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April 12, 2016

Race to the Bottom?

A Study of FDI, Government Development Strategy and Labor Rights in China

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Abstract

China's export-oriented economic growth model and the frequent strikes in its coastal region often lead to the belief that China is suffering from the classic "race-to-the-bottom" effect. According to the theory, the pressure to attract footloose capital can lead to the deterioration of labor rights conditions because host countries loosen labor regulations as a way to lower production costs for foreign companies. On the other hand, facing a surge in labor unrest and decreasing supply of cheap labor, Chinese leaders are pressured to switch to a different development model driven by skill-intensive industries. While there are theories on how foreign direct investment (FDI) influence government protection of workers' rights, few theories capture the link between government development strategy and labor rights protection. In this study, I examine the impact of FDI and government development strategy on labor rights conditions in China by analyzing data collected from province-level government work reports and statistical yearbooks published by the Chinese authority. My quantitative analysis suggests that China's reliance on exports has a negative impact on labor rights conditions, and Chinese provincial leaders are pursuing a more sustainable development path to resolve the increasing tension between foreign capital and Chinese workers. However, confronted with the pressure to maintain social stability and stimulating economic growth, local officials are tightening their control on labor relations instead of protecting workers' interests in response to a higher level of foreign direct investment.

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INTRODUCTION

Since the early 2000s, China has been experiencing a surge in labor unrest. According to China Labor Bulletin, a non-profit labor organization based in Hong Kong, a total number of 2772 strikes occurred in 2015, and more than 25% of these strikes took place in Guangdong. As China's manufacturing powerhouse, Guangdong is a popular destination for multinational companies (MNCs) seeking cheap labor resources. In response to the labor unrest, Guangdong tried to pass a series of laws to extend more legal rights to workers. However, these laws never ended up being approved by the Guangdong People's Congress because of intervention from business interests. It was not until 2014 when Guangdong finally passed its first provincial law that seeks to regulate labor collective contracts, almost two decades after a similar law was passed in Fujian in 1996.

The rise of China as the "World's Factory" and the increasing labor strikes in foreign invested companies raise the question of whether multinational enterprises account for the prevalence of labor rights violation in China. Critics of multinational production often argue that the pressure to attract foreign investment can pressure developing countries to decrease the protection of workers' rights as a way to minimize labor costs. Since China began its economic reform in 1978, foreign direct investment (FDI) has been playing an important role in driving China's economic development and providing employment opportunities to laid-off workers from State-Owned-Enterprises (SOEs). China's reliance on cheap labor for economic development, and the growth of media reports on labor abuses in foreign companies all seem to suggest that foreign direct investment may account for China's ineffective labor rights protection.

On the other hand, increasing strikes may also indicate that Chinese workers are gaining more bargaining power vis-à-vis their employers and are more capable of voicing their

complaints. Since the early 1990s, China has passed several national laws to regulate labor relations at workplaces in response to rising labor discontent. National and provincial leaders are also making a visible effort to shift China's development path to a more sustainable growth model that relies more on skill-intensive industries. In 2010, Guangdong governor Huang Huahua proposed a policy called "changing the birds in the cage," which aimed to replace labor-intensive industries with technology-intensive industries in Guangdong. Critics of the policy saw it as an effort to improve labor conditions for workers and to drive out factories that do not comply with labor regulations (China Labor Bulletin 2012). Thus, instead of making labor rights concessions to attract foreign companies that seek to take advantage of China's cheap labor, China seems to be pursuing a more sustainable development path as a solution to resolve the tension between foreign capital and Chinese labor.

While there are many theories on how foreign direct investment can influence government protection of workers' rights, few theories capture the link between government development strategy and labor rights protection. As China places more emphasis on vocational training, attracting FDI in advanced manufacturing sector and improving domestic consumption, it is unclear whether an improvement in development strategy can have a positive impact on labor rights protection in China. Under the Chinese labor law, workers are granted substantial rights at workplaces, but the implementation of these laws has been far from expectation. Can a more sustainable development model improve the enforcement of labor rights given to workers under the laws? Or do Chinese regional officials nevertheless choose to loosen labor rights regulation under the pressure of maintaining China's comparative advantage in cheap labor? How do development strategies pursued by local officials affect the impact of FDI on labor rights?

My research project seeks to answer these questions and focuses on investigating the causal relationship between foreign direct investment, government development strategy and labor rights protection in China. As China runs out of cheap labor and faces more labor unrest, the tension between a development model relying on a low-skill labor force and an unsatisfied work force gradually emerges. It is important to look at how Chinese leaders deal with these challenges and how they balance the goals of economic growth and social stability. On the one hand, foreign direct investment may play a decisive role in determining the level of labor rights protection and may lead to the deterioration of labor rights conditions because of the need to attract outsourcing companies. Local governments may also tighten their control on labor relations facing the pressure to maintain social stability. Alternatively, Chinese government can develop competitive industries and a high-skilled workforce to fuel China's development. In this case, Chinese government will be more likely to enforce workers' rights granted by the national law and less likely to rely on outsourcing companies for economic growth. In this way, it is possible that a more sustainable development model can lead to better enforcement of labor rights.

Therefore, I will examine these possibilities and test three major sets of hypotheses in this study. First, I expect FDI to exert negative pressure on labor rights protection, but government development strategy can mediate this relationship. Second, I predict that a higher FDI level will lead to more social control and disputes prevention by local trade unions. Third, provincial governments are increasingly able to determine the level of foreign direct investment they accept and the labor rights protection they would like to extend to workers. I will conduct a cross-regional time-series study to evaluate my arguments, using both existing and self-generated data.

LITERATURE REVIEW

The Effect of FDI on Labor Rights

Since China started its economic reform in 1978, foreign direct investment (FDI) has been playing an important role in Chinese economic development. As one of the largest FDI recipients, China attracted more than \$60.6 billion of foreign capital in 2004, starting from a base of less than \$19 billion in 1990. In 2004, 64.76% of China's FDI share went to its manufacturing industry and 68.27% to the secondary industry (China Commerce Yearbook 2005). Equipped with its comparative advantage in low-cost labor and favorable foreign investment policies, China saw foreign direct investment as a quick way to fuel its economic engine, and soon became a popular investment destination for many foreign investors. Foreign capitals and multinational companies poured in, and forms of entry also diversified since 1979. Joint ventures, wholly foreign-owned enterprises, joint stock holding, and other modes of foreign ownership have become increasingly common in China (Gallagher 2004). In 2004, 39.57% of the foreign capital was invested in the form of equity joint venture and 42.56% in the form of wholly foreign-owned enterprises (China Commerce Yearbook 2005).

The growing amount of foreign direct investment was not only beneficial to China's economic growth, but also provided employment opportunities to many urban job seekers. In 1978, over 80 % of China's industrial workforce was employed in the state-controlled economic sector, and were managed through different work units (*danwei*) in *State-owned enterprises (SOEs)*. This system was characterized by employment stability that provided "cradle-to-grave support" for its members, including social welfare and medical insurance (Chan and Peng 2011). The transition of China from a state controlled economy to a market economy created a number

of disgruntled laid-off workers seeking employment, and foreign companies provided a buffer for such transition by providing job opportunities for these workers.

On the other hand, while China took advantage of the quick foreign capital, it struggled to deal with the new labor conditions that accompanied with this rapid economic transformation. As foreign companies and private companies became more common, a labor relationship managed by the state gradually shifted to a market-oriented system. In 1978, more than 80% of China's industrial workers were employed in state-owned enterprises, but by the end of 2008, 75 % of the industrial workforce worked in private and multinational corporations (Budd et al., 2014). Lacking legal and official means to protect themselves, these workers were exposed to exploitation from their employers, and the Chinese regime provided no buffer on the impact of these changes for Chinese workers (Gallagher 2004; Chan 2009). The existing regulatory system and labor policies failed to address workers' grievances and to regulate the suppression of workers' rights, creating a group of workers in the urban area who suffered from job insecurity, wage suppression, poor working conditions and violation of personal rights in the early 1990s (China Labor Bulletin). In the 1990s, labor rights infringement was pervasive, and labor unrest and disputes increased drastically (Gallagher 2011, Chan 2009).

In response to the threats of potential social unrest, the Chinese leadership was prompted to improve labor conditions and to extend labor rights to workers through different measures. The past three decades witnessed an intense effort by the Chinese government to stabilize its labor force. Since 1992, the Chinese People's Congress had gradually adopted a series of new measures to regulate new labor relations. In 1994, Chinese government enacted its first Labor Law, an effort to extend labor rights to tackle the side effects of its economic transformation. In 2006, Chinese President Hu Jintao introduced the concept of creating a "harmonious society,"

and the concept was widely echoed by Chinese political leaders. The standing committee of the National People's Congress adopted another labor law in 2007, which grants trade unions and employee representatives the right to bargain collectively. It also requires all workers to sign a written collective contract with their employers. This right to collective bargaining can supposedly enhance the bargaining position of labor if strictly implemented (Chan and Peng 2011, Gallagher 2004; Chan 2009).

Despite these efforts made by the central leadership to improve labor relations, the implementation of these measures has been far from expectation. Since the early 2000s, China has been experiencing a surge of strikes. Many of these strikes took place in Guangdong Province, a manufacturing powerhouse receiving among the highest amount of foreign direct investment each year in China (China Statistical Yearbook). The frequent strikes in this area pose the question of whether China's export-orientated growth model has contributed to its difficulty of protecting workers' rights. Scholars supporting the "race-to-the-bottom" theory frequently argue that developing countries with cheap labor resources give labor and welfare concessions to lower labor costs so that they are more attractive to outsourcing multinational enterprises. Thus, competition among developing countries to attract footloose capital can induce an overall deterioration of labor standards in host countries (Roach 2006; Lam 2002; Lou and Zhang, 2010). This association of "race-to-the-bottom" effect is in even more evident in unskilled-labor-intensive industries, and countries with weaker union rights often have stronger comparative advantage in these sectors (Busse 2002). On the other hand, existing research also points to another mechanism through which foreign direct investment can impact labor conditions. According to the "climbing to the top" camp, foreign direct investment can raise labor standards at the firm level because corporate codes of labor practices promulgated under

the pressure of NGOs can have a positive impact on labor conditions. Foreign companies, they argue, are more likely to adhere to better international labor standards under the pressure and monitoring of NGOs and the international community (Barrientos and Smith, 2007, Rourke 2003).

In the context of China, “the race to the bottom theory” seems to be more suitable to its economic and labor conditions. As a regime sensitive to social movements, the Chinese party-state even fears the strengthening of its official trade unions because it can lead to worker mobilization that may be threatening to the regime (Remington and Cui 2015). Grassroots labor NGOs are in constant battle with the Chinese party-state, and their survival is largely dependent on the recognition and tolerance of local governments (He and Huang 2015). Thus, the weak standing of Chinese non-state agents such as NGOs, shareholders or independent media vis-à-vis the state means that they are unlikely to provide substantial external enforcement of better labor conditions (Rickne 2013, Chan and Hui 2014). Furthermore, China’s development approach relying on cheap labor also poses a challenge to “climbing to the top” theory. Over half of the total foreign direct investment goes to China’s manufacturing industry, seeking to take advantage of China’s abundant labor resources (Liu 2011). Thus, it is hard to imagine businesses looking to maximize their profits will voluntarily improve workers’ working condition without pressure from the state. In Yu (2008)’s case study of Reebok’s Athletic Footwear Supplier Factory in China, she finds that corporate social responsibility policies fail to have a positive impact on work conditions because business seeks to maximize profits and the Chinese government doesn’t provide sufficient protection. While some empirical evidence suggests that multinational enterprises or nongovernmental regulatory system can improve labor conditions, such impact is often dependent on many other conditions such as transparency and mechanisms through which

businesses can be held accountable to workers and consumers (Rourke 2003, Egels-Zandi and Hyllman 2007). Therefore, considering China's development strategy in conjunction with its suppressive attitude towards independent labor NGOs, the "race to the bottom" theory may depict the economic and labor reality more accurately.

