous to an Offshore Manufacturer

The Taiwanese miracle was built on an export-oriented manufacturing economy that supplied consumer products for the Western market, particularly the US. But starting in the 1980s, rising costs in Taiwan began to price Taiwanese suppliers out of the international market: for instance, in shoe production, two-fifths of the factories that started up during 1968-87 had collapsed by 1989.⁴ To survive, Taiwanese capital needed to relocate while continuing its relationship with international buyers.⁵ Taiwanese investment in Southeast Asia became noticeable after 1986, at a time when the Taiwanese government would not allow Taiwanese businesses to invest in China. But after 1990, with the easing of cross-strait political tensions, vast amounts of Taiwanese capital poured into China, at the expense of Southeast Asian countries, which had previously been the main recipients. Up to the end of 2001, China absorbed about half of the Taiwanese capital invested overseas, totaling US\$29.4 billion.⁶ In 2002, Taiwanese-based computer companies produced more machines on the Chinese mainland than they did at home.⁷

² Andrew Perrin, "Critics Accuse Taiwan of Operating Sweatshops," *San Francisco Chronicle*, 15 August 2001; Chen Fenglan, "Wo laotuan shenghuan kangyi zifang budang guanli: Nienhsing zao zhihong daya Nicaragua gongren" [Our Trade Unions Call for Help to Protest Management; Nienhsing Accused of Mistreating Nicaraguan Workers], *Zhongguo Shibao* [China Times Daily], 7 November 2000; Kung I-chun, "Kuaguo ziben, zuqun yu laodong kongzhi: Taishang zai Malaixiya de laodong tizhi" [Transnational capital, ethnicity and labour control: the labour regime in Malaysian Taiwanese factories], *Taiwanese Sociology* 3, 2002, pp. 253-289; Wang Hong-zen, "Unwanted Advice from Masters of Industry," *Taipei Times*, 28 May 2002.

³ "Inside the Garment Industry in Swaziland," *Clean Clothes Campaign Newsletter* 15 (June 2002), pp. 8-9.

⁴ Ian A. Skoggard, *The Indigenous Dynamics in Taiwan's Postwar Development: The Religious and Historical Roots of Entrepreneurship* (Armonk, NY: M.E. Sharpe, 1996), p. 62.

⁵ Chen Tian-Jy and Ku Ying-hua, "Networking Strategies of Taiwanese Firms in Southeast Asia and China," in Edmund Terence Gomez and Hsin-Huang Michael Hsiao (eds), *Chinese Enterprise, Transnationalism and Identity* (London: Routledge Curzon, 2004), pp. 151-171.

⁶ IDIC (the Industrial Development and Investment Center), "Taishang zai dalu touzi gaikuang" [Taiwanese Investment in China], (Taipei: the Ministry of Economic Affairs, 2002), available at the IDIC Web site, at <<http://www.idic.gov.tw/html/c3409.html>>, last accessed 04 August 2002.

⁷ Jeffrey E. Garten, "When Everything is Made in China," *Business Week Online*, 17 June 2002; Matthew Forney, "Taipei's Tech-Talent Exodus," *Time Asia* vol. 157, no. 20 (21 May 2001); "Trapped in A Chinese Box," *Newsweek*, 18 February 2002.

The government in Taiwan has encouraged its business people not to concentrate too much capital in China, as Taipei is worried about becoming dependent on the investments in the People's Republic of China (PRC). After the Taiwan Straits crisis of 1996, when China fired missiles in the vicinity of Taiwan, Taipei actively promoted a "go-south policy," encouraging investment in Vietnam and other Southeast Asian countries.⁸ Vietnam had the added advantage of there being no quotas on Vietnamese exports to the European Union, whereas there were for goods made in China.⁹ All through the 1990s and up until today, Taiwan has been the number one investor in Vietnam. Thus, for the Vietnamese, Taiwanese investment is more important than it is for the Chinese.

We have discovered, however, that workers in Taiwanese-managed factories in Vietnam are generally treated better than workers in Taiwanese-managed factories in China. Why is it that in a country where the Taiwanese ought to have greater leverage, they are less abusive? We will first present empirical evidence comparing the working conditions in these two countries' Taiwanese-owned factories, and then analyze the factors contributing to this difference.

Our information is drawn from primary documentation and field research in both China and Vietnam. The information for Vietnam was collected by Wang Hong-zen between 2001 and 2002, in three separate visits to Hanoi and the Ho Chi Minh City area. The last of these research trips was conducted jointly with Anita Chan. The factories visited were chosen by the snowballing method, in which an introduction to one factory led to an introduction to another. Among the 36 factories, 20 are footwear manufacturers, eight are motorbike-component manufacturers and six are textile manufacturers. In order to gain a broad perspective on Taiwanese investors' management practices, people holding different types of positions were interviewed: Vietnamese workers, trade union officials, employers' associations, NGOs, Western monitoring companies, Taiwanese officials, Taiwanese investors and their PRC staff hired from China to work in Vietnam.¹⁰ In addition, 16

⁸ Wang Hong-zen and Michael H. H. Hsiao, "Social Capital or Human Capital? Chinese Professionals in Overseas Taiwan Companies," *Journal of Contemporary Asia*, vol. 32, no. 3 (2002), pp. 346-62.

