

The Migrant Situation in China's Garment Manufacturing Sector 2025

Graduation assignment of
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What will be the impact of CSR and other trends and developments on Mainland China's migrant workers and what will the general situation of the fashion labor force look like in 10 to 15 years from now?

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Preface

The following graduation assignment that you are about to read acts as the final part of my studies “Textile Engineering and Management” at Saxion University of Applied Science in Enschede, The Netherlands. With this thesis, I aim to apply my research expertise and the knowledge I have gathered throughout the four years of study in order to conduct a comprehensive and interesting report, addressing those that are keen about knowing what major changes in Chinese garment production will occur and those who would like to know more about the group of people that built up China’s economy without having received proper credit for it – migrant workers.

During my internship in China, I have taken interest in China as a country as well as its culture and how it is reflected by people and their occupations.

Due to this and recent developments in the garment industry, I chose to investigate the working conditions of Chinese migrant workers, and project my findings for the depiction of their situation in year 2025.

I hereby would like to take the opportunity for expressing my gratitude to Jan-Chris Hullegie, who has enthusiastically and professionally supported my ambitious approach of illustrating the various scenarios in the future. Jan-Chris Hullegie did a great job at guiding me through this assignment, while constantly being vigilant about the direction my report takes and keeping me on the right track.

I also would like to express my gratitude to Monica Veeger of Fontys University of Applied Science in Tilburg, The Netherlands, who has been a great lecturer during my undergraduate program at her institution, and a great guide for breaking down the method of Scenario Planning comprehensively. Despite the distance we had to face and the fact that she has been my coach on a voluntary basis, driven only by her curiosity, I would not have chosen any other person to support me in this matter.

Ricardo Schnug
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Summary

The fashion world is fueled by seemingly unexhausted consumption and demand for new products. This booming industry where cheap labor is still a key objective, drives countries to ethically reprehensible actions that express themselves in bad working and living conditions for the workforce. Chinese migrant workers suffer from this very fate and therefore have been portrayed in future scenarios. These scenarios have been constructed based on the research question of how the situation of migrant workers in the garment-making sector will look like 10-15 years from now.

With the first migration movements in the 1950s, the first occurrences happened concerning the exploitation of migrant workers. This was due to the household registration system that China implemented in the 50's, which would restrain them from getting any public services or labor rights. Consequently, decades followed during which Chinese enterprises and governments took advantage of these workers. It was not until the 1990s, when labor right violations and the horrible working conditions many workers would have to face, started leaking through to customers outsourcing from these suppliers. These were the beginnings of the Anti-Sweatshop Movement, when brands implemented codes of conducts. This was the point in time when improvement finally began. The pace of change, however, was quite slow and the rise of CSR too, would take time.

As of today, it can be said that recent years have shown steady improvement of the migrants' bad situation. Wages were rising continually, the hukou has been reformed several times and the number of labor disputes declined. Yet, these new circumstances are just small steps of a long way to equality and a harmonious Chinese society.

The scenarios constructed for this report show various worlds that migrants might find themselves in. While one scenario depicts the migrants' situation worsening over the coming years due to strong competition with other cheap labor countries and a restrictive hukou system, a second one illustrates how it might be possible for migrants to receive total freedom of mobility and more rights.

However, a third scenario is the one most likely to happen and describes a China in which the society has become more stable, migrants receive more rights and the workforce shows an overall greater level of satisfaction, despite the household registration system still being active, albeit liberalized. This scenario is also the one in which the most stakeholders are in a position less threatening to their individual purposes, meaning that all parties benefit from the developments.

The conclusion is that with help of this research, stakeholders have the knowledge that is necessary for taking future actions that will put them in a profitable position. Depending on how much credit one gives to this report, a stakeholder might use the information about the sourcing market and the actions of other players to adapt to the new environment quickly and improve their alleged situation.

For fashion brands engaged in outsourcing or considering outsourcing, this report shows a number of 4 sourcing options to be considered thoroughly depending on one's brand image, competitive strategy and long-term business plan. These 4 regions are China's East, China's Inland, South East Asia and the option of Near-Sourcing from countries as Bulgaria and Tunisia. Those will be the biggest players in the garment manufacturing market and will provide the most attractive opportunities for global brands to source their products from.

Summary (Dutch)

De modeindustrie wordt aangedreven door blijkbaar onuitputtelijke consumptie en de vraag naar nieuwe producten. Deze welvarende industrie, waar goedkope arbeidskracht een zo belangrijke rol speelt, pusht landen moreel verwerpelijke acties te nemen die zich vooral in slechte werkomstandigheden and levensomstandigheden van het werkvolk uiten. Chinese migranten leiden hieronder en spelen daarom de protagonist in toekomst scenario's. Deze scenario's zijn geconstrueerd in het kader van een onderzoek gebaseerd op de centrale hoofdvraag „Hoe ziet de situatie van migratie arbeiders in de chinese kledingsproductie eruit over 10-15 jaar?“

Al met de eerste migratie bewegingen in de jaren 50 kwamen de eerste aangelegenheden ten voorschijn waar migranten zijn misbruikt. Dit was mogelijk gemaakt door het „Hukou System“ dat in China geïmplementeerd was in de jaren 50 en ten gevolg had dat migranten geen recht op ‚public services‘ en arbeidsrechten hadden. Hieruit volgde dat in de komende decennia, chinese bedrijven en de overheid sterk gebruik van deze arbeidskrachten maakten.

Wanneer in de jaren 90 de misbruik van arbeidsrechten in zo velen productiebedrijven publiek werd gemaakt, begonnen de globale merken die van deze leveranciers hun producten ontvingen „Codes of Conducts“ te introduceren om deze omstandigheden te verbeteren. Ondanks hiermee ook de Anti-Sweatshop beweging tot stand is gekomen, was de vooruitgang maar matig.

Ondertussen kan worden gezegd, dat de afgelopen jaren wel een verbetering hebben gebracht met betrekking op de situatie van migratie arbeiders. Salarissen zijn continu gestegen, het hukou system was meerdere keren gereformeerd en het aantal arbeidsconflicten is gedaald. En toch zijn dit allemaal maar kleine stappen op een lange weg naar gelijkheid en een harmonische chinese maatschappij.

De geconstrueerde scenario's illustreren verschillende werelden waar migranten in terecht zouden kunnen komen. Terwijl er een worst-case scenario is dat een wereld omschrijft waar sterke competitie met andere lage-loon landen en een blijvend hukou system ervoor zorgen dat vooruitgang vertraagt, bestaat er ook nog een best-case scenario. In deze wereld hebben migratie arbeiders complete vrijheid van mobiliteit, zijn niet meer and het hukou system gebonden en ontvangen meer rechten. Het derde scenario echter, is het scenario dat het meest waarschijnlijke is. Het is een scenario waar de maatschappij stabiel is, migranten meer rechten ontvangen en in het algemeen het werkvolk een hoger niveau van tevredenheid vertoont. Dit scenario is ook het scenario waarin de meeste belanghebbenden daadwerkelijk in een positie terechtkomen dat profijtelijk voor iedereen's intenties is.

De conclusie is dat met hulp van dit onderzoek, belanghebbende de kans en de informatie krijgen om toekomstige acties te ondernemen en hiermee hun positie verbeteren. Afhankelijk van hoevel waarde een belanghebbende aan dit onderzoek hecht, kan hij de informatie van de sourcing markt en de acties van andere belanghebbende, zoals in het rapport omschreven, gebruiken om zich beter aan de omgeving aan te passen.

Modemerken die gebruik maken of willen gebruik maken van outsourcing, ontvangen in dit rapport een viertal mogelijkheden om afhankelijk van hun strategie, merkimago en business-plan een beslissing te nemen over de regio van outsourcing. Deze regio's zijn Oost-China, West/Centraal China, Zuid-Oost-Asie of het near-sourcen van landen als Bulgarije en Tunisie. Al deze regio's zullen de grootste spelers zijn wat betreft het produceren van kleding, en zij bieden de meest aantrekkelijke mogelijkheden voor globale merken die willen outsourcen.

Introduction

In the past, the people referred to as the fashion work force which majorly consists of migrant workers (in the garment production) have fallen victim to the abuse of human rights and economizing to the disadvantage of working conditions simply because the competitive landscape of the fashion industry made it look like it is a necessity to do so.

In this research the focus will lie on the influence that CSR trends and developments will have socially (What does it mean for the people working in production?) as well as commercially (What does it mean for buyers and SCM-managers of global brands in general?). With these key objectives at hand, this graduation assignment is there to provide a picture of probable futures concerning the situation of migrant workers in the garment sector.

The report is logically structured and divided into a total of three parts. It begins with a literature study focusing on the background of migration in Mainland China and the development of it from the very beginning. The part is structured and follows the migrant movements from 1950 to 2000, depicting the conditions and incentives of rural Chinese that have migrated. Further on, the paper describes the developments towards improvement of the situation and continues to outline the conditions since the turn of the century, describing what the migrant's situation was like in more recent years.