Moreover, the fragmented nature of Chinese economic system can further aggregate this "race to the bottom" theory effect, if it is indeed operating in China. In addition to competition with other developing countries at the national level, regional governments also compete with each other for foreign direct investment. As a result of economic decentralization, local government and party leaders enjoy the ability to develop their economy, although they also face the pressure to meet economic quota set by higher-level government (Gallagher 2004, Zhang 2015, Lin and Chen 2014, Teets and Hurst 2014). On the other hand, while such a decentralized administrative system can be conducive to economic development and allow local officials to adjust their development approach in accordance with individual characteristics (Thun 2006), this also creates difficulty of implementing policies and enforcing laws that may be seen as being at odds with reaching the certain development goals. Although the Chinese Communist Party has been advocating the goals of establishing a rule of law in tandem with its economic reform since 1978, the disjuncture between legal rights on paper and legal rights outcome at the local level still remains (Horsley 2010). Laws designed to protect workers often serve as a broad framework rather than regulations that are supposed to be strictly enforced at the local level. Local officials have flexibility in implementing national laws and can even enact their own local laws as long as enforcement is carried out in alignment with the regime's political goals within the national legal framework (Zheng 2010; Saich 2010; Cooney et al. 2007, Horsley 2010). In this way, the task of balancing between economic development and labor rights protection falls on the shoulders of

regional governments. Since 2000, some local governments have also been tasked with providing employment opportunities to laid-off workers (Lin and Chen 2014; Lam 2002). Considering that economic development is one of the top priorities for local officials, it is likely that regional governments that are reliant on labor resources and foreign direct investment for economic growth will concede to outsourcing foreign companies.

However, the race-to-the-bottom theory relies on a few assumptions that need to be examined in detail (Neumayer 2006, Busse 2002). Busse (2002) points out in his study that the debate around the association between labor rights and globalization centers around two issues: whether lower labor standards can improve countries' comparative advantage and if this will lead to the "race to the bottom" effect. Studies testing these two relationships often lead to mixed results. The underlying presupposition of the first issue is that increasing labor rights protection, especially granting workers the rights to negotiate wages with businesses collectively, may increase the risk of losing its comparative advantage in labor resources (Mosley 2010). This argument is often supported among opponents of globalization, but few empirical studies that tested this association find significant correlation between workers' collective bargaining rights and foreign direct investment (Mosley 2010, Neumayer 2006). However, what also seems to matter in this theory, is whether host country or regional governments in China believe that a lower labor standard can give them an advantage in labor cost, and whether such a development model should be the optimal path for them to pursue. The second assumption, which underlies the theory, is that facing competitive pressure to attract foreign direct investment for economic growth, governments will choose to lower labor standards for the sake of lowering labor costs. This leads to my second question, will government still choose to suppress labor collective

bargaining rights to attract FDI if they pursue a development strategy that is favorable to workers but not to foreign direct investment?

Building a Harmonious Labor Relationship in China

Although China is known for relying on its cheap labor for economic growth, Chinese leadership is not satisfied with this development approach and has been trying to overcome its dependency on cheap exports. It also looks to diversify its growth model by emphasizing the importance of industrial upgrading and developing competitive industries (Butollo 2014, Thun 2010). As Chinese labor became more expensive in comparison to other developing countries, China is on the trajectory of losing its competitive advantage to countries such as the Philippines and Viet Nam (Li et al 2012, Botollo 2014). In response to the pressure to transform China from a manufacturing powerhouse to an economy driven by advanced technology and industries, both central and provincial leaders recognize the need to develop a more skilled labor force (Liang and Chen 2013). As Thun (2010) points out, building another manufacturing sweatshop is not the goal of Chinese leaders, and improving the utilization of FDI by introducing knowledge and talents from advanced industrial countries is seen as an important way for China to improve its economic structure and to produce more technology-intensive goods. In this sense, if Chinese leaders are determined to upgrade China's workforce and develop a more sustainable growth model, it will be less likely for them to lower labor standards in exchange for foreign direct investment.

Furthermore, the increasing threat of social instability has also forced China to reevaluate its development approach and adopt a development strategy more favorable to labor conditions. Since the early 2000s, China has been experiencing an increase in labor unrests with the emergence of protests among Chinese migrant workers (Becker 2014, Botollo 2014, Zhang

2014). Ensuring social harmony has become a top priority for Chinese leaders. If workers cannot achieve their demands through an official channel, they will likely resort to strikes and other forms of collective actions to exercise their collective power, which is seen threatening to the regime (Cai and Wang 2010). In this way, local officials face the pressure of both maintaining social stability and providing a growth-stimulating environment for businesses seeking cheap labor.

Thus, with the desire to improve its economic development model and the pressure to maintain social harmony, Chinese leaders may choose a development strategy that is less favorable to an export-oriented labor-intensive model preferred by foreign companies. In this case, it is possible that a development model adopted local government can have a positive impact foreign direct investment have on local labor standards and workers' rights. However, it is important to note that the protection of labor rights can carry a different implication in the Chinese context and it needs to be evaluated in detail. The International Labor Organization identifies the right to organize and bargain collectively as one of the core labor rights, which is also the right often being associated with the race-to-the-bottom theory. The ability to bargain collectively is seen as a way for workers to negotiate better compensation vis-a-vis their employers. Suppression of this right allows firms, especially those in labor-intensive industries to take advantage of workers who lack this ability (Mosley 2010).

However, the Chinese party-state has been very reluctant to grant workers substantial collective bargaining power. Despite China's effort to improve labor relations in recent years, the progress it has made is largely limited to building individual grievance-adjudication mechanism to reduce collective labor actions. Rather than granting workers collective rights so that they can aggregate their interests and bargain collectively, the Chinese leadership has only

been focused on building an individual rights-based regulation framework (Chen 2007). Many measures by the Chinese party-state are seen by scholars as attempts to pre-empt independent collective action and to channel labor grievances in a more orderly and controlled way (Clarke et al., 2004, Remington and Cui 2015; Chen 2003; Chen 2007). For example, the regime's seemingly effort to lay down a foundation for a collective consultation system though the series of laws enacted in the early 1990s was in principle a means to channel conflicts into juridical procedure rather than facilitating collective bargaining of workers (Clarke et al., 2004)". While the central government touted the Labor Contract Law adopted in 2007 as a major step taken to provide workers more ways to seek adjudication of labor disputes, evidence is found that it was also a move to use individual grievance-adjudication mechanism to reduce collective labor actions (Remington and Cui 2015).

Therefore, to conceptualize labor rights as the protection of workers' collective bargaining rights may be problematic in the Chinese context. Under the Chinese authority, workers do not have the legal rights to independent labor organizing or freedom of association (Budd, et al., 2014). Unions at work places are branches of the only legal labor union, the All China Federation of Trade Unions (ACFTU), which play a contradictory role of representing both the workers and the State (Chen 2003). In contrast to trade unions in developed countries, the ACFTU is a de facto state apparatus tasked with preventing workers from forming independent trade unions outside the official framework rather than organizing effective bargaining and improving wages on behalf of workers (Chen 2003; Chan 2009). The role of the Chinese trade unions has been centered on mediating conflicts or coordinating interests at work places before conflicts break out into public demonstrations (Chan 2009; Chen 2003). The limited capacity of Chinese trade unions is particularly evident at the enterprise level as they are

often under the control of the management and lack substantial power to demand better work conditions for workers (Chan 2009, Budd, et al., 2014). As a mediator between workers and their employers, the ACFTU often acts in the interests of the government or businesses (Traub-Merz 2011, Budd et al., 2014, Chan 2009; Chen 2003). Thus, instead of providing mechanisms through which workers can exercise their collective bargaining power, Chinese trade unions often serve as a tool for the state to prevent potential unrest and “illegal” collective actions.

As national leaders prioritize social harmony, trade unions started to gain more importance as a tool to manage labor relations at workplaces in the eyes of local governments (Liu 2010, Chen 2010). Chinese leaders are not only aware that dire labor conditions need improvement, but also see threats of social instability if conflicts at workplaces are not diffused properly. Without a channel for workers to express collective interests and reach their demands, workers are likely to seek other means to express their grievances such as strikes and protests, which are deemed as threatening to the regime (Chan 2009). Although the role of regional and sectoral trade unions are still largely restricted to tasks such as providing workers financial relief, job services, and legal training (China Labor Bulletin 2009), they are also adapting to new economic and social conditions, and are seeking to increase its institutional power as well as its capacity to represent workers (Pringle 2011, Remington and Cui 2015). However, it is worth emphasizing the exact role of trade unions is ambiguous, because they still need to lend support from local governments to effect change on behalf of workers, and the political resources they possess are still dependent on their ties to local governments (Liu 2010).

Considering the instrumental role of Chinese trade unions at the local level, it is worth investigating how labor rights protection is played out through trade unions, and whether foreign direct investment and government strategy affect these roles. As social stability became a priority

parallel to economic growth, local officials can be very strategic in reaching their economic goals. The pressure to attract FDI for economic growth and the concern for social stability may lead local officials to focus on preventing social unrest instead of improving labor rights protection, although these two measures are not mutually exclusive. On the other hand, if development strategy pursued by local government is more favorable to workers, but less to labor-intensive industries, local officials may be more concerned about extending labor rights to workers rather than exerting social control on workers to prevent disputes from breaking into protests or strikes. This leads to two important questions relevant to the topic of this study. How do government development strategy and foreign direct investment affect the role trade unions play in managing labor relations? Does foreign direct investment lead trade unions to exert social control and prevent labor unrest rather than improving labor standards and representing workers' interests?

Before I proceed to the next section, it is also worth noting that pressure from workers can also be an important force in affecting the role of trade unions, especially migrant workers in recent years. Migrant workers flowing from China's rural area consist of a major part of the labor force in China coastal export zones (Chan and Peng 2011; Fan 2008; Solinger 1999). Many foreign-invested companies have been taking advantage of these migrant workers as they tend to take less attractive jobs and work longer hours in poorer working conditions because of their second class-status in the urban area (Wallace 2014; Chan and Peng 2011; Wang and Zuo 1999;). On the other hand, studies show that migrant workers have become increasingly organized and active (Pringle 2011, Lu 2014). The shrinking supply of low-wage labor also allows them to gain more bargaining power as it becomes more difficult for manufacturing firms to find labor in urban centers and the coastal provinces (Cai and Wang 2012). This shortage of labor can

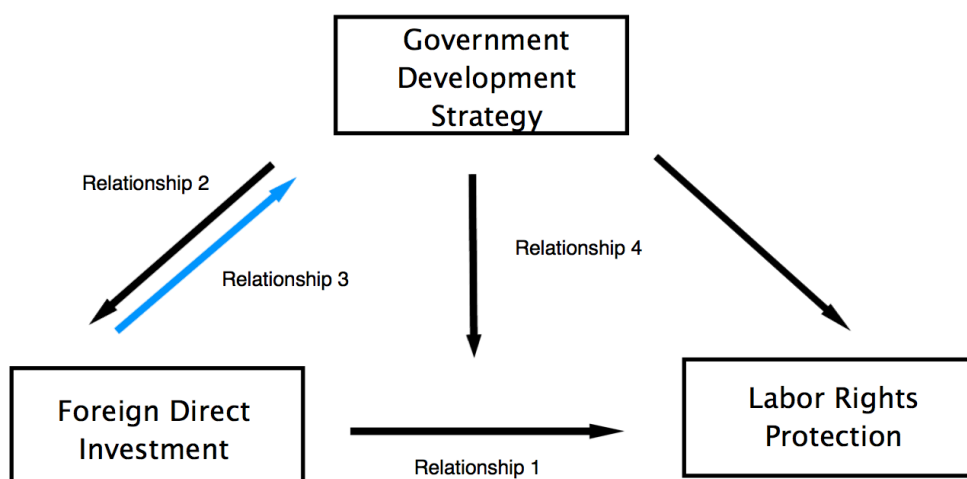
increase the confidence of the workers in increasing their demands vis-a-vis their employers (Franzosi 1995), and evidence has been found that labor scarcity can induce firms to increase social insurance coverage and improve work conditions for employees. This impact is especially evident in firms with a large share of low-educated and uninsured workers consist of migrant workers (Rickne 2013). Thus, as the labor market tightens up, workers may have more bargaining power to achieve their demands and force trade unions to represent their interests against their employers.

