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A STUDY OF HRM IN SOUTHERN CHINA

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ABSTRACT

The nationwide radical restructuring of ownership and corporate governance in the PRC in the 1990s has led firms to adopt more market-oriented, modern HRM systems. This article examines the evolution of HRM practices in twenty Chinese township and village enterprises (TVEs) located in Southern China. The findings of the study reveal how HRM practices have developed in response to the challenge of an increasingly competitive environment, as firms further clarify property-rights relations and formalise their corporate governance structures.

KEYWORDS

Town and village enterprises; corporate governance; economic reform; property rights reform; human resource management; industrial relations; labour-management relations; rewards systems

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Introduction

One of the important outcomes of the successful economic reform in China over the last three decades is the emergence of a flourishing non-state sector, which greatly out-performed the state sector and contributed substantially to the record-high economic growth. When China embarked on market-oriented economic reform in 1978, state-owned enterprises dominated all industries, contributing seventy-seven percent of gross industrial output (see Table 1). Since then its share had been shrinking, as the industrial output of the collectively owned enterprises (COEs), private enterprises (PEs) and others expanded rapidly. By the end of 1999, enterprises of ownership type other than SOEs contributed nearly eighty percent of China's gross industrial output, a remarkable achievement brought by the reform. In this study, we will examine the diversification of ownership structure and property rights reform and accompanied human resource practices in non-state firms, especially in township and village enterprises (hereafter referred to as TVEs).

By the end of 2000, China had 20.84 million TVEs, contributing a total of 2.7156 trillion yuan in added value in 2000, approximately 30.4 percent of GDP (see TVE 2002 report). The official statistics show that TVEs grew at an annual rate 9.14 percent, 1.1 percent higher than growth rate of GDP at the same year. Employing a labour force of 128.2 million, TVEs remitted 199.6 billion yuan in tax payment, accounting for 15.8 percent of China's total tax revenue. Compared to two decades ago when TVEs' contribution to the national economy was insignificant, TVEs have become a major source of government revenue and an important vehicle for absorbing surplus rural workers. The fast growing TVE sector has played an essential role in supporting agricultural production in infrastructure, equipment and capital, and in raising the income level of rural residents.

Background

In accordance with The Law of PRC on Township Enterprises, which came into effect on January 1, 1997, Township and Village Enterprises are "the different types of enterprises that are established in townships (including the villages under their jurisdiction) with *the bulk of capital* being invested by the rural economic collectives or farmers...". Here, *the bulk of capital* means more than fifty percent, or if less than fifty percent, enough to play a holding or dominant role. However, the nature of the TVE and the forms of their institutional governance have been the subject of debate (Byrd and Lin 1990; Kornai 1992; Chang and Wang 1994; Naughton 1994; Bowles and Dong 1999). Kornai (1992) noticed that many rural collective enterprises are *de facto* private enterprises, while other researchers (Weitzman and Xu 1994) claimed TVEs as vaguely defined cooperatives, which are far from having a well-defined ownership structure. Naughton (1994) and Rawski (1995) emphasised the TVG's role in TVEs, even though after property rights reform in 1990s, some TVEs had been transformed into joint shock cooperatives, where shares originally held by TVG were sold to TVE employees and managers or community residents. In many cases, TVGs continue to hold a minority stake in the partially privatised TVEs (Che and Qian 1998).

The rapid expansion and growing role of TVEs in the Chinese economy has attracted a number of researchers (for example, Byrd and Lin 1990; Chang and Wang 1994; Ho 1994; Weizman and Xu 1994; Naughton 1994; Putterman 1997; Luo et al. 1998, 1999; Jin and Qian 1998; Zhang 1999; Peng 2001), who explored the possible explanations for TVEs' historical success. Although TVEs in general adopted low-tech production methods and obtained technical expertise from SOE skill spillovers (Peng, Zucker and Darby 1997), there is consistent evidence that TVEs outperformed SOEs in productivity growth (We 1995; Jefferson 1999). Some researchers attributed the TVEs' success to external factors, such as the shortage of major product-markets in 1980s in China, the availability of cheap labour, tax concessions, and distortions in state industries (Byrd and Lin 1990; Ho 1994; Naughton 1994). Others noted that TVEs represent an efficient institutional adaptation to reform, for examples, TVEs' institutional structure that facilitates cooperation through implicit contracts among community members (Weizman and Xu 1994); the inter-organisational relationship between TVEs and

Township and Village Governments (TVGs) (Jin and Qian 1998; Zhang 1999); and TVEs' capability to adapt and configure their strategy in response to the external competitive environment (Luo *et al*. 1998, 1999).

