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## CONVERGENCE REVISITED: LABOUR- MARKETS IN 'COMMUNIST' CHINA AND 'CAPITALIST' HONG KONG

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# **Convergence Revisited: Labour-Markets in 'Communist China and 'Capitalist' Hong Kong**

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## **Abstract**

This paper asks whether, despite the difference in political ideologies, political structures and level of economic developments, the Hong Kong SAR and the People's Republic of China are converging in their labour-market policies and employment policies. With the advent of economic reforms in China since 1978 and the subsequent reforms in State-Owned Enterprises (SOEs), it is now evident that China has become a transitional economy with a 'nascent' labour-market evolving out of the command economy model, and it may be argued moving from a classic 'statist' case to relatively more centrist position on the spectrum of labour-markets. On the other hand, Hong Kong may be seen as moving from an open labour-market in a 'quasi-laissez-faire' economic model, to a relatively more 'interventionist' case, as arguably government action increases in the wake of the Asian crisis. The authors argue that a relative degree of convergence, albeit within the constraints of the respective political and social systems, may be increasingly apparent.

## **Key words**

China, Employment, Hong Kong SAR, Human Resources, Industrial Relations, Labour-market, Personnel, PRC, the State, Unemployment.

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## Introduction

Among the many Asia Pacific countries, it is most interesting to examine the diversity and possibly 'soft' (that is, relative) convergence of Hong Kong with its mainland 'mother-country' (see Warner 2001). The 150 years of British colonial rule in Hong Kong ended on 30 June 1997 with the return of sovereignty to the People's Republic of China (PRC). In view of the huge gap in political ideology, political structures and level of economic development, Hong Kong became a Special Administrative Region (SAR) of China. Table 1 compares the two places in terms of economic and social indicators.

Despite the difference in their political ideologies, political structures and level of economic developments, this paper asks whether Hong Kong and its mainland are now relatively converging economically and more specifically their labour-market policies and employment policies. With the advent of economic reforms in China since 1978 and the subsequent reforms in State-owned Enterprises (SOEs), China has fast become a 'transitional' economy, as economists call these, with a nascent labour-market evolving out of the former command-economy model. It has been moving from a classic 'statist' model to a more centrist position on the spectrum of labour-markets. On the other hand, Hong Kong we conjecture may be moving from an open labour-market in a quasi-laissez-faire economic model, to a relatively more 'interventionist' model.

The impact of the Asian financial crisis on unemployment across the Asia Pacific region has been uneven. Unemployment rates have varied from a higher level in those economies that have been seriously affected by the crisis to a lower one in those less affected (Warner, 2001, p.9). Those economies with official unemployment rates in 1998 of under 5 percent included Japan, Malaysia, Singapore and Taiwan; those just over this level were Hong Kong, South Korea and Thailand; Indonesia was a special case. The People's Republic of China was an even more special case where officially the jobless rate was 3.5 percent (but in reality was much higher and perhaps as high as 10 percent); indeed, in some regions, it was very much higher. By 2000, these unemployment figures across the Asia Pacific region were lower in some cases but the ranking has remained broadly the same. The creeping recession in the world economy in 2001 began to push these rates higher again. The situation after the World Trade Center bombings in New York City will no doubt create further economic uncertainty (see *The Economist*, 22 September, 2001, p. 86).

How far has government action regarding the growth of unemployment increased in the wake of the Asian financial crisis? How far has this been the case in both locations? How relative have been these shifts? This article examines the evidence for convergence in labour markets developments of Hong Kong (SAR) and Mainland China (PRC) in the late 1990s. Various hypotheses are derived from the early work on this topic by Dunlop, Kerr and colleagues (for example Dunlop et al, 1975; Kerr, 1983, 1988 and so on) in the post-World War Two period. The data, we believe, are suggestive that convergence may be occurring in our chosen geographical locations<sup>1</sup>.

Insert Table 1 about here.

## CONVERGENCE REVISITED

According to Clark Kerr (1983), 'convergence' means 'the tendency of societies to grow more alike, to develop similarities in structures, processes and performances', while 'diversity' refers to 'the existence of variety in these elements' (p3). In *Industrialism and Industrial Man Reconsidered*, two decades after the original work was published, Dunlop et al (1975) reiterated that 'the process of convergence moves sometimes faster and sometimes slower and is, on occasion, reversed, but it is a long-run development of fundamental significance. It points to the direction of change' (p37).

On reflection of the idea of 'pluralistic industrialism', Kerr (1983) added that 'we were correct in suggesting that the range of actual economic structures would narrow to those that could be identified as pluralistic, but we should have clarified that we were not necessarily implying the parallel development of pluralistic political structures. We should have made clear that we were talking essentially about economic and not about political pluralism' (p28). Kerr's qualification to their theory of 'convergence on pluralistic industrialism' coincides with Tinbergen and his colleagues' limiting their theory of 'convergence on the optimum' to 'economic aspects' of society and left as open questions whether convergence leads to common political structures (Kerr, 1983, p27). Nevertheless, Tinbergen (1959, quoted in Kerr, 1983, p13) was correct to say that economic regimes of whatever kind have, to a considerable degree, common tasks and objectives. These tasks and objectives include seeking to maximize the welfare of the people today and establishing an optimum rate of growth into the future. The two major means of achieving these results are the market and the State plan.

In an article entitled *Labour-markets: Their Character and Consequences*, Kerr (1950) distinguished between five types or 'models' of labour-markets: the 'perfect' market; the 'neoclassical' or not quite perfect market; the 'natural' market where, on a substantial basis and not just as minor imperfections, individual lack of knowledge, lack of skills, economic and non-economic costs of transfer, and inertia all enter in with major consequences; the 'institutional' market influenced or even controlled by policies and actions of employers, of unions, and of both together; and lastly, the 'managed' market (Kerr, 1988, p22-3).

The essence of the 'managed' market is that government actively intervenes in the wage and employment determination process to ensure that the labour-market operates in a competitive fashion. Two diametrically opposite approaches are possible. One is to use government power to break up all monopolistic elements in product and labour-markets, thereby creating a competitive market structure. The second approach improves on the undesirable performance of the natural and institutional markets by having government intervene directly on an on-going basis in the operation of the labour-market, such as facilitating job searches through the provision of moving subsidies to unemployed workers and providing work for the hard-core unemployed through government jobs programs (Kaufman, 1994, p165-6).

The concept of 'convergence' also had been discussed by many scholars not only by the earlier ones cited (for example, Kerr, 1983;1988) but also contingency theorists (for example, Pugh and Hickson, 1996) from, say the 'Aston School', in that they argued that business organizations around the world have become more like each other than different due to common effects of size, technology and so on. Critics from a contrary line, the 'Aix School' which argued that 'societal' differences still remain (see Maurice and Sorge, 2000). Rowley (1997) had questioned 'convergence' in HRM in Asia Pacific and presented an overview of the debate on political/structural and cultural/societal constraints.

Additionally, the debate about convergence has become subsumed under the broader discussion of 'globalization' (for example by economic geographers like Dicken, 1998) by which economies become more alike due to the pressures of world-wide competition, notwithstanding the Chinese economy (see Nolan, 2001)<sup>2</sup>. Pugh and Hickson (2002) have updated their thoughts on 'convergence' in a cross-cultural setting. We use the term 'convergence' to explore the trends in the two cities and systems, therefore employing it at these two levels.