What follows in the second part of the research is the creation of future scenarios with garment migrant workers in the limelight. Their situation and the involvement of stakeholders is comprehensively described in these scenarios that shall depict China's migrant world in 2025. This part is structured according to the approach of Paul J.H. Schoemaker. Starting out by setting the scope of research, followed by identifying stakeholders, major trends and uncertainties, the gathered information and knowledge then can be used in order to evolve into a number of consistent future scenarios.

The very end of the report is a conclusion based on the created scenarios from previous part. Furthermore, with help of the scenarios, their analysis and its final conclusion, strategic advice will be given for global brands that either are engaged or consider engaging in outsourcing.

Research introduction

Reason for research

Migrant workers are distributed over several different industries and industry sectors. Depending on the economic growth of certain sectors, more labor force is demanded in some sectors as opposed to others. Therefore, the major part of migrants can be found working for the secondary and tertiary industries consisting of sectors such as manufacturing, construction (secondary) and service (tertiary). In the scope of this graduation assignment, the focus lies on those working in the manufacturing sector, more specifically, garment manufacturing. The reason for doing a study about migrant workers is the fact that a change here is very likely to result in a shift of production or respectively future supply chain management that might affect a tremendous number of stakeholders.

Central research question

“What will be the impact of CSR and other trends and developments on Mainland China’s migrant workers and what will the general situation of the fashion labor force look like in 10 to 15 years from now?”

Sub-questions

1. What were the CSR-Trends that made an impact on migrant workers regarding working conditions and how?
 - a. Historical overview of CSR in China’s economy.
 - b. What trends and developments can be distinguished that resulted in an increased attention for production circumstances in Chinese factories?
 - c. Who are the key stakeholders in the debate on working conditions in Chinese fashion factories? What role do they play?
2. Who is the migrant workforce?
 - a. What did the situation of the workforce look like 10-15 years ago? What is the situation like nowadays?
 - b. What are the key challenges of the current migrant work force?
 - c. Based on current situation what can be expected going forward?
3. What are events whose outcomes are uncertain and how will they shape the future situation?
4. What scenarios are possible with conducted research and what strategic advice could be given to global brands?

Research approach

In order to understand the migration movement in Mainland China, the report begins with a literature study providing sufficient background information on this very topic and explaining what developments have occurred since the beginnings of it. Data for this has been gathered with thorough quantitative desk research as the main tool.

For the following part of research, the most suitable approach has been determined in consideration with Monica Veeger, lecturer for “Lifestyle studies” at Fontys University of Applied Science in Tilburg, the Netherlands. According to suggested literature of Paul J.H. Schoemaker (1995), an infamous expert on strategic management and decision-making, the method Scenario Planning was used in order to create future scenarios for the migrants’ situation in 2025. Based on these comprehensible scenarios, a conclusion was drawn, which ultimately built the basis for strategic advice that is targeted at global apparel brands.

1.0 Migrant workers' background

1.1 Definition of the term “Migrant worker”

The central research question focuses on a specific group of people - migrant workers. The term defines itself differently depending on where and especially in what context it is used. For this matter, this report uses the clear definition of the National Bureau of Statistics of China in order to prevent misconceptions.

Migrant workers are people who *“obtain employment outside their villages and towns for more than six months in the year and those who do non-agricultural work in their villages and towns for more than six months in the year.”* (2013, notes 4)

As of the end of 2012, China knew a migrant worker population of approximately 262.61 million people – among them 163.36 million actually left their hometown to set out for urban regions. With a total urban employment of 371.02 million people, migrant workers accounted for some 44% of the total urban workforce (NBS, 2013).

To understand the reason behind this elusive number, it is of great importance to trace past developments and changes in Mainland China.

1.2 History of migrant workers in Mainland China (1950 – 2000)

A flourishing economy and a rapid industrialization was the basis for the very beginnings of migration in China and can be traced back as early as in the 1950's. During this time, when China had a total population of merely 563 million (Geohive, n.d.) , the first migration movements took place and millions of rural citizens took the chance and left home for working in urban areas where China was experiencing a lack of labor force. Therefore, people from the countryside were needed to fill the labor shortage in the industries that were booming and it was promising to poor people from the villages who were aiming to support their families back home with the earned money from the city.

However, these first migration movements didn't go well for long and brought along some consequences. Those millions migrating to the urbanized areas left the rural regions where the majority of food was coming from. With the inevitable shortcoming of skilled people, they then, were not able to supply enough food to the cities.

1.2.1. Introduction of the Hukou

The solution to this problem was the introduction of the household registration system also known as “Hukou”. With the help of this system, the government was now able to better control internal migration. “The Hukou system divided people into urban and rural citizens” (Libcom, 2010, para. 4). Whenever rural citizens migrated out of their rural area for more than three months, they were obliged to apply for a work- and residence-permit that needed to be approved by the local police (Mallee H., 1995). At the same time, this system limited those people's rights resulting in not only lack of social security but also other major disadvantages as missing health care and schooling issues (Global Labor Strategies).

1.2.2. Introduction of the communist regime

Despite the now stricter control of migration and the great Chinese famine, the Communist Party started to run the “Great Leap Forward”- campaign in 1958-1962 which had millions of people migrate from the rural areas to the cities in the 60's and 70's. The purpose was to help the country's transformation from an agrarian to an industrial economy. The major migration then started when Chinese leader Deng Xiaoping introduced a new reform in 1978, which opened up the country for

globalization and the official transformation of the economic system. Contributing to the size of this migration movement was the fact that now, the major part of the “rusticated youth¹” (Xiaomeng Liu , 1998) which was sent out from the cities to the rural areas back in the 1950’s, was returning to their cities (Libcom, 2010).

With the implementation of the household responsibility system, productivity in agriculture experienced a great increase and rural China developed a labor surplus of estimated 150 – 200mio in the 1980’s (Li Shi, 2008). For that matter, Chinese government developed “township-village enterprises” where rural workers could work, leaving their farmland but not their hometown. Throughout the 80’s those TVE’s employed millions of people until the growth rate decreased in the late 1990’s as a result of competition with the foreign-funded enterprises (Li Shi, 2008 ; John Knight & Lina Song). The consequences of this trend, the government’s investment in infrastructure and the introduction of the Labor Law in 1994 (Tu Lan & John Pickles, 2011) was that many rural workers kept migrating to the cities instead of finding employment in TVE’s near their homeland, only to witness the results of the restructuring of the state-owned enterprises, being an increase of restrictions for migration along with an increase in laid-off workers and unemployment rate in the urban regions. After the migrating population was blamed for “social problems” to occur in the cities, such as “pressure on urban housing, transportation, utility supplies, sanitation, and public safety” (Li Jing, 2008, footnote 27), migration growth then slowed down but did continue and eventually picked up the pace again.

By the end of 1989 China’s total population had risen up to 1.127 billion people with approximately 30 million migrant workers among them (Chinability, n.d.). In just 4 years’ time, the population grew with 58,2 million people but the number of migrant workers had doubled to 62 million according to Report Drafting Team².

By the turn of the century, in 2000 the Ministry of Human Resources and Social Security (CLB, 2012) had estimated the number of migrant workers to be 113 million which was almost double the amount of workers estimated 6 years earlier. This rapid growth of the migrant labor force seemed to promise relentless human resources for the booming economy which later, however, proved to be wrong.

1.3 The migrant workers’ reasons and incentives

Although the migration in China Mainland has often been referred to as the biggest voluntary migration in the world, it is questionable how much voluntarism is actually at hand. Like the rusticated youth back in the 50’s was partly forced to work in the countryside, at the turn of the century, there were still millions of farmers that were forced to leave their home.

In general, there are three major reasons for rural Chinese to become migrant workers:

- Escape poverty
- Steppingstone towards independence and another way of life
- Government’s direct/indirect interventions (unemployment, land-acquisition etc.)

According to a 2004 report of the Population Reference Bureau (Nancy E. Riley), back in 1950 the rural population of Mainland China accounted for 87% of the total population. When 28 years later in

¹The term “Rusticated Youth” describes young people that have been sent out to leave the urban areas, and go work and learn from interaction in villages, back in 1950’s. (Cao Z., 2003)

² The Report Drafting Team has come into existence by the approval of the State Council as to conduct research on China’s migrant workers, which was urged by former premier Wen Jiabao. The team consisted of 17 central government members of different industry sectors including 5 experts on migrant workers.

1978 the new reform was introduced not much had changed with 82% of the population being rural citizens. However, after the reform, strong industrialization followed and economic power hubs appeared, strategically established in urbanized regions such as the Pearl River Delta and Yangtze River Delta along the coast line, creating a high demand of work force.