However, to date, few systematic studies have been carried out to examine HRM practices as an important factor contributing to TVEs' performance, with only a couple of exceptions (Chow and Fu 2000; Ding *et al.* 2001). This study aims at the exploration of how HRM practices have evolved in TVEs in response to changes in corporate governances brought by the property-rights reform, building on our earlier 'pilot' study and using a bigger sample. It attempts to answer the question that as firms move toward clearer property-rights relations and more formal institutional structures, to what extent the recruitment, rewards, performance evaluation, and labour relations, etc. have been affected and changed.

Methodology

Field studies were carried out over a period from November 1999 to March 2001. One hundred firms in Guangdong province in south China were randomly chosen from the Chinese Enterprise and Product Database provided by the China Infobank Company and contacted by one of the co-authors. After several rounds of phone-calls and faxes, twenty firms agreed to arrange company visits and interviews. Two co-authors and three research assistants conducted all the field interviews. In order to keep our data updated, those firms interviewed early were revisited or re-contacted by phone in March 2001. A protocol for field study was designed and followed by all the interviewers as the guideline. An open-ended questionnaire was used during the interviews and a detailed company report drafted for each case afterwards. In order to get a relatively complete view of the firm, we interviewed not only the general manager, but also functional managers and department heads, even line workers where appropriate, when we visited their workshops and production lines. Archival material such as the company brochure and newspaper was also collected.

All the firms selected were located in Guangdong province, and mainly in the three most prosperous cities, i.e. Nanhai, Dongguang and Shunde. Nanhai city is close to Guangzhou, the capital of Guangdong province. Dongguang and Shunde are well known for their proximity to Hong Kong and their well-developed infrastructure, which has attracted numerous foreign firms to invest in the region.

All the firms selected were manufacturing companies located in a range of industries. The firm size ranged from small, with only fifty employees, to very large, with over 30,000 employees (for a detailed description of the industrial distribution and major characteristics of each firm, see Table 1). Although these firms were founded in various years, from 1950s to the early 1990s, they all went through different stages of property rights reforms. They varied widely in their governance structures and human resource management practices, which we discuss in the following sections.

Empirical Data

Current Ownership Type and Managerial Incentive System

All the firms we selected were originally set up and fully owned by the local township and village governments (TVGs). With the expansion of the enterprises and changing competitive environments, most of the TVEs have undergone property rights reform of various kinds, resulting in a variety of ownership and governance forms, including responsibility systems (*ze ren zhi)*, collateral or non-collateral contracting (*di ya cheng bao* or *wu di ya cheng bao)*, joint stock and publicly listed stock companies (*gufen gongsi* and *shangshi gongsi)*. The current ownership and governance types of the twenty cases are listed in Table 2.

Responsibility System (ze ren zhi) Two firms have adopted a responsibility system, accounting for ten percent of the total set of firms selected. The major characteristics of the responsibility system are reflected in the case of *Li Feng Industrial Ltd.*, which mainly produces high-quality paper products for OEM (Original Equipment Manufacturing) clients from Hong Kong and Taiwan. The final products are exported to the US market. Up to now, the local township government has invested RMB1.79 million in Li Feng, which is under the direct jurisdiction of the township industrial bureau, a government institution of the TVG in charge of the local economy. At the beginning of each year, the township industrial bureau sets production and profit goals for *Li Feng* based on the performance of the previous year and the forecast of the market, holding the general manager accountable for the achievement of these goals. Under the responsibility system, the income of the general manager is directly linked to achieving the pre-set goals. In 2000, the successful general manager of *Li Feng* received approximately 80,000 *yuan* (annual income plus the reward for the increase in profit).

Lease-Contracting (zuning hetong)

Among our twenty cases, there are two firms under the form of lease-contracting, namely collateral and non-collateral contracting, as found in *Qiao Hong Co. Ltd.* and *Da Li Corp.* respectively. In 1995, the general manager of *Qiao Hong*, Mr. Deng, signed a five-year contract with the local TVG (i.e. the Qiao Tou Town government). The contract stipulated that Mr. Deng had the full right to use the existing plant and equipment of *Qiao Hong*, but was not allowed to sell them. In exchange, *Qiao Hong* needed to submit a 5-million annual contract fee to the local government, with his four-floor house (valued around RMB2 million) as collateral. If the operation was successful, the contract was renewable.