⁹ Based on an interview in 1996 with a Taiwanese manager in Dongguan, China, and interviews in 2001 in Ho Chi Minh City, Vietnam.

¹⁰ The Vietnamese field data can be broken down further as follows: 1) in-depth interviews by Wang Hongzen with 36 Taiwanese investors in July and August 2001 in Ho Chi Minh City, Dong Nai, Hanoi and Haiphong; 2) interviews with 12 PRC cadres working for Taiwanese factories in northern and southern Vietnam in December 2001; 3) interviews conducted together by Wang and Chan in 2002 in Ho Chi Minh City with Taiwanese and Vietnamese officials, Vietnamese trade union officials, Vietnamese NGOs, Western monitoring companies and US officials; 4) interviews with 11 workers in Hanoi and Haiphong in 2001 by Wang, and 16 workers in Ho Chi Minh City and Dong Nai in 2002 by both authors; and 5) a study tour hosted by the Vietnamese trade union undertaken by Chan in northern Vietnam in 1997.

footwear workers were interviewed by Wang in the Hanoi-Haiphong region and in the Ho Chi Minh City region, using a semi-structured questionnaire.

Chan conducted fieldwork in China on Taiwanese-owned factories: in 1996 in the cities of Dongguan and Humen in Guangdong Province, and Putian in Fujian Province; in 2002 in Dongguan and in Fuzhou City in Fujian; and in 2003-2004 in Shenzhen for an in-depth study of one Taiwanese toy factory. Interviews were also conducted in these locations with Taiwanese business associations¹¹ and Chinese trade union officials in Dongguan and Putian. In all of the locales, workers employed by Taiwanese-owned factories were also interviewed. A questionnaire was also distributed to 1,531 employees at 54 footwear factories in five cities in China in 1996, some of which were Taiwanese-owned.¹² All of the data collected in China are supplemented by information gleaned from a very large number of newspaper clippings from China on working conditions in Taiwanese-owned factories there.¹³ We do not aim to attain a statistically representative sample; rather, we have used knowledge accumulated through documentation and repeated visits to Vietnam and China to come to grips with why working conditions in Taiwanese factories in these two countries differ.

Working Conditions

Our comparative evidence includes Taiwanese managers' own descriptions of how they behave in these two host countries. In field research conducted by Wang, as one of a group of Taiwanese academics¹⁴ who interviewed 42 Taiwanese management personnel in Ho Chi Minh City, Hanoi and Haiphong, the managers observed repeatedly that they had to abide by the law of the land. They were surprisingly frank about the harsh management methods they had personally used in China, which they refrained from using in Vietnam. One Taiwanese factory owner complained,

You can't even touch the Vietnamese workers, let alone abuse them. In China, we've used a Taiwanese management style. When we began our

¹¹ Both of these interviews with the two Taiwanese Business Associations were conducted with members of their executive committees as a group.

¹² A more detailed description of the survey is found in Anita Chan and Zhu Xiaoyang, "Disciplinary Labor Regimes in Chinese Factories," *Critical Asian Studies*, vol. 35, no. 4 (2003), pp. 559-84.

¹³ Reporting on abusive labour practices in the Chinese press is commonplace, especially in Guangdong. For details of such reports, see Anita Chan, *China's Workers Under Assault: The Exploitation of Labor in a Globalizing Economy* (Armonk, NY: M.E. Sharpe, 2001), pp. 46-56, 97-106.

¹⁴ The interviews were done collectively by Wang and other Taiwanese scholars, including Dr. Yen-fen Tseng, Dr. I-chun Kung, Dr. Su-ching Jou and Dr. Han-pi Chang, in the summer of 2001. The transcripts of these interviews are bound in an unpublished volume entitled, "Yuenan Taishang fangtan jilu" [Interview Records with Taiwanese Business People in Vietnam], vols. 1-2, compiled by the Department of Sociology, National Taiwan University, summer 2001.

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operations in China, we frequently resorted to punishment. Physical punishments were very common, including even hitting, like in the military.

After complaining about the low educational level of Vietnamese workers, who did not know how many grams comprise a kilogram, another Taiwanese manager noted,

But let me talk about something else. Their human rights awareness is very high. In Taiwan, when we served as army conscripts we had to obey blindly as if this were natural. But not here at all. That is why I think Taiwanese who are into shoemaking here have to face a lot of labour disturbances and strikes. They easily stage mass protests. In our company this happened last year on the night of the Moon Festival. Their labour and democratic consciousness is very high. This is not just a problem only at my factory, this is a problem of the entire society. In Vietnam their protection of labour rights is too stringent. This is something totally unexpected.

Thus Taiwanese managers in Vietnam feel they need to use a “soft” management technique, while in China they can use a “militaristic” management method. An article in a Taiwanese shoe industry magazine succinctly summarized Taiwanese managers’ attitude towards violations of labour rights in China:¹⁵

Herein lies the crux of the problem—this so-called militaristic style of management. This kind of management means that the freedom and rights of employees to a certain extent have to be restricted and confined, and inevitably it contravenes mainland labor laws. ... But mainland workers' and employees' lack of self-motivation and the historical remnants of the “big rice bowl” work ethic are the core of the problem. Many Taiwanese investors indicate that they really want to be more humane to Chinese employees but find this unfeasible: “Once you are humane, productivity would immediately drop.”