The rural regions and their villages where most migrant workers would come from were very poor and did not offer much to the people living there. Education and health care were far from being comparable to what people received in the cities. A life here was shaped by work and family.

When living this way of life, incentives arise to offer the next generation a life, not in poverty. Many parents therefore took the step and became migrant workers. The salary was higher and with it, they could support their family and pay for health care and education.

But providing for the family was not the only incentive for becoming a migrant worker. Especially with respect to the “new generation” of migrant workers, mainly those born in 1980's (Kate Hannan, 2007), the incentives to migrate can differ. Research of Lie Wang (2012) shows that more and more migrant workers see their occupation as the first step towards independence by getting some experience and learning new skills while pursuing the urban lifestyle with all its diversity. Migration work is consequently also used as a steppingstone for building up their own career or business away from the farms. A life they were and still are pursuing nowadays is one, not only consisting of work and family but with all benefits of what city life brings along – the urban lifestyle, social networking and consumption.

Even nowadays, the reasons for migration seem to be very clear. The scarce opportunities of small farmers to earn a good living off their crops, the high unemployment rate because of higher productivity levels, and land-acquisitions for constructing the “new industries” have put enough pressure on people from the countryside to move them to the urban regions where they would do the job that higher educated people from the cities don't see fit for them (Shuya Zhang & Guoliang Luo, 2012 ; Knight, J. & Song, L., 2005).

1.3.1. Migrant workers vs. local urban workers

It is necessary to mention that migrant workers work together closely with local “urban workers” who in 2012 accounted for approximately 56% (NBS, 2013). They do not only represent the major part of the workforce in many cities (in others, migrant workforce might account for the majority) but they also enjoy more rights than their migrant worker colleagues since the household registration system legally bound them to the city and gave them more rights.

In the end, it is a matter of interpretation whether or not migration is happening on a voluntary basis. The circumstances shaped by government policies and restrictions are unavoidable and Chinese citizens have to adapt to it.

As for the self-appointed migrant worker's incentives, it can be said that their mindset has not changed greatly throughout the years of migration and that their reasons for migration haven't experienced a bigger shift other than towards the idea of an “independent life”, while many of them still do this on behalf of their families' best.

1.4 General conditions in the beginning of the migration movement

In this part, the focus lies on the conditions and circumstances that migrant workers had to face on a daily basis. While these circumstances vary widely, from wages over workplace safety to living conditions, this part depicts the situation that migrant workers would find themselves in.

1.4.1. Low wages and overtime

As a migrant worker it was usually easier to earn a higher salary compared to what farmers made on the countryside. As stated before, money was the key driver to even become a migrant worker and move to the cities in the first place.

The wages earned however, mostly did not make up for the bad conditions and long working hours. In the manufacturing industry, such as the garment production, last-minute orders or unexpected big orders have often resulted in working days as long as 14-16h, often lasting for a time span of several weeks, as it is shown in the movie *China Blue* (2005). Many manufacturing workers had to work longer than 8h a day, many times without extra payment despite it being illegal. According to a survey done for the China Household Income Project of 2002, the average working hours of migrants were 10.14h per day. It is to assume that working hours and overtime have always been there with even the earliest migrant workers back in 1950's, since poor wages and the continuously rising demand of more workers in the booming industries drove China's economy to a level where overtime seemed impossible to avoid in order to satisfy the customers from overseas.

Another setback for the workers was the standard living costs in the cities. Even in the suburbs, prices for food and daily commodities are much higher than in the villages. Eventually, unpaid overtime and just slightly higher wages wouldn't result in a lot of savings for supporting the family at home, unless they could save as much as possible on their own expenses, lowering quality of life dramatically.

According to a 2009 research for Global Insight, the annual wage of manufacturing workers in 1990 was 250,50\$ which was less than one dollar per hour. However, the manufacturing sector consists of many different subsectors among which the garment production. This report just shows the mean average of the whole manufacturing industry. In November 2006, the Bureau of Labor Statistics published a Monthly Labor Review showing the average annual earnings of workers employed in urban areas, divided into their subsectors. Manufacturers in the garment production earned less than the average (11.152 Yuan), receiving 9066 Yuan in the year of 2002 (1094\$ as of 2002).

Assuming the aberration between general manufacturing wages and the ones in garment manufacturing were the same in 1990 as in 2002, then garment manufacturers would have earned 203,65\$ annually.

What needs to be said here is, that this does not necessarily give a good picture of the migrant worker's earnings but it has been mentioned before that migrant workers earned considerably less than their local urban co-workers. According to Yan Wei's Paper on Rural-Urban Migration, data of NBS showed that migrants' average earnings in 2004 were just around 40% of what local urban workers made.

1.4.2. Wage arrears

In many factories, workers and especially migrants often have to wait for their wages to be paid out, like it was also shown in the movie "*China Blue*" (2005). Many employers intentionally delay employee's payments up to a few months, while forcing them to work overtime and keeping them from quitting their job. Wage arrears³ also give them the opportunity to completely abdicate the payment whenever the employers felt like it was not earned due to low productivity or disputes with superiors.

³ According to the Oxford Dictionary (2013), wage arrears or rather arrears of wage mean that e.g. party one is behind in paying money that it owes to a second party. In this case it means that the employer has not yet paid out the wage of the employee.

1.4.3. Living conditions and dormitories

For migrant workers, the living conditions were tough. Bound to the villages by the household registration system, migrant workers did not have as many rights as city-born people with an urban hukou. Hence, making a living in the urban areas became more difficult. For one thing, this meant for migrants that renting an apartment was not always possible. Even if they were entitled to do so, the 1990's brought along a housing shortage for low-income citizens, making it unaffordable for most migrant workers (and at times their families) to live on their own (Yukio Yamaguchi, n.d.). If the workers were to save money for whatever goal they were pursuing (provide for the family, build up an own business etc.) the option most of them were left with was either to live in the "urban villages" that developed throughout the years of migration or to live in dormitories offered by their employers or city government. These dormitories, mostly located right next to the manufacturing plant or in dormitory complexes built by the city, were shared with other migrant workers and often did not provide any privacy. Sanitary facilities were poor and the benefits of city life seemed to not have reached those dormitories, not providing much cultural entertainment (Li Shi, 2008).

1.4.4. A life in isolation

Migrant workers often felt isolated. Although most of them were sharing dorms with other colleagues that would eventually give them some comfort, they still were thousands of kilometers away from their families. With the transportation costs being too high and no right on vacation, the major part of migrant workers would only return home once a year – during Chinese New Year, a celebration that is traditionally spent with the whole family. For in-between that time, letters and phone calls have been the main correspondence media.

Other than that, when migrant workers would try to indulge in the city, its culture and getting to know other citizens, it was difficult for them to bond with them, given that migrant workers were perceived as something minor compared to city-born residents. For them, they were here only temporary, on a working permit received from the government (Shuya Zhang & Guoliang Luo, 2012). A mindset that is still contemporary in Mainland China's bigger cities.

For those migrant workers that brought along their family to live with them in the urban regions, it was a very difficult situation as well. The hukou system and the resulting restrictions migrant workers and their families had to face made life tough. For children from rural China, the admission to schools was made almost impossible since it was either forbidden or according to the "Provisional Measures for the Schooling of Migrant Children and Young People" extra fees had to be paid (China Labor Bulletin, 2009), with the consequence that most families could not provide for their children's education. Unfortunately, this would have made migration obsolete, when the main driver was to provide a better education and future for the children. Hence, it was more often the case that the parents or just one parent migrated, while the other one or the grandparents would take care of raising the children⁴.

1.4.5. Lacking work safety, job- and social security

Up until the turn of the century and even years later, the majority of migrant workers did not have a labor contract signed with their employer, meaning that there was no job security given.

Whatever fell under the term of social security, most migrant workers were not entitled to it. They neither had unemployment insurance, nor medical insurance or pension schemes (Li Shi, 2008).

⁴ Note that in rural China, the one-child policy was somewhat loosened. A rural couple can have two children if the first one was a girl and they originally wanted a boy. This gives them the right to 'try' to have a boy. The other way around, however, was and is not possible.

Especially medical insurance was a big deal considering labor-intensive industries such as garment manufacturing provided very poor workplace safety. Not only was harm inflicted through “forced” sleep-deprivation and long working days under bad conditions but also through the exposure to dangerous chemicals and other products or substances. In the long-term they would have very bad effects on one’s health.

1.4.6. Labor Rights

The Labor Law of 1994 was the first labor act which would finally set the labor standards for workers in Mainland China. The standards agreed upon in this Labor Law referred to most issues that shape the workers’ situation. In 13 chapters, the law declares definite regulations about labor contracts becoming mandatory in case of a labor relationship, working hours not exceeding 8h a day and 44h a week and “equal pay for equal work” with a minimum wage system (Ministry of Commerce, 2007, ch.5 art. 46,48). Furthermore, the law also covers other affairs such as labor safety, social insurance and labor disputes.