Joint Ventures (heziqiye)

Three out of twenty case firms formed joint ventures (JVs) with foreign companies: *Nikemei* with a US firm, *Shen Zhou* with a German firm, and *Tang Jia* with a Hong Kong firm. All the three companies were set up before 1980, and formed JVs in the 1990s. The foreign partners in all three firms are the majority-shareholders and have *de facto* managerial control. The major objective of TVEs is to enter into strategic alliances with foreign firms to seek foreign investment, introduce advanced production equipment, update products, and build up management expertise. One company, *Nikemei*, imported advanced pharmaceutical production equipment to produce new generations of antibiotics for the Chinese market. The other firm, *Shen Zho*, appointed a German as the general manager in charge of company operations. In all the three cases involving foreign investment, the foreign partners have dominant decision power in terms of product development, technology and quality control, as well as accounting and treasury. The Chinese partners being interviewed, as minority shareholders, expressed their concern that they lacked effective means to monitor and control the behaviour of their foreign partners.

Joint-Stock Company (gufen gongsi)

There are twelve firms that have been transformed into joint-stock companies, accounting for sixty percent of the total. They can be classified into three types based on the structure of share distribution. The first type includes firms in which the TVG holds 50 percent or more of the company shares, with the remaining shares mainly distributed among the managerial staff. There are three cases that fall into this category, namely *Nan Hai, Hong Jian* and *Long Ji*. Although the local government is the largest shareholder in each firm, all the three general managers noted that the local government in fact did not intervene in the daily operations of the company. The general manager of *Hong Jian* told us that after the property rights reform, managers holding a relatively higher percentage of company shares have a higher incentive but feel more pressure than before. However, their line workers have not changed significantly their attitudes toward work after the property rights reform, since they have only a very small share or even no share.

The second type is firms in which the majority shares are held by several important managerial staff, usually the general manager, deputy general managers and chief engineer. The majority company share can be equally or unequally distributed among the major shareholders. For example, in *Pan Yu* each of the five major shareholders has a twenty percent share, while in *Nature Food*, the general manager has fifty percent share, and technical managers have fifteen to thirty percent.

The third type of the joint-stock firms are those in which one person (normally the general manager) holds the majority share. Among our eighteen cases, four belong to this category, i.e. *Hey Quey, He He, Fu Hao* and *Xin Guan*. In all the four cases, the general managers have at least ninety percent of the share. These general managers have full, actual control of the company and they distributed the remaining small percentage of the shares to key personnel in the company (e.g. technical manager and marketing personnel) as incentives. According to these general managers, the TVGs simply sold out the whole company to them and withdrew their interest completely.

Publicly Listed Company (shangshi gongsi)

Among our twenty selected firms, *Midea* is the only one publicly listed on the Shenzhen Stock Exchange since 1993. Starting from an initial capital of RMB 5000 and 23 employees in 1968, *Midea* has developed into one of the largest home appliance producers in China, with total assets of over 5.7 billion and with more than 30,000 employees. Currently, the local government holds thirty percent of the total shares, the public sixty percent, and other institutions the remaining ten percent. When asked about the future direction of the firm, the general managers of at least five firms asserted that their companies would like to seek publicly listed status in the future. Being publicly listed on the stock exchange would, on the one hand, bring public capital to meet the needs of the firm's expansion, and on the other, would force the company to formalise its management and accounting systems. Currently, the Chinese financial authority has very tight control on the qualifications of firms to be publicly listed due to the less developed domestic stock market. However, whether this will become the future direction of TVEs needs to be examined.

Human Resource Management

HRM Functions (renliziyuan guanli bumen)

Of the twenty firms selected, eight (i.e. *Nature Food, Hong Jian, Xin Guang, Tang Jia, Electronic Tool, Huan Le, Qiao Hong* and *Li Feng*) claim that they do not have an independent human resource department, or even a personnel department. These firms are usually very small. Their administrative department or logistics department would normally take over basic personnel management functions, such as hiring and terminating employees.

Four cases (i.e. *Pan Yu*, *Sen Ze*, *Long Ji* and *He He*) said that they had an independent personnel department, which had basic functions such as designing employee posts, proposing recruitment and dismissal, evaluating employee performance and recommending promotion, but the final decision in these functions rests on the general managers. In another five cases (i.e. *Nikemei, Nai Hai, Chang Lian, Da Li* and *Fu Hao*) there were independent departments that were described as human resource management (*renliziyuanbu)*, but we found that their functions were similar to personnel departments (*renshibu*) in the above four cases. The limited authority of human resource managers over HRM decisions severely restricted the roles they played, so that they would always report everything to the general manager.

