

**Learning from Chinese Enterprises: Chinese Labor Law and models of employment
relations “with Chinese characteristics”**

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ABSTRACT

New labor legislation put into practice on 1st January 2008 continues an ongoing radical change to the management of the Chinese workforce in the People's Republic of China (PRC). In the following year, China's 2009 Employment Contract Law provided additional guidelines around the management of workers to address increasing labor unrest and employer abuse of employee rights. These legislative changes continues a pattern of reform for employment relations and management in PRC. However, these ongoing changes and recent legislative guidelines is seen to bring increased responsibility to employers. Managing the workforce in PRC is expected to become more costly as it means higher labor costs, less management autonomy, stronger employee bargaining power, and weaker control of labor mobility. These tensions may foster new ideas and perspectives about employment relations and people management.

This research examines and builds a theoretical framework for understanding and explicating the role of government, legislation, unions and employers in PRC. The changes in the institutional context of people management in PRC represent a good time to examine how organizations respond to uncertain environmental conditions and the changing nature of employment relations within these firms. We explore the evolution of contextual changes starting with the recent 2007-2008 Labor Contract Law and the follow-on effects on employment, strategic decision making, and organizational practice in PRC. To that end, we utilized a case study approach over multiple sites to tackle the vagaries of conducting organizational research in PRC (Quer, Claver, & Rienda, 2007; Tsui, Schoonhoven, Meyer, Lau, & Milkovich, 2004). We chose to examine and compare the responses to these legislative changes in a privately owned Chinese enterprise (Private-KD), a state-owned enterprise (SOE-HS), a foreign joint-venture (FJV-XJ) and a multinational operation (Multinational-RD) in northern PRC. These cases were selected because they exemplified the nature and common

types of ownership enterprises of Chinese organizations. In addition, these cases were selected because they were successful enterprises in China both in terms of their business areas and in their ability to maintain a good reputation and visibility in their perspective areas. Recent human resource management (HRM) research has shown that management practices were not employed uniformly among different types of ownership enterprises in China (Ngo, Lau, & Foley, 2008) and thus it is important to build a comparative analysis of types of organizational responses and the role of unions to the legislative changes. Our findings show that companies' response to the legislative changes enabled a more strategic approach to people management for some of the organizations. While all cases in our sample worked closely with the trade unions, each relationship mediated the organizational responses. The Private-KD's trade union represented the company's interests in many of their dealings while SOE's trade union represented the interests of the state (a so-called system of "old" and "new"- (Warner, 2008c)). In contrast, the FJV-XJ and Multinational-RD were similar in that the relationships between the unions and management were more cooperative and had greater employee involvement. These differences either hindered or affected the strategic responses of each firm. Implications for the theory on institutional frameworks and employment relations are discussed.

KEYWORDS: Chinese HRM, strategic responses, legislative changes

INTRODUCTION

“Chinese theory and practice of people-management has progressed since the economic reforms were initiated close to three decades ago, perhaps supporting the conjecture that people-management in China has moved further along the road than what we might have conceded a decade ago, to what we might now call ‘bounded convergence’”. (Warner, 2008b, p. 795). The evolution and continued legislative changes of Chinese employment relations and people management continues to push the boundaries of this convergence and instill a sense of emergent theoretical underpinnings for our understanding of employment relations, not only in PRC, but for the world.

Employment law in PRC has undergone significant changes in the past number of years. With the most recent and important changes introduced in early 2008 (China Employment Law 2008), major changes have been made for the management of people and an organization's relations with their employees. This recent development follows on from the significant 2007 Labor Contract Law that has already formed significant changes to the management of people in PRC (Shen, 2007a). From a theoretical and practical viewpoint, PRC is an important context for studying human resource management (HRM), oft criticized for being a western concept (Shenkar, 1994; Zheng & Lamond, 2009; Zhu, Thomson, & De Cieri, 2008b). The implementation of this law sees the Chinese government put in place a new set of regulations designed to address increasing labor unrest and problems with employment relations in China. These problems (including employer abuse of employee rights and worker mistreatment) have had widespread media reports including high profile cases such as the Shanxi slavery scandal (Dibenedetto, 2008). However, common problems such as extended working hours beyond statutory limits without overtime pay, delayed payment of wages, unsafe working conditions, as well as mass layoffs have contributed to major labor unrest and a huge concern for the Chinese Communist Party. The 2007 Labor Contract Law was designed to address these

concerns and establish reforms for the employment in China. The flow on repercussions of these legislative changes may be significant and may pose challenges for *all* Chinese business including multinationals and foreign companies. These responses to changes in the industrial framework signals a unique and invaluable opportunity to examine the effects of institutional changes on HRM strategy and practices in the Chinese context.

With the introduction of the New Labor Contract Law 2008, the industrial framework for the Chinese employment environment becomes further mandated through legislation. It provides minimum contractual provisions including high levels of labor protection, probation limitation, non-fixed term of contracts, compulsory holiday pay, social benefits responsibility, severance pay and attempts to increase employee involvement in management by encouraging unionization and collective bargaining, employee participation in HR-related management decisions, union membership on the board and top management team. These changes are expected to affect the management of employees which increase labor protection and employee participation in organizational life in PRC. High levels of labor protection (such as probation limitation, non-fixed term of contract, compulsory holiday pay, social benefits responsibility, severance pay) have been introduced or increased in the new legislation. In addition, higher level of employee involvement in management has been encouraged (such as compulsory unionization and collective bargaining, required employee participation in HR-related management decisions, union membership in the board and top management team). These changes have and will continue to influence and affect the management of people and employment relations for all firms in PRC (Choi, 2008; Shen, 2006). The increased controls and employee participation has significant challenges for employers including higher labor costs, less management autonomy, stronger employee bargaining power, and weaker control of labor mobility (Cafolla, 2009; Chen & Funke, 2009; Froissart, 2006). Added to this, the complex relationships between the local labor bureau (under national guidelines, the Chinese

Ministry of Human Resources and Social Security requires employers to report labor and employment information to the local labor bureaus within 30 days of hiring new employees or renewing employees' contracts) with employers and the picture of managing a workforce in PRC becomes even more multifarious. These ongoing changes have very significant impacts on the management of people from multiple levels and perspectives (Cutcher-Gershenfeld & Kochan, 2004). This research is focused on the changes these new legislative changes will have on employment relations in PRC. In this study, we attempt to take an in-depth analysis of the organizational structural complexity and decision making process (Peng, Lu, Shenkar, & Wang, 2001; Shenkar, 1994) that cause the different responses to these institutional changes. Insights from the responses of these organizations to these institutional changes and internal capabilities will form an understanding of employment in China and the potential benefit for the concept of employment relations with "Chinese characteristics".