The following part of the research addresses this topic once more and explains how labor rights in China contributed to migrant workers’ situation.

1.5 Developments towards the improvement of the migrant workers’ situation

The table below shows the developments of policies, regulations and laws that China deemed to be necessary in order to keep societal stability and to reduce disparity between rural and urban Chinese. While there have been many more developments, this table limits itself to changes that actually had positive influence on migrant workers. The time span bears from the beginning of the strong economic boom around 1978 until the turn of the century.

Year	Changes and developments	What did it mean for migrant workers?
1984	Liberalization of the Hukou – “Urban Hukou with self-supplied grain”	Migrant workers in small towns were enabled to get an urban household registration, including the access to state grain, given they had a non-agricultural job and proper accommodation. When moving to a bigger city however, this urban-Hukou was not valid.(Chang, K.W. & Zhan L., 1999)
1985	New temporary housing regulations	The control over temporary residence was loosened. Obtaining temporary residence and extension for over 3 months was no longer made difficult. Sufficient reasoning for such a permit as it was required before, was not the case anymore since mostly the employer took care of the application.(Mallee, H., 1995)
1985	Introduction of national identity cards	The application for temporary residence in urban areas was made easier with the introduction of identity cards in China. (De Brauw, A. & Giles, J. 2005)
1986	Temporary Regulations on the Use of Labor Contracts in State-Run Enterprises	When the State Council issued these regulations, they provided more job security among the employees of state-owned enterprises (SOE’s). “Until the late 1990s, the government tightly restricted the dismissal of workers”, setting the maximum of laid off workers to 1% of the enterprises’ employees, per year. (Cai, F. & Park, A. & Zhao, Y., p8)
1992	Blue-stamp Hukou	The blue-stamp hukou was made available in small cities and in certain economic hubs where local governments were in charge. People that were entitled to obtain such a hukou were limited through a few criteria that needed to be met. Migrant workers would qualify for a blue-stamp hukou mainly by purchasing or building urban housing. Needless to say that under those circumstances, only few

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		migrant workers were eligible for it (Chang, K.W. & Zhan L. 1999).
1993	End of food rationing system	The end of the food rationing system made it more accessible for migrant workers to go to the cities and work. Because food rationing was strictly bound to the hukou, it meant that people with a rural registration couldn't use their food coupons in the cities. Eventually, they would have to bring their food grain supply from the countryside. According to Hu Yang of China Daily (2011), the last circulation of food coupons took place in 1993 until the system was completely abolished in 1995. (Chan, K.W. 2009 / Cai, F. & Park, A. & Zhao, Y.)
1994	Regulations Concerning Minimum Wages in Enterprises	China introduced the minimum wage regulations in 1993 which were set into operation in 1994. One reason was to make sure the disparity between poor and rich would not grow, so that social stability can be pursued. The law also specified that working hours may not exceed 8h per day and 40h a week. (Huawei L., Downey M., Sonnenberg S., 2004 & China Labour Newspaper 1994) Unfortunately, the regulations did not include a definition of an "enterprise" which lead to many enterprises using this loophole to not comply to the law and pay out minimum wages.
1994	The Regulations of the State Council on the Hours of Work of Employees	Implemented in 1994 and amended one year later, these regulations emphasized the worker's rights concerning working hours. Like the Regulations Concerning the Minimum Wages in Enterprises already did, it here states that working hours are not to exceed 8h per day or 40h per week and that overtime should be applied as verified in the state regulations. (International Labor Office, 2004)
1994	Company Law	Depending on what type of company one was working for, certain companies from now on had to include employee representatives in either the board of directors (SOE's) or board of supervisors (joint stock enterprises). Furthermore, companies were obliged to consult with trade unions concerning minimum wages and many other employee-related aspects such as work safety and legal rights (Lin L.W., 2012).
1994	Labor Law	The basic labor law of China includes a variety of key issues and sets standards for labor contracts, wages, working hours, vacation and safety and health at the work place. In theory, it gave migrant workers more rights and security as long as the employment was under a SOE or a private enterprise, since the law was only valid for these enterprises (Ministry of Commerce, 2007).
1997	Further Liberalization of Hukou	Similar to the blue-stamp hukou in 1997, the State Council offered qualified migrant workers the possibility to change their rural hukou to a non-rural one, given they meet the criteria (own accommodation, employment etc.). When successfully applied, they would receive their non-rural hukou and in addition to that, the same rights and social services as local residents. Especially the latter was not possible for migrant workers to receive with just a blue-stamp hukou. (CLB 2008)
1998	Provisional Measures for the Schooling of Migrant Children and Young People	These measures enabled migrant workers to put their children into state schools. Nevertheless, in order to do so, it was necessary to pay extra fees that many migrants would not be able to pay. (China Labor Bulletin, 2009)
1999	Wage Guidelines	The Wage Guidelines was a note issued by MOLSS in order to match occupations with justified wages, based on conducted surveys and research. (Fang C. & Yang D. 2010)

1.5.1. Comments

In theory, the regulations and laws shown on previous page aimed at improving the migrant workers' situation. It strikes the eye that most of these are related to the relaxation of the hukou system and to the eligibility to migrate to the cities. Although these are benevolent, they did only address few of the real problems and left out or largely neglected issues as work place safety, general legal rights, social security and equalization of workers in general.

1.5.2. Labor rights and enforcement in reality

In practice, many of the enacted laws failed to achieve what they were aiming for due to noncompliance of most enterprises. The reasons for why it was possible for the enterprises to not apply the new regulations varied widely. Below are the top 6 that had the biggest negative impact:

1. A lack of supervision agents that would audit enterprises regularly (Report Drafting Team, 2005).
2. Loopholes in laws, as the example of minimum wage regulations shown in previous table (Regulations Concerning Minimum Wages in Enterprises, 1994, Page 15).
3. Enterprises that would pay their employees if they kept silence about violations within the company (China Blue, 2005)
4. The common knowledge that lawbreakers are rarely prosecuted (Report Drafting Team, 2005), heavily contributed to the regulations, laws and policies failing to improve the situation.
5. High expectations were given especially with the introduction of the Labor Law, which however largely failed to protect migrant workers and their rights simply because knowledge of rights was very uncommon due to lack of education (Global Alliance, 2004).
6. Minimum wages were set by local government and saw an annual increase. The problem was however, that minimum wages still were no living wages and the actual average wage of migrant workers differed greatly from what was to expect given the legal minimum wages – the example of Shenzhen as it is discussed in Anita Chan's article for "*China perspectives*" (2006, para.6), with Shenzhen being the city with the highest minimum wage at that time, migrant workers minimum monthly wage in 1994 was 285 Yuan but the wage they were actually paid in the same year was 901,30 Yuan, when it should have been 3420 Yuan. In 5 years' time, average annual wage kept increasing steadily so that in 1999 the annual wage of a Chinese migrant worker was 1804 Yuan in Shenzhen, while it should have been 5160 Yuan according to the minimum wage of said year. It shows that minimum wages have not been met but also that the difference between minimum wages and the actual paid wages, kept narrowing annually – a slow but definite improvement.

1.6 Developments in more recent years (2000-2012) and the rise of CSR

Corporate Social Responsibility⁵ (CSR) is a term that, as to many opinions, originated in the USA during the 1950's, when Howard R. Bowen published his book "Social Responsibility of the Businessman" (1953), which for many economists shaped the very beginnings of CSR awareness. Until 1979 however, there hasn't been a concurrence on what exactly CSR covers or represents, when Archie Carroll first introduced the four-part model (refer to Annex III.) of Corporate Social Responsibility which would become one of the "most established and accepted models" depicting what CSR stands for (Henningfield J. & Pohl M. & Tolhurst N. 2006, p6).

⁵ Definition according to the European Commission "Corporate social responsibility refers to companies voluntarily going beyond what the law requires to achieve social and environmental objectives during the course of their daily business activities." (2013)

While CSR trends and developments then started to evolve in the US, an equal understanding of social responsibility and ethical business hadn't trickled down to China yet – It was still a concept in which solely the shareholders' interest in profit had been the center of attention.

Right up until the point when globalization had already shaped the country's economy. With global corporations flocking to China and making use of the cheap labor for manufacturing, Chinese businesses self-evidently tried to keep their customers satisfied. For doing so, cheap labor needed to be maintained and the people suffering from this were the employees of those manufacturing companies. It was not until the 1990's, when several cases of Child labor occurred and articles about unimaginable working conditions of the so-called "Sweatshops" were published, mentioning big names such as Nike, GAP, Disney (Wang L., 2012).

At that point, the Anti-Sweatshop Movement started and global corporations that were engaged in outsourcing from China would naturally get interested in how their suppliers and manufacturers operate. This of course was a burden to the Chinese enterprises since many companies were starting to demand improvement of the situation by introducing "Corporate codes of conducts". Yet soon enough, when CSR began a quick development the burden became an opportunity that more and more Chinese companies seized to exploit.