Theoretical Framework

My literature review reveals a complex relationship of foreign direct investment, government development strategies and labor rights protection in China. The race to the bottom theory predicts that a high level of reliance on footloose foreign capital tends to weaken government protection of labor collective bargaining rights, but this theory assumes that foreign companies seeking to lower their production cost have a significant bargaining power over countries relying on their cheap labor for economic growth because of their footloose nature. Existing literature neglects the potential role of government development strategy can play in affecting both foreign direct investment inflow and labor rights protection. As demonstrated in the case of China, the central leadership has been looking to overcome its reliance on cheap labor to develop a more sustainable growth model driven by advanced technology and high-skilled labor. Pursuing a government development strategy more favorable to improving workers' conditions but less to labor intensive industries, government may be less reluctant to make labor concessions in exchange for foreign capital.

There are three ways through which government development strategies can mediate the causal mechanism predicted by the race-to-the-bottom theory, as outlined in Figure 1.

Figure 1 Relationship between Government Development Strategy, FDI and labor rights Protection.



Relationship 1 captures the race-to-the-bottom effect, which neglects the role government development strategy plays in influencing labor rights. Relationship 2, 3 and 4 depict three other possible relationships among the conceptual variables. In a mediation relationship (Relationship 3), FDI is able to influence the development choices a regional government makes, and this development approach affects the level of labor rights protection in a given region. In a confounding relationship (Relationship 2), regional government determines its own development strategy, which affects both the level of FDI and labor rights protection. Government development strategy can also serve as a moderator (Relationship 4) and can alter the strength of impact foreign direct investment has on labor rights protection. Compared to the two other relationships, a moderation relation may be able to capture economic decentralization in China, which allows local governments to pursue their own development model under a general economic framework.

In this study, my main goal is to determine whether government development strategy has a significant impact on labor rights conditions and if it plays a mediating or confounding role. I do not predict it to have a moderating role but I will nevertheless examine the relationship as an evaluation for my measurement, which I will explain later in my research design. This leads me to four sets of general hypotheses. *First*, I expect that higher level of FDI will lead to lower level of labor rights protection, but a government development approach more favorable to improving labor conditions can mediate this negative pressure. *Alternatively*, a government chooses its own development strategy, which determines both the level of foreign direct investment it accepts and the degree to which it protects labor rights. Moreover, in the context of China, if local officials decide to pursue a development strategy that is dependent on foreign direct investment seeking cheap labor, they may also tighten social control for the concerns of potential threats of social

unrest. *Thus*, I also predict that a high level of FDI and a government development strategy less favorable to workers' labor conditions will lead to more social control in a given region.

As demonstrated in my literature review, China has also experienced a considerable amount of change in labor conditions and development approach in recent years. Development goals are no longer limited to achieving a high GDP growth; social stability has become an increasingly important concern for the authorities; Chinese labor is gaining more bargaining power as labor market tightens up and workers become more conscious of their rights. A harmonious labor relationship, a sustainable development model, and improving the livelihood of workers have all top the agenda for the Chinese leadership. Because of these changes, *I expect* that the effect of FDI on labor rights decreases over time and the impact of government development strategy increases.

RESEARCH DESIGN

To evaluate my arguments, I conduct a cross-regional time-series study, using both self-generated and pre-existing data at the provincial level from 2001 to 2013. My sample includes 27 provinces and 4 province-level municipalities from the years of 2001, 2006 and 2011. I choose province as my unit of analysis because I will utilize data on trade unions published by the Chinese Statistics Bureau to generate the measurement for my dependent variables and data are more readily available and systematically organized at the province level. Only a few prefectural-level governments that I have looked at publish data on trade unions annually, and their measurements are largely inconsistent. Thus, using provinces as my unit of analysis will allow me to increase the number of observations and reflect what I seek to measure more accurately.

Many studies using panel data adopt time-individual fixed effect models for their analysis to control for the province specific fixed effects (Budd et.all 2014, Remington and Cui 2015), but I opt for a linear regression model. A fixed-effect model assumes that there are time-invariant individual characteristics within in each unit that may have the influence of bias outcome variables. Because no such factors are identified in my literature review¹ and because only three time points are included in my datasets, using a fixed-effect model may dilute the explanatory power of my independent variables. I seek to control for potential lagged effect of time through the operationalization of my government development strategy variables. This is not a perfect method, but will allow me to at least capture some national trend reflected in government development strategy. Nevertheless, I need to be cautious about latent variables resulting from

¹ The degree to which each province is decentralized may be a potential factor.

time and will conduct individual regression analysis for each year to ensure the robustness of my results.

Including a time-series analysis also allows me to evaluate my hypothesis about the changing role of government development strategy and FDI over time. As I have demonstrated in my theoretical framework, many factors changing across time can potentially affect the impact of FDI and government strategy on labor rights, such as perceived threats of social instability by national and provincial leaders, and increasing bargaining power of workers. These factors are difficult to operationalize and to include in my quantitative analysis. Thus, a time-series analysis will provide me some valuable insights on the changing role of the two independent variables.

As I have demonstrated in my theoretical framework, I will be testing three relationships in this study. To test a mediation relationship, I employ Baron and Kenny (1986)'s method, which requires three basic steps. First, FDI is a significant predictor variable of the dependent variable. Second, FDI has a significant impact on government development strategy, and third, government development strategy is significantly associated with the dependent variable, controlling for FDI. In addition to testing whether government strategy plays a mediating or confounding role, I will also test if it has an interactive effect with FDI on labor rights. My review of literature does not suggest a moderation relationship because it is unlikely that government development strategy operates independently of both FDI and labor rights conditions. However, a significant interactive effect of these two variables may suggest a discrepancy between the development strategies provincial leaders are advocating, and the development strategies actually pursued at the local level.

Because all of these three possible relationships require FDI and government development strategy to have a significant impact on the dependent variables in different ways, I will simplify my testing procedure by examining the following relationships:

Relationship 1: Level of FDI and labor rights protection/social control

Relationship 2: Government development strategy and labor rights protection/social control

Relationship 3: Government Development Strategy and level of FDI.

Testing the third relationship helps me to determine whether government development strategy plays a mediating or confounding role. If a government development strategy more favorable to FDI leads to higher level of FDI, it will confirm the confounding role of government development strategy. It also serves to evaluate the validity of my measurement. If government development strategy demonstrates a significant correlation with FDI, it will be a positive indication for my research analysis.

Independent and Control Variables

FDI and Export

I use two measures to capture the impact of foreign direct investment. While FDI inflow captures new flows of investment in a province in a given year, FDI stock is the total amount of foreign capital invested in the province over the past decade.² Both are calculated relative to the amount of total investment in the given year. I expect that FDI inflow to have a larger impact on labor rights protection because it reflects the causal mechanism outlined in my theoretical framework. When development strategy is less favorable to FDI and more favorable to Chinese

² I also tested my regression models with a FDI Stock over the past 5 years. The regression results do not differ dramatically, but FDI stock over a 10 years span allows me to draw more statistical inferences.

workers at a given year, government officials may be more reluctant to lower labor standards for the sake of attracting more FDI. Thus, the amount of FDI for that year will be lower.

Export share will also serve as a main explanatory variable, calculated at the ratio of total exports over total GDP in a given year. As Thun (2006), points out, Chinese exports are largely dependent on foreign investment, with over 50% of its exports coming from foreign-invested firms. They are also heavily dependent on low-skilled and low-cost migrant workers from China's rural areas (Botollo, 2014). Thus, I argue that the pressure to increase exports may also lead local officials to lower labor standard and to tighten social control, and a government development strategy less favorable to FDI can mediate this relationship. The data for these three indicators will be obtained from China Data Online.

Government Development Strategy

To capture the development strategy of each province, I take advantage of the provincial work reports published on government websites. These work reports are speeches delivered by government and party leaders at Local People's Congress annually at various administrative levels, and are intended as an effort to increase political transparency. While a work report can be rhetoric, it can also serve as an important device for higher-level government to communicate policy goals to lower-level officials and to set the development agenda for the whole province. The format and content of these work reports are consistent across provincial governments. They consist of three basic sections: review of work (“工作回顾”), challenges (“挑战”), and plan for next year (“工作思路和重点”). I look at different development strategies reflected in the work reports and develop a set of coding rules to evaluate the degree to which these strategies are favorable to foreign labor-intensive industries. The coding rules are created based on a few assumptions. When provincial leaders put an emphasis on developing labor-intensive industries,

or identify low labor cost as an advantage, it creates a favorable business environment for foreign outsourcing companies, but puts Chinese workers in a disadvantage position. On the other hand, if provincial leaders believe that consumption, instead of exports or investment, is the major driving force of the economy, it is more favorable to Chinese labor but less favorable to foreign labor-intensive companies. Moreover, development strategies emphasizing the importance of vocational training and increasing the skill level of workers may also hinder the entry of foreign companies seeking to utilize China's low-cost labor.

Based on these assumptions, I assign a score to the overall government development strategy reflected in each work report. A government development strategy with a higher score indicates that the strategy relies on labor-intensive industries, which is favorable to foreign direct investment seeking to take advantage of China's low-cost labor. A lower score indicates a development strategy focusing on improving consumption and the skill level of workers, which is conducive to improving labor rights protection. To create my overall government development strategy score, I include three sub-categories of strategies, including strategies related to foreign direct investment, exports and labor development. The labor development category includes strategies about vocational training, consumption, and unemployment. Each of these three categories receives an individual score, and an overall government development strategy score is the sum of all aforementioned sub-categories. Work reports generally range from 18,000 to 25,000 words and I focus on the last section of the work report (plan for next year) because my goal is to capture the development goals each province will be pursuing for the coming year.³ I read each work report twice to ensure the accuracy of my measurement.

³ In my case, it will be the following 5 years because 2001, 2006 and 2011 is the starting year for China's Five-Year Plan. The 5-year plan is a series of social and economic development goals and targets released by regional

Once government development strategy scores are created, I convert them to government development strategy index, which consists of four ranked categories, including less favorable (0), favorable (1), more favorable (2) and highly favorable (3). To create government development strategy index, I find the difference between the highest and the lowest government development scores, and divide this difference equally into four categories. The coding rules are included in the appendix. The provincial work reports are taken from 2001, 2006, and 2011⁴.

Migrant Share and Labor Market Tightness

My two other explanatory variables are migrant share and labor market tightness. As Becker (2014) points out, because there are no official figures released on the number of migrant workers, the Chinese migrant population is difficult to classify and there can be multiple measurements of the migrant population. Based on available datasets, I use the percentage of non-residents over total population to estimate migrant population. I also include two other measurements as a robustness check.⁵ I employ Rickne's (2013) method to measure labor market tightness, which is calculated as the ratio between provincial unemployment and vacancy rates. Number of vacant jobs is recorded at local labor offices and the data is available in 2007 China Statistics Yearbook for 2006 and 2002 China Labor Statistical Yearbook for 2001. Unfortunately, these data are only available up until 2009, so including this control variable will reduce my

governments and they serve to guide the direction of social and economic development for the region. Most of the goals and strategies delivered in the work reports are taken from the 5-year plan.