THEORETICAL FRAMEWORK

The differences of the social and institutional framework compared to the rest of the world is thought to be one of the most interesting aspects of employment relations in PRC (Zheng et al., 2009). In attempting to build on impressions of Chinese industrial relations framework, we attempt to delineate the boundaries of changes due to the recent implementation of the Chinese labor law for Chinese organizations. As Warner (2008b) suggests, the closer links of PRC to the global economy and increasing globalization necessitates a re-conceptualization of HRM (and the employment relations framework) to one with 'Chinese characteristics'. While recent arguments seem to support the view that a specific models of Chinese HRM is yet to be developed (Zheng et al., 2009), and signs point to a 'hybrid system' in the making (Warner, 2008b; Zhu, Warner, & Rowley, 2007), examining the context to which organizations respond to ongoing changes in the employment relations frameworks allows a greater detailed nuance for the transition of national organizations to systems of employment.

As a transitional socialist economy (Warner, Edwards, Polansky, Pucko, & Zhu, 2005), China's reformers reformed its system of people a management incorporating foreign ideas and models by implementing them in a 'Chinese way of doing things' (Warner, 2008c). These models and ideas have frequently come from the US, Japan and Europe in an effort to adapt its system to promote institutional and organizational variables more flexible to economic markets (Warner, 2008b). Subsequently, these historical and institutional changes have had a significant impact on the conceptualization of employment (and its analyses from an outsider perspective).

The historical and institutional changes that occurred and subsequent management research (see Li & Tsui, 2002; Peng et al., 2001; Zheng et al., 2009 for a review of changes in HRM studies) have highlighted that these changes is of theoretical and practical import (Also see Warner, 1996, 2008a, 2009; Warner et al., 2005 for an in depth analyses of the historical and institutional changes in PRC). Specifically, an examination of the institutional landscape and responses by organizations in China to these changes forms the basis of theory building and model development about Chinese employment relations. As posited by Choi (2008), some comparative studies of China have only partially addressed examining institutional, cultural, economic and workforce variables on labor relations but are still lacking systematic and thorough analysis. He further specifies that these analyses routinely mask idiosyncratic strategic responses and actions due to the tendency to "view the management styles of these enterprises to be almost identical to one another due to a shared cultural heritage" (p. 1932).

While there is much research on the influence of culture and *guanxi* on management decision making (see for example, Wang & Nicholas, 2007), little is known about what influences management professionals and practitioners in their decision making regarding employment practices (Zheng et al., 2009; Zhu et al., 2008b). The impact of these institutional changes need to move beyond analyses of American and European multinationals in China (Zheng et al., 2009) to examining their impact on Chinese firms (thus creating a 'truer'

perspective on Chinese management). Many in the popular press (Anonymous, 2009; Brown & Wei, 2009; Cafolla, 2009; Choi, 2008; Warner, 1996) have already expressed the difficulties and tensions particularly on firms' ability to compete in the wider marketplace sparking an impetus for practical solutions and best practice approaches to managing people in PRC. It is hoped that understanding the rationales and the emergent processes for managing the employment relations in Chinese organizations will enable practical implications to be forwarded. In this paper, we focus on the changing employment relations framework (through the implementation and changes in the legislative framework) and the responses to these changes on the management of people (with a focus on ER/HRM policies and practices in organizations). With these objectives in mind, we set out to paint the landscape and context of institutional change and reforms in China.

Institutional and contextual landscape

Embedded in the social and political environments, the institutional environment has tended to influence the decisions and adoption of practices (Ashworth, Boyne, & Delbridge, 2009; Chow, 2004; DiMaggio & Powell, 1983). PRC, owing to its unique and idiosyncratic institutional context and pressures, can be described as a region that is characterized by a highly uncertain environment (Daft, 2007) and unique institutional development (Davies & Walters, 2004; Warner, 1996). An example of this inimitable institutional landscape has been the introduction of labor relations contractual law in 2007 which had been in the making since the 1970s during the economic reforms (Shen, 2007a; Zhu et al., 2008b). In addition, analyses of China's institutional landscape highlights the nature of its transitional economy (Jiuhua Zhu, Cooper, De Cieri, Bruce Thomson, & Zhao, 2008; Le Chien & Truong, 2005; Warner et al., 2005; Ying & Warner, 2005) in which attempts to hinge its development on the global economy have factored much political and legislative interventions to promote institutional and organizational changes in its economic reform. The resulting changes (Warner, 2009) provided

impetus in moving forward China's management and organizational system, beginning with its largely inefficient state-owned enterprises (SOEs) (Naughton, 1996, 2006; Zhang, 1996). PRC chose to adapt Western types of management to its own local environmental conditions to implement evolutionary changes looking to its own cultural roots (Warner, 2008b). In choosing an adaptation course of action, PRC has attempted to emphasize its 'Chinese characteristics' attempting to retain its sense of identity and filtering the ideology of modernism and globalization throughout every aspect of its citizens life including non-economic areas. Interestingly, Chinese response to the move towards 'westernized' HRM systems has been described as an adoption of "international norms of rational management, meritocracy, rule of law and adaptation to replace the old system of irrational management, virtuocracy and seniority, rule of man and rigidity" (Wang, 2007, p. 18).

These changes in the institutional landscape are further complicated by the distinctive employment relations framework in China (Ying et al., 2005; Zhu & Warner, 2004). The employment relations/industrial relations framework in China has been the focus of much empirical studies (see Zheng et al., 2009 for a review of the ER/IR studies). As previously stated, this is largely seen as an interest in the unique and fluid environment of Chinese people management. However, another main reason for the focus was the different role that trade unions play in China. The philosophical and traditional operational role of trade unions has been described as serving the needs of the Chinese Communist Party in implementing its economic reform agenda (Tsang, 1994; Zheng, Morrison, & O'Neill, 2006). Trade unionism in China serves the function of building harmonious work conditions (Warner, 2007) and not as an important influence in employee representation (Brewster, 2007; Brewster, Mayne, & Tregaski, 1995). In contrast to conceptualizations of trade unionism in Europe and the USA (Brewster, 2007; Morley, Brewster, Gunnigle, & Mayrhofer, 2000), trade unions in China have a unique development and function. The working emphasis of trade unions in the past dealt

with workers' welfare such as hardship subsidies rather than management participation (Wang, 1990; Warner, 1995). Recent trade union legislation has emphasized both the union's obligation to protect worker's interests through social welfare and unemployment benefits, as well as the right to negotiate with enterprises or government representing the workers (Chan, Feng, Redman, & Snape, 2006; Ngai & Smith, 2007). Trade unions are also encouraged to take part in management of enterprises such as planning for enterprises objectives and monitoring the implementation of labor contracts (Björkman & Lu, 2001; Frenkel, 2001). In spite of this, Chinese trade unions are under the leadership of the Chinese Communist party. This dependence is consistent with the Chinese political structure but is radically different to the principles and assumptions of western trade unions. For example, most Chinese trade unions seek to assist the enterprises' management, and act as coordinators and mediators between management and employees. They even help to formalize government policies on a consultative basis. However, as Warner (1995) points out, the effectiveness of trade unions in these tasks depends on how far they can facilitate and promote worker support for Party policies. The function of trade unions is as intermediaries in the tripartite structure of state, enterprise and worker rather than the Anglo-western tripartite structure of union, employer and employee.