As reported by Yilu Zhang in her thesis about Corporate Social Responsibility in China (2007), there were 3 main drivers responsible for the unexpected, quick development of CSR in Chinese business.

1. Bethinking of the principles that Confucianism taught the People's Republic – namely "that an honorable man takes a great importance to morality and ethic" (Zhang Y. 2007, p34).
2. Under the new leadership of the Communists party, Hu Jintao and Wen Jiabao declared in 2006 that the government's highest priority in the long run will be to rebuild a "harmonious society" by raising CSR awareness and "putting the people first"(CLB 2012). Not only was it in the government's interest for avoiding major disputes, but it would also improve China's economy and domestic consumption.
3. China's entry in the World Trade Organization (WTO), and organization that pressured China by taking interest in its labor right violations and managed to sign contracts with Chinese companies for improvement.

While CSR was not explicitly an issue in the 20th century, the first decade of the 21st century did see major changes towards the idea of it and the improvement of the migrant workers' situation.

With the boost of Corporate Social Responsibility, CSR Reporting steadily became more common with the years, even though it was much more likely in bigger enterprises. As a part of the Sino-German Corporate Social Responsibility Project, the Project Director of GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH) Rolf Dietmar held a presentation including the development of CSR Reporting in China. According to this presentation, in 2005, 13 CSR reports had been published by Chinese enterprises. While the number of reports rose to 169 in the following three years, the amount increased more than threefold by 2009, when 631 reports were published. This enormous growth reflected a strong rise in CSR awareness in Chinese business and did not seem to stop. In the year 2011, 1043 reports have been published and just by October 2012, the number of issued reports rose to 1337 (GIZ, 2012).

The quality of those reports and its content certainly was lacking when compared to its European and American counterparts, but as times passes, report quality significantly improved when guidelines were applied.

1.6.1. Conclusion

CSR in China had two faces. As stated before, on the one hand CSR was perceived by Chinese government as a tool to rebuild social stability and create a harmonious society with a strong domestic consumption, which became even more important when the economic crisis in 2008 showed that dependence on global trade can be harmful to China's economy (China-Europa Forum, 2010). On the other hand, in the long term, Corporate Social Responsibility proved also to be a tool and a necessity to keep China's image as "The world's factory" and the export business alive, since Social Responsibility was a big deal for global corporations that demanded their supply chains to be "clean". This trend was reflected in the increase of CSR Reporting.

The following table shows the major developments of policies, regulations, laws and campaigns that have come into being during the time period of 2000 to 2012. As the table before this one is also limited to those that had direct and positive influence on migrant workers.

Year	Changes and Developments	What did it mean for migrant workers?
2001	ACFTU admitting migrant workers	Since 2001, the All-China Federation of Trade Unions (ACFTU) allowed migrant workers membership, while at the same time, the prohibition of employees to strike has been abolished, giving migrant workers the opportunity to stand up for their rights. (Schramm R. 2012)
2001/2002	Hukou Liberalization	From 2001/2002 on it was possible for migrant workers to obtain a hukou for smaller towns and cities as defined by the State Council. Furthermore, in some urban cities it was possible to get an urban hukou given the case that the applicants would give up the rights to their farmland. (Chan K.W. 2009 & Fan C.C.)
2002	Law on Occupational Disease Prevention and Treatment	This law positively affected work place safety of thousands of enterprises by inspecting the working conditions and looking for disease hazards. The consequences of finding something not according to the law was immediate improvement or the shut-down of the enterprise, establishing a much safer work environment for many migrant workers. (Murdoch H. & Gould D. 2004)
2002	Work Safety Law	The Work Safety Law put emphasize on the prevention of work-related diseases and injuries, which in the past have resulted in numerous fatalities. A much stricter control of hazardous environment was hereby demanded.(PRC Government)
2003	Decision of the State Council on Further Strengthening Rural Education	Like the "Provisional Measures for the Schooling of Migrant Children and Young People", this new decree expected state schools to admit migrant children without charging extra fees.(Law Info China, 2003 & CLB, 2009)
2004	Minimum Wage Law	10 years after the introduction of "Minimum Wage Regulations", China finally enacted the Minimum Wage Law giving more protection to migrants (Huawei L., Downey M., Sonnenberg S., 2004).
2004	Sunshine Project	The Sunshine Project was launched by the Ministry of Agriculture as a training program for potential migrants in order to enhance their skills and prepare them for their occupation. As a result of this and further training

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		programs as “The National Plan for Training Rural Migrant Workers” which was launched one year earlier, chances for employment in the urban areas increased. (Shaohua Z. 2005)
2006	Joint Committee on Migrant Workers	Through the proposal of the Ministry of Labor and Social Security and the approval of the State Council, the Joint Committee on Migrant Workers was allowed to conduct research on conditions and suggesting fitting policies to the State Council. (Tunón M. 2006)
2006	National Policy on Social Security	The State Council approved of a policy that was aiming to enhance the social security situation of migrant workers. According to the Chinese Governments’ official Web Portal (2006), this policy will especially improve medical insurance issues as well as the treatment of serious diseases that resulted from work.
2008	Rainbow Plan	The Rainbow Plan was a reaction to the economic crisis and its result in a high number of laid-off workers. The plan was targeting an increase in labor contract for workers, because this had not been achieved ever since the Labor Law of 1994 was enacted. Millions of workers, also migrant workers, were to be helped out by the ACFU (All-China Federation of Trade Union) in order to sign contracts with their employers.(IHLO 2009)
2008	Law on Labor Dispute Mediation and Arbitration	This law was enacted “in order to resolve labor disputes in an impartial and timely manner, protect the lawful rights and interests of the parties and promote harmonious and stable labor relations” (NPC, 2007, art. 1) To migrant workers, this new law provided them with more rights. Since migrants would be the disputing instance, they were able to file complaints and if necessary take it to the court.
2008	Employment Promotion Law	Article 3 of the Employment Promotion Law states that “workers shall not be subject to discrimination”(NPC, 2007, para.3). For migrant workers, this new law means the protection from isolation and discrimination because of their origin, which they have been suffering from for decades. While it is not very different from what the 1994 Labor Law stated, laborers now were able to file a lawsuit in case of discrimination. Furthermore, the law ensured that migrant workers had the same labor rights as their urban co-workers.(NPC, 2007)

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2008	Labor Contract Law	The labor Contract Law emphasizes the protection of workers' rights, especially regarding their employment with a valid labor contract, which also includes agreements about wages and working hours. As opposed to the 1994 Labor Law, this one is not limited to SOE's and private-funded enterprises but refers to all kinds of enterprises and organizations. The new Law also gets rid of certain loopholes ⁶ and includes specific punishments for employers that do not comply and/or violate. In short, the Labor Contract Law gives migrant workers job security and the possibility of longer employment which it clearly promotes. (Jing L. 2008 & Lan T., Pickles J. 2011)
1990 - 2006	Ratification of 4 out of 8 ILO Conventions	Conventions on equal remuneration, discrimination, minimum age and worst forms of Child labour have been ratified by China. These ratifications showed China's commitment to improving conditions that have stricken the eye of its global trade partners and the commitment to a more harmonious society. (ITUC, 2010)
2011	Social Insurance Law	This law confirms that migrant workers have the right of social insurance benefits when migrating or moving. Article 95 (CLB, n.d. & Kaizen Certified Public Accountants Ltd., 2010)
2011	Spring Breeze Movement	This campaign launched by the Ministry of Labor and Social Security, required urban employment institutions to assist migrant workers with their issues and give free access to useful information. (Tunón M. 2006 & Lan N. 2009)
2012	Ministry of Education Regulations on Migrant Children's Admission to Senior Secondary Education	These regulations promoted children of migrant workers to be eligible for secondary education admission in the place of residence rather than place of registration, providing more education than just the compulsory level.

The developments in the 90s and the beginnings of the 21st century formed the drivers to above shown laws and further regulations and movements. While the table merely summarizes the changes which had direct influence on the migrant workers' situation, the significant rise of organizations, consultants, forums and lobby groups that supported worker's rights and propose and monitor labor standards has led to a vast development of CSR initiatives (Murdoch H. & Gould D. 2004). These initiatives and practices, implemented by national or international authorities and institutions, however, in the beginning were mostly focused on environmental protection and its positive influences were mainly visible in this regard rather than people's rights protection. In most recent years though, protection of workers' rights became more and more of an issue that officials were concerned about, starting to put emphasize on labor protection as well.

⁶ An example: A resolution to labor dispute should be handled by approaching Labor Dispute Mediation Committee in the employer's enterprise, which however is a committee that is not settled as a mandatory one in the labor law.