In our twenty cases, only three firms (e.g. *Shen Zhou, Midea* and *Hey Quey*) had a human resource department in true sense. Although they were diversified in terms of ownership type and governance structure, with one JV, one joint-stock company with personal-majority shares, and one publicly listed firm, all the three were large firms with over 2,000 employees. The largest one, the publicly listed company, had more than 30,000 employees. They set up clear procedures for the human resource department granting human resource managers full authority to make decisions in their domain. In these firms, usually a deputy general manager or a board of directors in charge of the HRM function was directly involved the formulation of business strategy. The firms believed that human resource management and planning are important parts of the company strategy. For example, in order to adapt to the intensive competition in the home appliance industry and satisfy the future human resource needs of the firm, a "human resource storage program" was launched in *Hey Quey* in 1999 in an attempt to search, recruit and retain experienced managerial and marketing personnel.

Recruitment (zhaopin)

In general, the selected firms recruited line workers locally and searched for qualified managerial, technical and marketing personnel nationwide. Since all of our cases are located in Guangdong province (one of the most prosperous provinces in PRC), the local average income level is high, and this attracts a large number of cheap migrant workers from other provinces. We found from our interviews that firms recruit line workers more from non-local migrants than from locals. The ratio of local to non-local employees normally is around 3:7. There are extreme cases, namely two small firms (one with responsibility system and one under lease contract) that employed line workers almost exclusively from migrants to keep the operating costs low, with local workers accounting for no more than ten percent. On the contrary, the three largest firms (two joint-stock firms and one publicly listed firm) in our study recruited more line workers from locals in order to maintain good relations with the local government.

Due to the lack of professionals on the local labour market, firms search for experienced or qualified managerial, technical, and marketing staff throughout the country, by posting advertisements in major newspapers and on the internet, recruiting on the campuses of reputable universities, and scanning the databases of Talent Exchange Center (*rencai jiaohuan zhongxin*) in large cities. The larger the size and the more formal the governance structure of the firm, the greater the effort and the larger the scope of the search for professionals. As a result, more than ninety percent of professionals in Midea, the publicly listed firm, are non-local.

Many small and medium-sized TVEs produce a mature product with less sophisticated technology to supply for their market niche. It is rather common for them to hire senior technicians from other firms especially from State Owned Enterprises (SOEs) by offering high salaries (e.g. *Qiao Hong* and *He He*). One company, *Qiao Hong*, hired two technicians from a famous electronic fan producer in Shanghai, and offered them a half million *yuan* reward if they succeeded in developing new products and obtaining the patents. Another firm, *He He*, recruited all twelve of its key technicians from a large sized SOE in Northern China, by offering higher salaries than the SOE, in addition to good accommodation and welfare benefits. The firm also attracted many senior technicians, who retired from the SOE before they reached the prescribed age for retirement.

Training and Development (yuangong peixun)

Training and development in firms in our sample varied widely in intensity and scope across governance structure and firm size. Of twenty firms, only three cases (e. g. *Tan Jia, Li Feng, and Xin Guan*) said that they did not provide any form of formal training to their employees. The general manager of *Xin Guan* reported that the company only had a simple orientation to help new employees become familiar with company culture, job description, and working environment.

The other fourteen cases provided training, ranging from minimal to relatively substantial. While most firms (such as *Shen Zhou, Nan Hai* and *Qiao Hong*) emphasised technical training to ensure employees were capable of fulfilling their production tasks in conformance with standards, others (e.g. *Pan Yu* and *Hey Quey*) spent more resources on the training of managerial staff. If the firms were involved in an industry that is marketing- intensive, special attention is paid to training marketing personnel.

The three largest firms in the sample had the most formal training programs and invested substantially in staff development. They were two joint stock firms and one publicly listed firm. In one company, *Pan Yu*, six functional managers were taking the EMBA course in a famous university in Guangzhou, the capital of Guangdong province, when we conducted interviews in March 2001. *Midea* invited experts from top universities in China to conduct seminars and training courses in the company. It provided incentives for managers at all levels to obtain MBA degrees, and even sent some top managers abroad for training.