Added to this, the employment relations in China appear to be in the state of flux with much complexity in how people are managed and dealt with in the diversity of enterprises that exist (Cooke, 2005; Shen, 2006). An analysis of the growing violations of workers' rights were attributed to the diversity of ownership, a lack of regulations for human resources management, extended management power over employment relations, inadequate social security, surplus labor supply and weak unions (Shen, 2006). The Chinese government, attempted to achieve social stability through the establishment of a system of protection of workers' rights (culminating in the recent 2009 Labor Law). This system has centered on labor arbitration

including tripartite negotiation, collective (regional) agreements and labor courts. The unbalanced employment relations environment thus, sees unions play no more than a role of mediation, organizing meetings in tripartite negotiation and the local labor bureau or (government) industry bureau play a larger part in influencing industrial relations. Recent developments have seen the emergence of 'rival' regional unions or workers' congresses set up by the union councils to represent workers in their regions although the impact of this is still in its infancy (Shen, 2006). The unbalanced employment relations framework has also been described as 'a double-edged sword' where on the one hand Chinese workers have gained the freedom to change employment and be self-employed; while on the other hand, "Chinese workers are disadvantaged in comparison to employers over employment relations. They do not have bargaining power to negotiate with employers on the contents of the contract, which are largely formalized by government labor administrations" (Shen, 2007b, p. 126).

China's economic transitions have also had effects on the uneven labor supply-demand market (Dong & Xu, 2009; Fang & Kam Wing, 2009; Ito, 2009; Knight & Yueh, 2009). Certain aspects of China's idiosyncratic institutional landscape promulgated certain features of the labor-supply and demand market including dualism of the labor market (Ito, 2009; Knight et al., 2009), reorganization of the public sector (Dong et al., 2009), and cultural expectations and professional demands (Bin & Wei, 2008; Cooke, 2006; Lee & Warner, 2006; Venter, 2004; Woodhams, Lupton, & Xian, 2009). These numerous factors are thought to be involved in making the labor market complicated, including composite factors such as the *hukou* system that restrict labor movements, the coexistence of inter-regional migration and off-farm job opportunities provided by the local urban sectors and rural industry, and labor market segmentation (Ito, 2009). Moreover, the HRM capability gap among different types of companies (Cooke, 2005; Sumelius, Bjorkman, & Smale, 2008), suggest that the feedback and development of the HRM function in firms may prove to be idiosyncratic and unpredictable in

this changing institutional and environmental landscape. As a generalization, HRM practices appear to be implemented, formalized and standardized at different rates among different firms (Warner, 2008c). For example, Benson and Zhu (2005) found that implementation of HRM can be minimal (in which there is only lip service to implementing HR practices), transitional (a hybrid implementation of old and new models) or innovative (a move towards a configuration of HR practice). However as Warner (2008c) argues, HRM in China can be seen as a hybrid of old and new systems of people management where “there is often a mixture of different management systems to be found in many enterprises...it is not however, a straightforward matter to pinpoint which particular system is predominant in a particular enterprise in a specific instance” (p. 779).

Taking into account this continual flux for HRM models in China, there is also evidence to suggest that the recent legislation and move towards labor contract law has increased employee awareness of legal rights (Fang Lee, 2008; Froissart, 2006; Huo & Si, 2001; Jie, 2007; Osigweh & Huo, 1993; Zhang, 2006). The changing social landscape and increased understanding of workers’ rights have also sought to undermine traditional responses to people management and ER/HRM in China. In order to move debates and discussion on the conceptualization and function of Chinese ER/HRM, an analysis of these responses and practices are mandated. In the next section we discuss the overall theoretical model that guides our investigation of ER in China.

Models of ER/HRM with 'Chinese characteristics'

In an effort to delineate the transformations and responses to legislative and institutional changes, we utilize several important reference points in analyzing our empirical data. We highlight two major models that direct the analyses of the institutional landscape on the HR

strategies and practices in our sample organizations: Dunlop's (1958) industrial relationship system and Kochan, Katz and McKersie's (1992) strategic choice model.

Dunlop (1958) contended that the industrial relations system was a subsystem of the wider society that exists to resolve economic conflict. The four main elements are: actors, contexts, binding ideology and body of employment rule. According to Dunlop, industrial relations system consists of three agents – management organizations, workers and the ways in which they are organized, and government agencies. These actors and their organizations are located within an environment – defined in terms of technology, labor and product markets, and the distribution of power in wider society as it impacts upon individuals and workplace. Within this environment, actors interact with each other, negotiate and use economic/political power in process of determining rules that constitute the output of the industrial relations system. He proposed that three parties—employers, labor unions, and government- are the key actors in a modern industrial relations system. He also argued that none of these institutions could act in an autonomous or independent fashion. Instead they were shaped, at least to some extent, by their market, technological and political contexts. Dunlop's framework places importance on the triumvirate of government, employees and employers. It also emphasizes the role of the environment, and compliance strategies in the management of people.

In a different approach, Kochan, Katz, and McKersie (1992) postulate that environmental changes influences organizations to react although the exact nature of this reaction will be ultimately rest in the organizations discretion for choosing how they would respond. Thus their model of strategic choice allows both environmental changes and the choices parties make to be a critical part of the evolution of the employment system in their firms. Their framework builds on a multilevel analysis of union, employer, and government behaviour through analysis on long term strategy and policy making, level of collective bargaining, and personnel policies including workplace factors. Their framework thus is based

on the "key premise that industrial-relations processes and outcomes are determined by a continuously evolving interaction of environmental pressures and organizational responses" (Kochan et al., 1992). While utilizing this framework on the changes in industrial relations in the 1980s in the United States, the framework for examining strategic responses to the legal environment allows a deeper analysis on the emergent properties of ER/HRM in Chinese firms. In contrast to the American legal environment, the Chinese legal environment provides a partnership for employers to cooperate or work with unions (in a unitarist framework, see Brewster, 2007). However, as can be evidenced by prior studies of the Chinese context (Clarke & Pringle, 2009; Fang Lee, 2008; Jie, 2007; Shen, 2006; Warner, 2007), the differing roles of unions (and especially Chinese unions, which have always played a large role) may have differing influences on the shape and model of ER/HRM (Chow, 2004; Ding, Goodall, & Warner, 2002). These empirical differences have important implications for practitioners. As Bloom and Milkovich (1999) note, there is a need to understand both the contextual differences surrounding an organization (at local, national and continental levels) and the strategic portfolios of the organization. However, it remains to be seen with the tighter controls and greater employee rights and welfare, what roles union (often representing the interests of the Chinese government) may play. The advantages of using the strategic choice framework is in its focus on the ties between employers, unions and government as interactive agents in the web of employment relations. In addition, the critical issue of what choices parties make and which choices matter and the contradictions and inconsistencies that may occur at the different levels can provide due theoretical and practical ideas to be put forward.