1.7 The migrants' situation in more recent years

Throughout the turn of the century and the first decade of the 21st century, the situation of migrant workers has improved, but not to their complete satisfaction. The development of CSR and previous mentioned laws had their share in this, yet considering the intensity of the situation and the number of laws that have been enacted since 1978, the progression can be perceived as quite slow.

1.7.1. Rising wages, unpaid wages and over time

Only in more recent years, migrant workers' wages kept increasing steadily until the economic crisis hit China in 2008. Two years later, when China was recovering from it, the government started to drive domestic consumption and once again supported an increase in wages (CLB 2012). Another reason for rising wages of migrant workers was the unexpected labor shortage that first occurred in 2003/2004 in Guangdong Province and later spread throughout other major industrial areas⁷(Lin L.W. 2012), when Agricultural Tax was abolished and farmer's income increased (Wang J. & Mei L., 2009). Local governments would relax migration restriction and raise wages in order to attract peasants and fight the shortages.

The "new generation" of migrant workers, as previously mentioned, was more educated and had more knowledge of their rights and, by then, did have more legal rights. This was their incentive to forego migrant work with its low payment and poor working conditions and pursue other alternatives, which would contribute to labor shortages occurring continually.

The overall drawback however was that even after the Minimum Wage Law has been enacted, wages did not increase fast enough. Inflation caused the costs of living to grow quickly which catapulted the migrant workers in a similar financial situation as before. According to China Daily (2012), the average monthly wage of a migrant worker in 2011 was 2,049 Yuan (\$325).

As stated in the 2009 research report of laborlaw.org.cn, 80% of surveyed migrant workers worked more than 8h per day, of which 29% answered to work overtime for more than three hours. Only 24% of them received overtime payment. Another issue that is still at hand is the one of wage arrears. Between 2003 and 2006 the State Council published 13 notices that addressed this very problem (Jing L. 2008). This issue was very common, particularly in the manufacturing industry and had caused the greatest dissatisfaction among migrants. Despite an agreement that came into being in 2003, when 31 cities signed to provide legal aid to victims of wage arrears, the issue was far from being resolved. (Murdoch H. & Gould D. 2004)

Meanwhile, the number of labor dispute cases increased dramatically from 90.000 cases in 1998 to 500.000 in 2008 (Lin L.W. 2012), showing that a younger generation of migrant workers does not shy away from standing up for their rights (Cheung J. 2012).

1.7.2. The hukou, discrimination & isolation

The household registration system – Hukou – is still active and has celebrated its 50-years existence in 2008. Despite many reforms that liberalized the household registration, the hukou still impedes the life of millions of migrant workers on a daily basis. Like temporary residents without an urban registration, migrants still have to pay more for services such as healthcare, welfare and housing. (Blau J.) Even the latest reform that was labeled beneficial towards migrant workers turned out to be a huge disappointment. This reform was implemented in Shanghai and several other cities and would provide migrant workers with the eligibility to obtain an urban hukou, given they qualify for it according to certain criteria. These criteria, however, turned out to be met by a mere number of 3000 out of approximately 9 million migrant workers in Shanghai. (CNN Travel, 2011 & Junmei F., 2009)

⁷ The "Lewis Turning Point" describes the point at which an economy's labor force supply is exhausted, wherefore labor costs are increasing along with wages of the work force.

Hukou liberalization is being used as a tool to support the “Go West”-policy, which aims at developing economy in 2nd and 3rd tier cities of the West and Central of China. The 2001/2002 hukou reform is a good example for this, since it enabled migrants to obtain household registration in small-medium sized cities, whereas the larger cities are in desperate need of skilled labor force while still restricting migrants from becoming residents.

The Work Safety Law which came into being in 2002 seemed to have had a positive impact in the long run. As reported by the China Labour Bulletin (CLB, 2008) the number of work-related injuries in 2010 was almost half of the one 7 years earlier.

Unfortunately, hukou reforms haven't had much positive influence on discrimination and isolation issues of migrant workers. Even the request by the Ministry of Labor and Social Security to reduce discriminating regulations implemented by local governments and the official inclusion of migrant workers as “part of the national development strategy” in the 11th five year plan of China, seemed to have failed in this matter. The China-wide education in terms of the HIV-Virus during the turn of the century was for instance a heavy setback which resulted in citizens increasingly blaming migrants for the number of HIV-infected people to have tripled in the time from 1999 to 2001 (Max Tunón, 2006). The first official act against migrants being the object of discrimination was the passing of the Employment Promotion Law in 2008 and yet has to prove its effectiveness in terms of discrimination among Chinese citizens (Jing L. 2008 & Tunón M. 2006).

1.7.3. Social Security

An improvement could be witnessed in terms of social security.

While in 2004, 10 years after the labor law enactment, just 10% of the migrant workers had medical insurance (CLB 2008). 4 years later in 2008, 42,66 out of 225.43 million migrant workers (18.9%) received medical insurance. An increase of 11.35 million from previous year (NBC, 2009). In the same year, the number of migrants with an injury insurance hit 49.42 million which in 2011 rose up to 68 million. Furthermore, migrants that participated in basic pension insurance increased by 5.70 million to 24.16 million people (10,7%) in 2008, while the approximate number in 2011 became 41 million (CLB, n.d.).

In general, those numbers have seen a steady increase throughout the years and let assume that further improvement in terms of social security will be experienced in the coming years. The same is true of the amount of migrants that have signed a labor contract with their employer, which increased to approximately 70% in 2012, while 30% still remain without one (China.org, 2012).

1.7.4. Living conditions

The living conditions did rarely change. Despite the increasing wages, inflation and rising living costs did not allow migrant workers to ‘upgrade’ their housing. The liberalized hukou system might have given migrants the choice to purchase or build their own houses, but very few have been financially able to do so. Migrants are also not entitled to join the affordable housing program which would give them a 30-40% discount (Fang C. & Yang D. 200).

A 2002 research conducted by the Pentland Group and the Institute of Contemporary Observation in the Province Guangdong for example, shows that 82,9% of migrants in that area, still lived in dormitories provided by the factories. The next bigger alternative was sharing a rented room with co-workers which 15,8% did. Of course, this refers to the province of Guangdong but it shows that the number one choice of housing in general is still living in dormitories (Murdoch H. & Gould D. 2004). More recent data was difficult to gather, yet it is to assume, that the living situation might not be very

different from 11 years back, because spending patterns in terms of housing have not greatly changed and governments neglected the demand for more affordable housing.

For those, that have been migrating with the whole family and who have to take care of the children's education, life became easier now that receiving compulsory education is not a problem anymore and the admission to secondary education in state schools is made easier with the 2012 regulations mentioned in the previous table (Fang C. & Yang D. 2010).

1.7.5. Comments

As opposed to earlier stages in the migration movement, conditions have improved but certainly not to an extent that had been wished for, nor by the migrant workers themselves, nor by the Central Government.

Nevertheless, the new migrant generation is more aware of their legal rights and numerous institutions and organizations came to exist trying to take a stand for better working and living conditions. On their way of doing so, they confront a persistent number of obstacles that need to be overcome. These obstacles mainly originate from a different type of governing and the set priorities in view of economic stimulation. Noncompliance to laws is still as much of a problem as local governments bending laws with help of loopholes. Macro-government policies that have been published are benevolent but implementation on the micro-level (provincial governments) is inconsistent which is the reason for the seemingly slow improvement.

Many migrants in garment manufacturing already went inland where the industry is growing quickly and they are closer to their homes, enjoying much more rights and benefits. According to Li Shi (2008), 30% of migrant workers were already working in the West or Central of China by 2009.

As of today, according to published reports, CSR has mainly been implemented in bigger enterprises and less in small-medium sized ones. The same is true in terms of the East compared to the West and Central of China. The latter only accounted for 3% of published CSR reports as of 2012. It is, however, necessary to mention that the garment industry is greatly exposed to global trade and therefore one of the industries that actually laying the groundwork in terms of CSR Initiatives (China-Europa Forum, 2010), but then again, the situation is still asking for improvement and steps are being taken in order for CSR to become a strategic tool accepted nationwide, no matter what size an enterprise is.

It is to assume that this development will fuel more changes, considering what a survey of the Embassy of Sweden in Beijing found – an average of 82.85% of questioned garment enterprises are aware of the concept of CSR. A number that is even about to increase (Embassy of Sweden, Beijing, 2013)

2.0 Scenario Planning

2.1 The Scope of Research

The scope of research has been determined earlier in this report as part of the introduction. Nevertheless, in order to give a more precise look into the scope and consequently the situation, the following part captures the regional distribution of enterprises in the garment industry followed by a brief analysis of the differences and similarities between migrants' situation in this industry as opposed to other industry sectors. From there on Scenario Planning will be applied according to the step-by-step approach of Paul J.H. Schoemaker⁸ (1995).