Reward Systems (jiangli zhidu)

In contrast to SOEs, reward systems in TVEs are basically performance-linked from the start. Our study found that piece-rate rewards were still widely adopted by firms whenever performance could be quantitively precisely measured. Reward systems for line workers in TVES in southern China are characterised by a fixed monthly salary with little or no bonus. As one TVE general manager put it, "we have a large pool of migrants available looking for jobs, there is little need to provide bonuses as incentives for workers. The current wage level attracts a sufficient number of migrants to fill our labour needs." On the other hand, marketing performance is considered to be essential to the firm's profitability, the norm for rewarding marketing staff is a system of basic salary *plus* commission, that appeared in most of the firms.

The restructuring ownership and governance structures in TVEs have brought profound and wide-ranging changes in the reward systems for general managers. More and more TVEs have realised that a highly motivated CEO is a critical factor for improving firm performance. A variety of rewards were adopted in such firms that linked TVE general managers' pay directly to firm performance, including floating income (*fudong xinchou)*, annual income (*nianxinzhi)*, basic salary plus annual bonus (*jibengongzi jia nianjiang)* and basic salary plus dividends (*jibengongzi jia guquan)*. We observed a trend to allow general managers to control a large portion of company's residual profits. In the joint stock companies, *Heygey* and *He He*, the general manager held a dominant portion of the company shares. In the publicly listed firm *Midea*, holding a substantial amount of company-shares became an important part of the incentive scheme for managers at senior level, the so-called 'elite share holding system'.

Social Security (shehui baozhang)

The symptom of "guaranteed lifelong employment" and "cradle to grave welfare" of SOEs before the reforms (Ding and Warner 2001) did not spread to TVEs as they struggled for survival in a harsh competitive environment. While SOEs were deeply indebted in the vast amount of medical and pension obligations, TVEs provided very little social protection for their workers. Since the implementation of the 1994 Labour Law (Ng and Warner, 1998) that, in an effort to set up a nationwide social security system, requires all employers, regardless of ownership type, to contribute to five separate funds (pension, accident and injury, maternity, unemployment and medical funds), TVEs started to abide by the minimum legal obligations.

In our selected firms, most of the TVEs bought various social security funds for their employees according to the regulation of the Labour Law, but the amount of contribution by enterprises varied. According to the General Manager of *Li Feng*, the expense of buying various security funds for each employee is around RMB200, which is a large item of overhead, considering the average monthly salary about RMB600 for a line worker. "Due to the strict law and the frequent inspections from the Commercial Administration Bureau, we (TVEs) have to abide by the labour law, otherwise we will be fined a large sum of money…", claimed the General Manager.

Party, Trade Unions and Workers' Congress (dangzuzhi, gonghui, and *gongren daibiaodahui)*

Due to the fact that general managers of TVES are selected and appointed by the local government, almost all the general managers in our selected TVEs were Chinese

Communist Party members, although party organisations played no significant role in enterprise management. Party branches were non-existent in small and medium-sized TVEs. In large TVEs, such as *Midea* and *Heygey*, their role was limited to ideological education. The lower profile of the Party in TVEs is in conformity with the enterprise reform that separated party activities from business operations.

Similarly, the influences of trade unions are found to be negligible in most of TVEs. The All China Federation of Trade Unions (ACFTU) has been granted authority to negotiate collective labour contracts, and protect workers' interests in cases of labour disputes. The newly-revised Trade Union Law, on one hand, brought China closer to the International Labour Conventions and Standards by adopting new amendments to protect the right of workers to organise union and collective bargaining. On the other hand, it reassured that the trade union is under party domination and works for the party by setting the "four cardinal principles"[1] as preconditions (China Labour Bulletin online: 2002-02-28). In most of our selected firms, there were no trade union organisations. In the largest TVEs, such as *Midea, Shenzhou,* and *Heygey*, trade unions played a weak role, organising infrequent recreational and sports activities. Union participation rates ranged from fifteen to sixty percent.

The purpose of the institutional mechanism of workers congresses in SOEs is to enhance workers' role in supervising the management of enterprises by involving it, with the trade union as its executive agent, in the decisions on strategic plans and major issues related to workers' welfare. With a very weak presence of trade unions in the TVE sector, workers' congresses were found to be unpopular in our selected firms, except in a few very large firms, where an annual meeting convened to award model staff and workers was the only significant activity.