A questionnaire survey of China’s footwear industry in 1996 conducted by Chan found that in Taiwanese-funded enterprises the average number of work hours was 11 hours each day: that is, almost 80 hours a week, considerably more than the legal maximum.¹⁶ A 2001 report on the work conditions of 92 workers in the export toy industry in Guangdong Province showed that in the busy season employees worked for up to 14 to 18 hours, without

¹⁵ Chen Meijun, “Dalu yuangong gai ruhe guanli zui hedang? Dalu Taishang jingying guanli touteng wenti fantao,” *Taiwan xiexun* [Taiwan Footwear Industry Bulletin] (October 1997), pp. 62-64.

¹⁶ Anita Chan, “Globalization, China’s Free (Read Bonded) Labour Market, and the Chinese Trade Union,” *Asian Pacific Business Review*, vol. 16, nos. 3 and 4 (2000), pp. 260-281.

any days off.¹⁷ Such long work hours have become a pervasive problem, often reported in the local Chinese press.

Notably, too, Chinese migrant workers tend to have no awareness of their legal rights. In the 2001 sample survey cited above, 90 out of the 92 workers did not know the legal minimum wage and 95 percent did not know the maximum legal number of work hours. In interviewing that we conducted with 16 workers from different sections of a Hong Kong-owned toy factory in Dongguan City in March 2002, only one worker claimed awareness of the maximum number of legal work hours, three answered they “know a little,” and 12 answered “do not know.”¹⁸

Even worse, a staggering amount of wages is owed to the Chinese workers. Fully 43 percent of the 51,000 cases of workers’ complaints lodged by letters and by personal visits to the Shenzhen City authorities during 2001 related to unpaid wages.¹⁹ One Chinese newspaper article described it as having become a “custom” in Guangdong Province, while another described it as an “incurable disease.”²⁰ The problem has become so serious nationwide that one of the deputy premiers declared in August 2004 that government regulations have to become tougher on delinquent employers.²¹ When the illegally long working hours and unpaid wages are taken into account, a sizeable proportion of the workers are making considerably less than the legal minimum wage. By contrast, these two problems of very long hours of work and widespread non-payment of wages do not appear to be as serious in Ho Chi Minh City, where there is a large concentration of Taiwanese factories.

When we asked seven Vietnamese workers in the Ho Chi Minh City region what they considered the optimal amount of overtime to work in a week, all seven emphasized that they wanted one day off (in China, during busy seasons workers in the Taiwanese-owned factories often work for a few months without any days off), and an absolute maximum of 12 hours of overtime from Monday to Saturday on top of a normal 48-hour week.²² This coincides with

17 Hong Kong Christian Industrial Committee, *How Hasbro, Mcdonald’s Mattel and Disney Manufacture Their Toys: Report on the Labour Rights and Occupational Safety and Health Conditions of Toy Workers in Foreign Investment Enterprises in Southern Mainland China* (Hong Kong: HRCIC, 2001), p. 19.

18 This sampling was conducted outside the factory after one of us had interviewed management to see whether the factory was still violating work hours after their Western client found out about the long work hours. The 16 workers generally reported work hours were no longer excessively long, but, as can be seen, most of them were not aware of the legal maximum.

19 Mi Guoshen and Guo Yukuan, “Shenzhen mengyao zhi qianxin,” [Shenzhen uses a strong medicine to cure the problem of owing wages] *Zhongguo Laodong Baozhang Bao* [China Labor Social Security News] February 19, 2002.

20 Jian Chuanhai, “Tuoqian gongzi zemma chengle ‘fengshu’?” [How come owing wages has become a ‘custom?’] *Gongren Ribao* [Workers Daily] May 9, 2001.

21 Fu Jing, “Zeng: Pay All Owed Wages to Migrants,” *China Daily*, August 24, 2004.

22 Their preferences for overtime work were in various combinations: three hours a day, for four days a week; or four hours a day, three days a week; or three hours a day, three days a week; or two to three hours a day plus four to six hours on Sunday. In other words, they took a 12-hour day and 60-hour week as maximums.

the legal maximum allowed by Vietnamese labour law. Their practical experience was that anything longer would be beyond their physical endurance. Some workers did report that they worked over 12 hours a day at peak season. One worker told us, "If I had a sufficient wage I wouldn't work such overtime," and another said, "It's not a question of wanting or liking overtime work, but you do what the boss says." But if the managers pushed them too far, workers indicated, they would just go on strike. In Haiphong, one manager told us he was worried about his workers striking if he obliged them to work in excess of 60 hours for more than two weeks. Another manager told us, "I have to be careful this week because the workers might go out on strike if I don't let them have a day of rest this coming Sunday."

Another source of direct comparative evidence about working conditions in China and Vietnam comes from the PRC employees who have been hired by Taiwanese factories in Vietnam to be mid-level supervisory personnel. The practice of importing PRC personnel to serve as supervisors in factories in Vietnam has been going on for a number of years. Having been in China for about a decade, the Taiwanese have trained a competent corps of PRC supervisors who are familiar with production and Taiwanese management methods, and they need to be paid only about a third the salary of a Taiwanese employee.²³ They provide an interesting comparative perspective on the two countries' labour conditions because they have worked under the same management in both places. Wang interviewed 12 of them, and they all agreed that working conditions are harsher in China, in particular with regard to excessive overtime. One of them said,

Chinese workers' conditions are more miserable than [those of] the Vietnamese, whose human rights are better protected. In China we had to work much longer, sometimes until one or two a.m. Next morning, we still had to get up early at 6:00 a.m to continue the work. In Vietnam, you cannot force workers to work after 10:00 p.m. Why is there such a difference? The government. The Chinese government wants to make money and therefore just neglects workers' rights.