⁴ 2001 work reports for Yunnan, Hebei and Tibet are not available online, so I use 2002 work reports to estimate their 2001 development strategies, assuming no significant change in provincial development approach over the course of two years.

⁵ My second measure of migrant share is the number of rural laborers utilized in urban units over total population. My third measure is the total number of labor force from rural to urban area and rural labor recruited directly from rural areas over total population. More details about the measure are included in the appendix. Both of these measurement are only available for 2001 and 2006.

sample size to 62, assuming that there are no other missing data. Thus, although I believe that labor market tightness can reflect workers' potential bargaining power and can have a significant impact on government protection of labor rights, it will serve as an additional control.

Other Control Variables

The rest of my explanatory variables include percentage of workers employed in the manufacturing sector, percentage of foreign direct investment from Hong Kong, Macao, and Taiwan over total FDI, and the skill-level of the manufacturing work force. The theoretical basis for these explanatory variables derive from Mosley's (2010) detailed study of the relationship between multinational production and labor rights. Mosley argues that countries of origin may have an effect on labor rights at the enterprise level, although her empirical tests have mixed results regarding this argument.⁶ In sectors that employ low-skilled labor, employers often have greater bargaining power vis-à-vis workers to suppress labor rights. On the other hand, a higher-skill level can increase workers' bargaining power against their employers. A complete list of my control variables and their specific measurements is included in the appendix.

Dependent Variables

Labor Rights Protection

As I have demonstrated in my literature review, Chinese government has been focusing on granting workers individual labor rights rather than collective bargaining rights. For this study, labor rights protection is conceptualized as the protection of workers' interests and their individual rights granted by the law. I expect that facing the pressure to attract foreign labor-intensive industries and to maintain social stability, Chinese officials may lower the level of

⁶ I visited a number of factories during winter break for my research, and met with a worker who had experience working at different factories. He suggested that Asian factories are often more paternalistic and "do not value equality", whereas the U.S. funded factory he worked in showed more respect to him.

labor rights protection or tighten social control. My literature review demonstrates the important and instrumental role trade unions can play in managing labor relations at a local level. Because regional and industrial trade unions (Trade Unions above grassroots-level) also rely on and are closely tied to the government, trade unions activities can be an indicator of the degree to which workers' interests are protected by the government. Thus, the data for my dependent variables are drawn primarily from the Chinese Trade Union Yearbooks. Because data for 2001 are largely missing, I use datasets from 2002, 2007 and 2012 to approximate the level of labor rights protection and social control for the proceeding years. While these yearbooks provide the most extensive data on trade unions at the province level, the data may also be biased as they are based on surveys filled out by local unions and local trade union officials may be over-reporting (Budd et al, 2014). Nevertheless, analyzing these data at a provincial level and comparing their association with the independent variables across time can provide us some macro-perspective on the role the trade unions play in protecting workers rights.

In industrialized countries, union density is seen as a reliable measure of workers' welfare (Rueda and Pontusson 2000), but as shown in my literature review, most trade unions at the enterprise level⁷ are subordinate to the management of the company and are unable to improve the welfare of workers (Chen 2010, Budd et al, 2014, Liu 2010). Thus, I will focus on analyzing data on regional and industrial trade unions. Because of the potential invalidity of my measurement, two measures are adopted for each conceptual dependent variable. This also helps to capture the strategic choices local officials make and the dynamics of trade unions operating at the local level. The first measurement for labor rights protection is calculated as the percentage of dispute cases settled in favor of staff and workers over the number of total cases handled by

⁷ Also referred to as grassroots unions

Labor Dispute Arbitration Committee in a given year. If an independent variable shows a significant impact on cases settled in favor of workers, I include the number of cases in which trade unions participated as an independent variable to evaluate the role of trade unions in settling disputes.

The second measurement for labor rights protection is the number of persons covered by the collective wage negotiation system (per 10,000 persons). Similar to collective contracts, this measurement may not be a reliable indicator as the level of labor rights protection, but as Chan (2009) points out, legislation or system in place can nevertheless increase the capacity of trade unions or workers to assert their interests. The collective wage negotiation system was introduced in the early 1990s, but it wasn't widespread until the rise of labor unrest in recent years (Yuan 2014). Many provinces have passed relevant legislation to regulate this mechanism since 2009. Under the system, representatives from regional trade unions are expected to negotiate wages on behalf of workers with enterprises (Yuan 2014). Trade union officials claimed that this system leads to a boost in collective negotiations on wages and is particularly effective in labor-intensive industries (BBC 2010). However, as reflected in my literature review, many of the systems instituted by trade unions at workplaces can be taken both ways. While one can see it as an increase in trade unions' capacity to represent workers' interests, other can also argue that it is just another means for the state to resolve conflicts through a controlled channel. Thus, it is important to take this ambiguity into consideration when analyzing my regression models.

Social Control

Social control refers to the control of labor relations. Measuring social control can be much more difficult in comparison to labor rights protection. Activeness in certain trade union

activity can mean more social control, but it can also indicate more labor rights protection.

Thus, the regression results for these two variables need to be evaluated in comparison to other indicators. Nevertheless, data on the number of labor relations warning systems established in each province may provide some implication of disputes prevention and social control. Compared to many other activities of trade unions, the function and purpose of labor warning system is much more clear. According to “Notice on Method to Implement Labor Relations Warning System in Jiangsu,⁸” released by Jiangsu trade union and Jiangsu Ministry of Human Resources and Social Security, the system is designed to maintain social stability “in response to the complication of labor relations and increasing labor disputes.” It encourages regional trade unions to forecast and prevent labor conflicts from spreading by monitoring all factors that are indicative of potential unrest. Trade unions should also respond to negative signals, and adopt relevant measures and emergency plans to dissolve conflicts. While the Method also mentions the protection of labor rights briefly, the purpose of the labor relation warning system is more likely to be preventing disputes and exerting social control.

That being said, because of the lack of scholarly literature on this mechanism, I include the number of trade unions above grass-root level that have held joint meetings with government administration at the same level in a given year as another measure for social control.⁹ The implication of this measure is ambiguous by itself, but it can nevertheless strengthen or weaken the implications I draw from my first measurement depending on the consistency of my results.

⁸ It is interesting that as one of the first provinces to release notice on the Labor Relation Warning System, Jiangsu is also the largest FDI recipient in China.

⁹ A complete correlation matrix of all dependent variables is included in the appendix.

RESULTS

Relationship 1: The Impact of FDI on Labor Rights Protection and Social Control

FDI and Labor Rights Protection

My first hypothesis is that higher-level FDI leads to lower labor rights protection at the provincial level, and government development strategy can mediate this relationship. To evaluate this hypothesis, I begin my regression analysis by testing the relationship between level of FDI and labor rights protection. Based on the race-to-the-bottom theory, I expect FDI to have a negative association with the percentage of disputes settled in favor of workers, as well as the number of persons covered by the collective wage negotiation system. I include GDP per capita and migrant share as my two major control variables. To simplify my models, I take out non-contributing and redundant variables to avoid multicollinearity. Export share is eliminated as a control variable for this reason. It has a significantly positive correlation with FDI inflow (0.68), and including it may dilute the impact of FDI inflow on the dependent variables.

Unfortunately, my regression results show no evidence that FDI level is significantly associated with the percentage of dispute cases settled in favor of workers or number of persons covered by collective wage negotiation systems. However, more statistical tests yield some important implications. Table 1 describes the regression results for the impact of FDI on the percentage of dispute cases settled in favor of workers. As shown in model 1, only migrant share and GDP per Capita have a significant impact on the dependent variable. This indicates that higher economic development level can lead to more cases settled in favor of workers, and larger migrant share is associated with a smaller percentage of cases settled in favor of workers. The negative impact of migrant share on labor rights outcome confirms the expectation of previous scholarship. Migrant workers, as a disadvantaged group in the urban area, are more exposed to

exploitation by private and foreign companies because of their second-class status. Because there are also arguments that migrant workers are gaining more bargaining power in recent years as a result of labor shortage, labor market tightness and the interactive effect of migrant share and labor market tightness are tested as additional controls separately, but neither regression shows that labor market tightness has an significant impact on labor rights protection.

Table 1: The Effect of FDI and Export Share on the Percentage of Disputes Settled in Favor of Workers

Independent Variables	Model 1	Model 2	Model 3
FDI Inflow	-0.00986 (0.559)		
FDI Stock	-0.0448 (0.0705)		
Migrant Share	-0.569** (0.213)	-0.948** (0.288)	-0.916** (0.281)
GDP Per Capita	0.00000461 *** (0.00000129)	0.0000117*** (0.00000247)	0.0000119*** (0.0000243)
Export Share		-0.310* (0.150)	-0.3152* (0.1465)
Labor Market Tightness		0.00852* (0.00361)	0.00827* (0.00351)
Participation of Trade Union in Labor Disputes			-0.00810 (0.0155)
Constant	0.748*** (0.0240)	0.674*** (0.0343)	0.670*** (0.0346)
R²	0.204	0.361	0.379

*Note: *** $p < .0001$, ** $p < .001$, * $p < .05$, (.) $p < .1$*

When labor market tightness is included in the models, only data sets from 2001 and 2006 are included.

In her study of multinational production and labor rights, Mosley (2010) argues that the exact effect of FDI on labor rights is dependent on the precise way in which the host country is integrated into the global production network. According to her, FDI inflow can positively influence workers' conditions for the sake of higher labor productivity and material gains, but

production in a subcontracting relationship imposes downward pressure on labor rights because subcontracting production is often driven by low labor production costs. Thus, because Chinese exports rely heavily on low-skilled and low-cost migrant workers from China's rural areas (Botollo, 2014), export share may have a negative impact on labor rights condition. As expected, model 2 (table 1) reveals a significantly negative association between export share and labor rights outcome, which consistent with Mosley's argument.¹⁰ Interestingly, model 2 also shows a positive relationship between labor market tightness and cases settled in favor of workers, which is in line with my previous expectation. The regression results also have substantive significance. For example, one standard deviation of increase in labor market tightness can lead to 11% more cases settled in favor of workers.

While disputes settled in favor of workers can provide important implications for labor rights outcomes, it does not reflect the role of trade unions play in these disputes. Thus, percentage of disputes participated in by trade unions are added as an additional control to model 2. If trade unions do have a significant influence on improving labor rights, it will be worth testing whether FDI has a negative impact on the percentage of disputes trade unions participated in. However, as shown in model 3, there is no evidence that the participation of trade unions in disputes improve disputes outcome for workers.

FDI and Social Control

In my literature review, I also predict that a higher level of FDI can pressure local government officials to tighten their control on labor relations through trade unions. I use the number of labor-relations warning systems established in each province and the number of trade

¹⁰ However, Mosley (2010) uses the total amount of export and import over GDP to capture the subcontracting relationship she describes.

unions that held meetings with governments at the same level¹¹ as my two measurements for social control. Table 2 presents the regression results for the impact of FDI on labor relations warning system. As shown in model 1, FDI inflow is positively and significantly associated with the number labor relations warning systems established. This is in line with my hypothesis that a higher level of foreign direct investment leads to more social control in a given province. Interestingly, FDI Stock shows a negative association with the dependent variable, but its coefficient is considerably smaller.¹²

To ensure the robustness of my results, additional controls are added to model 1, including the percentage of employment in the manufacturing sector, skill level of the manufacturing sector, and percentage of FDI from Hong Kong, Taiwan, and Macau. As shown in model 2, FDI still demonstrates a significant impact on the number of labor relations warning systems established. Lastly, the influence of export share is examined, and as expected, it has a significantly positive association with the dependent variable (model 3).