Discussion

The nationwide property rights reform in the TVE sector in the '90s brought profound changes in the corporate governance structure in TVEs, which had an impact on

[1] Adhering to the socialist road, upholding the people's democratic dictatorship, abiding by the leadership of the Chinese Communist Party, and adhering to Marxist-Leninism Mao Zedong Thought and Deng Xiaoping Theory" are collectively known as the "four cardinal principles" which are also laid down in the constitutions of the ACFTU and the Communist Party.

the human resource management practices adopted by the firms. The relationship between HRM practices and governance structure in general is depicted in Table 5.

In most TVEs under the responsibility system or lease contracting, there were no independent human resource departments. In joint stock companies with various share structures, HRM functions ranged from partial to full, depending on firm size, technology intensity and characteristics of the product and industry, etc. The large publicly listed firm had a rather formal HRM department with a full range of functions.

There was a general tendency to recruit unskilled line workers from migrants from rural areas or other provinces to keep operating costs low. Only the joint stock company with TVG majority and publicly listed company tended to compromise costs to hire more locals to ameliorate local unemployment pressure.

Training tended to be non-existent or minimum in small firms under responsibility systems and lease contracts. Joint ventures with Hong Kong ownership and joint stock firms with personal majority tended to provide limited training.

In joint ventures, joint stock companies, and publicly listed firms, incentive-based reward systems were adopted, which were linked to performance. Performance evaluation procedures varied, from relatively formal to rather formal.

One of the objectives of property rights reform was to stimulate the motivation of employees. We found the impact of property rights reform on employees' motivation depended on the share distribution within the company. The responsibility and contracting systems were used to link the CEO's reward with company performance, which had few effects on the ordinary employees' motivation. As to the joint stock company, regardless of the types of share distribution (i.e. TVG majority, several person share majority or personal majority), the ordinary employees will have no or a very small percentage of share. Thus the motivation of ordinary employees and their degree of involvement in the management of companies are still very low. According to the general manager of *Hong Jian*, the small percentage of share held by the firm's ordinary employees in fact did not constitute any real incentive. As a result, the majority of ordinary employees were not active and lacked initiative in the management.

Therefore the property rights reform or the share holding system was adopted mainly to increase the motivation of the managing directors. In joint stock firms with a personal majority, the general manager, the *de facto* owner of the firm, would give or sell a certain percentage of shares to a small number of key personnel as an incentive to retain them and to make them work harder for the company. *Midea* has institutionalised this practice, in which a small group of top managers (elites) hold the "legal entity share" of the company. The marketing manager of Midea told us clearly that the objective of the "elite share holding system" is to better motivate the managers, who are the core of the company, thus no employee in the company has the right to hold a share.

Concluding Remarks

Based on the prevailing patterns of HRM practices observed in our selected firms, we conclude by proposing a model of evolution of HRM practices in TVEs (see Figure 2). The firm size is significantly correlated to the formalisation of corporate structure and HRM functions. The larger the firm size, the more formal the corporate structure and HRM functions. On the other hand, as the firm moved to a governance of clearer property rights, ranging from a responsibility system, lease contracting, joint stock companies, to publicly listed firms, it adopted more market-oriented HRM functions, including recruitment, training, reward, and performance evaluation. We believe that the above is a significant contribution to the study of Chinese business organisation and HRM and which will add to the ongoing research in the field.

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Table 1: A Summary of the Major Characteristics of Selected Enterprises

Characteristics	Category	Cases	Characteristics	Category	Cases
Location	Nanhai	4	Year of Establishment	Before 1978	7
	Dongguang	8		1978 to 1980	3
	Shunde	5		1981 to 1990	6
	Others	3		After 1991	4
Major Product	Home Appliance	5	Number of Employees	Less than 201	8
	Electronics	4		201 to 500	6
	Garments and Food	3		501 to 1000	4
	Others	8		Greater than 1000	2
	Totally Local	5	Total	Less than 11	6

Product Market	Mainly Local, Small Percentage for Export	10	**Production Value in millions RMB (2000)**	11 to 100	8
	Mainly Export	5		Greater than 101	6

Table 2: A Summary of the Human Resource Management in Selected Enterprises

Human Resource Management	Categories		Cases
Recruitment	Line Workers	More Local	4
		More Non-local	16
	Management	More Local	3 (FH, TJ, HL)
		More Non-local	17
Training	No		3(XG, LF, TJ)
	Yes	Post Training	13
		Technical Training	11
		Sales Training	10
		Management Training	13
Reward	Line Workers	Fixed Salary	4
		Basic Salary + Monthly Reward	3
		Piece Rate	14
	Marketing	Commission	2
		Basic Salary + Commission	14
		Basic Salary	4
	General Manager	Annual Income	5
		Basic Salary + Share Dividends	8
		Basic Salary + Annual Reward	6
		Floating Income	1 (NH)