A second commented, "In Vietnam, we can't expect workers to work overtime after 9:00 p.m. In China, the workers still have to work even up to midnight if the managers demand it." A third noted, "In Haiphong here in Vietnam we frequently have to work overtime, even up to midnight. But I feel that we are lucky here; when I was in China, I had to work much longer hours."

²³ Wang Hong-zen and Michael H.H. Hsiao, "Social Capital or Human Capital?"; Lin Weiren, "Pouchen xieye: yi Meiguo wei daoshi" [The Pouchen Shoe Industry: Using the Americans as Teachers] *Tianxia zazhi* [CommonWealth Magazine] 1 February 2001, pp. 84-93.

Factors Contributing to the Differences in Labour Standards

Why do the Taiwanese companies behave differently in China and Vietnam? If we go by conventional wisdom, Taiwanese businesspeople in Vietnam should have fewer qualms. Vietnam is a poor country that is more heavily reliant on Taiwanese investment than is China, and therefore should be much more vulnerable. Like other developing countries, Vietnam should be bending over backwards to create a 'good' investment climate to attract foreign investment. Besides, the common belief about out-group/in-group behaviour, that people tend to treat out-groups worse than in-groups, should have led the Taiwanese to mistreat Vietnamese workers more than fellow ethnic Chinese. This kind of assumption can easily be construed from how the Chinese Communist Party's United Front Department constantly courts the Taiwanese, lavishly impressing on them that they are special because they are 'compatriots,' and how Taiwanese businesspeople respond in kind. But this is only rhetorical posturing. The quotes above suggest that the Taiwanese do not harbour any such feelings. In fact, if anything, they are more cautious with the Vietnamese workers. Taiwanese managers are resigned to the fact that if they want to stay in Vietnam to make money they have to abide by its laws.

There are also several underlying institutional reasons that contribute to this difference between the two countries. These reasons are discussed in the sections below.

1. The Household Registration System

In both Vietnam and China, most of the workers in the export-product factories are migrants from the countryside. Both Vietnam and China have a household registration system (the *ho khau* system in Vietnamese and *hukou* system in Chinese) that requires rural people who move into the cities to register with the police. In Vietnam, though, enforcement of this regulation is lax, and many rural people have moved into the cities to get a job without registering.²⁴ When they ignore the rules they do not get into trouble with the police.

China's household registration system, in contrast, maintains a rigid distinction between those members of the population who have a rural household registration and those residents who have an urban registration. Movement of rural people into the cities is restricted, and they need a permit to stay and work temporarily in any urban area. If caught without these permits, people with a rural registration until recently were often placed in a detention centre, fined and deported back to their home village.

²⁴ Andrew Hardy, "Rules and Resources: Negotiating the Household Registration System in Vietnam Under Reform," *Sojourn*, vol. 16, no. 2 (2001), pp. 187-212.

Dorothy Solinger describes the procedures a peasant has to go through in order to work in an urban area:

If a factory's leaders wished to engage peasant laborers, they needed to deal with the city labor bureau. First the workers or their group had to be in possession of a certificate from the home place's government allowing them to leave and go into the city. Then the workers had to be issued a temporary work permit (*linshi gongzuo xukezheng*). Next factory officials were to take this permit to the public security bureau, which would dispense a temporary residence certificate before the workers or group would be entitled to sign a contract with the enterprise. No individual [holding a non-urban *hukou*] was allowed to change jobs without retracing these steps.²⁵

Under the fetters of this pass system,²⁶ Chinese migrant workers are much more vulnerable to factory managers than are Vietnamese migrant workers. Management only has to take away a few necessary documents from the workers and they will have difficulty quitting their jobs, despite harsh working conditions. If they leave without getting their documents back, they cannot apply for another job.²⁷ China's pass system, we believe, has much to do with the long work hours and widespread non-payment of wages among Chinese migrant workers described earlier. In 2002, the Chinese government finally tried to alleviate such problems by ordering that the local fee for the temporary work permit be decreased to under five yuan a month, so that migrants could afford to register. But the government has not eliminated the household registration system, and there have been reports that in many locales the police and local governments have been resisting changes and have not eased up in their treatment of migrants.²⁸ In 2003, after a university graduate was beaten to death at a detention centre in Guangdong, the State Council ordered the nationwide closure of all detention centres administered by the police, and placed the task of sheltering 'vagrants,' which hitherto included migrant workers without the right papers, under the control of the Ministry of Civil Affairs.²⁹ As yet it is still too early to tell whether the new

²⁵ Dorothy Solinger, *Contesting Citizenship in Urban China: Peasant Migrants, the State, and the Logic of the Market* (Berkeley: University of California Press, 1999), p. 83.

²⁶ Peter Alexander and Anita Chan, "Does China have an Apartheid Pass System?," *Journal of Ethnic and Migration Studies*, vol. 30, no. 4 (July 2004), pp. 609-629.