¹¹ I considered using the number of tripartite consultation systems established in each province as a measurement of social control, but decided to drop it because it shows a significantly high correlation with labor relations warning system (0.94).

¹² FDI stock and FDI inflow are also highly correlated (0.98). Including the variable might lead to multicollinearity and affect my models. This test was conducted relatively late in my research, thus I was not able to recheck my results. Nevertheless, it can be seen as an important control that measures the reliance of a provincial economy on FDI, and may affect FDI inflow and labor rights.

Table 2: The Effect of FDI on Number of Labor Relations Warning Systems Established by Trade Unions

Independent Variables	Model 1	Model 2	Model 3
FDI Inflow	5763 ** (2087)	4345** (1608)	
FDI Stock	-626.7* (255.0)	-362.6* (175.2)	
Migrant Share	168.0 (546.1)	-204.2 (62.05)	-570.8 (661.1)
GDP	0.00902 (0.00555)	0.0000904 (0.00899)	-0.00405 (0.00936)
Labor Market Tightness		-6.233 (9.02)	-15.75(.) (7.967)
Export Share			878.0* (332.1)
Percentage of Employment in the Manufacturing Sector		-75.06 (57.66)	
FDI from Hong Kong, Macao, and Taiwan		80.48 (2015)	
Skill level of the Manufacturing Sector		48.06 (445.4)	
Constant	136.5 (94.08)	132.4 (140.2)	263.8** (79.10)
R²	0.155	0.258	0.182

*Note: *** $p < .0001$, ** $p < .001$, * $p < .05$, (.) $p < .1$*

The regression results for the impact of FDI on social control provide significant support for my hypothesis. It shows that a higher level of foreign direct investment can pressure local government officials to tighten their control on labor relations and to prevent labor unrest through trade unions. Logically, more social control will also lead to a closer tie between local governments and trade unions. Thus, I tested the impact of FDI on the number of meetings held between government and trade unions. As table 3 shows, FDI demonstrates a significantly positive association with my second measurement for social control.

Table 3: The Effect of FDI on Number of Meetings Held Between Government and Trade Unions.

Independent Variables	Model 1
FDI Inflow	462.437* (210.445)
FDI Stock	-46.773* (23.294)
Migrant Share¹³	-42.531 (86.606)
GDP	0.0000468 (0.00127)
Labor market tightness	-0.439 (1.267)
Constant	63.928 (10.195)
R²	0.0939

*Note: *** $p < .0001$, ** $p < .001$, * $p < .05$, (.) $p < .1$*

While both regression results support my argument, one still needs to be aware of the competing explanations implied by my models. My argument is that facing the pressure of maintaining social stability and attracting footloose FDI, local officials will tighten social control to prevent labor unrest. The underlying assumption of my theory is that labor abuses take place at the enterprise-level, which requires local government to take more measures to monitor labor relations and prevent potential unrest. It is also possible that strikes happen more frequently at foreign invested companies, leading local trade unions to develop closer tie with local government and to institute more mechanisms to control labor relations. While strikes may be an indication of poor work conditions, it can also be a result of a more lenient working environment in foreign companies. Either way, the role of trade unions in preventing disputes and monitoring labor relations in provinces with higher level FDI inflow is confirmed.

¹³ Different measures of migrant share are again tested. All three measures of migrant share demonstrate a significant impact of FDI on the dependent variable.

Relationship 2: The Impact of Government Development Strategy on Labor Rights Protection and Social Control

I first examine my measurement for government development strategy before I begin my regression analysis. Based on my coding rules, the three categories of development strategies included in an overall government development strategy score should correlate with each other positively. However, as shown in table 4, only FDI score and export score demonstrate a positive and significant correlation with each other and this correlation is not very high. This implies that some assumptions I have made to create my coding rules may not be accurate. Nevertheless, I decide to include all three categories in my government development strategy score, but will test the impact of FDI strategy separately to ensure the robustness of my results.¹⁴ As mentioned in my research design, government development strategy scores are converted to index.¹⁵ Using the same method, I also convert FDI score to FDI index for my regression analysis.¹⁶

Table 4: Correlation Matrix for Government Development Strategy Score, FDI Score, Export Score and Labor Development Score

	Government development Strategy	FDI	Export
FDI	0.43***		
Export	0.67***	0.31**	
Labor Development	0.64***	0.16	0.19.

*Note: *** $p < .0001$, ** $p < .001$, * $p < .05$, (.) $p < .1$*

¹⁴ Government development strategy score is the sum of FDI score, export score and labor development score.

¹⁵ It is very likely that governors are rhetorical in their work reports, and I notice that leaders are more likely to advocate a development approach that is deemed progressive, such as industrial upgrading or improving the quality of FDI. To minimize this effect, I separated out all the policy goals that are likely to be an effort to echo the central leadership and created a separate index. Because the adjusted scores highly correlate with my original government development scores (0.77), I decide to use my unadjusted one.

¹⁶ Government development strategy score and index, along with FDI score and index are included in the appendix.

I expect a government development strategy more favorable to foreign direct investment in labor-intensive industries to have a negative impact on labor rights protection and a positive impact on social control. I begin my regression analysis by including only migrant share and level of economic development as controls. Unfortunately, none of the regression models show that government development strategy has a significant impact on the dependent variables. Different categories of development strategies are also tested separately, but the results are still insignificant. However, this does not eliminate the possibility that government development strategy can play a mediating or moderating role in the relationship between FDI and labor rights protection or between FDI and social control. Thus, I add FDI inflow and FDI stock, as well as the interactive effect between FDI inflow and government development strategy to my previous models. The effect of FDI index is also tested. While most regression results do not confirm my hypotheses, they nevertheless lead to some very interesting findings.

Labor Rights Protection

Table 5 presents the regression results for the effect of FDI and government development strategy on the number of persons covered by the collective wage negotiation system.¹⁷

¹⁷ Neither government development strategy nor FDI level has a significant effect on the percentage of disputes settled in favor of workers.

Table 5: The Effect of FDI and Government Development Strategy on Persons Covered by Collective Wage Negotiation System (Per 10000 persons)

Independent Variables	Model 1	Model 2	Model 3
FDI Inflow	-18510 (11730)	3449 (9829)	6728* (3024)
FDI Stock	-933.2 (1066)	-676.6 (1141)	-427.7 (311.7)
Migrant Share	5195* (2381)	4377(.) (2255)	-374.8 ¹⁸ (3702)
GDP	-0.05334* (0.0266)	-492.0 (248.2)	-0.0252 (1.794)
Government Development Strategy Index	-1169* (444.2)		0.0117 (114.2)
Interactive Effect (FDI Inflow and Government Development Strategy Index)	1033* (4604)		
Interactive Effect (FDI Inflow and Emphasis on Wages)		-5145 (4617)	
Emphasis on Wages		889.9** (303.3)	
Percentage of Employment in the Manufacturing Sector			-2081 (.) (1173)
Constant	3036** (992.5)	110.8 (455.6)	440.4 (319.9)
R²	0.142	0.159	0.209

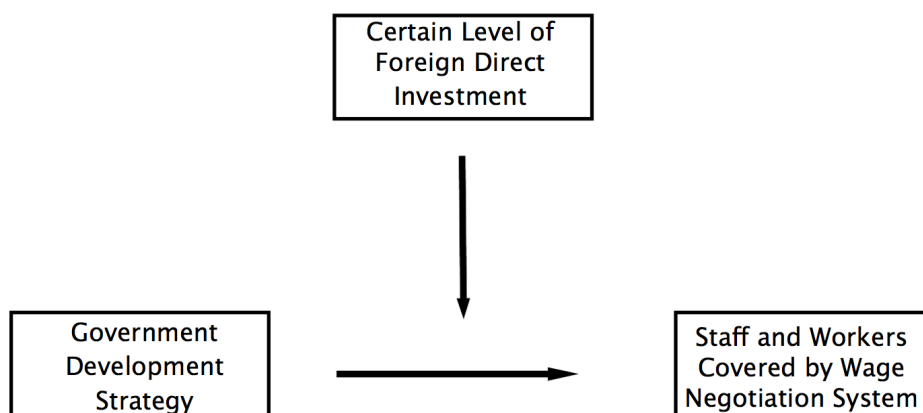
*Note: *** $p < .0001$, ** $p < .001$, * $p < .05$, (.) $p < .1$*

Model 1 shows that government development strategy index and the interactive effect of government development strategy index and FDI inflow have significant impact on the dependent variable. However, neither foreign direct investment inflow nor government development strategy index is significant when the interactive effect is taken out from the model. Thus, we can only conclude that government development strategy has a significant impact conditioned at a certain level of FDI. A negative coefficient of government development strategy

¹⁸ The second measurement of migrant share. See appendix.

also indicates that a strategy more favorable to Chinese workers can lead to more workers covered by the collective wage negotiation system.¹⁹ It is tempting to conclude that a development strategy seeking to improve domestic consumption and the skill level of workers can lead to better labor rights outcome, but we need to be cautious about reaching to this conclusion. The regression result would have been more convincing if government development strategy is significantly associated with more disputes settled in favor of workers, which is a more valid measurement of labor rights outcome. Moreover, the significance of this impact is conditioned at a certain level of FDI, and FDI is in a sense independent from both government development strategy and labor conditions. As Figure 2 demonstrates, this does not fit any of my predicted relationships.

Figure 2 Relationships between Government Development Strategy, Certain Level of Foreign Direct Investment, and Workers Covered by Collective Wage Negotiation System



One possible explanation of this relationship may be China's economic and political decentralization. Instead of capturing the development strategy local officials actually pursue in a given province, my government development strategy index may be measuring policy goals local

¹⁹ Higher government development strategy index/score is associated with a strategy more favorable to foreign direct investment in labor-intensive industries.

officials have to reach, in addition to the development strategies they have adopted at the local level. To examine what specific policy goals are leading to this relationship, I collect a new set of data from the work reports, which captures the emphasis provincial leaders place on protecting labor rights for workers. The evaluation of this emphasis is based on how frequent a set of keywords related to labor rights appears in the work reports.²⁰ Three sub-categories are included in the overall labor rights score, including emphasis on labor relations, collective bargaining rights, and wages. The coding rules for labor rights score are included in the appendix.

I test the impact of labor development score, FDI index, labor rights score along with its sub-categories on the dependent variable. It turns out that labor rights score and government emphasis on wages have a positive and significant influence on the number of persons covered by collective wage negotiation system when their interactive effects with FDI inflow are controlled for. This confirms my interpretation that local governments respond to policy goals set at a higher level. As shown in model 2 (table 5), provincial leaders' emphasis on improving wages can push local trade union officials to establish more collective wage negotiation systems. Although we cannot draw significant inferences from model 1 and model 2 in regards to my hypotheses, these two models confirm the political importance of government work reports and grant credence to my measurement of government development strategy.

Lastly, I test the model with export share as an additional control, but no inferences could be drawn. To ensure the robustness of my results, I test model 2 (table 5) with two other alternative measures for migrant share, limiting my observations to those from 2001 and 2006. The significant impact of emphasis on wages still remains. Interestingly, when using an

²⁰ Even one key word can carry important political implications for local officials. For example, the word "harmonious labor relation," did not appear in any of the 2001 work reports, but appeared much more frequently in 2006 and 2011 work reports.

alternative proxy for migrant share and controlling for the percentage of employed persons in the manufacturing sector, FDI shows a significantly positive impact on labor rights (model 3 in table 5). This suggests that provinces with more foreign direct investment tend to have more collective wage negotiation systems established, implying that local officials place more emphasis on labor relations where there is a higher level of FDI. Alternatively, it can also be interpreted as a positive impact of FDI on labor conditions. Considering the nature of the collective wage negotiation system in context of other results, the first interpretation may be more plausible.