Taking into account the above models, we suggest that examining the responses of our cases to the recent labor legislation allows us to examine the context and strategic directions that arise as a response to the context of this study. Warner (2008b) describes the changes in PRC in a model of 'explanatory schema' in which outcomes for management, labor markets,

employment and HRM is induced by 'core' variables (such as strategic, macro-economic, micro-economic, and organizational) and moderated by 'contextual' variables (such as culture, institutions, politics, and values). His model incorporates an analyses of the exogenous variables that drive the complex variation taking into account Dunlop's (1958) and allows for strategic choice to occur (Cutcher-Gershenfeld et al., 2004; Kochan et al., 1992). So for example, Warner's (2008c) developmental model incorporates analyses of the macro- and micro-economic changes including actors, contexts, binding ideology and body of employment rule (Dunlop, 1958) and the transformation of labor-management relations depends on alignment across workplace, collective bargaining, and strategic levels (Brewster, 2007; Cutcher-Gershenfeld et al., 2004). "The new point of arrival would have the features of a comprehensive HRM system that would be recognizable to an outside expert, as a strategic function carried out in an organization that facilitates the most effective deployment of people and human capital development (that is employees) in order to achieve both its organizational and individual goal in a market context...sometimes we know where this location is with some precision; other times, we know only the pace of change" (Warner, 2008c, p. 774). His review sets out and confirms insight on the employment relations framework with 'Chinese characteristics' particularly around 6 important themes including empirical research, enterprise-based analyses, generalizability/specificity tensions, convergence/divergence of practice, philosophical roots of personnel management/ HRM and lastly, performance. Therefore, while much is known about the context and institutional changes, little theoretical insight has been achieved in responses to the institutional landscape around HR decision making, strategies and practice. We examine propositions from these models that the institutional changes particularly the recent introduction of new labor legislation will impact on the enterprises' ER/HRM philosophy and practices. We also examine the ways in which the difference organizations take different approaches or strategies to respond to the challenges; their reactions in

implementing these practices; and the relationships with government bodies (such as the local labor bureau), employees, and unions. There are a variety of ways in which these organizations may implement changes in their policies and practices. Enterprises may choose to be more sophisticated on setting up internal employment rules and procedures (Zou & Lansbury, 2009); may choose to implement cooperative employment practices and motivational HRM models for human resource advantage (Poutsma, Hendrickx, & Huijgen, 2003), or even choose minimal labor compliance to set off the labor cost (Cooney, 2007). These strategic issues will be examined in the context of the labor legislative changes and historical context of employment relations in China.

RESEARCH METHODS

This research conducted an in depth examination of ER/HRM policies and practices within organizations, strategic response, and decision making allowing us to build a picture of HRM and legislative response in China. To that end, we utilize a case study approach over multiple sites to tackle the vagaries of conducting organizational and HRM research in China (Quer et al., 2007; Tsui et al., 2004). Recent research has shown that employment practices were not employed uniformly among different types of ownership enterprises in China (Ngo et al., 2008). Furthermore, their study found differential effects on performance indicating that variable performance from HRM and their practices may be attributed to internal factors such as labor costs and organizational structures (Ngo et al., 2008; Zhu, 2005). In an effort to take into account the variability of people systems within organizations (Warner, 2008c), the research design of this research allowed greater flexibility to understand the decisions making responses of the firms in our sample.

Case study methodology was chosen for a number of reasons. Firstly, an understanding of employment legislation and their effects on management and employees requires in-depth

understanding of managerial practice in context (Brewster, 2007). In order to explicate how changes in legislation affect managerial philosophies and practices in firms, a detailed examination at different levels of the firm is required. Furthermore, Yin (1994) proposes that the case study is suitable when the researcher is conducting an empirical inquiry that investigates a contemporary phenomenon within its real life context. He suggests that case studies may provide insight when the boundaries between the phenomenon and context are not clearly evident. Dyer and Wilkins (1991) further support the use of the case study approach to highlight constructs by showing its operation in an ongoing social context. Stake (1994) describes this as orienting researchers “to complexities connecting ordinary practice in natural habitats to the abstractions and concerns of diverse academic disciplines” (p. 239). The research design is thus, focused at the individual, organizational and institutional level of analysis. From a theoretical perspective, the models presented above (Dunlop, 1958; Kochan et al., 1992; Warner, 2008c) directed a case study approach examining the institutional employment relations environment and how influences are enacted at the organizational level through managerial agency in changing and emergent ER/HRM systems. This specifies data collection at multi-levels of the organization and integration of an analytical strategy that incorporates the multi-faceted variables in the institutional landscape and the organization. In addition, case study research in China is appropriate due to the difficulties of other research methods such as survey data to be collected.

For the purposes of this study, interviews (formal interviews were conducted with the members of the top management team, HR department, trade unions, senior staff, and employees), observation, participant observation, written documents (such as annual reports, confidential business reports, formal documentation, and private memos and reports), archival data (publicly available company reports and media reports including reports and company websites), and informal discussions were the chosen methods for collecting information at the

case study sites. In addition, archival evidence and triangulation of data with case study evidence were used to explicate the effects of employment legislative changes on the HRM models and practices in these enterprises. The research design was also carried out in the participants' natural language and in their organizational setting. The data collection was conducted by the first researcher who is a Chinese scholar working in the area in China.

Data analyses were utilized throughout the data collection following the guidelines set forth by Miles and Huberman (1984). Throughout the data collection process, data analysis involved the identification and categorization of the themes from the various data methods presented above (Denzin & Lincoln, 1994). First, interviews were transcribed and coded thematically by highlighting key components and making preliminary notes in order to isolate certain themes and expressions that were reviewed by the informants (Miles & Huberman, 1994). In an effort to preserve the meanings and conceptualizations of the participants and facilitate analyses by the other researchers, the data was then transcribed and coded in English and then translated back to Chinese. On completion of the transcription data process, the data were examined for significant thematic similarities and dissimilarities utilizing within and cross case analytical methods, coded along thematic lines (Yin, 1994). Data analysis also involved iterative processes of data reduction, data display and conclusion/verification. In order to ensure methodological rigor, triangulation of the data were performed to identify and verify points of similarity and difference of the coded themes (Denzin et al., 1994). In order to protect their confidentiality, our cases will only be identified by their ownership type, identification tags, and be designated: Private-KD, SOE-HS, FJV-XJ, and Multinational-RD.