Many sources (for example, the *World Factbook 2000*) agree that Hong Kong has long been a model of a 'free-market economy'. Before it became a SAR, this characteristic was undoubtedly apposite and it does remain recognizably 'capitalist'; this source. This argues that the Chinese leadership from 1978 onwards has been moving the mainland economy 'from a sluggish Soviet-style centrally planned economy to a more market-oriented economy but still within a rigid political framework of Communist Party control, as described in detail below' (ibid.).

The concept of 'convergence' was chosen because it was deemed appropriate in order to study the ways in which urban labour markets are affected by common forces in the economic environment. Both Shanghai and Hong Kong share the Chinese cultural setting but not the institutional one (see Ng and Lee, 1998). What we are discussing in this article is how given the new political status of Hong Kong and the shared culture with the mainland China, it may see convergent tendencies in spite of other differences we have noted.

## **ECONOMIC REFORMS IN CHINA**

Economic reforms in China can be classified into those of enterprises (both State and non-State enterprises) and those of markets (both output and factor markets) (Otsuka, Liu, Murakami, 1998, p5). Reforms of SOEs are intended to strengthen profit motives, thereby enhancing firms' productive efficiency.

Reforms of such enterprises, however, are not enough. In order to make profit-seeking a useful principle to guide enterprise behaviour, market prices must be determined in accordance with supply and demand forces. Market competition between State and non-State enterprises needs to be strengthened to nurture truly efficient enterprises and to eliminate or put pressure on inefficient ones by squeezing their profits. With the opening up of the economy in Derg Xiaoping's era, the Third Plenum of the Chinese Communist Party's Central Committee in 1978 introduced a comprehensive program of sweeping changes to the previous system of economic planning and management in the urban-industrial sector. Central planning and control over resource

allocation, pricing and distribution have been drawn back to permit the operation of market forces. Forms of non-State and foreign-funded enterprises have been allowed to develop and these have injected a powerful new competitive force into the economy. The major competitors of State enterprises are the rapidly growing township-village enterprises and foreign enterprises, established and controlled by township and village governments. These enterprises often cooperate with SOEs and foreign enterprises. In 1978, with the onset of Deng's reforms, over four-fifths of Chinese industrial output was produced by SOEs; by 1999, this proportion had been reduced to 26 percent<sup>3</sup>.

In order to achieve efficient resource allocation in the economy as a whole, nation-wide labour-markets need to be developed which will be capable of reallocating these workers engaged in low-productive jobs to highly productive ones (see Meng, 2000). The oft-decried "iron rice-bowl" was a major reason for poor productivity. Prior to the economic reforms in 1978, the allocation of labour resources was by far the furthest from the market mechanism. In accordance with the principle of "unified employment and assignment", State labour bureaux at central and local levels had exercised a virtual monopoly over the allocation of urban labour, including both manual workers and technical-professional staff in both State and "big collective" sectors (White, 1987, p 115). Job assignment was based on State planning, with little consideration for personal preferences. Employment through assignment gradually extended to include all those entering the labour force, including demobilized army personnel. Labour mobility was tightly controlled, interregional transfers, especially transfers from underdeveloped to comparatively developed areas, was very difficult if not impossible (Han and Morishima, 1992) owing to the household registration system (the *hukou* system) and grain rationing system.

The young school leavers were assigned to a work-unit (*danwei*) which registered their citizenship status (*hukou*) (see Cheng and Seldon, 1994). This cultivated in the young people a mentality of dependence, thinking that the State should give them jobs. Although, in theory at least, individuals were not committed to workplaces against their will, refusal to join an officially assigned *danwei* could have serious repercussions, ranging from failure to find a permanent workplace to a politically tainted record. After job assignment, the individual found it hard to move from his or her original unit in the face of bureaucratic obstacles (inside and outside the enterprise) and other external controls, notably the *hukou* system and the ration coupons. Mismatching of people to jobs often resulted in discontentment, and thereby poor productivity and low morale. Consequently, the unified employment and assignment system had lowered the quality of the employees as a whole and was implemented at the expense of lowering labour productivity. A manager's power to dismiss workers and workers' motivations to move were both weak. In terms of job mobility, the consequences in urban China after 1960 were "low levels of inter-firm transfers, high levels of regional and enterprise autarky, and risk averse strategies of advancement that discouraged firm switching" (Davis, 1992, p1084).

## RESEARCH METHODS

The field research on which this article is based was carried in Shanghai and Hong Kong over the years 1998 and 1999 (with previous research, only used as a point of reference, having been undertaken by one of the authors in the mid-1990s- see

Goodall and Warner, 1997). The present study concentrates on data collected in 1998/9 only but interpretation has been made using cited concepts and research published before this).

The two cities were chosen because they are the two major cities on the eastern seaboard in the now re-united China. They are also rivals for the pre-eminent position as top financial centres not only for the PRC but also for East Asia. Shanghai is the more populous city with nearly 15 million inhabitants, against Hong Kong's 7 million; with a work-force respectively of around 8.5 million against 3.5 million respectively (in the year 2000). But both are comparable in that they are both economically pre-eminent in their respective regional/national settings. We would argue that by choosing the main business and financial centre in Mainland China, we can then have a sound point of comparison with Hong Kong and thus show the main potential for convergence.

The main research method employed was open-ended qualitative interviews (n=>50) with policy-makers, managers, trade union representatives, workers and unemployed persons in 1998/1999, as well as collection and interpretation of primary and secondary documents, newspaper articles, statistics etc. Material collected from web-sites in both locations was also used.

Visits were made to various government departments including the Labour and Social Security Bureau in Shanghai and the Labour Department in Hong Kong. The operation of placement services, re-training services and social security insurance had been observed. To better understand the labour markets in Shanghai, visits were made to the re-employment centres, the talent markets (*rencai shichang*) and the job bazaars for the demobilized army (*budui*). State-managed social community service centres and industrial centres for the respective purposes of self-employment and job-creation were also visited during the field research in 1998/1999.

Figure 1 shows a summary of the hypotheses we have formulated on the possible convergence of the Chinese model towards that of the Hong Kong SAR model. These are based on arguments *grosso modo*, that the forces of globalization via the mechanisms of marketization - as exemplified by the Dengist market reforms since 1978 - has led to possibly convergent consequences in terms of labour-related variables.

We now set out in turn the main six hypotheses we have formulated in the light of the above. We believe this to be a sensible procedure and deal with each of what we consider to be important dependent variables in labour-market terms. In each case, we go from the *general* to the *particular*, since we are attempting to see the effect of the broader phenomenon of marketization affecting specific labour-market variables in the two respective city-locations, other things being equal.

*First*, we argue that the greater the degree of marketization, the more labour-market policies will converge. The degree of marketization, we argue, has acted as a 'push' factor moving the Chinese labour-market towards the centrist position in the spectrum of labour-markets noted above. *Second*, the greater the degree of marketization, the greater the chances of unemployment and downsizing. The structural reforms pursued by the Chinese government, we argue, will tend to displace surplus labour from

employment in state-run firms. *Third*, the greater the degree of marketization, the greater the chances of re-employment, by which we mean, the opening-up of job opportunities where market-led demand has grown. *Fourth*, the greater the degree of marketization, the greater the chances of self-employment, whereby growth in consumer demand and structural reform will encourage small-scale employment opportunities. *Fifth*, the greater the degree of marketization, the higher the likelihood of employment moving from the state sector to the private sector. This will be increasingly the case where structural reform has caused SOEs to shrink or close altogether. *Last*, the greater the degree of marketization, the more the two systems of human resource management (HRM) will converge, as the formerly 'iron rice bowl' model is ended and a 'market-led' employment system is introduced.