²⁷ Anita Chan, "The Culture of Survival: Lives of Migrant Workers Through the Prism of Private Letters," in Perry Link, Richard Madsen and Paul Pickowicz, eds, *Popular China: Unofficial Culture in a Globalizing Society* (Boulder, CO: Rowman & Littlefield, 2002), pp. 163-188; Nicolas Becquelin, "Without Residence Rights, Millions Wait in Limbo," *South China Morning Post*, 27 February 2003.

²⁸ For example, a weekly newspaper published by the Guangdong trade union federation, *Dagongren* [The Migrant], devoted the entire front page of its 12 April 2002 issue to a discussion of whether this widespread system of arbitrary detention had abated since the supposed reduction of the temporary residence permit fees in January three months earlier.

²⁹ Daniel Kwan, "Powers of Police to Detain Migrants will be Scrapped," *South China Morning Post*, 19 June 2003.

policy has had an impact on migrants' work conditions, although the relaxation is benefitting those with a tertiary education, or individuals who have money to invest in business or in the purchase of properties.³⁰ In Dongguan in Guangdong Province, where more than a thousand Taiwanese factories are concentrated, the police stations and militia corps of various townships are making up for their reduced revenue, after being prohibited from detaining and fining migrants, by jacking up the temporary residence permit to 30 times the official maximum and by imposing fees of all types, such as labour allocation fees, public security fees, greening-the-environment fees and management fees.

By contrast, interviews in Vietnam with workers, officials, Taiwanese managers, foreign labour-standard monitoring agencies and the Vietnamese news media revealed no evidence that the household registration system has caused any withholding of personal documents, restrictions in job and geographical mobility, or harassment by police due to absence of documents. The lack of this hold over Vietnamese migrant workers greatly reduces the means for factory management to coercively control them.

2. Living arrangements

When China opened up to foreign investments in the 1980s, dormitories sprang up when foreign investors came in to set up factories. Building dormitories for workers has become the norm in South China. In Guangdong Province, where over 90 percent of the production-line workers are not locals, according to one estimate about 80 percent of the workers live in dormitories, usually at the factory site, provided and subsidized by the factory.³¹ On the surface, this seems to be a service to migrants. By contrast, foreign factories in Vietnam do not normally have dormitories for workers; almost all of them, local workers and migrants alike, live in private housing.³²

One explanation provided to us by Taiwanese investors is that Vietnamese workers do not like the restrictions of dormitory regulations. A Taiwanese factory had built a dormitory in 1994 for 6000 workers, but only 1000 live there.³³ Another explanation offered by some Vietnamese trade union officials was that the government does not favor the building of dormitories.

³⁰ Fei-Ling Wang, "Reformed Migration Control and New Targeted People: China's *Hukou* System in the 2000s," *The China Quarterly*, no. 177 (March 2004), pp. 115-132.

³¹ Shenzhen Institute of Contemporary Observation, *Sushe zai zhongguo: nanzhongguo qiye yuangong zhushu diaocha baogao* [Dormitories in China: Business Research Report in the South of China] (Shenzhen, 2002), p. 4.

³² For example, among the 42 factories where the Taiwanese sociologists conducted interviews with management, only one factory had dormitories. This is also the observation made by a Western corporate compliance officer and a staff member of a social auditor firm, both of whom have visited many foreign-funded factories in the Ho Chi Minh City area.

³³ This was a Taiwanese-owned factory registered as a Vietnamese factory. Most likely, it was allowed to build a dormitory because it was not registered as foreign owned.

One staff person from a brand-name shoe company confirmed this explanation, in that she knew that the largest of Taiwan's footwear manufacturers had repeatedly applied to the Vietnamese government to build dormitories but had been denied permission.³⁴ A third possible reason is that, according to Taiwanese investors' rough estimate, about a third of the workers are locals who do not need housing away from home, thus reducing the pressing necessity to accommodate a large number of migrant workers. Weighing the evidence, we are inclined to think that the most important of these factors is that the Vietnamese government is averse to factory dormitories because it does not want to let workers be subjected to round-the-clock control by foreign management. There are now plans by local governments to invite real-estate developers to build workers' dorms, but these are to be located outside of factory compounds, not inside, and they are not just for the workers of one factory.

Whatever the factors behind this difference between the two countries in regard to dormitories, the repercussions affect the factories' labour regimes. In China, where the migrant workers often live in dormitories located inside the factory compounds, movement into and out of the dormitories can be monitored and controlled. At a Taiwanese factory in Shenzhen, China, that was visited in 2004, management allows the workers one day off a week, but on that day off refuses to allow the workers to go out before lunchtime, insisting that they clean their dormitory and attend a company assembly. Getting extra work hours out of workers is also easier when they live in dormitories inside the factory compound. When they do, they also eat in canteens, which cuts down on chores extraneous to their work. Their daily lives consist of working, eating and sleeping, shuttling back and forth the short distance between workshop and dormitory. More importantly, this makes it much easier to enforce long stretches of overtime, even into the small hours of the morning. The fact that Chinese migrant workers work longer hours than Vietnamese workers can partly be accounted for by the differences in living arrangements.