- *Define the scope*
- Identify major stakeholders
- Identify major trends
- Identify key uncertainties
- Construct and develop 'Scenarios 2025'

2.1.1. Regional distribution of the garment industry

The regions with the highest output value (more than 10 billion US Dollars of exports annually) of textile and garment production in 2012 were – Guangdong Province, Zhejiang Province, Jiangsu Province and Shandong Province (Embassy of Sweden, Beijing, 2013). All of them are located on the eastern coast of Mainland China.

92.31% of enterprises in these regions are engaged in garment making while the same industry sector accounts for only 46,15% in the western and central provinces. Here, weaving is a large sector accounting for 46,15% of the textile and apparel industry as well (Embassy of Sweden, Beijing, 2013). However, growth is slowing down in the eastern regions, while western and central ones become more popular for investment and further development. This is further explained in **Trends**.

2.1.2. Migrants in garment-making sector vs. migrants of other industries

As to give more specific background information, it is necessary to acknowledge a few differences and similarities that occur in garment manufacturing and the migrants' situation in other industries.

2.1.2.1. Differences

1. Female workforce

The major part of workers in the garment-making sector is female. A study by Globalization Monitor (2010) showed that as of 2007, 65 – 70,2% of employees have been women. Like it is common in most certainly every economy, women earn lower wages than their male counterparts.

2. Payment

Although the minimum wages for workers are somewhat higher than in other industry sectors, it is difficult for migrants in the garment industry to earn a living wage within a 40h work week since the payment happens on a piece-rate bases, which implies that workers are paid for the amount of pieces they finish – not by time (Fashioning an Ethical Business, 2008). As reported by the Fair Wear Foundation (2010, p1) in a more recent study, the circumstances that made earning a living wage even more difficult was the fact that “legal minimum wages for regular working hours were

⁸ Paul J.H. Schoemaker is the founder and Chairman of Decision Strategies International (DSI) and therefore holds an important position in the progress of the world's strategic thinking and strategic decision-making (DSI, 2013).

only about 60% of a living wage in 2009”, which obviously bound the employees to work overtime, boiling down to usually 10-12h or sometimes even more depending on customer orders. (Domoney R. 2007)

The average monthly take-home wages of the 4 scrutinized enterprises was 1.458,00 Yuan as of 2009 (approximately 236\$). With the average expenses of 1442 Yuan, the set legal minimum wage of 872,50 Yuan per month would have only covered 60.47% of it, as estimated by the Fair Wear Foundation (2010). This shows that working overtime was necessary for migrants in order to cover their expenses.

3. Relative amount of migrant workers

The same study (Fair Wear Foundation, 2010) which was conducted in 4 relevant economic zones, revealed the relative amount of migrants as part of the total work force of those enterprises – the average being 94% migrant workers, while only 6% were local residents. These numbers, however, can't be generalized since the study's coverage was not wide enough to make any further assumptions. Yet, these numbers show that migrant workers obviously form the major part of employees among garment manufacturers – be it because sectors as mining and construction are less suitable jobs for women, whereas manufacturing absorbs the female part of the migrant labor force, or be it because the demand for skills is somewhat lower (for many professions within the garment production) than in other sectors. Data of the Globalization Monitor (2010) and the Fair Wear Foundation (2010) says that between 2007 and 2008 there were approximately 15 to 20 million people employed in the garment industry with 80% migrants among them, proving this point.

2.1.2.2. Similarities

Besides mentioned differences, migrant workers in garment manufacturing are facing the same shortcomings, labor right violations and poor living conditions as their fellow workers from other industries and sectors.

As stated earlier in this report, other industries and industry sectors gain more and more popularity amongst migrants because of higher payment or better working conditions. This was one of several reasons for labor shortages to occur, especially in Guangdong Province where a major part of China's garment manufacturing takes place. The Provincial Government's reaction was to raise minimum wages and take-home wages. The result – by 2011, the wages for migrant garment workers in eastern regions rose up to 2053 Yuan, 320,78\$ respectively (Embassy of Sweden, Beijing, 2013).

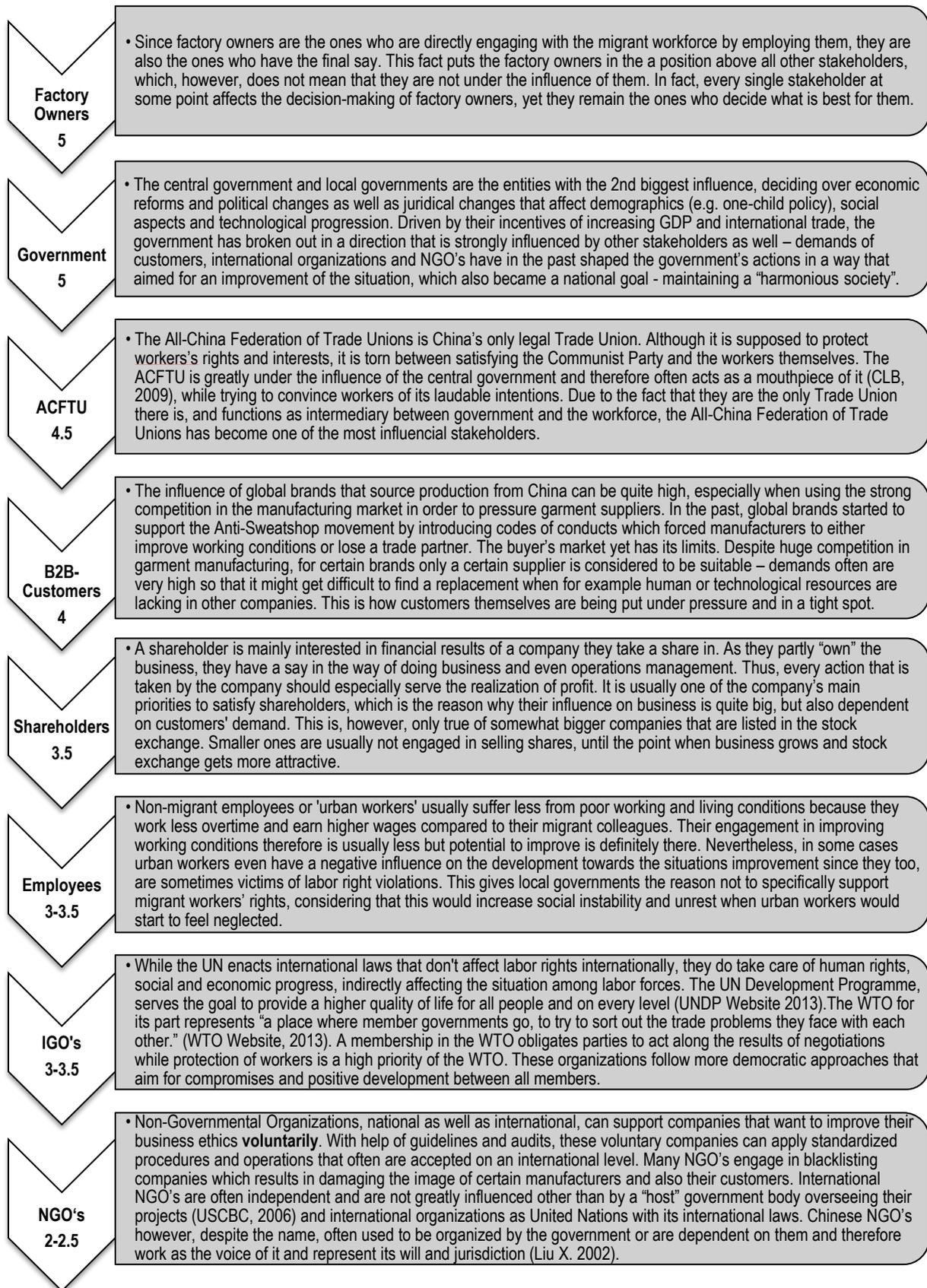
The same survey also shows great improvement in terms of labor contracts and social security as compared to a decade earlier. 84,84% had signed labor contracts with employers and 68,75% joined social security through their employers by 2012.

2.2 Identify major stakeholders

Despite the focus of this report lying on Chinese migrant workers in the garment industry, other stakeholders are necessary to take into account since all of them wield influence on each other, particularly on the migrants' situation. The number of such stakeholders in this research is quite high, considering that the situation is under constant influence by demographic, economic, social, political and technological means. The following listing examines those main players, their role and level of influence⁹ on the situation.

⁹ “Level of influence” refers to the influence one stakeholder has on the development of the migrant workers' situation. It is rated on a scale from 1-5, with 1 representing a low level and 5 representing a high level of influence.

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2.3 Identify major trends

There are three generic types of trends. Megatrends, Maxitrends and Minitrends¹⁰. While Mini- and Maxitrends only cover a timeframe of roughly 0-10 years and refer to changes within a certain market and consumer behavior, Megatrends are the ones whose influence is noticeable on a global level with a timeframe of 10 to 30 years¹¹. These megatrends are the ones that need to be analyzed in this report, since the scope of the research outreaches developments that only uphold to a maximum of 10 years. Down below are the three major Megatrends that will shape China's manufacturing economy in the coming 10-15 years, and with it, the migrant workers' situation.