## MARKETIZATION AND LABOUR MARKETS

We will now attempt to 'test' each of the hypotheses, set out in Figure 1, vis a vis its exemplification in Shanghai, compared with Hong Kong. The results of our investigation are presented systematically under each heading. There then follows a wider discussion section.

Insert Figure 1 about here

*Hypothesis 1: The greater the degree of marketization, the more labour-market policies will converge.*

One important impact of the market reforms is a general broadening of work options. SOEs, although still a major employer, are no longer the only choice available. There are collective and private enterprises, and increasing numbers are pursuing the entrepreneurial track, with government encouragement. The existence of private enterprises was legitimised with the amendment to the Constitution in 1988. Employment opportunities now exist in Sino-foreign joint ventures or wholly owned foreign companies. As a result, the employment system has become relatively more flexible.

The squeamishness in the use of terminology before 1994 ('waiting for employment' (*daiye*) instead of 'unemployment' (*shiye*), and 'labour service market' (*laowu shichang*) instead of 'labour-market' (*laodongli shichang*) has disappeared (Chang, 1995). The practical policy proposals have clearly been aimed at changes in the direction of a 'labour-market' which, according to White (1987), possesses two important characteristics: (i) employment is entered into on the basis of an agreement between employer and employee, and terminated on the initiative of both or either party (subject to any contractual conditions). (ii) There is an exchange of labour power for a certain amount of remuneration, usually but not exclusively in the form of wage: labour power is sold as a commodity in a market, based on voluntary agreement. The 'dark side' of this new, 'free' labour-market has been explored by authors like Chan (2000).

On the labour-market supply side, workers have considerable freedom over their choice of employment. In contrast to the inflexible monolithic State allocation system



that dominated the pre-reform era in the PRC in general and Shanghai in particular, workers now enjoy multiple avenues in search of jobs including self-initiated calls, street posters, word of mouth and personal recommendations from friends and relatives (as indeed was long the case in Hong Kong). On the demand side, employers adopt market and profit-driven policies. With costs and the imperatives of the labour-market in mind, employers utilise various modes of recruitment and reward systems to secure workers in short supply (such as technical workers) as opposed to workers in plentiful supply (such as semi-skilled and unskilled workers). To compete for skilled workers that are in short supply, enterprises can offer attractive wages. Wages and working conditions may now coordinate the movement of labour from low to high waged jobs. Labour exchanges have been set up and private firms are free to recruit freely.

Affected by back-wash of the Asian financial crisis, the unemployment-rate in Hong Kong reached a record height of 6.3 per cent in February to April 1999. Altogether, 216,000 persons were out of a job. Hong Kong has never experienced such a serious unemployment situation for more than three decades. Accordingly, the State intervened in this model free-market economy on a scale not seen previously and out of line with neo-classical economic principles<sup>4</sup>. A high-level Task Force on Employment, chaired personally by the Financial Secretary of the Hong Kong Government, has met monthly since mid-1998 to promote job-creation and to monitor the employment situation, modifying the previous non-interventionist policies of earlier years. Further details of its labour-market policies will be set out in greater detail in the sections which follow, to illustrate our overall argument.

## **MARKETIZATION, UNEMPLOYMENT AND AND DOWNSIZING**

*Hypothesis 2: The greater the degree of marketization, the greater the chances of unemployment and downsizing.*

In September 1997, the Chinese government decided to transform most of its large and medium-sized SOEs into profitable concerns within a three-year period, and change the rules whereby they were managed. The aim was the pursuit of a competitive system in which only the best enterprises would survive (International Labour Organization, 2000). There is a comment that although Zhu Rongji's plan to solve the problems of the SOEs within three years may or may not succeed that quickly, the problem remains as to whether the market can absorb the large number of workers laid off by these enterprises<sup>5</sup>.

Unemployment is, *pari passu*, growing by the day in China; the realistic total may be well over one in ten in many large cities; it may be over one in five in parts of the rust-belt in the north-east (*dongbei*). The highest reported joblessness cited is in Liaoning Province with over 22.4 percent, followed by Hunan with 21.3 percent; at city-level, Chongqing at 18 percent and Tianjin with 17 percent, both had noteworthy high levels of unemployment (see Documentation, 1999, p1106). In 1998, the urban registered unemployment rate rose to 3.1 per cent, and the rate of unemployed plus laid-off workers rocketed to 7.9 per cent in 1998 (World Bank, 2000, p4). SOEs will

also continue to lay off their surplus workers. A leading figure in the Chinese Academy of Social Sciences recently described joblessness as the biggest challenge currently facing the Chinese economic system; Professor Hu Angang, a CASS labour economist, cited figures to show that between 1993 and 1997, laid-off workers rose from 3 million to 15 million (with two in three from the SOEs). He estimated around 10-15 million more coming becoming unemployed in the coming years. During 1999, 6.1 million State enterprise workers lost their jobs (World Bank, 2000, p4). About 1.96 million workers were laid-off from SOEs in the first half of 2000, with a total reaching 6.77 million at the end of June 2000 (ibid.).

Shanghai has been one of fastest growing areas in China, however. Table 2 shows that its economy outgrew the national average in the last decade or so. Indeed, Shanghai's official unemployment-rate of 1.4 per cent in 1998 was much lower than that in the rest of the PRC as well as that in Hong Kong (6.1 percent) but this may be quite misleading. Indeed, caution has to be paid to differences in definitions. The national definition of unemployment is distinctive in China. According to the State Statistical Bureau, unemployment refers to the urban registered unemployed who possess non-agricultural residence; are within a certain age range (16 to 50 for male and 16 to 45 for female); are able and willing to work; and have registered with the local labour bureau for employment (Chinese Statistics Bureau, 1997, p588). Only the openly unemployed are eligible for unemployment benefits. In fact, another form of unemployment is perhaps more pervasive - 'hidden unemployment' - referring to workers, often in the State sector, who have been 'laid-off' (*xiagang*). The State Statistical Bureau defines 'laid-off' workers to be 'workers who have left their posts and are not engaged in other types of work in the same unit, but still maintain a labour relationship with the unit that they have worked' (Chinese Statistics Bureau, 1997, p 588). Workers who have been 'laid-off' are only given living subsidies (*shenghuofei*) instead of unemployment benefits, and are not included in the registered unemployment-rate; before long, the *xiagang* system will be phased out.

Insert Table 2 about here.