3. The Two Nations' Trade Unions

There are similarities and differences between the two countries' trade unions. In many ways they share features in common, due to their Communist roots and to the fact that they continue to be bureaucracies of one-party states. When the two countries began to open up to foreign investors, both the Vietnam General Confederation of Labor (VGCL) and the All-China Federation of Trade Unions (ACFTU) tried to establish branches in foreign

³⁴ This interview was conducted in March 2002 in Hong Kong. That foreign-owned factories do not have dormitories is also confirmed by staff members of a Vietnamese-based American social auditing company and by an American NGO that grants corporate social responsibility licences.

enterprises, for similar reasons. Ideologically, in both countries the penetration of foreign capital is by definition supposed to be exploitative. This reaction was particularly strong in the earlier years of the economic reforms.³⁵ Bureaucratically, both unions have wanted to expand their power, influence and finances. For these several reasons, setting up workplace unions in foreign factories has become an important policy for the unions.

Management sometimes tries to ward off this pressure until it has itself laid the foundations for setting up a company union. A Taiwanese informant in Vietnam who had worked in China told us that before he allowed a trade union branch to be set up he had cultivated a small batch of loyal workers by giving them benefits, and then arranged to have them appointed as the new branch's representatives. Another interviewee was dismissive of the trade union at his factory: "Basically the trade union will not be out of our control. If someone likes criticizing the company, well, we have a 'graveyard' in the company, and he'll be sent there to be buried." At the workplace level, in both Vietnam and China the unions are likely to be in the pockets of management, or even to be part of management.

But there is a difference in degree, for an important reason. An article in the Vietnamese trade union law stipulates that "full-time trade union workers are paid by the trade union fund."³⁶ As trade union membership in the foreign-funded enterprises has increased, reaching a 70 percent unionization rate, the union is now better able to finance itself. By contrast, the ACFTU in China continues to rely on factory management to pay the salaries of the enterprise trade union chairs and staff, and as literal employees of management, they are more susceptible to pressure to conform to management's wishes.³⁷

At the levels above the workplace, we also find noticeable differences between the VGCL and the ACFTU. In the mid-1990s a comparative study concluded that the two union federations were diverging in their performance.³⁸ Vietnam's labour laws, trade union laws and trade union constitutions, drawn up and passed at various times in the 1990s, pointed to the VGCL being granted more autonomy by the Vietnamese Communist Party. A second factor is that the Vietnamese laws relating to labour rights are more detailed than the Chinese laws on the subject, and violations are more clearly defined, making enforcement easier.

³⁵ Luigi Tomba, *Paradoxes of Labour Reform: Chinese Labour Theory and Practice from Socialism to Market* (London: RoutledgeCurzon, 2002), pp. 9-36.

³⁶ Socialist Republic of Vietnam, Law on Trade Unions, 1995, chapter XIII, articles 155, clause 3.

³⁷ Huang Xiong, "Gei gonghui zhuxi dingzao yijian 'bidanyi'" [Make to Order a 'Bullet-Proof Vest' for the Trade Union Chairs], *Nanfang gongbai* [Southern Labor News], 16 March 2003.

³⁸ Anita Chan and Irene Norlund, "Vietnamese and Chinese Labour Regimes: On the Road to Divergence," *The China Journal*, no. 40 (July 1998), pp. 173-197.

Generally the Ho Chi Minh City municipal trade union is more aggressive than Chinese unions in protecting the rights of workers in Taiwanese-funded factories. In 2002 we personally witnessed the hostility openly expressed by a deputy union chair towards a Taiwanese diplomatic staff member who accompanied us to our interview session at the city trade union office. The union official said his office had been working with the Korean Embassy for two years to reduce labour abuses in Korean factories and had attained some success, yet the Taiwanese diplomats had not even contacted the union in all these years. The session ended with trade union officials chiding the Taiwanese official for not reining in the Taiwanese business people's authoritarian treatment of Vietnamese workers. A reporter from the Vietnamese union newspaper *Lao Dong* (Labour) who was present joined in the accusation. The next day a report of our interview appeared in his newspaper, and the thrust of the report was pointedly on how the Taiwanese official had agreed to do something about improving labour standards.³⁹ Soon afterwards a Taiwanese official informed us that his office would indeed try to address the problems.⁴⁰

Unlike the Vietnamese, Chinese officials and local union branches at all levels are normally careful not to show displeasure to Taiwanese officials about abusive behaviour towards Chinese workers, and the national Chinese union federation does not appear to have taken Taiwanese diplomats to task, either. The Vietnamese unions are more assertive on behalf of workers in other respects, too. Whereas a Vietnamese trade union official noted to us that if workers cannot resolve problems at the workplace level, they seek help from the local district union, in China, by contrast, workers usually go to the labour bureau or local government, in particular the Letters and Visits Offices, but they seldom seek out the local union, reflecting the unions' weakness.⁴¹

Some of the local units of the Vietnamese union confederation take a proactive stance. In the district of Dong Nai, near Ho Chi Minh City, the district union is implementing a new policy to raise workers' awareness. It runs a one-day training course on Vietnamese labour law, which is required for all job applicants who seek work through its employment office. The workers we interviewed who had taken the course appreciated it. Notably, knowledge of the law puts them at an advantage compared to the migrant

³⁹ "Taiwanese trade office seeks labor unions' help," *Viet Nam News* (original report from *Lao Dong*), 23 January 2002, p. 4.