Social Control

Table 6 presents the regression result for the impact of FDI and FDI index²¹ on the number of labor relations warning system. Neither government development strategy nor its interactive effect with FDI inflow has an impact on the number of labor relations warning systems established, but as model 1 (table 6) shows, when labor market tightness²² is controlled for, both FDI inflow and government strategies related to FDI (FDI index) are significantly associated the dependent variable, but surprisingly, in different directions. While a higher level of FDI inflow may lead to more social control, a government development strategy more favorable to foreign direct investment in labor-intensive industries has an opposite impact. When FDI Inflow and FDI stock are taken out, FDI index still exhibits a significantly negative impact

²¹ A higher FDI index indicates a FDI development strategy more favorable to foreign direct investment in labor-intensive industries.

²² Again, including labor market tightness excludes my datasets from 2011. Labor tightness here is used as an indirect measure for workers potential bargaining power. A tight labor market may lead to more strikes. In the context of social control, it is an important control.

on social control. Thus, FDI index may be playing a mediating or confounding role in the relationship between FDI inflow and social control.

Table 6: The Impact of FDI and FDI Index on Number of Labor Relations Warning System established by Trade Unions

Independent Variables	Model 1
FDI Inflow	4105** (128.2)
FDI Stock	-348.8 * (141.4)
Migrant Share	-478.5 (539.1)
GDP	-0.003749 (0.007773)
FDI Index	-101.3* (45.21)
Labor market tightness	-7.417 (7.734)
Constant	79.73 (193.3)
R-squared	0.156

*Note: *** $p < .0001$, ** $p < .001$, * $p < .05$, (.) $p < .1$*

Relationship 3: Government Development Strategy and level of FDI

In order to determine the exact role of FDI index, we need to investigate its relationship with FDI inflow. This also leads us to start testing relationship 3. A simple correlation test shows that FDI and FDI index are negatively correlated, indicating that provinces with higher FDI inflow tend to pursue a strategy that emphasizes the importance of attracting high quality FDI, or vice versa. I then attempted to determine the casual relationship between the two variables. As reflected in table 7, it is difficult to make such causal inferences in a simple OLS model with few control variables.

Table 7: FDI and FDI Policy in 2001, 2006

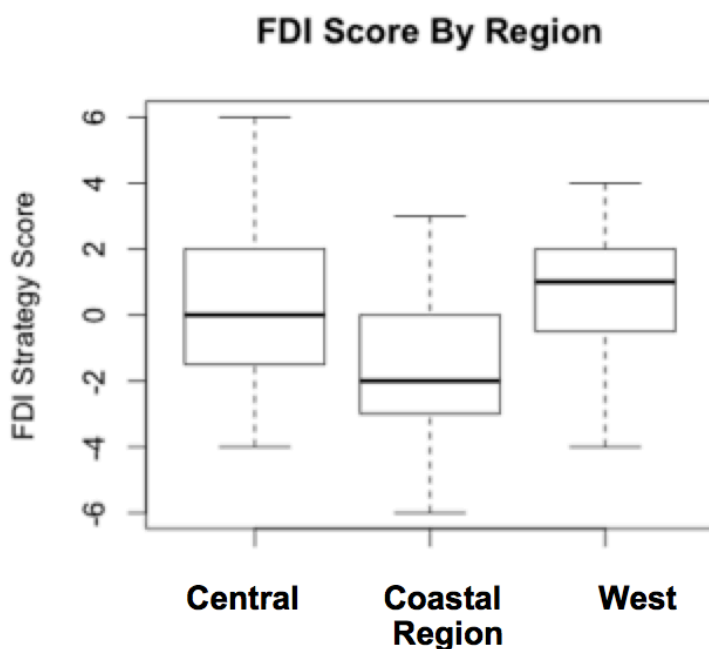
	2001 FDI Index (Model 1)	FDI Stock over the Following 5 Years (2001) (Model 2)	2006 FDI Index (Model 3)	FDI Stock over the Following 5 Years (2006) (Model 4)
FDI Stock for the Previous Five Years	-0.199 (0.402)		-2.696** (0.749)	
FDI Policy Goal		-0.0303 (0.0367)		-0.0589* (0.0279)
GDP	-0.000108(.) (0.0000583)	0.00002741* (0.0000111)	-0.00000657 (0.0000208)	0.00000741* (0.00000347)
Constant	2.292e *** (0.241)	0.140 (0.0947)	2.180*** (0.189)	0.174* (0.0635)
R²	0.167	0.263	0.396	0.329

Note: *** $p < .0001$, ** $p < .001$, * $p < .05$, (.) $p < .1$

I seek to answer two questions from my statistical tests: whether FDI stock for the previous five years has a significant influence on FDI policy, and if FDI policy has a significant association with FDI stock for the following 5 years. As table 7 shows, no significant inferences can be drawn from 2001, and results for 2006 do not provide an answer to the questions. However, the negative correlations nevertheless imply that FDI inflow does not have a decisive power on government development strategy related to FDI.

Figure 3 further explains the negative association between FDI Index and FDI inflow. As reflected in the chart, China's east coast region exhibits the least favorable FDI strategy in comparison to other regions. Combined with the regression result in table 7, we can infer that provincial leaders in China's coastal region are increasingly determined to upgrade their development model, and regions with lower level of foreign direct investment still seek to attract foreign labor-intensive companies. This difference may explain the shift of FDI to inland China in recent years.

Figure 3 FDI Score By Region



An Over time Dimension

Although regression results provide some limited support to affirm the three causal relationships I have predicted, they still highlight some important points. As I have explained in my theoretical framework, a national trend moving towards a more sustainable development model reliant on skilled-labor, the increasing bargaining power of workers and the perceived threats of social instability²³ may change the role development strategy and FDI play in influencing labor rights. Because these factors are difficult to measure, a cross-time examination of the relationships can give us some insights on this dynamics.

The boxplots presented in figure 4 and figure 5 give us a visual impression of how government development strategies and the emphasis on labor rights have evolved over time. As expected, provincial leaders are increasingly reluctant to advocate a development model reliant on low-cost labor, and are placing more emphasis on improving labor rights condition in recent years.

²³ I attempted to measure the perceived threat of social instability by coding the work reports, but social stability mentioned usually refers to public security. There isn't a significant variation among the goals or measures that governors ask to implement either.

Figure 4 Government Development Strategy Score Over time

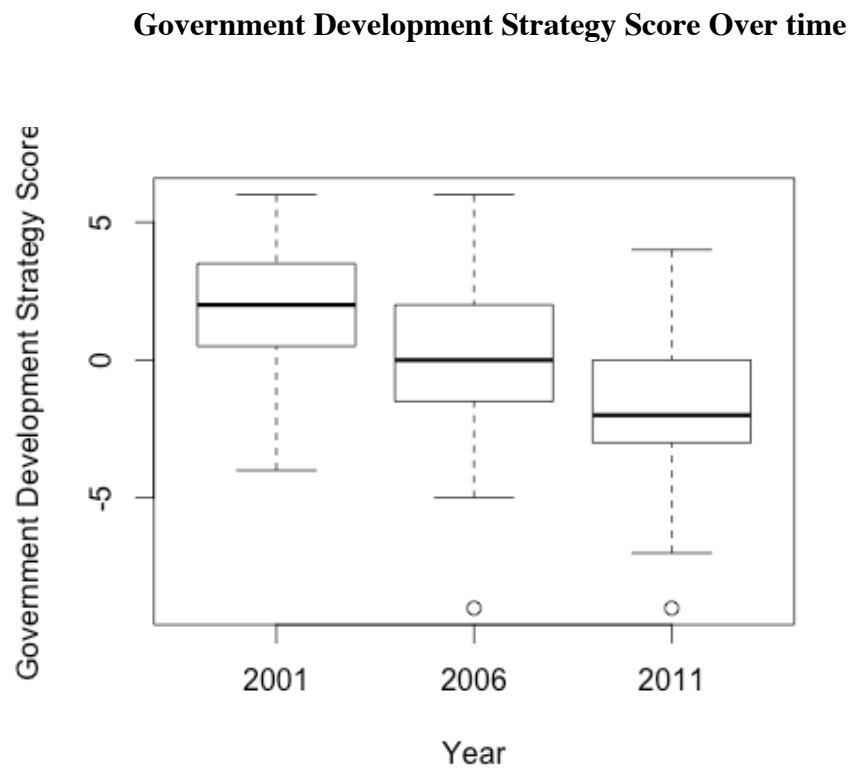
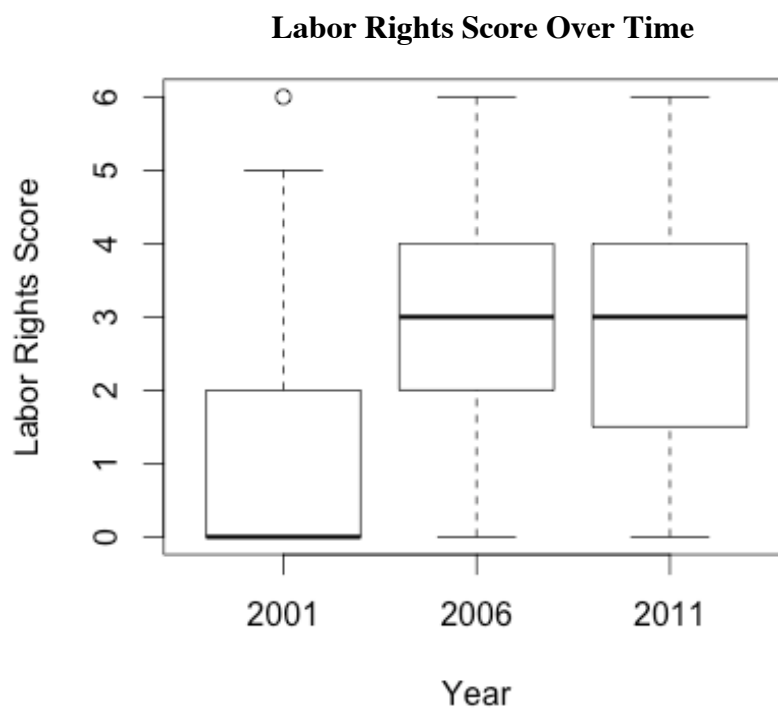


Figure 5 Labor Rights Score Over time



To further examine the trend across time, I conduct several regression tests to examine the relationship between FDI, government development strategy and labor rights protection. The hypothesis is that FDI will have an increasingly smaller impact on labor rights protection across years, and the ability of government strategy to influence labor rights outcomes increases. Thus, the absolute value of the coefficients for FDI should decrease over time and the opposite applies to development strategy. Two general trends are revealed from my statistical tests that lend limited support to this hypothesis. First, most models that are significant in my previous tests show statistical significance in 2001, but not in 2011²⁴. Second, for models that do show limited significance, we can see that FDI has a larger impact in 2006 than 2001. It is worth noting that an over time comparison reduces the number of observations from 93 to 31 for each regression model, assuming there are no other missing data. This may have prevented me from drawing significant statistical inference from my datasets. Despite these limitations, a comparison across time reveals some important implications that are worthy of our attention.²⁵

²⁴ 2011 does not have the following control variables: labor market tightness, percentage of persons employed in the manufacturing industry, and skill-level in the manufacturing industry.

²⁵ To avoid redundancy, I only listed the models that allow me to draw significant statistical inferences. I begin with my analysis with the three basic regressions and approach them the same way as I did for previous tests.