An examination of the causes of unemployment in Shanghai, 'hidden' and open, reveals an interesting result from the study, namely structural shifts in employment. Shanghai fell into the footsteps of Hong Kong in the 1980s and 1990s, namely the decline of the manufacturing sector, albeit to a lesser extent. A more fundamental factor leading to the structural shift and employment situation in Shanghai could be attributed to the move from command-economy to market-economy (see Warner, 1995). The Shanghai Statistical Bureau reported that as at 30 June 1997, 260,600 'laid-off' workers in Shanghai needed help in employment. Table 3 shows the nature of enterprises from which these workers were released and the causes of layoffs. More than 90 per cent of the layoffs occurred in State owned-enterprises and collective enterprises. Around 36.9 per cent of these enterprises suffered from financial difficulties and 8.5 per cent had either gone bankrupt or on the verge of bankruptcy.

Insert Table 3 about here.

Table 4 shows the profile of the workers 'laid-off' in Shanghai. They share very similar characteristics to workers retrenched from factories in Hong Kong: middle-aged, low skilled, and predominantly female. Almost half of the 'laid-off' workers in

Shanghai (47.2 percent) were aged of 41 and above; 72.2 per cent had only junior secondary qualifications; a slight majority were female (53.4 percent); and 70.5 per cent had their previous employment as unskilled workers.

Insert Table 4 about here.

Turning now to our findings on the Hong Kong SAR, we can see that its economy was more quickly and adversely hit by the Asian financial crisis. The property-market and the stock-market plunged. Figures released by the Land Registry showed 55,178 transactions recorded in the first half of 1998, down 52.3 per cent from the same period in 1997. The figure is a 38.5 per cent fall from the second half of 1997. The value of the first half-year transactions in 1998 amounted to \$183.97 billion, down 62 per cent from last year's first half and 52.1 per cent from the second half (Ko, 1998). The Hang Seng Index plunged from 16,800 to around 8,000 in August 1998. Trade and tourism were badly hit as Hong Kong's trading partners were suffering from even more severe setbacks. The crisis has precipitated a wave of business collapses and closures that inevitably led to layoffs and retrenchment.

Hong Kong adopts the definition of unemployment as laid out by the International Labour Organisation, that is, for a person aged 15 or over to be classified as unemployed, that person should not have had a job and should not have performed any work for pay or profit during the seven days before enumeration; and have been available for work during the seven days before enumeration; and have sought work during the thirty days before enumeration (Commissioner for Labour, 2000, p 76). Moreover, the concept of 'underemployment' does not exist in China. In the case of Hong Kong, the criteria for an employed person to be classified as underemployed are: involuntarily working less than 35 hours during the seven days before enumeration; or has sought additional work during the thirty days before enumeration (ibid.).

Parallel to business closures has been the emergence of austerity measures adopted elsewhere in the private sector to rationalize, consolidate and cut back labour costs. Downsizing, flexi-hiring, flexi-pay package, pay-pause, outsourcing, short-time working, job sharing, extended holidays and leave of absence, part-time and piecework hiring as well as other associated practices of labour-saving measures have become common practice not only in small industries but also in the primary sector, particularly since the Asian financial crisis (Ng and Lee, 1998, p173).

Fortunately, along with the economic recovery of other Asian countries, the economy of Hong Kong began to resume double-digit growth in the year 2000. Yet, closer examination of the profiles of the unemployed, paying particular attention to their previous employment by industry and by occupation, will reveal the fact that Hong Kong has not only transited from the manufacturing to the service era, but has moved into a knowledge-based economy. However, most low-income workers do not have the necessary skills or the educational background to adapt to the new economy.

Hypothesis 2 may apply equally to both Shanghai and Hong Kong labour-markets but it may be even more so the case vis a vis the Mainland Chinese labour-markets, because of their previous constraints on job flexibility.

## **MARKETIZATION AND RE-EMPLOYMENT: SHANGHAI**

*Hypothesis 3: The greater the degree of marketization, the greater the chances of re-employment.*

*Hypothesis 4: The greater the degree of marketization, the greater of chances of self-employment.*

We take the above two hypotheses together and then examine possible evidence of each, first in Shanghai, then later in Hong Kong. The main result of the study is evident here. Marketization, we may observe, has enabled the labour-market to move in a more flexible way, albeit paradoxically with a degree of State-encouragement and even guidance.

In light of the vast number of people made redundant and the inadequacy of the insurance system and social assistance available, re-employment in the PRC has required mobilisation of efforts on a comprehensive scale (Field interviews, December, 1998). All State enterprises that make workers redundant are obliged to set up re-employment service centres (International Labour Organization, 2000). Loss-making enterprises can apply for State co-financing: the Ministry of Finance and local sources such as the unemployment fund each provide one third, the enterprise provide the remaining third.

The responsibilities of the Re-employment Centres within enterprises in China are as follows:-

- To make a social benefit payment equivalent to the level of unemployment insurance payments to persons made redundant. After three years of unemployment redundant staff lose their employment relationship with the enterprise and are entitled to unemployment insurance or social assistance, depending on the case;
- To pay old-age insurance;
- To pay health insurance;
- To pay unemployment insurance;
- To provide occupational information and re-employment training programmes;
- To monitor the progress of redundant staff and to help them to find new jobs.

In Shanghai, private agencies are restricted and public employment services operate under near-monopoly conditions. There are 452 registered employment agencies in Shanghai, of which 338 are established under the Labour Administration Division that includes district and street organisations; 110 are operated by industries and social organisations like All-China Federation of Trade Unions (ACFTU) trade unions, Association for the Handicapped, Association of Women; and only four of them are run by private operations (Field interviews, June 1999). According to the deputy head of a District Labour Bureau in Shanghai, privately operated employment agencies are not encouraged because, first, they are profit-making. Employment agencies run by the State are free of charge, and those run by the various industries and organisations

are charged on a cost-recovery basis; second, private employment agencies are not able to provide comprehensive services to the job-seekers (ibid.) (Field interviews, July 1999).

Since 1994, the Regulations on Placement Service, enforced by the Labour and Social Security Bureau, set standards on employment services in Shanghai (Field interviews, June 1999). In the past, enterprises could only apply for additional workers through the government bureaux. At present, enterprises can register their vacancies with the placement centres but select workers through open recruitment. All the State established agencies are linked vertically (from city, municipalities, districts, to street organisations) and horizontally among agencies at the same level. The network also linked nine employment agencies set up by the industries. Starting from 1 July 1997, State-operated employment agencies in Shanghai have been inter-connected to provide real-time information on the job market to job-seekers (Field interviews, January 1998). Apart from displaying job vacancies, information on re-training is also available on the network. Table 5 shows the number of job-seekers registered with the Shanghai Labour Bureau, the number of vacancies received, as well as its referral and placement rates.

Insert Table 5 about here.

Placement officers provide counselling to job-seekers on labour-market information, and re-educate those who possess the 'iron rice-bowl' mentality to change in Chinese enterprises. All counsellors are trained and are required to pass a professional examination annually. Overseas training in Germany has been arranged for outstanding counsellors. The State closely monitors the situation of workers who have been 'disassociated' from the State enterprises. The hardship cases are entitled to a subsistence allowance (*zuidi shenghui butei*) of 244 yuan per month when repeated referrals, counselling, and re-training do not work (Field interviews, May 1999). Yet, the Chinese government is extremely careful to balance between stringent procedures and social stability. In any case, subsistence allowance is only payable for two years, after which the unemployed will only be entitled to a maximum unemployment insurance of 400 yuan per month (about half the average urban monthly wage in the PRC at the time) depending on various factors like age, and years of contribution to unemployment insurance (Field interviews, June 1999).