⁴⁰ Wang received this information in writing from the official.

⁴¹ Isabelle Thireau and Hua Linshan, "The Moral Universe of Aggrieved Chinese Workers: Workers' Appeal to Arbitration Committees and Letters and Visits Offices," *The China Journal*, no. 50 (July 2003), pp. 83-103. In Shanghai, where the Shanghai General Trade Unions is reportedly one of the most active unions in China, with a strong leadership, about 20 percent of the workers involved in labour disputes seek help from the union. Feng Chen, "Legal Mobilization by Trade Unions: The Case of Shanghai," *The China Journal*, no. 52 (July 2004), pp. 27-48.

Chinese workers who, as we noted earlier, tend to have no idea of their rights in terms of the legal minimum wage and maximum number of working hours. Ignorance renders them more vulnerable to exploitation. Clearly, education by an official trade union on legal rights can be beneficial to workers.

But the Vietnamese unions' efforts have not always been successful. An informal tripartite relationship has emerged in Ho Chi Minh City, and we interviewed officials of all three parties: the union, the employers' association (which has the support of Taiwanese investors) and the Labour Department. The employers' association made intensive lobbying efforts to increase the maximum number of overtime work hours each year from 200 to 400. With the city government's Labour Department playing the role of final arbiter in the negotiations, the union in the end had to agree to a compromise of a maximum of 300 hours of overtime a year. This represents a large decline in labour standards. In short, in Ho Chi Minh City, lobbying and pressures by employers' groups succeeded in bending government policy. The influence of the union was insufficiently strong to block this. This type of scenario has also been played out repeatedly in China, where national and local Chinese authorities have bent to concerted pressures from investors on numerous occasions.

Finally, at the international level, the VGCL was allowed to participate in international trade union organizations, and allowed to accept foreign financial assistance and technical aid. The first article of the Vietnamese Trade Union Law states that "the VGCL and Vietnamese trade union associations are entitled to join international trade union organizations which have the same objectives."⁴² These contacts, assistance and exchanges have widened the Vietnamese trade union officials' horizons regarding how to operate as a union in a market capitalist system. Under the planned economy there was not much that trade unions in Vietnam or China were able to do to protect workers' rights, as the pay scale and conditions were set from above, on the national level. The Vietnamese economy was not part of the global capitalist economy, and there were no foreign capitalist investors. But once Vietnam opened up and foreign capital came pouring in, the unions were not equipped to deal with foreign capital and management. That is when, in Vietnam, help from the international labour movement became useful. The Chinese trade union federation, on the other hand, has in the past decade tended to maintain only a formalistic relationship with foreign trade unions.

It is notable in this respect that the Vietnamese government and trade union confederation are willing to engage in an international dialogue on the international norms set for labour standards. There has been pressure

⁴² Socialist Republic of Vietnam, Law on Trade Unions, 1995, chapter I, articles 1, clause 3.

from the international corporations to upgrade labour standards in supplier factories, in reaction to the anti-sweatshop movement in the developed countries. The Vietnamese union confederation has used this as an opportunity to promote a new direction with regard to labour standards—to upgrade them rather than continue to participate in a “race to the bottom,” in which developing countries have competed against each other in offering cheaper labour. The Vietnamese government and trade unions have openly urged their factories to apply for SA8000, a certification of labour standards issued by a Western NGO, Social Accountability International (SAI), that is increasingly being recognized by Western corporations.⁴³ In 2002 the Vietnamese government agreed to participate in a programme funded by the US Department of State to work with SAI to improve labour standards in Vietnamese factories.⁴⁴

The Vietnamese government agreed in these negotiations to what seems to be a new strategy to expand its export market and thus also attract more foreign investment. This represents a complete reversal of the ‘race to the bottom’ strategy. Cynics may dismiss Hanoi’s SAI strategy on the grounds that Vietnam is a poor country with a heavy reliance on apparel exports,⁴⁵ capitulating to American pressure in allowing its labour standards to be linked to trade. Even if this were the case, it would illustrate that pressures from abroad can motivate a host-country government to improve labour standards. Notably, there are people in the Vietnamese government and the VGCL who are receptive to such pressures and have in fact deliberately used them to strengthen national policies on behalf of workers.

4. The Role of the Central State

The way that the operations of the host-country government are structured is of critical importance. As an example, the head of the VGCL is entitled by law to attend the meetings of Vietnam’s Council of Ministers,⁴⁶ and the heads of all levels of the unions are entitled to attend the meetings of the state bodies of an equivalent level when discussions relate to the interests and obligations of workers. Any proposed policies or recent actions by state organs that infringe on the unions’ interests will be disputed at the meetings. Although the Chinese union federation has access to government processes, it does not have the same entree as the VGCL.

⁴³ Based on information provided by a staff member of SGS Vietnam Ltd., an auditing firm in Ho Chi Minh City, and by a trade union leader interviewed on 25 January, 2002. An SA8000 certification was mandated by the US government and was a condition of the US-Vietnam Bilateral Trade Agreement signed in 1999.

⁴⁴ “SAI Vietnam Program Update,” Social Accountability International & SA8000 e-update, December 2002, sent to authors via e-mail.

⁴⁵ Vietnam’s textile and apparel industry produces about 15 percent of Vietnam’s exports and employs 1.6 million workers (Congressional Research Service, The Library of Congress, June 2002).