FINDINGS

Our findings allow us to build a picture of ER/HRM responses in 4 different Chinese enterprises. Table 1 summarizes the descriptive data of the enterprises we examined. We

begin by describing briefly each case including within-case analysis for the cases before we turn our attention and analysis to the cross-case analysis.

Insert Table 1 Here

Private-KD: A privately owned enterprise

Private-KD is an environmental protection and bio-energy enterprise based in Hubei province. The enterprise's offers green alternative energy, air pollution control, energy saving and water utilities and its activities include selling and distributing of miscellaneous chemical products, raw coal and providing electricity. It is also engaged in contracting of engineering design, electric power plant construction engineering, and plant construction of coal burning, flue gas desulphurization projects/engineering. Since its founding in 1992, Private-KD has diversified within its industries by first entering the water treatment industry. Its other activities include development of infrastructure projects and real estate; management of water treatment projects; provision of technical service of electric power and new energy environmental protection; and operation of related export and import business. Private-KD is a privately owned Chinese enterprise founded in 1992. It has 3000 employees.

Private-KD has a strong trade union presence. Private-KD established its trade union very early in its inception. The trade union's purpose and function within the company was typical of trade unions in other Chinese companies. The selection of the chairman of the trade union in private companies (in contrast to that of SOEs and FJVs where the chairman is selected by the Communist Party and involved a form of democratic election process) were selected by the company and tended to be people who have had long term employment within

the company, and held management's interest in their everyday dealings. This was also reflected in Private-KD. The Chairman of the trade union had worked within the company for over 15 years, was personally selected to the trade union by the current CEO. From personal observations and interviews, the chairman had been with the founder of the company since its early days and was committed to representing the company's interest particularly in labor disputes.

The CEO of Private-KD generally valued the HR within his firm. Private-KD is well known for its strong graduate recruitment program and campus recruitment. It is also well known for its attractive remuneration packages and thus is able to attract employees. However, Private-KD can also be described as a business that has a core-periphery employment (Boxall & Purcell, 2003; Purcell, 1996) structure with an emphasis on employing temporary contractors and utilizing secondments among its various business structures. Prior to the new law, Private-KD had a sizeable contingent of temporary workers. After the law was implemented, Private-KD refused to sign permanent contracts with these temporary workers but instead decided to have these temporary workers sign their employment contracts with temporary staffing agents and then contracting back to Private-KD. In this way, Private-KD avoided increased labor cost and maintained flexibility and autonomy in its internal labor markets. Instead, Private-KD became more scrupulous in its use of long term permanent employment contracts normally issuing them with people who contributed a "higher value" to the company. This reflects what Atkinson (1984) terms the building of the core-periphery workforce. Swart and Kinnie (2001) posit that the required professional qualified employees particularly in knowledge intensive firms (and Private-KD can be considered an industry which required high technical expertise), often have little time for training and development in which the prime need and most rapid response was to acquire

these expertise from external labor markets and then to keep them in the firm utilizing a core workforce.

In general, the trade union president felt that the labor contract law had little influence on the trade union. Data collected from interviews with the trade union supported what the president expressed, “as for other work, such as the labor disputes, there is no increase in the workload because our company executed the new labor contract law once it became effective”. Prior to the law becoming effective, Private-KD actively sought information and advice from official briefing and consulting agents. They found out that the new labor will put strict rules over contract management including probation, fixed and non-fixed term of contract, and severance pay. In general, the HR vice-president (VP) and HR director expressed that the new legislative environment would put restrictions on the flexibility and management of the contingent workforce. The recent legislative environment forced Private-KD to respond by articulating this core-periphery model whereby they viewed their core workforce required “big plans, such as options and benefits plans in order to motivate employees¹” while at the same time, “the cost of management and communication keeps growing” around maintenance of the periphery workforce. The core-periphery workforce in Private-KD was the result of pressures from the legislation and markets and influenced by the organizational culture and management philosophy of the firm. This uptake of the core-periphery model appears to suggest what Marsden (1999) describes as employment systems being part of the social and institutional societies in which they are part of.

SOE-HS: A state owned enterprise

SOE-HS is a chemical enterprise specializing in a range of chemical materials based in Hubei province. SOE-HS currently employs 600 full time employees. SOE-HS began in

¹ HR Director

2008 as a high technology company originating from a chemical institute which was founded in 1973. SOE-HS activities are in new chemical materials, products, process research and development, technology transfer and training, and related fields of engineering design and construction. As a leading research organization in industry, it has won many national and ministerial-level awards in products technologies and inventions and owns more than 90 national invention patents. After a restructuring throughout the early 2000s, SOE-HS inherited all the assets, patents rights and human resources from its SOE predecessor including its highly qualified technical experts and professional workforce, some of which enjoy special government allowances from the State Council. The company has six R&D centers, including strong financial support from the government and advanced technology management system. SOE-HS has become a catalyst and industrial base for domestic fertilizer, gas purification agent, optical communication, chemical materials. The company has established a sound marketing and service network throughout the country and has the license to import and export; its products have been exported to more than 10 countries in Europe and the Middle East.

SOE-HS also had a strong trade union presence. However, in contrast to Private-KD, SOE-HS was typical of SOE trade unions in that the union president represented the interests of the Communist Party. In SOE-HS, the union president was also the president of the local Communist Party. In general, SOE-HS's response to the legislative changes was rapid as they were a SOE and were considered an example for the implementation of changes in China. The mandate from the government, the relative position of the company as an SOE, its relatively modern management systems and financial munificence allowed SOE-HS to quickly implement the required changes in its management of people. However, because of the relative strong position of its employees (due to the status of working and being employed

in an SOE and stable tenured employment e.g., strict employment quota) and organizational culture, SOE-HS implemented only what was required by the legislative changes.

While the HR VP admitted that the new law greatly increased labor costs, he felt that the legislative changes were positive. He believed that the company needed to improve its management efficiency and effectiveness to be responsive to the market demands of its industry. In actual fact, the company already had a sound contract management system and the changes they had implemented in its HR systems were only minor as it was relatively easy to adjust its systems to the legal requirements. For this firm, there was relatively few changes to its ER/HRM systems and practices. However, interviews with senior managers and employees suggest that while many of the practices already were congruent with the legislative changes, these were professional and institutional organizational norms and expectations for SOEs rather than responses to the institutional environment. For example, practices which were not in line with recent legislative changes were not examined or changed unless they became the subject of labor dispute or conflict suggesting that responses to the institutional environment were reactive. SOE-HS is typical as an SOE in that its employment of people were relatively stable and recruitment and selection processes were well thought out and rigorous. SOE-HS rarely terminated employment contracts and only in extreme cases of severe misconduct of company rules. The active union which generally represented the government also aided and implemented the changes which were ongoing as they were in ongoing consultation and had close links with the legislative environment.