Re-training is often needed prior to successful re-employment. Re-training in Shanghai is free of charge for job-seekers certified to be laid-off (*xiagang*) workers and unemployed. However, if training is for self-development purpose, each trainee will have to pay 300 yuan (there were just over 8 yuan or Renminbi [RMB] to 1US\$ at the time of writing) for joining the course. The training programmes, designed, financed and delivered by the government, are linked to the needs of the market. The training-centres are attached to the placement centres, widely known in Shanghai as *tsiendian hou gongchang* (employment-service provided in the shop, training in the backyard). Each class will have about 40 trainees. The length of training differs from job to job: domestic helpers will be trained for three weeks, six hours a day; cooks and technicians will receive training for half a year, but three days a week. According to the head of the training-centre visited, as a result of training, the success-rate in job placement is often boosted from the normal rate of below 30 per cent to as high as 70 per cent for domestic helpers (Field interviews, June 1999).

To open up more jobs for re-employment in Shanghai, the government has made use of job-creation strategies. Direct public employment creation attempts to alleviate unemployment by creating jobs and hiring the unemployed directly. It targets the displaced and the long-term unemployed, with a view to helping them regain contact with the labour-market, thereby minimising the probability of stigmatisation, skills obsolescence, and marginalisation. To create more employment opportunities, the Shanghai Labour Bureau invested in minor improvement programmes at the district-level, and was successful in creating over 20,000 vacancies in 1999 (Field interviews, May 1999). These vacancies concentrate on public hygiene (*baojien*), public security (*baolan*), environmental protection (*baolui*), and the maintenance of public facilities (*baoyang*).

The *Baibang* Community Service Company (*'Baibang'* meaning 'a hundred forms of help') and the *Baibang* Industrial Centre are examples of self-employment creation in Shanghai (Field interviews, June 1999). The former will take care of the aged and the less-educated redundant workers, while the latter will cater for the needs of semi-skilled workers. The *Baibang* Community Service Company was set up in 1994 to match the employment needs of workers 'laid-off' to the need for family services in the community. Officials who run the company are seconded from the Ministry of Social Welfare. They rely on the District Committees to identify *xiagang* workers and their appropriate skills. Government training institutes provide free training and accreditation of the worker's skills. Promotion of the service is through street-posters, free local media such as newspapers, television and radio-broadcasts, and word-of-mouth. Services are developed according to the needs of the neighbourhood, such as, childcare, elderly care, cleaning and preparation of meals. (Field interviews, June 1999). The company charges a commission ranging from 20 to 50 yuan from the workers, and 10 per cent or 50 yuan per job from the family-service recipient. As of June 1999, the company claimed it was successful in finding jobs for over 200,000 workers over the five years of its existence (*ibid.*) (Field interviews, June 1999).

Another self-employment creation agency in Shanghai is the *Baibang* Industrial Centre established in May 1998 (Field interviews, June 1999). A bankrupt State-owned coal-products factory was re-structured into 18 units leased to redundant worker-entrepreneurs. The government provides start-off loans each ranging from 50,000 to 150,000 yuan. Employees working in the industrial centre should either be workers 'laid-off' or retired from State enterprises (the ratio is about 70 to 30). The factory-units share overheads such as a meeting-room for business liaison; cost of factory management for services like ordering lunch-boxes and sanitation matters; and clerical support for co-ordination with different government departments on payment of fees. They also benefit from concessions in rent; miscellaneous fees and taxes; and profit tax. The first three years are exempted and reduced by half for the next three years if 60 per cent of the workers employed are *xiagang* workers. The idea has been considered a modest success as 25 people have left the factory to become self-employed (*geitihu*) and two others have left to set up their own business. Four branch industrial centres have been set up along similar lines of support for entrepreneurship (*ibid.*). Davis's research in Shanghai suggested that 'Shanghai men who became self-employed between 1990 and 1995 were both *pushed* into this direction by the unpleasant or unrewarding jobs they held in 1990 and *enabled* to take such risks by

the personal experience and resources that allowed them to imagine success in competitive, risky lines of work' (Davis, 1999, p39).

## **MARKETIZATION AND RE-EMPLOYMENT: HONG KONG**

The results of our study vis a vis Hong Kong are interesting here. The Hong Kong Government now relies more and more on re-training to cope with the problem of skills mismatch between supply and demand vis a vis its unemployment profile (see Table 6) in what has been to date as close to the neo-classical economists' labour-market as found anywhere (see Meng, 2000, pp. 190-195). The Employees Re-training Board (ERB) is an independent statutory body set up under the Employees Re-training Ordinance in 1992. The ERB functions to provide re-training to eligible workers to assist them in taking on new or enhanced skills so that they can adjust to changes in the economic environment. ERB consists of a governing body comprising representatives from employers, employees, the government, as well as training institutions and manpower practitioners (Employees Re-training Board, 2000). Since its establishment at the end of March 2000, the ERB has provided a total of 369,490 re-training places. As at 31 March 1999, there were 52 active training bodies offering 163 re-training courses at 135 re-training-centres throughout the territory (Annual Report of Employees Re-training Board, 2000, p15).

Insert Table 6 about here.

All full-time courses are free of charge in Hong Kong. In addition, re-trainees attending full-time courses that last for one week and above can apply for a re-training allowance amounting to a maximum of HK\$4,000 per month. Re-trainees who attend part-time and evening programmes have to pay a course fee of some 40 per cent of the training costs. For low-income or unemployed persons, such fees could be refunded provided that they have attained at least 80 per cent attendance rate (Field interviews, June 1999).

The Employees Re-training Board (ERB) in Hong Kong has been providing wage subsidies to employers of 'tailor-made' training courses since May 1993 (Lee, 1996, p120-1). The subsidy depends on the age of the trainee and the level of skills. For unskilled workers, the ERB will subsidise one-third of the trainee's monthly salary for one month (trainees aged between 30 and 39); two months (over 39 years of age); and three months (over the age of 50 or are handicapped) depending on individual cases. Wage-subsidies of half a month's salary have been introduced for skilled and semi-skilled workers (monthly salary of not less than HK\$7,000 -there were just over 7.7 HK\$ to 1 US\$ at the time of writing) since July 1995. Wage-subsidies for re-trainees aged between 30 and 39 will last for three months, while re-trainees aged over 39 will be subsidised for six months (Field interviews, September 1999).

Job counselling and placement services are available to re-trainees. A recently established computer-network between Hong Kong ERB and the Employment Services Division of the Labour Department also enhanced the efficiency of the system. Employment services serve brokerage-functions, matching jobs with job-seekers. Hong Kong is a vibrant free market economy. The Local Employment

Service (LES) of the Labour Department has been rendering free and professional employment services to employers and job-seekers for more than 30 years. Through an on-line computer network (since April 1998) linking 11 job centres, the LES receives all types of job vacancies from the on-line list and registers job-seekers of different backgrounds for placement. It basically operates on a semi-self-help mode whereby job-seekers select suitable vacancies, register with the LES and seek a referral to that job from its staff. Job-seekers can contact employers directly if employers are willing to open up their company names and telephone numbers while placing vacancy order with the LES (since June 1998). A central Job Vacancy Processing Centre (JVPC) was opened for employers in February 1999.