Social Insurance	No Social Insurance		0
	Partially Abide by the Labour Law		3 (XG, PY, CL)
	Fully Abide by the Labour Law		17
Turn Over	Low		5
	High	Management	6
		Line Workers	10
Disputes	No		7
	Yes	High	3
		Low	10

Table 3: Ownership-Type of Selected Enterprises

Contracting and Ownership-Type		Case Firms	Percentage
Responsibility		*Li Feng* *Huan Le*	10 %
Contracting	Collateral	*Qiao Hong*	10 %
	Non-collateral	*Dali*	
Joint Venture		*Nekemei* (United States)[a] *Shen Zhou* (German)[a] *Tang Jia* (Hong Kong)[a]	15 %
Joint Stock	TVG-Majority	*Nan Hai* (59%)[b] *Hong Jian* (50%)[b] *Long Ji* (50%)[b]	60 %
	Several Person Shared-Majority	*Nature Food* (50%/1 + 30%/1)[b] *Pan Yu* (100% / 5)[b] *Electronic Tool* (70 % /3)[b]	

[a] The country in the bracket is the home country of the foreign partner in the Joint Venture.
[b] The percentage in the bracket is the share held by the largest shareholder (s); the denominator indicates the number of shareholder.

		Sen Ze (70 % / 4)[b]	
		Chang Lian (100% / 12)[b]	
	Personal-Majority	*Hey Quey* (90%)[b]	
		He He (90%)[b]	
		Fu Hao (90 %)[b]	
		Xin Guan (90%)[b]	
Publicly Listed		*Midea* (Shenzhen Stock Exchange)[c]	5 %

[c] The Stock Exchange is the place where the company is publicly listed.

Table 4:

Distribution of Nationwide Gross Industrial Output Value by Ownership Type

(percentage)

	1978	**1985**	**1990**	**1995**	**1997**	**1999**
SOEs	77.6	64.9	54.6	34.0	25.5	20.3
COEs	22.4	32.1	35.6	36.6	38.1	35.4
PEs	0.0	1.8	5.4	12.9	17.9	18.2
Others	0.0	1.2	4.4	16.6	18.4	26.1