Table 8: The Effect of FDI and FDI Index on Labor Relations Warning System by Year²⁶

	2001 (Model 1)	2006 (Model 2)	2006 (Model 3)
FDI Inflow	5042.728** (1511.627)	6404.875* (2600.144)	16690** (4699)
FDI Stock	-406.0179** (144.314)	-815.049 (392.138)	-1352** (417.0)
Migrant Share	-724.995 (718.171)	415.606 (922.226)	-35.76 (865.0)
GDP	0.0153 (0.0482)	-0.084** (0.0285)	-0.1215*** (0.0308)
FDI index	-77.145 (49.667)	-157.637(.) (86.739)	30.09 (109.7)
Percentage of employed in the manufacturing sector	-1.19011 (1.484)	6.751** (2.281)	8.985*** (2.297)
Labor market tightness	-14.18057 (10.901)	15.231 (13.858)	22.58(.) (13.06)
Interactive effect (FDI inflow and FDI index			-5.682* (2457)
Constant	444.07848** (157.35222)	-150.88604 (157.75854)	-53.03 (248.2)
R²	0.502	0.467	0.575

Note: *** $p < .0001$, ** $p < .001$, * $p < .05$, (.) $p < .1$

As table 8 shows, FDI index do not have a significant impact on the number of labor relations warning system established, and the impact of FDI inflow has in 2006 is much larger than that in 2001. This may be explained by the surge of social unrest starting in 2003, which leads local officials to adopt more intensive measures to prevent disputes and dissolve conflicts before they break out to large-scale protests. Interestingly, the percentage of employment in the

²⁶ Another model also shows a similar implication. To avoid redundancy, I included it in the appendix.

manufacturing sector also shows a significantly positive association with the number of labor relations warning system. This may reflect the increasing bargaining power of migrant workers employed in the manufacturing sector. Regarded as a source of cheap labor, migrant workers composed of a major part of those employed in labor-intensive and low-skill industries. Since 2003, they have demonstrated increasing awareness of their rights and are more active in pushing for their demands (Pringle 2011, Lu 2014).

Model 3 (table 8) presents another interesting finding. As the interactive effect of FDI inflow and FDI index is added to model 2, the association between FDI inflow and the number of labor relations warning system is much weaker. This indicates that a more favorable FDI policy weakens the impact of FDI on social control at a local level. That is, when provincial leaders advocate a development strategy relying on attracting FDI in labor-intensive industries, local governments institute fewer labor unrest prevention measures than they would have if the strategy seeks to attract more high quality FDI. This may again be indicative of the power higher-level policy goals have on local officials.

Table 9 presents the regression results for the impact of FDI and emphasis on labor rights protection on the number of persons covered by collective wage negotiation system. FDI inflow in 2001 demonstrates a larger impact on the dependent variable, but the results contradict my hypothesis. According to the model, higher level of FDI inflow leads to *more* persons represented by collective wage negotiation system. This result has two possible explanations. First, instead of protecting labor rights, the collective wage negotiation system might just be another tool for disputes prevention and social control. Second, this may indicate that FDI does have a positive effect on labor rights. Considering the nature of collective bargaining system and combined with my previous results, it seems that the first explanation is more plausible.

Table 9: The Effect of FDI on Persons Covered by Collective Wage Negotiation System (Per 10000 persons)

	2001	2006	2011
FDI Inflow	11980** (3907)	495.4* (222.4)	-8973 (37230)
FDI Stock	-9.144e+02* (4.016e+02)	5.950 (34.87)	9676 (9825)
Migrant Share	-2254 (1908)	-93.27 (80.84)	-8765 (7796)
GDP	-0.1940 (0.0444)	-0.00317** (0.0009587)	-0.1532* (0.05622)
Emphasis on Labor Rights	264.7* (102.0)	3.100 (3.137)	393.8 (365.3)
Constant	863.4*** (228.3)	7.920 (12.77)	4177* (1932)
R²	0.527	0.408	0.241

Note: *** $p < .0001$, ** $p < .001$, * $p < .05$, (.) $p < .1$

Lastly, I present the regression results for 2001. As shown in table 10, export demonstrates a significantly negative association with percentage of cases settled in favor of workers, indicating a negative pressure of exports on labor rights protection. This result is consistent with my previous conclusion. Moreover, it seems that export share, rather than FDI inflow, is providing significant support for the race to the bottom theory. On the other hand, one can also argue that from the contrast of these results, we can see that it is actually the export orientated development strategy, rather than FDI, that is causing the race-to-the-bottom effect. This result also provides limited support for my hypothesis about change over time, as the same model is not significant in 2006.²⁷ However, this can only be taken as speculation, as many factors may also be affecting the relationship.

²⁷ 2011 cannot be compared to because of labor market tightness.

Table 10: The Effect of FDI and Export Share on Cases Settled in Favor of Workers and Meetings Held with Government Annually in 2001

	Percentage of Cases Settled in favor of Workers	Meetings held with government annually
FDI Inflow		853.089** (301.837)
FDI Stock		-80.985 * (30.623)
Export Share	-0.5199* (0.2065)	
Migrant Share	-0.5812 ²⁸ (1.825)	-45.258 (138.594)
GDP		-0.00681 (0.00344)
GDPPC	0.00000594 (0.00000574)	
Labor market tightness	0.001999 (0.00661)	-1.842 (2.305)
Constant	0.644 (0.0405)	83.193 (17.696)
R²	0.242	0.282

*Note: *** $p < .0001$, ** $p < .001$, * $p < .05$, (.) $p < .1$*

²⁸ Second measurement of Migrant Share

DISCUSSION AND CONCLUSION

Utilizing data collected from province-level government work reports and yearbooks published by the Chinese authority, I was able to evaluate the influence of foreign direct investment and government development strategy on the role of trade unions in managing labor relations at a local level. I first examined the theory that competitive pressure to attract footloose capital in labor-intensive industries will lead to a deterioration of labor rights conditions. While my study did not confirm the negative impact of FDI on labor rights protection, it did show that export share has downward pressure on labor rights conditions. This result confirms the underlying assumption that when an economy depends heavily on cheap labor for economic growth, government will be less likely to enforce labor rights protection for the sake of lowering labor costs and maintaining a comparative advantage in cheap labor resources.

This then poses the question of whether a government strategy that pursues a more sustainable growth model relying on a high-skilled labor force can improve labor rights protection in China. Unfortunately, my analysis failed to provide significant support for this argument. On the other hand, data generated from government work reports confirmed that Chinese provincial leaders are placing more emphasis on improving domestic consumption, developing competitive industries and raising the skill level of China's labor force in recent years. A cross-year comparison of the relationship between FDI strategy and FDI inflow also shows that provinces are increasingly capable of determining their development path. While my over time analysis allows me to draw limited inferences, the inability of a model based on the race-to-the-bottom theory to yield any significant results in 2011 indicates that there are new forces impacting labor rights protection in China. This may very likely be rising the resistance of workers in recent years or the increasing role government development strategy plays.

My research also shows that trade unions do play an important role in managing labor relations at the local level. I find no evidence that trade unions can improve labor rights protection, but they can be an important tool for local governments to control and monitor labor relations. Moreover, my regression results support my hypothesis that FDI leads to more social control and labor disputes prevention. However, it is worth noting that we do not know whether this results from labor abuses, or the frequent strikes that take place in foreign companies. Strikes by themselves are not indicative of labor violations, as there are many other factors that can lead to strikes such as increasing bargaining power of workers or a more liberal company environment.

At the beginning of this research project, I asked the question of how Chinese leaders deal with the challenge of labor shortages and the pressure from an increasingly unsatisfied work force. I sought to examine two important relationships. First, I looked at whether China's reliance on foreign capital for economic growth leads to worsening labor rights protection. Second, I investigated whether a change in development strategy leads to better protection of workers' interests and individual labor rights granted by the Chinese labor laws. My study shows that China's export-driven growth model has a negative pressure on labor rights protection and Chinese provincial leaders are seeking to change this situation by pursuing a more sustainable development model. However, a government development strategy more favorable to Chinese workers has not improved government protection of workers' interests or individual labor rights. Confronted with the pressure to maintain social stability and stimulating economic growth, local officials are tightening their control on labor relations at workplaces rather than standing on the side of workers. Nevertheless, there are signs indicating that the influence of FDI is decreasing

and government is playing a more important rule in setting development agenda and improving labor rights protection.

Future Research

While this study yields many interesting results, more questions are also raised through my analysis of these findings. First, what is the relationship between government development strategy and the skill-level of Chinese work force? The scale underlying my evaluation of government development strategy is how much emphasis the strategy places on improving the skill level of workers, yet I did not get a chance to test whether a strategy advocating more vocational training actually leads to a more skilled labor force. As I have shown in my regression analysis, the government work reports can be a valuable source of data for scholars who are interested in policy communication in China because local officials do respond to policy agendas reflected in the work reports. Testing the relationship can provide us an insight on the degree to which the policy goals set in the work reports reflect the actual policies or strategies pursued by local governments.

It is also worth investigating the role of trade unions in protecting labor rights and controlling labor relations. My study shows that a higher level of FDI can lead to more social control by trade unions, but the exact mechanism that leads to this result is unclear. In this study, I argue that local government uses trade unions to monitor labor relations and preventing labor unrests, but they can also be instrumental for local officials seeking to improve workers' conditions. What factors determine the role of trade union in managing labor relations? A case study of trade unions in multinational companies may be helpful in answering this question.

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Appendix
Summary of Explanatory Variables

Variable	Measurement	Years Included
FDI Stock	FDI stock (10 Years)/total investment	1990-2010
FDI Inflow	FDI inflow/total investment	2001, 2006, 2011
Government Development Strategy	Government strategy score	2001, 2006, 2011
Economic Development	Gross domestic production	2001, 2006, 2011
Economic Development 2	GDPPC	2001, 2006, 2011
Export	Export/total GDP	2001, 2006, 2011
Population	Population size	2001, 2006, 2011
Migrant Share 1	Non-residents/total population	2001, 2006, 2011
Migrant Share 2	Rural employment in urban units/total population	2001, 2006
Migrant Share 3	(Urban units recruited from rural areas + labor force from rural to urban areas)/ total population	2001, 2006
Labor Market Tightness	Vacancies/unemployed	2001, 2006
Percentage of employed in the manufacturing industries	Number of employed in the manufacturing sector/total employment (urban area)	2001, 2006
Skill Level of Manufacturing Work Force	Number of technical and professional personnel in manufacturing/total employed in manufacturing	2001, 2006
FDI From Hong Kong, Macau and Taiwan	FDI Inflow from Hong Kong, Macau and Taiwan/total FDI inflow	2001, 2006, 2011

Sources: China Statistical Yearbook (Various Issues), China Labor Statistics Yearbook (Various Issues), China Data Online

Coding Rules for Government Development Strategy Score

	Description	Score Range
FDI		
	Does the work report emphasize the importance of increasing the amount of foreign capital utilized?	0, 1, 2
	Does the work report emphasize the importance of increasing the amount of FDI inflow?	0, 1, 2
	Does the work report encourage new or innovative ways to utilize foreign direct investment?	-2, -1, 0
	Does the work report emphasize the importance of improving the quality of FDI utilized?	-2, -1, 0
	Does the work report encourage foreign companies to invest in the service sector or high-tech industries?	-2, -1, 0
	Does the work report identify insufficient utilization of FDI or lack of openness as a main challenge to economic development?	0 or 1
Export		
	Does the work report encourage more processing-trade exports or the development of processing manufacturing industries?	0, 1, 2
	Does the work report emphasize the importance of expanding export volume?	0, 1, 2
	Does the work report encourage export upgrading, such as transforming export structure or increasing value-added exports?	-2, -1, 0
Labor Development		
	Does the work report identify consumption as the driving force of the economy?	-2, -1, 0
	Does the work report identify lack of consumption as a challenge?	-1 or 0
	Does the work report encourage vocational education and the development of a skilled labor force?	-2, -1, 0
	Does the work report identify reliance of the economy on cheap labor as a challenge?	-1 or 0
	Does the work report identify low labor cost as an advantage for economic growth?	1 or 0
	Does the work report mention the pressure to expand employment?	1 or 0

(Continued on the next page)

**Coding Rules for Government Development Strategy Score
(Description of Score Range)**

Score Range	Description
0	The work report does not mention relevant strategy.
-1 or 1	The work report mentions relevant strategy.
-2 or 2	The work report not only mentions relevant strategy, but also sets a numerical goal, describes a specific policy in support of the strategy, includes a sample project, or encourages government to support the strategy with more funding.