Since 1 April 1995, the LES has been providing personalised counselling and job matching services to unemployed local workers through the Job Matching Programme (JMP) in Hong Kong. Up to the end of 1999, the JMP registered 52,823 job-seekers and secured 34,047 job offers, representing a success rate of 64.5 per cent. A change in the profile of job-seekers registered with the public employment service provides evidence of the structural shifts in the economy of Hong Kong. Of the job-seekers registered under the programme as at end of 1995, about two-thirds were female (International Labour Organization, 2000). About two-thirds were of junior secondary education and below. Each of the age groups of 30-39 and 40-49 accounted for more than 40 per cent of all registrants. Slightly over half of them came from the manufacturing sector. This profile of JMP registrants has undergone some gradual changes in the following years, moving to being better educated and from non-manufacturing sectors (Field interviews, September 1999).

A series of new measures has also been launched by the Hong Kong Labour Department, including the Interactive Employment Service, launched in March 1999, uses the latest technology to offer employment services on the Web. Through the Internet, employers can easily place vacancy orders with LES. Employers can also view the profiles of LES registrants to look for suitable candidates and request LES to arrange for referrals (Commissioner for Labour, 2000/Labour Department Annual Report, p105). The Labour Department also set up the Job Vacancy Processing Centre in late 1998 to provide a one-stop service for employers to place vacancy orders with LES. With the use of new technology, job-seekers can access the vacancy information by visiting the website of the Interactive Employment Service, or by making use of the self-service terminals installed at each LES and Labour Relations Service branch office. Apart from relying on the public employment service, job-seekers in Hong Kong can also turn to the 1,108 private but regulated employment agencies for employment assistance into jobs (Field interviews, September 1999).

Direct job-creation is a new initiative taken by the Hong Kong Government that is now adopting an almost neo-Keynesian policy. It is estimated that about 7,000 new jobs will be created by these measures. A further 8,000 jobs are expected to be available in 2001 in other expanded service areas. Some of the areas include:

- Additional staff for up to two years for the anti-smoking campaign and the promotion of healthy living, which will add HK\$30 million to annual expenditure;
- Recruiting extra workers to step up our efforts in urban cleansing and greening as well as refuse-collection along the coast for a period of two years. It will increase our annual expenditure by HK\$94 million;



- Additional staff for two years for environmental improvement and community building in the 18 districts. This will cost HK\$50 million each year;
- Increase the number of supporting staff in personal care, outreaching services and ward services to offer better services to patients. This will increase expenditure by HK\$243 million per year in the first two years; and
- Enhance employment assistance for women, new arrivals, single-parent families, the elderly and the disabled. This will increase annual expenditure by HK\$228 million in the coming two years’.

Another category in job-creation in Hong Kong has been the Self-Employment Creation Measures or Micro-Enterprise Development Assistance programmes. Technical assistance, credit, and other support can contribute to the creation and promotion of small-scale new businesses and self-employment. Private banks are often unable to conduct comprehensive risk assessments required to offer credit to unemployed workers who want to create their own business. Public programmes to support small business loans can contribute to the removal of this distortion arising from credit rationing. To encourage people to start their own business, the Employees Re-training Board in Hong Kong has, since August 2000, been offering courses on self-employment on a trial basis to help the retrained start businesses or co-operative societies in areas such as providing cleaning or home-help services (Employee Re-training Board website, 2000).

Hypotheses 3 and 4 probably apply less to the Hong Kong case because re-employment and self-employment have been relatively novel experiences in recent years. The pro-active role of the Hong Kong Government on this scale is also relatively new and its theoretical implication, in our view at least, may be to diminish the previous role of the so-called neo-classical labour-market model allegedly found there<sup>6</sup>.

## **MARKETIZATION, EMPLOYMENT AND HUMAN RESOURCES**

We now move on to discuss the above comparisons of Shanghai and Hong Kong in broader terms and now deal with our last two hypotheses, as set out in Figure 1.

*Hypothesis 5: the greater degree of marketization, the higher the likelihood of employment moving from the State sector to the private sector.*

*Hypothesis 6: the greater degree of marketization, the more likely the two systems of human resource management (HRM) will converge.*

On the one hand, as we have seen Hong Kong has been moving from an open labour-market in a quasi-laissez-faire economic model to a more ‘interventionist’ model as government action increased through the problems caused by the Asian financial crisis. On the other hand, with the advent of economic reforms in China since 1978 and the subsequent reforms in SOEs, China has now increasingly become a transitional economy, evolving a ‘nascent’ labour-market (see Warner, 1995; Warner and Ng, 1999). This evolved out of the command economy model, moving from a classic ‘statist’ model to a centrist position on the spectrum of labour-markets, as we

suggested earlier. Many economic and social domains have been irrevocably changed since the pre-reform days, not all for the worst, by any means. Bit by bit, the old work-unit (*danwei*) system has been replaced with a market-driven one and more of its employment has shifted from the State to the private sector accordingly. We would argue that Hypothesis 5 would apply more strongly to the Shanghai case for this reason, although there has been some degree of ‘privatization’ in Hong Kong in recent years, changing public employee status’s into private sector ones.

There are now many different types of firms and many genres of workers in the PRC economy. The State-owned sector was for years dominant here, with in past years the bulk of urban workers employed in it. Currently, fewer of the urban labour-force still work there, although the SOEs enjoy 70 percent of State bank lending, with over four in ten firms running at a loss. There is now a burgeoning non-State sector as well for example and the government has recently announced a ‘level playing-field’ for private companies in China as it faces possible entry into the World Trade Organization- the WTO (see *Financial Times*, 5 January 2000, p.10). While one must not exaggerate the fully substantial importance of this shift in policy vis a vis the private sector, it still does represent a major symbolic move<sup>7</sup>. In real terms, individually- and privately-owned firms are already a major source of jobs, employing over 50 million workers by now. Added to this are a host of workers, over 100 million in Town and Village enterprises and over 50 million in urban collectives, many in effect ‘private’ rather than ‘public’. There is thus a faster rate of growth of non-State sector jobs today, we may note, than State-owned sector ones providing fairly persuasive evidence to support Hypothesis 5 (see *The Economist*, 8 April 2000: 5-9; 30 June 2001:25-28).

The employment model in the one sector (non-State) compared with the other (State) in the PRC which itself has undergone extensive contract system reforms, now looks more and more like a ‘Western’ one, albeit with ‘Chinese characteristics’ (Warner, 2000a). Work in Shanghai enterprises is now subject to much tighter labour-discipline; there is no longer full welfare provision; the job is much less secure, relatively converging with Hong Kong employment situation. According to Guthrie’s study (1999) of market reforms in an extensive sample of 81 firms, located in four industrial sectors, in Shanghai, managers indeed now have much more say. Workers have, in turn, lost a good deal of their special status in the nation’s workplaces (also) The consensus of scholars of the Chinese workplace points to similar findings across the PRC (see Ng and Warner, 2000; Warner, 2000b). This provides relatively persuasive evidence for Hypothesis 6 for the Shanghai case in particular since the depth of reforms has been strongest there over the 1990s<sup>8</sup>.