FJV-XJ: A foreign joint venture

FJV-XJ was founded in 1985 and is a joint venture with a large Europe based multinational. Since beginning as a FJV, FJV-XJ has since grown into one of China's largest joint-venture on the Chinese mainland. FJV-XJ has offices in 28 cities in China with its main

production facilities in Shanxi province. FJV-XJ employs more than 3,000 people around China. FJV-XJ is a pharmaceutical enterprise and produces and markets a range of high-quality pharmaceutical and chemical products. In addition to its pharmaceutical and chemical products, FJV-XJ also engages in research and development and provides health services and public health education.

FJV-XJ has an active trade union that represents the interests of both the company and the employees. Its representative includes three full-time officers from the company and members of the Communist party. The trade union in FJV-XJ appears to work cooperatively with management in providing fair employment practices. FJV-XJ also appears to have two different systems for managing its workforce with differentiated hiring practices for its sales and factory staff. It provided more resources and implemented advanced management policies and practices around its sales workforce due to the high turnover of said employees.

Much like the previous two cases, FJV-XJ espoused good people management and valuing their employees. However, in contrast to the above two cases, FJV-XJ were far more strategic in realizing its people centric practices. The company enjoys a reputation of being good employer in China. Its people-centered management philosophy is reflected by its culture and management practice. It sought to provide a good work environment for all employees, better remuneration and employment terms than other similar companies in its industry, recognition programs, training opportunities, and employment security. For example, pay and benefits of the company were often at a higher level than other similar pay in the area. In addition, FJV-XJ has also won awards for being a good employer at the national levels for its work and employment practices. The CEO advocated the value of these awards and the company's proactive people management as the result of the multinational corporate culture and Chinese "welfare philosophies". It has been successful by "integrating Western and Chinese culture".

The HR manager stated that they “actually welcome the new law” since it provided confirmation and validated that its HR practices especially compensation and benefits and its contract management was above the industrial average. FJV-XJ believed that the new law would provide a fairer competitive field in the market by raising the employment standards for all players in PRC. The union leader also believed that it was more convenient since the law detailed the conditions for how to manage employee departure including how to terminate non-fixed contracts. The union leader believed that this would decrease employment misunderstanding and conflicts.

Multinational-RD: A multinational company

Multinational-RD is an international European chemical company operating in China. Multinational-RD began trading in China in the 1970s. Its Chinese operations consists of 17 companies: nine wholly-owned enterprises, six joint ventures, one holding company and one trading company, located in diverse provinces from Zhejiang to Inner Mongolia. It coordinates its overall business in the Asia Pacific Zone (marketing and sales, R&D, manufacturing and investments) and is headquartered in Shanghai. Multinational-RD’s R&D center is also based in Shanghai. Its activities include innovative products in the automotive, electronics, home and personal care, oilfield and agricultural formulations fields. Multinational-RD specializes in the production of performance materials, functional chemicals, and chemical and energy services.

Multinational-RD’s trade union works in concert with the HR department of Multinational-RD to bring about changes to its HR systems. Multinational-RD’s trade union while representing employee interest also tended to work closely with HR to resolve employee disputes. Multinational-RD maintains a good cooperative relationship between HR and union. In that sense, the trade union in Multinational-RD represented employee interests.

The recent changes in the legislative environment sparked the trade union and HR department to work closely together to produce a communication and implementation plan.

Multinational-RD was the most proactive among all our cases in implementing and evolving its HR practices to the new legislative environment.

Multinational-RD approaches its HR systems utilizing a top down approach from its corporate headquarters in Shanghai. It implements a proactive HR planning system that is monitored and proactive in its response to the labor market in China. It recognizes its employees as an important stakeholder in its charter and this is reflected in its employment relations policies by “guaranteeing the social rights and the health and safety of employees²”. Multinational-RD also has implemented HR systems focused on the training and development of its employees culminating in a charter on corporate social responsibility within the company. We find evidence that the downward integration of HR practices is also managed in Multinational-RD.

Multinational-RD’s HR director was confident of the company managing the new changes brought by Labor Contract Law. The company complies with Chinese legal requirements in every business aspects including the HR practices of its business units. Multinational-RD HR strategy was to be the leading employer in its industry and in terms of its application; it aimed to implement employment conditions that were above the industrial average. Multinational-RD’s responses to the important legislative changes were that the changes would allow them to achieve their objectives for better HR practices. In response to the legislative environment, Multinational-RD highlighted and enhanced employee’s wages and social benefits, implemented contract with all its staff in China, educated its employees on legislation around leave (sick, annual and public holiday), implemented above industry average pay and overtime, and promoted communication between management and the staff.

² From the Employee Charter

In addition, Multinational-RD also implemented a system for labor disputes including involvement of the Local Labor Bureau arbitration or Court system for its employees.

Cross-case Analysis

We summarize the ER/HRM responses, changes and union involvement of our cases in Table 2. Our cross case analysis is focused on their changes in HR practices in response to the legislative environment, strategic responses and decisions of our cases, and the union-HR relationship.

INSERT TABLE 2 HERE

In terms of the reactions and changes of the employment policies and practices in the firms, Private-KD only sought to change their practices to conform to the legislative framework. Due to their use of temporary workers, Private-KD increased their use of outsourcing agents such as recruitment agents in implementing recruitment and selection processes thus allowing them to outsource their learning of the new labor law. In terms of permanent workforce, they restructured their contracts to comply with the legislation (what can be considered ‘minimal’ (Benson et al., 2005). In addition, changes in their performance criteria were changed in order to comply with the labor law. SOE-HS also changed their contracts and HR practices to comply with the legislation although this was evident prior to the implementation of the law. Because of their close links with the government and role as an SOE, changes to the legislative environment had minimal impact on their management practice aside from implementing a performance system which articulated key performance indicators (KPIs) and providing greater training opportunities to their “high value” and

performing employees. The adoption of HR practices in SOE-HS is congruent to recent research suggesting that SOEs were much slower in their HR uptake (Ngo et al., 2008; Zheng et al., 2009). As with Private-KD, SOE-HS while implementing many of the legislative framework into their HR practices were lagging in their approach to HR as a result of employment rigidity (e.g., its traditional ‘rice bowl’ employment traditions of employment limitation and tenure) and greater employee voice (thus, exemplifying the clash of old and new systems of people management- (Warner, 2008c)).

In contrast to the above firms, we find that FJV-XJ and Multinational-RD were further along in their changes to their employment system. As with other findings from other studies (see for example, Warner, 2008c; Wellins, Brandt, Taninecz, & Tong, 2005), Chinese firms with foreign equity structures were more likely to implement HR best practice and “were able to turn these practices into improved HR performance than their state-owned or private counterparts” (Wellins et al., 2005, p. 4). In FJV-XJ, the implementation of changes included investing largely into assessment centers for recruitment of sales staff and the use of “HR best practice” in its recruitment and selection. In addition, FJV-XJ was quick to implement the legislative changes to its corporate culture and values by communicating these changes to its employees and re-writing its employment credo to “respect their dignity and recognize their merit”. Multinational-RD went a step further by implementing their HR planning and information technology systems to build a database of employees and incorporating CSR principles into their HR activities (for example, increased pay rates to reflect above average industry standards, HR information systems to update employee information, and increased investment into training and development).