Coding Rules for Government Emphasis on Labor Rights (Score)

Labor Rights	Key Word Search (1 point for each key word)
Labor Relations	Harmonious labor relations; labor contract; rights of migrant workers; labor arbitration/disputes; labor supervision/inspection; labor rights
Collective Bargaining	Collective bargaining (consultation); collective contracts; workers congress system; labor unions
Wages	Increase minimum wage or wages; ensure the normal growth of wages/enforce minimum wage; solve problems of wage arrears

**Coding Rules for Government Emphasis on Labor Rights (Score)
(Chinese)**

Labor Rights	Key Word Search (1 point for each key word)
劳动关系	和谐劳动关系， 劳动合同， 农民工 / 城务工权益， 劳动仲裁 / 争议， 劳动保障检察执法， 劳动者权益
集体协商	集体协商， 集体合同， 职工代表大会， 工会维护工人的作用，
工资	提高最低工资标准或者劳动报酬； 建立全职职工工资正常增长机制 / 严格执行最低工资制度； 解决拖欠工资问题

Government Development Strategy Score and Index

	Score			Index		
	2001	2006	2011	2001	2006	2011
Anhui	3	4	-5	2	3	0
Beijing	-4	-3	-4	1	1	1
Chongqing	5	-1	-2	3	1	1
Fujian	2	0	0	2	2	2
Guangdong	0	-9	-6	3	2	1
Guangxi	4	-2	4	2	0	0
Gansu	6	1	-4	3	1	3
Guizhou	2	2	0	2	2	2
Hainan	2	-4	-2	2	1	1
Hebei	0	-1	-1	2	1	1
Heilongjiang	3	-1	1	2	1	2
Henan	-3	2	-2	1	2	1
Hubei	4	-2	-2	3	1	1
Hunan	3	-2	-3	2	1	1
Inner Mongolia	4	2	-1	3	2	1
Jiangsu	-2	-5	-1	1	0	1
Jilin	1	3	3	3	2	2
Jiangxi	6	3	0	2	2	2
Liaoning	-4	5	1	1	3	2
Ningxia	1	0	1	2	2	2
Qinghai	4	2	-1	3	2	1
Shaanxi	1	0	-2	2	2	1
Shandong	2	-3	-7	2	1	0
Shanghai	-2	-1	-6	1	1	0
Shanxi	0	0	-3	2	2	1
Sichuan	3	6	-2	2	3	1
Tianjin	4	2	-3	3	2	1
Tibet	2	0	-2	2	2	1
Xinjiang	1	4	0	2	3	2
Yunnan	2	-1	0	2	1	2
Zhejiang	2	-1	-9	2	1	0

Government Emphasis on Labor Rights (Score)

	2001	2006	2011
Anhui	0	4	5
Beijing	2	0	2
Chongqing	0	3	4
Fujian	0	3	3
Gansu	0	3	3
Guangdong	1	7	3
Guangxi	1	3	1
Guizhou	0	3	2
Hainan	0	0	1
Hebei	0	4	2
Heilongjiang	0	4	2
Henan	0	4	0
Hubei	0	0	9
Hunan	0	3	4
Inner Mongolia	2	2	2
Jiangsu	0	4	4
Jiangxi	0	2	1
Jilin	0	0	3
Liaoning	2	4	1
Ningxia	3	4	2
Qinghai	2	5	1
Shaanxi	0	4	4
Shandong	1	5	8
Shanghai	2	2	5
Shanxi	1	1	3
Sichuan	1	3	5
Tianjin	1	2	3
Tibet	2	2	6
Xinjiang	0	6	0
Yunnan	6	3	1
Zhejiang	5	1	3

FDI Policy Goal Score and Index

	Score			Index		
	2001	2006	2011	2001	2006	2011
Anhui	2	2	2	3	3	1
Beijing	-4	-1	2	0	1	0
Chongqing	3	1	-1	3	2	0
Fujian	1	-2	-5	2	1	3
Guangdong	2	1	0	3	2	1
Guangxi	-2	-4	-6	1	0	1
Gansu	2	-1	-4	3	1	3
Guizhou	-2	1	4	1	2	2
Hainan	0	-2	-4	2	1	1
Hebei	-3	0	3	0	2	3
Heilongjiang	0	-1	-2	2	1	2
Henan	-2	2	6	1	3	2
Hubei	0	-2	-4	2	1	2
Hunan	0	-2	-4	2	1	2
Inner Mongolia	1	2	3	2	3	2
Jiangsu	-1	-2	-3	1	1	2
Jilin	3	1	-1	3	2	2
Jiangxi	0	2	4	2	3	2
Liaoning	-4	1	6	0	2	2
Ningxia	0	-1	-2	2	1	2
Qinghai	1	1	1	2	2	2
Shaanxi	1	0	-1	2	2	2
Shandong	0	-1	-2	2	1	1
Shanghai	-1	-2	-3	1	1	0
Shanxi	0	0	0	2	2	2
Sichuan	2	2	2	3	3	2
Tianjin	1	-1	-3	2	1	1
Tibet	0	-1	-2	2	1	2
Xinjiang	1	1	1	2	2	2
Yunnan	0	1	2	2	2	2
Zhejiang	0	-2	-4	2	1	0

Correlation Matrix for Labor Union Statistics

	Dispute Cases Settled in Favor of Workers	Disputes Participated By Trade Unions	Political Resources	Persons Covered by Collective Bargaining Wage System	Meetings Held with Government Annually	Labor-Relations Warning System
Disputes Participated by Trade unions	-0.02					
Political Resources	-0.16	-0.08				
Person Covered by Collective Wage Negotiation System	0.17	-0.23*	-0.20.			
Meetings Held Annually	0.13	-0.17	-0.14	0.67**		
Labor-Relations Warning System	0.15	-0.16	-0.13	0.69**	0.58***	
Three-way Coordination System	0.24*	-0.18.	-0.17	0.74**	0.63***	0.94*

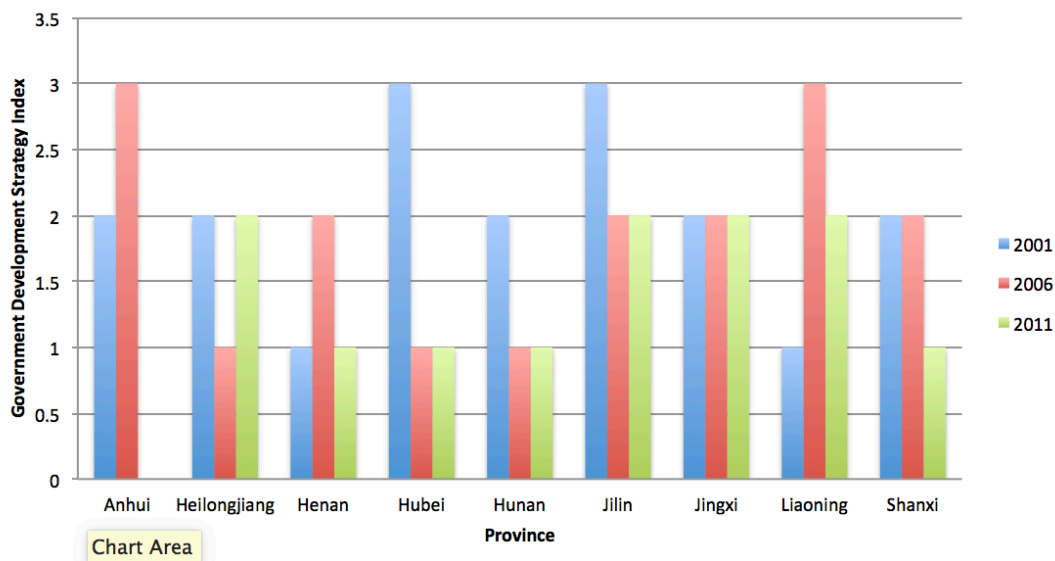
*Significant codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1*

FDI and Government Strategies on Number of Labor Relations Warning Systems Established (2001, 2006, 2011)

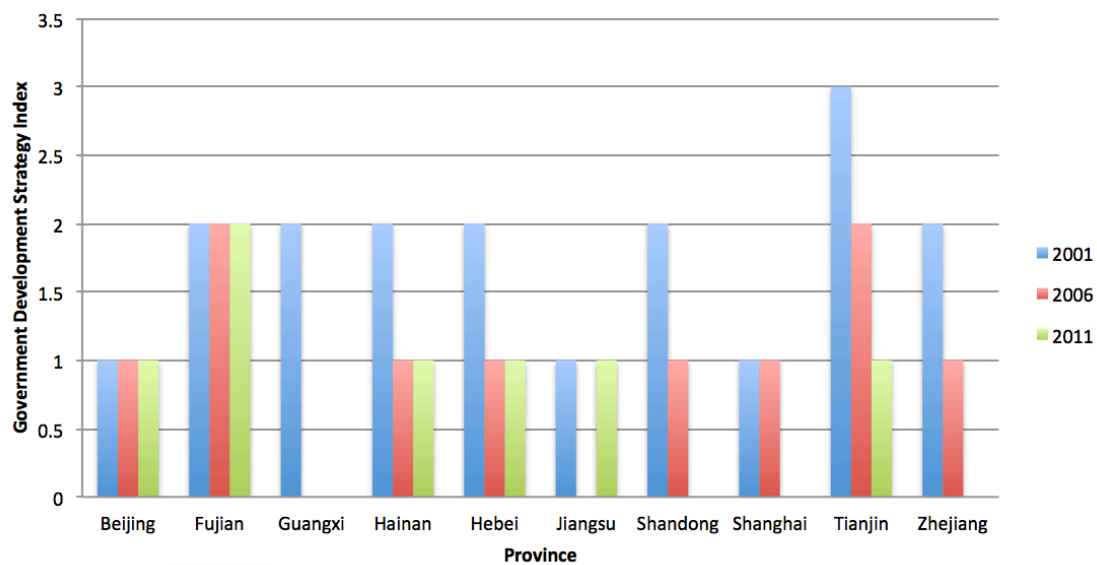
	2001	2006	2011
FDI Inflow	4648.506** (1508.178)	6366.198* (2562.730)	13500 (8967)
FDI Stock	-386.638* (153.568)	402.0508 (352.716)	-4.571 (2378)
Migrant Share	469.686 (690.254)	-123.317 (835.239)	-2570 (1905)
GDP	-0.0140 (0.0171)	-0.0155 (0.0107)	-0.001565 (0.0127)
Emphasis on Labor Rights	-9.84801 (28.659)	68.152 (.) (35.100)	50.94 (68.61)
Constant	212.291 (87.681)	-65.715 (135.675)	800.0(.) (453.7)
R²	0.359	0.313	0.235

*Note: *** $p < .0001$, ** $p < .001$, * $p < .05$, (.) $p < .1$*

Government Development Strategy Index(Central Region)



Government Development Strategy Index (Coastal Region)



Government Development Strategy Index (Western Region)