## DISCUSSION

Deng’s reforms in this context have changed both the reality of the Chinese system and in many ways the rhetoric (Child, 1994). During the pre-reform days, the State performed the ‘agency’ role on behalf of the ‘industrial proletariat’, namely the working-class as the master of a socialist economy. However, the reform process of ‘de-socialization’ has now revived the importance of ‘capital’ as a major factor. Although it is still the public (rather than private) ownership of capital *per se* which has the State’s blessing, the ‘re-structuring’ exercise has announced if only implicitly that the key enterprises may work for capital’s gain and not necessarily for the

workers' interests. The classic 'divide' between capital and labour, some have argued, based on a 'we-they' dichotomy, has again emerged or re-emerged (see Warner and Ng, 1999; Warner, 2000a and b).

It may also be suggested that when the basic fabric of a socialist and State-backed constitution of these prominent nationally-known industrial enterprises was called into question because of their shift towards financial autonomy, 'the State attempted to reconcile with the paradoxical implications of this "commercialization" process, by adopting a remedial formula, perhaps analogous to the "limited company" system in Western economies. This shift of policy has been labelled as the "corporatization" of the SOEs' (Ng and Warner 2000, pp20-1) as well as the 'Westernization' of their labour-management relations and human resource management (HRM)<sup>9</sup>. However, as Guthrie's research (1999) has pointed out, classical economics do not dominate decision-making completely; social considerations still do count. Even so, practising managers should note that Chinese firms are adopting many potentially 'convergent' policies in terms of our Hypothesis 6, amongst them performance-measurement, already for years a norm in Hong Kong.

The practice is apparently emulative of the 'human resource management' model as popularized among enterprises in Western market-based economies, where the latter are concerned with an enhanced agenda to streamline *business performance* by stressing *human performance*, assessed individually rather than collectively (Ng and Warner, 2000, p13).

We originally posed the questions we hoped to answer at the beginning of the article as follows: how far has government action regarding the growth of unemployment increased in the wake of the Asian financial crisis? How far has this been the case in both locations? How relative have been these shifts?

Despite the ideological past and socialist legacy in mainland China, we find that Hong Kong and China, as we have seen from the above evidence, may be increasingly likely to look alike in the many ways we have described above and to develop similarities in their structures, processes and performance, exemplifying a general point made some years ago by the founding father of the convergence thesis (see Kerr, 1983, p3). This trend may be particularly observed in their labour-market behaviour and the role of the State in guiding their labour-markets, although within the constraints of their political and social systems, a point not to be underestimated. We are not arguing that the SAR's distinctiveness is about to be wholly swallowed-up by the PRC's. Our findings are highly specific and our findings offered are both cautious and tentative.

Greater marketization in the PRC, we may go on to say, may well be the 'push' factor involved in the processes we have described, leading to greater 'managed convergence' in the Chinese mainland labour-market, compared with that of say, Hong Kong. However, we would not want to over-stretch the degree of relative convergence we suggest is the case, in that Shanghai has probably moved, on the available evidence, closer to the centre of the labour-market spectrum than the Hong Kong SAR has<sup>10</sup>.

Even so, the theoretical upshot of the evidence presented in the paper, attempting to make a contribution to labour-market theorizing, points to a reasonable degree of support, *grosso modo*, for the six main hypotheses presented in Figure 1. We suggest they have particular applicability for the Shanghai case, albeit with the caveats noted above.

The implications for business and management may point to the increasing possibility of using HRM practices more readily at least vis a vis the 'leading edge' enterprises in Shanghai, as well those in as Hong Kong. It was already pointed out in earlier research (Goodall and Warner, 1997) that this was now increasingly feasible in Shanghai. However, some caution must be exercised in this respect.

## CONCLUDING REMARKS

To sum up, we have argued that the more extended degree of marketization (Bamber and Ross, 2000; Chiu and Frenkel, 2000) may in turn shape labour-markets, employment systems and human resource management practices in a correspondingly market-led direction in contemporary Shanghai as well as in Hong Kong, both major economic and financial centres in the regional/national settings. Both have substantial populations and labour-forces. Here, we have found considerable support for the six hypotheses regarding relative degrees of convergence in labour-market practices set out in this article. However the speed of relative shift in each of these domains may vary according to ongoing economic, political and social circumstances and constraints in the sites involved.

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**Figure 1: Hypotheses on convergence of the Chinese labour-markets**

**Hypothesis 1:**

The greater the degree of marketization, the more labour-market policies will converge.

**Hypothesis 2:**

The greater the degree of marketization, the greater the chances of unemployment and downsizing.

**Hypothesis 3:**

The greater the degree of marketization, the greater the chances of re-employment.

**Hypothesis 4:**

The greater the degree of marketization, the greater the chances of self-employment.

**Hypothesis 5:**

The greater the degree of marketization, the higher the likelihood of employment moving from the state sector to the private sector.

**Hypothesis 6:**

The greater the degree of marketization, the more the two systems of human resource management (HRM) will converge.



**Table 1: Comparison of socio-economic indicators between Hong Kong and the mainland People's Republic of China in the late 1990s**

| Indicators  | Hong Kong SAR                          | People's Republic of China   |
|---|--|--|
| Population  | 7.125 million (1999 est.)              | 1.250 billion (1999 est.)  |
| Infant mortality rate   | 6 deaths/1,000 live births (1999 est.) | 29 deaths/1,000 live births (1999 est.)  |
| Literacy ( <i>total population</i> )<br><i>definition:</i> age 15 and over has ever attended school | 92% (1999 est.)                        | 80% (1999 est.)  |
| GDP ( purchasing power parity)  | US\$158.2 billion (1999 est.)          | US\$4.8 trillion (1999 est.)   |
| GDP - per capita (purchasing power parity)  | US\$23,100 (1999 est.)                 | US\$3,800 (1999 est.)  |
| Economy   | Long-standing market economy           | Formerly centrally planned; now more market-oriented   |
| Labour force  | 3.50 million (1999 est.)               | 700 million (1999 est.)  |
| Unemployment rate   | 6% (1999 est.)                         | urban unempl., officially 3.5%; probably around 10%; substantial unempl. and underempl. in rural areas (1999 est.) |

Sources: *Economist Intelligence Unit, World Bank, The World Factbook 2000* etc.

**Table 2: Economic Growth in Shanghai (1978-1999)**

| Period      | GDP Growth in Percentage | Growth in Labour-force (%) | Growth in Investment (%) |
|-------------|--------------------------|----------------------------|--------------------------|
| 1978 – 1990 | 177.3                    | 12.8                       | 713.6                    |
| 1990 – 1999 | 433.4                    | 3.1                        | 8071.8                   |

Constructed according to *Shanghai Tongji Nianjian* (2000), Shanghai Tongji Chuban She.

**Table 3: Layoffs in Shanghai (1999)**

| Nature of Enterprise    | Percentage (%) |
|-------------------------|----------------|
| State owned enterprise  | 63.0           |
| Collective enterprise   | 15.1           |
| Others                  | 21.8           |
| Total                   | 99.9           |
| Causes of Layoff:       |                |
| Retired and Resigned    | 9.1            |
| Expelled and Discharged | 1.4            |
| Contract Terminated     | 16.5           |
| Number Transferred Out  | 23.5           |
| Others                  | 49.3           |
| Total                   | 99.8           |

Source: *Shanghai Tongji Nianjian* (2000), Shanghai Tongji Chuban She.