⁴⁶ Trade Union Law, article 4, clause 1.

Another important reason why the two unions perform differently, we believe, has to do with the relationship between the central party-state and local governments. China is a vast country, some of whose provinces are even larger in population than all of Vietnam. China's provinces are divided in turn into prefectures, which each contain a number of counties and cities. Whereas the Chinese central government has considerable concern for social stability and thus passes laws and regulations to promote greater fairness in labour practices, the various levels of regional and local governments, from provinces down to counties and local townships, are much more eager to stress their attractiveness to investors in the competitive struggle to secure global capital. Many of the local governments in fact become partners of the investors through joint-venture enterprises, or construct factory buildings to rent out to the private manufacturers. It is little wonder that these local governments and their police forces tend to side with employers and often turn a blind eye to abuses. The many intervening layers of government between these localities and Beijing buffer their various connivances with employers from Beijing's direct supervision. The central government has tended to accede to the local governments' 'distance' from direct central oversight, as Beijing does not want to stifle the regional and local governments' initiative to spur local development. Vietnam's 57 provinces and four central cities, in contrast, are each equivalent in size to a county or city in China. Although they behave much like Chinese counties in their efforts to attract more capital, there are no intervening layers between them and Hanoi, and they thus come directly under the supervision of the central authorities. The Vietnamese central government can monitor these local governments more closely regarding infringements of workers' rights.

There is also another factor at work here. In China, since the establishment of the People's Republic of China, the ministries and local areas have shared jurisdiction over the local branches of the central bureaucracies.⁴⁷ As the local areas have gained a greater capacity to take the initiative during the past two decades, they have increased their sway over these locally based bureaus. As an apt example, the local levels of the Chinese trade union federation cannot act independently without the permission of the local Party and government. Since the local authorities have a tendency to side with foreign capital to boost local revenues, they are prone to pressure the local unions or individual union officials under their jurisdiction not to be overly committed to the labour cause.⁴⁸ Under such an administrative structure, unless the union hierarchies within each industry are granted

⁴⁷ Jonathan Unger, "The Struggle to Dictate China's Administration: The Conflict of Branches vs Areas vs Reform," *The Australian Journal of Chinese Affairs*, no. 18 (July 1987), pp. 15-45.

⁴⁸ Ng Sek Hong and Malcolm Warner, *China's Trade Unions and Management* (London: MacMillan, 1998), pp. 95-122; Bill Taylor, Chang Kai and Li Qi, *Industrial Relations in China* (Cheltenham: Edward Elgar, 2003), pp. 43-45.

greater vertical powers to override the power of the local governments, it is difficult for the unions to protect workers from labour rights violations.

In contrast, the Vietnamese trade union branches gained independence from the local authorities once the union hierarchies in each industry and profession were strengthened in the 1990s.⁴⁹ This freed them from the control of local governments, which tend to be more pro-development and therefore pro-management and pro-capital.

Conclusion

In this paper we have presented evidence showing how Taiwanese investors' management practices differ in response to the practices of the host state. Comparative fieldwork in Vietnam and China, examining the situations at numerous Taiwanese-managed factories in both countries, revealed that workers generally are treated better in the factories located in Vietnam. Whereas the Taiwanese investors tend to use a militaristic style of management in China, they draw back from doing so in Vietnam.

The paper has observed that one reason involves the assertiveness of Vietnamese workers, who have a better understanding of labour rights and are apt to strike if pushed too far. Their awareness stems in part from the efforts of the government and official unions to make them cognizant of the labour laws and regulations. And their ability to resort to strikes if forced into excessive overtime work relies upon the government's tolerance toward such actions, unlike the situation in China, where the authorities normally side with the employers and suppress strikes.

The paper shows that several other institutional factors also weaken the position of the workers in the Chinese export sector, in marked comparison to Vietnam. First is the use to which the household registration system is put. In China, the household registration system is enforced in ways that discriminate against the migrant workers from the countryside, who provide the bulk of the labour in the export industries, greatly increasing their vulnerability at the hands of employers. The living arrangements of Chinese migrant workers have a similar effect, as many of the workers are housed in dormitories within the factory compound, where their movements can be controlled. In contrast, the Vietnamese government does not generally enforce its household registration system to the detriment of migrant workers, and the government is averse to factory dormitories.

Also of importance are the differences in the operations of the two countries' government-sponsored trade unions. We have observed how the trade union confederation in Vietnam has been given the leeway by the

⁴⁹ Anita Chan and Irene Norlund, "Vietnamese and Chinese Labour Regimes; On the Road to Divergence," *The China Journal*, no. 40 (July 1988), p. 193.

government to press more vigorously to protect working conditions in foreign-managed factories.

Finally, we have seen how and why the Chinese central government's sway over local authorities has been weakened, to the decided detriment of migrant workers. And we have seen how and why this decentralization of authority has hobbled the actions of local unions, far more than in Vietnam.

In all of these respects, differences in the policies of Beijing and Hanoi have had a noticeable effect on the behaviour of the factory managers from Taiwan. The bulk of published writings on this topic have assumed that the management styles of foreign investors are applied independently of host-government policy, but that assumption is wrong. Our research shows that the state's role does, indeed, matter.

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