Source: China Statistical Yearbook, 2000

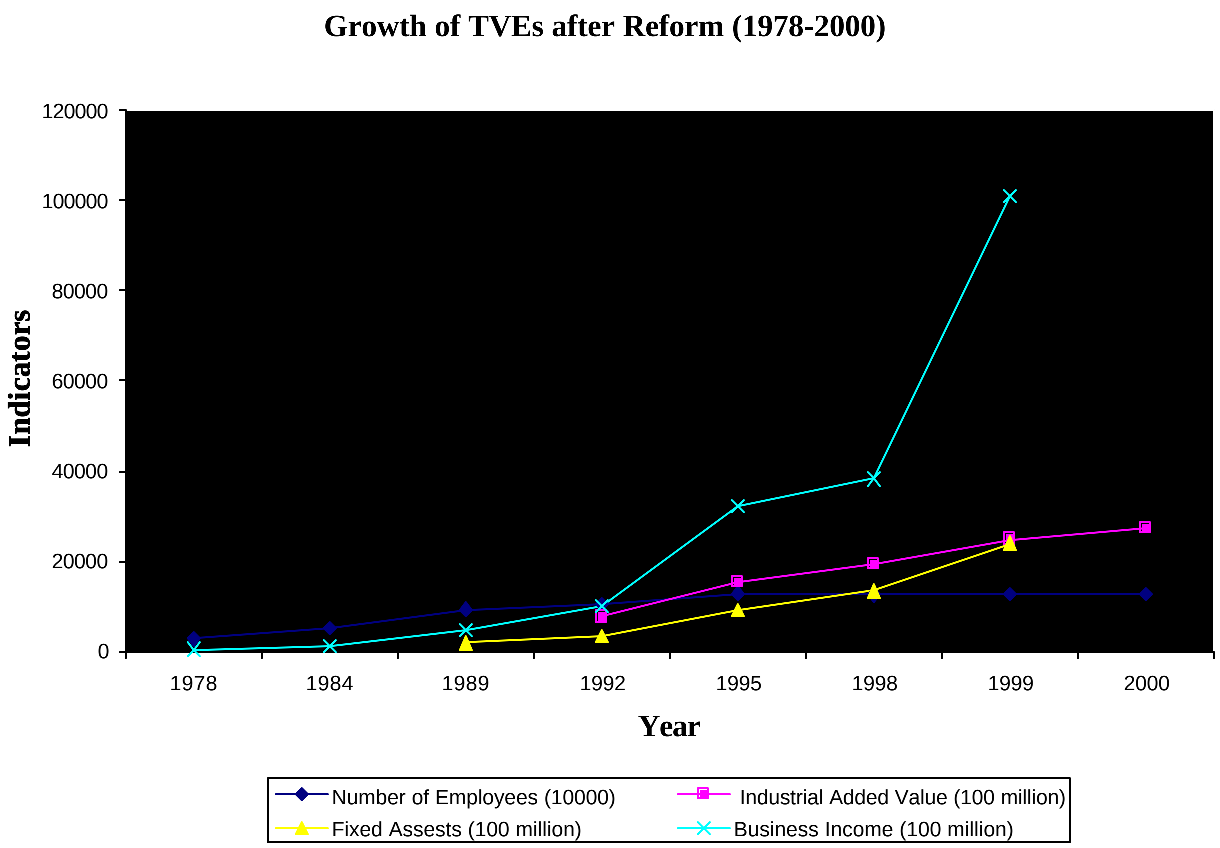
SOEs: State owned enterprises

COEs: Collectively owned enterprises

PEs: Private owned enterprises

Others: Including joint ventures, wholly foreign owned enterprises, and shareholding companies

Figure 1:



Source: China Statistical Yearbook, 2000

Figure 2: A Model of Evolution of HRM Practices in TVEs

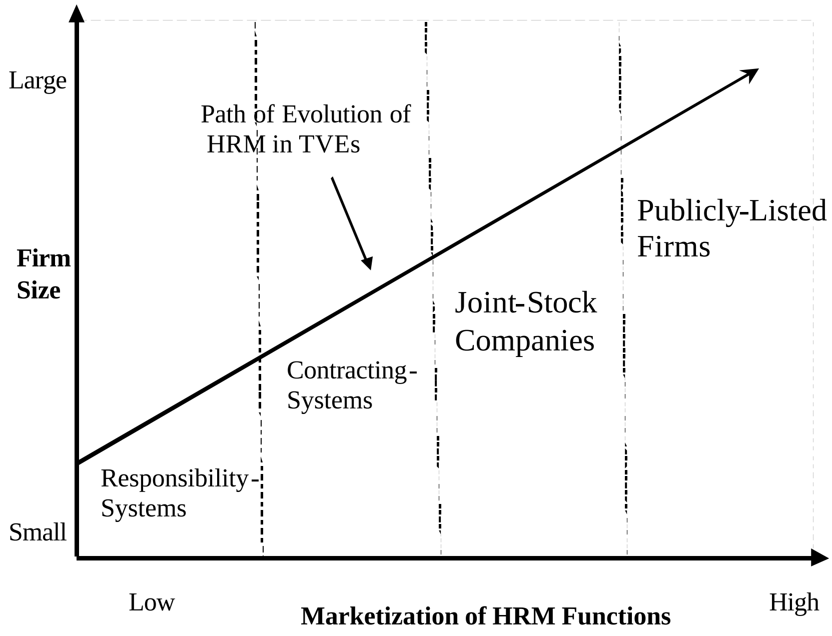


Table 5: Governance Structures and HRM Practices in Selected Firms

	Responsibility System	Lease Contracting	Joint Ventures	Joint Stock Company	Publicly listed company
HRM Functions	None	None	Partial function	Partial to Full	Formal and full
Recruitment Line-workers:	Locally, More migrants	Locally, More migrants	Locally, More migrants	Locally, More locals	Locally, more locals
Professionals:	Locally,	Locally,	Nationally,	Nationally,	Nationally,
Training & Development	None	None	Limited	Limited to moderate	Substantial
Reward Systems	Basic	Basic	Ownership related	Incentive-based	Incentive-base
Performance Evaluation	Less formal	Less formal	Relatively formal	Relatively formal to Formal	Formal

Social Security	Minimum	Minimum	Legal minimum, ownership related	Partial	Full
Party, Trade Unions, Workers Congress	None	None	Inactive	Inactive to Active	Active