In addition to the changes in HRM policies and practices, we also find the use of trade unions in each case to be idiosyncratic and influential in the responses to the legislative changes. While all cases in our sample worked closely with the trade unions, each

relationships mediated the responses of the HR department of the firms. Private-KD's trade union represented the company's interests in many of their dealings while SOE-HS represented the interests of the state (a so-called system of "old" and "new"- (Warner, 2008c). FJV-XJ and Multinational-RD were similar in that the relationships between the unions and the HR function were more cooperative and had greater employee involvement. These differences either hindered or affected the ER/HRM responses in each firm.

These responses can be seen as 'institutional fit' where the tension organizations experience when pursuing both efficiency and legitimacy goals do not simply involve maximization of performance or legitimacy (Boon, Paauwe, Boselie, & Hartog, 2009), rather the interaction of human agency, institutional pressures and leeway in responses were also heavily involved (Kochan, Gittell, & Lautsch, 1995; Kochan et al., 1992). Achieving institutional fit involves finding an optimal level of conforming to institutional pressures and differentiation from competitors. In this case, the firms in our sample were forced to conform to an institutional change (that of the labor contract law) and were variable in their responses based on their internal developmental trajectories, trade union ties, organizational culture, and management philosophies. As with a prior research into institutional fit, we find that "active agency seems to be the most important driver of the strategic response to institutional pressures, even in highly institutional contexts" (Boon et al., 2009, p. 505).

In addition, Judge and Elenkov's (2005) organizational capacity for change (OCC- defined "as the dynamic resource bundle comprised of effective human capital at varying levels of a business unit, with cultural predispositions toward innovation and accountability, and organizational systems that facilitate organizational change and transformation" (Judge, Naoumova, & Douglas, 2009) can be seen as the dynamics of change in adapting to these new threats and opportunities and the creation of new capabilities were seen in the transition of our enterprises. The responses of our cases highlighted underlying mechanisms of union-

HR relationships, and OCC. In terms of SHRM in these Chinese enterprises, the responses to HR strategy and practices could also be related to differences in ownership. We found that while all enterprises “valued their employees”, the relative position of employees within these organizations (employee involvement in both the unions and organization), HR investment (including labor cost), and ‘organizational capacity for change’ as seen by the owners relates to the amount of leeway that was created (Boon et al., 2009; Judge et al., 2009).

CONCLUDING REMARKS AND IMPLICATIONS FOR MANAGEMENT

We highlight the responses of our cases for theoretical insight. In explicating the different responses of the cases in our sample, we build on Warner’s (2008c) model of Chinese HR transformation and provide some insights into the implementation, formulation and evolution of HR systems and practice in Chinese organizations. We concur that ER/HRM in China can still be seen as a “phenomena in flux” and its evolution is dynamic rather than static (Warner, 2008c). The marketization of the Chinese economy and changes in its legislative landscape continues to have significant pressures on the management of people in many Chinese companies and continually defines the sets of outcomes for the ER/HRM including the strategic approaches for these companies. However, in contrast to Warner’s assertion that “intervening variables, such as ‘values’ (part of ‘with Chinese characteristics’) may also be less constant than some would think”, we find that internal factors of organizational culture and values still have a large part to play in the implementation of people management practice in PRC. As with the institutional pressures on employee management in organizations, the path dependence of its past traditions and practices continue to influence the direction and adoption of HR changes and implementation. Certainly in terms of Chinese culture, there remains significant influence of moral attitude

and cultural practice (e.g., right to manage, reliance on state) on the role of HR (Zhu, Thomson, & Cieri, 2008a).

First and foremost, the new labor legislation has impacted significantly on the enterprises' philosophy and practices. In this study we have found that some enterprises have taken different responses to the legislative environment, sparking variable responses, strategies and changes to their employment models within the firms. We provide some compelling evidence that while 'core' variables such as strategic orientations from the state set in motion the responses of Chinese enterprises, the outcomes have unintended consequences for the notion of ER/HRM models 'with Chinese characteristics'.

Organizational responses are still mediated by the relationship with trade unions, and employees, sparking discussion about the nature of employee involvement and participation in the process of transformation of the ER/HRM in Chinese organizations (Chow, Huang, & Liu, 2008; Cooney, 2007; Davies et al., 2004; Warner, 2008a, 2009; Wellins et al., 2005).

As with Dunlops (1958) model, we find that ownership types who perceive themselves as closer to the market conditions (such as Private-KD) were more likely to have a labor compliance strategy in when they perceived their performance to be tied into the environment. On the other hand, foreign influences and organizational culture with greater employee involvement tended to take a more proactive approach in their conceptualization of the ER/HRM function and were far more positive to the changes to the environment. This speaks volumes as to the relative perception of the HR function as rising labor costs were either seen as strategic in some firms (FJV-XJ and Multinational-RD) while others responded less enthusiastically (Private-KD and SOE-HS). As in the European context, the involvement of employee committees and worker councils in organizations initiate greater employee involvement and voice (Brewster, 2007). These practice impact on ER/HRM conceptualization and practice as the provision of representation and information has a

significant impact on workforce commitment (Brewster et al., 1995). Employee involvement in Chinese enterprise encouraged and instituted by the Communist Party and government legislation. Under the 1994 Labor Law, employee involvement can take the forms of Staff and Workers' Congresses that take part in the democratic management of the enterprises. However, because the daily working appendage of the congress is the trade union committee in the enterprises, employees are encouraged to exercise their powers of so-called democratic management by supporting the management decisions of the enterprises. While consistent with the Confucian cultural elements, as well as the Chinese political culture, this presents a radically different underpinning for both employment relations and HRM conceptualization in China. Chinese HRM continues to move towards a transitional 'hybrid' state whereby the development of HRM practice balance Chinese traditional values, socialist ideology and western ideals (Ding & Akhtar, 2001; Warner, 1996). Chinese HRM is a unique economic and cultural entity distinct from the Western pattern of HRM.