**Table 4: Profile of employees 'laid-off' in Shanghai as at 30 June 1999**

|                        |                      | Percentage (%) |
|------------------------|----------------------|----------------|
| <b>Job Type</b>        |                      |                |
|                        | Worker               | 70.5           |
|                        | Service staff        | 9.1            |
|                        | Administrative staff | 5.0            |
|                        | Technician           | 2.7            |
|                        | Others               | 12.8           |
|                        | Total                | 100            |
| <b>Education level</b> |                      |                |
|                        | Junior secondary     | 72.2           |
|                        | Others               | 27.8           |
|                        | Total                | 100            |
| <b>Sex</b>             |                      |                |
|                        | Male                 | 46.6           |
|                        | Female               | 53.4           |
|                        | Total                | 100            |
| <b>Age</b>             |                      |                |
|                        | 35 and below         | 20.9           |
|                        | 36 – 40              | 31.9           |
|                        | 41 – 45              | 29.3           |
|                        | 45 and above         | 17.9           |
|                        | Total                | 100            |

Source: *Shanghai Tongji Nianjian* (2000), Shanghai Tongji Chuban She.

**Table 5: Employment Service Performance of Shanghai Labour Bureau (1997, 1998)**

| Year | Registered job-seekers | Referrals | Vacancies | Employed | Jobs filled | Placement rate (%) |
|------|------------------------|-----------|-----------|----------|-------------|--------------------|
| 1997 | 125970                 | 125980    | 143810    | 21893    | 80467       | 17.4               |
| 1998 | 227006                 | 218711    | 154767    | 50809    | 96631       | 23.2               |

Source: Shanghai Labour Bureau.

**Table 6: Profile of the Unemployed in Hong Kong (First Quarter, 2001)**

| <b>Age</b>   | <b>Male</b> |                | <b>Female</b> |                | <b>Overall</b> |                |
|--|-------------|----------------|---------------|----------------|----------------|----------------|
|  | No. ('000)  | Rate* (%)      | No. ('000)    | Rate* (%)      | No. ('000)     | Rate* (%)      |
| 15 – 19  | 9.4         | 21.7           | 6.7           | 20.7           | 16.1           | 21.3           |
| 20 – 29  | 27.5        | 7.1            | 13.9          | 3.6            | 41.5           | 5.3            |
| 30 – 39  | 21.4        | 3.9            | 11.6          | 2.3            | 32.9           | 3.1            |
| 40 – 49  | 26.9        | 4.7            | 9.4           | 2.5            | 36.3           | 3.9            |
| 50 – 59  | 19.9        | 6.4            | 3.8           | 2.7            | 23.7           | 5.2            |
| =60  | 2.9         | 2.9            | 0.4           | 2.2            | 3.3            | 2.8            |
| <b>Education level</b>   | No. ('000)  | Rate* (%)      | No. ('000)    | Rate* (%)      | No. ('000)     | Rate* (%)      |
| No schooling/<br>Kindergarten                                      | 0.8         | 3.5            | 0.6           | 2.3            | 1.4            | 2.8            |
| Primary  | 26.6        | 7.6            | 6.9           | 3.2            | 33.4           | 6.0            |
| Secondary/Matriculation  | 69.1        | 6.1            | 31.4          | 3.7            | 100.6          | 5.0            |
| Tertiary   |             |                |               |                |                |                |
| -non-degree  | 5.3         | 3.3            | 3.3           | 2.0            | 8.6            | 2.7            |
| -degree  | 6.2         | 2.1            | 3.7           | 1.8            | 9.9            | 2.0            |
| <b>Previous job by industry</b>                                    | No. ('000)  | Percentage (%) | No. ('000)    | Percentage (%) | No. ('000)     | Percentage (%) |
| Manufacturing  | 9.7         | 6.8            | 4.7           | 3.3            | 14.5           | 10.1           |
| Construction   | 33.7        | 23.5           | 1.0           | 0.7            | 34.7           | 24.2           |
| Wholesale, retail and import/export trades, restaurants and hotels | 25.9        | 18.1           | 22.6          | 15.7           | 48.5           | 33.8           |
| Transport, storage and communications                              | 15.1        | 10.6           | 1.5           | 1.0            | 16.6           | 11.6           |
| Financing, insurance, real estate and business services            | 9.6         | 6.7            | 3.7           | 2.6            | 13.3           | 9.3            |
| Community, social and personal services                            | 8.9         | 6.2            | 6.7           | 4.7            | 15.6           | 10.9           |
| Others   | 0.1         | 0.1            | 0             | 0              | 0.1            | 0.1            |
| <b>Previous job by occupation</b>                                  | No. ('000)  | Percentage (%) | No. ('000)    | Percentage (%) | No. ('000)     | Percentage (%) |
| Managers and administrators  | 3.3         | 2.3            | 0.5           | 0.3            | 3.8            | 2.6            |
| Professionals  | 1.6         | 1.1            | 0.7           | 0.5            | 2.4            | 1.6            |
| Associate professionals  | 10.1        | 7.1            | 4.8           | 3.3            | 14.9           | 10.4           |
| Clerks   | 6.5         | 4.5            | 11.8          | 8.2            | 18.3           | 12.8           |
| Service workers and shop sale workers                              | 15.5        | 10.8           | 13.4          | 9.3            | 28.9           | 20.1           |
| Craft and related workers  | 31.1        | 21.7           | 0.6           | 0.4            | 31.7           | 22.1           |
| Plant and machine operators and assemblers                         | 9.2         | 6.4            | 2.1           | 1.5            | 11.2           | 7.8            |
| Elementary occupations   | 25.8        | 18.0           | 6.3           | 4.4            | 21.1           | 22.1           |
| Others   | 0.1         | 0.1            | 0             | 0              | 0.1            | 0.1            |

\* Unemployment-rate in respect of the specified sex/age group.

Source: *Quarterly Report on General Household Survey* (Jan – Mar 2001), Census and Statistics Department, Hong Kong SAR government.

## Notes

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<sup>1</sup> We would like to thank Shirley Dex for her kind assistance in revising this article.

<sup>2</sup> If and when China joins the WTO, the degree of competition will be decidedly heightened, with further pressures towards relative convergence.

<sup>3</sup> By 2002, this percentage will have shrunk to closer to 20 percent.

<sup>4</sup> Such intervention was unprecedented and may have had an internal Hong Kong political motive but is unlikely to have been brought about by external PRC pressure.

<sup>5</sup> *The Economist* news-magazine uses the term 'disfranchised underclass' (see *The Economist*, 30 June 2001:25).

<sup>6</sup> However, only a minority of economists would argue Hong Kong was ever an 'ideal-type' neo-classical economic exemplar.

<sup>7</sup> In Marxist terms, this shift has very fundamental consequences, especially as it is now recognized in the PRC's Constitution.

<sup>8</sup> The Chinese Government has already signalled that they seek to make Shanghai the financial capital for the PRC, and indeed for the whole of Asia, perhaps even displacing Hong Kong's role here.

<sup>9</sup> We would however suggest caution vis a vis the full-blown adoption of HRM in Chinese enterprises (see Warner, 1995; Ding et al, 2000)

<sup>10</sup> We should perhaps bear in mind that the stage of the economic cycle should be considered here and that that Shanghai enjoyed conditions of relative 'healthy' economic demand over the period we have studied.