From this study, the transformative paths highlighted by managerial decision making and union involvement for the ER/HRM function in our organizations point towards incorporating the involvement of unions into transformative process as indications are that changes occurring in the wider economy and the nature of work can and do make strategic choices matter. However, a caveat need also be observed in that unions in PRC can serve more as an adjunct to management and do not always represent the interests of the employees (Ding et al., 2002). As the role of ER/HRM in organizations evolve due to the various union roles, organizational type, location and size, and institutional framework, unions will also evolve in their function and role. In this ever evolving environment, jobs become increasingly more knowledge-driven changes in the work organization and management practices are required to utilize these important resource. In our sample, organizations in labor-intensive industries (e.g., FJV-XJ and Multinational-Rd), tended to take a more

strategic approach towards responding to the institutional legislative environment, pursuing more advanced management policies and practices that leveraged the required changes and people-centered incentives required to motivate the workforce. In industries such as these, the traditional social contracts between employers and employees are rapidly eroding and is being replaced by a more market-driven system designed to advance the transformation of labor-management relations (Cutcher-Gershenfeld et al., 2004) especially in the evolving landscape in PRC.

LIMITATIONS

While the findings for this research showed significant effects of the recent legislative changes in China, we want to present a caveat to our findings that may limit the generalization of our findings. The recent labor law has acted as an impetus to changes in the HR responses of our sample of firms; however, due to the short lead time in the legislative changes, the response may be attributable to the significant changes in the institutional landscape that has percolated for many years. However, we argue that while we have taken the recent 2009 Labor Law as being incorporated into our analyses of HR change and response, our analyses was focused on the HR responses to the institutional *and* legislative changes which have been formulated since the last 80s but pushed along by the recent legislative changes. Thus, the findings of our research stand as an illustration of HR strategic response to an unpredictable and an ever-changing environment.

While we have sought to provide a comprehensive analysis on the different types of ownership enterprises to these institutional changes, our cases are exploratory and generalizable only to theory and theory generation (Yin, 1994). The aim of this research was to outline a theoretical model to advance our understanding of how enterprises make decisions and implement HR in response to the environment. We believe that the cross-case

analyses and research design allowed a deeper understanding and insight into this phenomenon allowing a better theoretical framework to be advanced. In addition to the use of case study, we acknowledge that we were also limited within this by our reliance on narratives and retrospective data. While the reliability and validity of retrospective data could have been a potential problem, careful consideration and selection of the case study methods alleviated the limits through extensive triangulation of data. The research design was selected to facilitate the natural language and meanings of the respondents in an effort to preserve their conceptualizations and understandings of HRM with ‘Chinese characteristics’. The use of interviews at different levels of the organization and institutional setting, combined with documentation, archival evidence, observations and informal discussions allowed a more conclusive and definitive picture to emerge while simultaneously avoiding common method bias that has plagued other empirical studies (Ngo et al., 2008).

In highlighting the limitations of this research, we also suggest several avenues for moving forward with the research in this area. First and foremost, our analysis is targeted at responses by large organizations, as revealed in our discussion, there appears to be anecdotal evidence to suggest that the responses of small medium enterprises will be different compared to the larger enterprises (Cooke, 2005; Shen, 2006). Examining SME sector in China and their responses in terms of HR strategy and practices would highlight a more complete view of HR in China. Our findings also suggest that the influence of the trade unions appear to be idiosyncratic to China. The variable representation of employee involvement via these unions in creating a ‘harmonious’ work environment and employee involvement and disputes represented an interesting challenge to conceptualizations of union participation in the HR context. These employment relationship factors appear to have considerable and significant effects for the models of HR that are implemented and evolve in

our firms. Future research should analyze the impact and historical trajectories of these influences in further research of HRM in China.

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Table 1. Descriptive data of Enterprises

Case	Private-KD	SOE-HS	FJV-XJ	Multinational-RD
Ownership Structure	Privately Owned	State Owned	Foreign Joint Venture	Multinational
Industry	Bioenergy, Environmental Protection	Chemical	Pharmaceutical	Chemical
Product/Service	Air pollution control, energy saving, green energy, and water utilities	Chemical Fertilizer, Electronic and Pharmaceutical chemical materials	Drugs and medicines	Engineering plastics, chemicals, surfactants, and textiles
Location Base	Hubei province	Hubei province	Shanxi province	Shanghai
Size (Sales/2009)	RMB 600 million	RMB 500 million	RBM 2.56 billion	RMB 2.1 billion
Size (EFTs)	3000+	600+	3000+	1000+
Data Collection: Interviews	CEO, HR VP, HR Director, Trade Union Representative, employees, senior management	CEO, HR VP, HR Director, Trade Union Representative, employees, senior management	CEO, HR VP, HR Director, Trade Union Representative, employees, senior management	CEO, HR VP, HR Director, Trade Union Representative, employees, senior management
Data Collection: Archival	Company Website, internal company reports, employee manual, Employee contracts,	Company Website, annual reports, Employee contracts,	Company Website, annual reports, publically available media reports (newspaper, magazines), Employee contracts,	Company Website, annual reports, company presentations, HR documents and emails, memos, employee manual, publically available media reports (newspaper, magazines)

Table 2. Summary of Findings

Case	Private-KD	SOE-HS	FJV-XJ	Multinational-RD
<i>ER/HRM Responses and changes</i>	<p>-new recruitment & selection process, outsourced to recruitment and staffing agents to increase the recruitment success rate and retention rate</p> <p>-restructure of contract management: rewording the terms of probation, severance pay, termination condition etc. according to legal requirements</p> <p>-temporary workers sign contract with recruitment and staffing agents to avoid a long term employment relations.</p> <p>- performance criteria are refined not only for the system improvement, but also for the evidence of contract management</p>	<p>-no change as strict employment quota in SOE,</p> <p>-restructure of the contract content according to legal requirements</p> <p>-provide special terms on remuneration and benefits, training opportunity and housing allowance for high value and high potential employees;</p> <p>-rework on performance management, more financial KPI targets, for example, the rate of commercialized innovation outcomes</p>	<p>-two different system of hiring sales and factory workers, with sales staffing</p> <p>incorporating use assessment center and other selection best practice techniques</p> <p>-rapid change of employment contract content on the first day of new law implementation.</p> <p>-increased promotion of legislative changes and incorporating of changes to corporate culture and values</p> <p>- Increased HR cooperation with union to settle labor disputes</p>	<p>-strong HR supporting system from headquarter, HR planning is emphasized;</p> <p>-very careful selection process with multiple techniques to increase recruitment success rate, and build up a good base for staffing and developing qualified employees;</p> <p>-adjusting contract content, provide information and advice to employees, managing hiring probation, termination according to requirement;</p> <p>-strong belief on CSR and human capital, more actively promote its people-orientated philosophy;</p> <p>-performance-related C&B, training and development</p>
<i>Union-HR</i>	<p>Closer cooperation between union and HR personnel</p>	<p>Formal and well-organized union like all in SOEs; high management participation of employees through union and employee representative committees.</p>	<p>Active union with three full-time officers, active negotiation for better conditions for employees like better severance pay for termination; however emphasis on the common interest of company and employees, respected by management and employees</p>	<p>set up communication system for management and employee, active and close HR-union relationship, cooperative in dealing with labor conflicts</p>