Urbanization

Urbanization is a global trend that has been going on for years if not decades. It describes the movement of people residing in urban regions, while originating from rural regions. In a country such as China, where economic growth increases dramatically, economic power hubs are created and along with them, jobs and attraction for people to set out to move to them. Urbanization is not only a logical development resulting from economic growth but it is also in the Government's interest to move people to the cities in order to increase domestic consumption and gather labor force for booming industries in China. This is also stated in the 12th five-year plan of China (APCO worldwide, 2010).

Manufacturing Transition

The transition of manufacturing is an ongoing trend, which first appeared as a smaller movement, resulting from China's "Go-West"-policy. Its goal was to develop the economy in the West and Central of China. Although the policy was introduced in 2001 (China Daily, 2011), the transition will experience its biggest growth in the coming years, mainly because manufacturers are seeking cheaper labor options (Central and Western provinces) with a sufficient supply of working-age citizens.

Transparency

Transparency is another global trend of high impact that has reached China as a result of several developments in the past, such as the Anti-Sweatshop Movement and globalization which put China in a spot where it has to adapt to international standards in order to remain the big trade partner it has become over the years. United Nations as well as WTO and the increasing number of Civil organizations and NGO's keep raising CSR awareness and eventually pushing them on a more local level (Provincial Governments of China).

¹⁰ An inherent, visualized trendmodel can be found in the Annex

¹¹ Information about the outreach of the different trend types was taken from lecture material of Fontys University of Applied Science, Tilburg, The Netherlands. This material is being used for majors in "Lifestyle studies", which is devoted to trendwatching and a diverse number of trend forecasting models and methods.

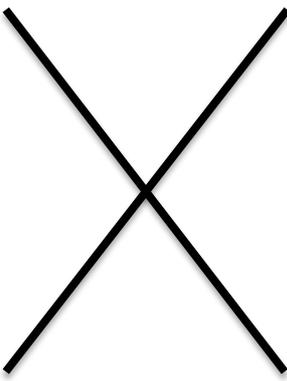
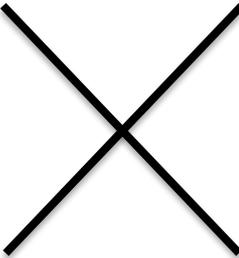
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Trend	Positive Influence	Negative Influence	Uncertain Influence
Urbanization (Jefferies 2013 & MGI 2009)	<ul style="list-style-type: none"> ▪ Migrating becomes more attractive through increasing wages as enticement and also easier, considering that urbanization is in the government's interest. Therefore the government will act in favor of migrants by easing restrictions on labor mobility. 	<ul style="list-style-type: none"> ▪ Demand for housing increases dramatically, resulting in strong competition and higher prices for "affordable housing". ▪ Acquisition of land rights for expanding economic hubs and cities will force many people to leave their home as well. ▪ Depending on migration restrictions, urbanization might also result in higher inequality and social unrest. 	How will this influence discrimination issues and the income gap?
Manufacturing Transition (Embassy of Sweden, Beijing, 2013)	<ul style="list-style-type: none"> ▪ Migrants will get the opportunity to find a job near their home county – in first as well as second and third-tier cities. ▪ More workers will have their household registration where they work so that they receive more benefits and social services. 	<ul style="list-style-type: none"> ▪ CSR in the developing regions is not yet as common and the main focus mostly lies on environmental protection rather than the protection of workers. ▪ Local policies will also push around workers according to economic needs. 	Will this hinder urbanization goals in East?
Transparency (Avory B., Zhang M., Hope D.A. 2012)	<ul style="list-style-type: none"> ▪ The increase in CSR Reporting and its quality speaks for rising awareness and overall improving working conditions of China's labor force. 	<ul style="list-style-type: none"> ▪ Transparency can as well be used for green-washing in order to give the end-consumer a false perception of the brand. ▪ Transparency can also be faked simply by withholding essential information and avoid its leakage to the customer. 	Will there evolve counteractions by local governments?

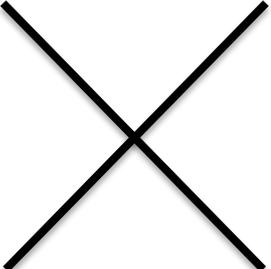
Certainly, there are more than the previous three trends that have an influence on the migrant workers' future. However, these three are the strongest and have the highest certainty of 'direct' influence. Others might as well still be extant in 2025 but their influence is less noteworthy since its impact level is subdued by its indirect connection with what migrant workers are going through. Depending on other trends and uncertain developments, as analyzed in the upcoming part of this report, these trends will have a say in how the specific scenarios will turn out to be, for which reason, four of these trends can be found in the Annex. Their level of influence as well as their level of certainty (to actually happen and uphold), however, can vary greatly between scenarios.

2.4 Identify key uncertainties

In this step of Scenario Planning, it is necessary to identify the key uncertainties. These uncertainties are defined as “events, whose outcomes are uncertain” (Schoemaker, 1995, p28), and will play a crucial role for the issues in question. The table below illustrates an overview of the uncertainties’ possible results and their positive and negative impacts on the situation.

Uncertainty	Possible Results		Positive Impact	Negative Impact
Will the Hukou system be abolished?	Yes	Free mobility of Chinese citizens.	<ul style="list-style-type: none"> Migrants receive the same rights as locals in terms of social security and welfare. Many more social services get accessible as a result. 	<ul style="list-style-type: none"> No control over citizens can result in regional labor shortages, whereas other regions may struggle with a labor surplus and strong job competition. Employment rates will differ greatly between provinces and migrants tend to commute between cities.
	No	Still increase of labor mobility but with restrictions.	<ul style="list-style-type: none"> Steady but slow improvement of inequality between migrants and urban locals. Better control over labor distribution. 	<ul style="list-style-type: none"> Remaining restrictions will keep up discrimination against migrants.
Will the level of corruption in Provincial Governments decrease?	Yes	Less corruption will lower the number of non-compliance cases in terms of labor rights.	<ul style="list-style-type: none"> Fewer non-compliance cases speak for an increase in CSR awareness which the central government and eventually local governments promote. International Labor standards will be implemented more often. 	
	No	More corruption means more power to the officials and executives while income disparity rises.		<ul style="list-style-type: none"> More corruption will drive labor right violations for the sake of profit and attraction of investors under false pretenses, while keeping labor costs low.

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Will labor shortages occur and how will they influence the industry?	Yes	Insufficient skilled labor force will slow down production and result in less reliability.	<ul style="list-style-type: none"> ▪ Labor shortages encourages rising wages and other possible benefits to attract migrants in order to fill job positions. ▪ Education and trainings will be a priority for governments in order to solve this problem. 	<ul style="list-style-type: none"> ▪ Unskilled workers will be left unemployed. Even college graduates are often considered unskilled, which forces them to take jobs below their expectations and even have to migrate.
	No	Labor shortages only occur in few regions that have not been promoted well or where simply too many jobs have been created, while the majority of job positions will be filled.	<ul style="list-style-type: none"> ▪ With enough labor force supply, fewer workers are laid-off or will find themselves unemployed. 	<ul style="list-style-type: none"> ▪ Power of workers decreases without “demand in labor” as bargaining chip. ▪ Job competition is fiercer.
Will competition with other cheap-labor countries become even fiercer?	Yes	The pressure on Chinese governments will push them to react in order to especially meet economic goals.		<ul style="list-style-type: none"> ▪ A race to the bottom ensues by local governments. ▪ Employment rate decreases because strong competition is the consequence of lost orders and laid-off workers.
	No	Less fierce competition gives China swing to focus on economic as well as responsibility goals.	<ul style="list-style-type: none"> ▪ CSR practices are more common and working conditions are likely to not get any worse. 	<ul style="list-style-type: none"> ▪ Labor shortages might occur in some regions other than hotspots, due to lack of skilled labor force. Higher productivity is required and if not met with sufficient labor force, overtime will be the probable solution to this problem.

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	Uncertainty 1	Uncertainty 2	Uncertainty 3	Uncertainty 4
Uncertainty 1		-	+	+
Uncertainty 2			-	+
Uncertainty 3				+
Uncertainty 4				

The interrelations between the uncertainties have been analyzed in the above table. According to the method Schoemaker (1995) was applying, it was done as follows: Does a “yes” answer to e.g. Uncertainty 1 affect the chance of a “yes”-answer of Uncertainty 2? Is this the case, it is a positive (+) correlation. A negative correlation would be a “No” answer marked with a (-), while (0) stands for no correlation. Based on this table there are a few uncertainties that can actually be combined, since they correlate and influence each other.

Combination of Uncertainties

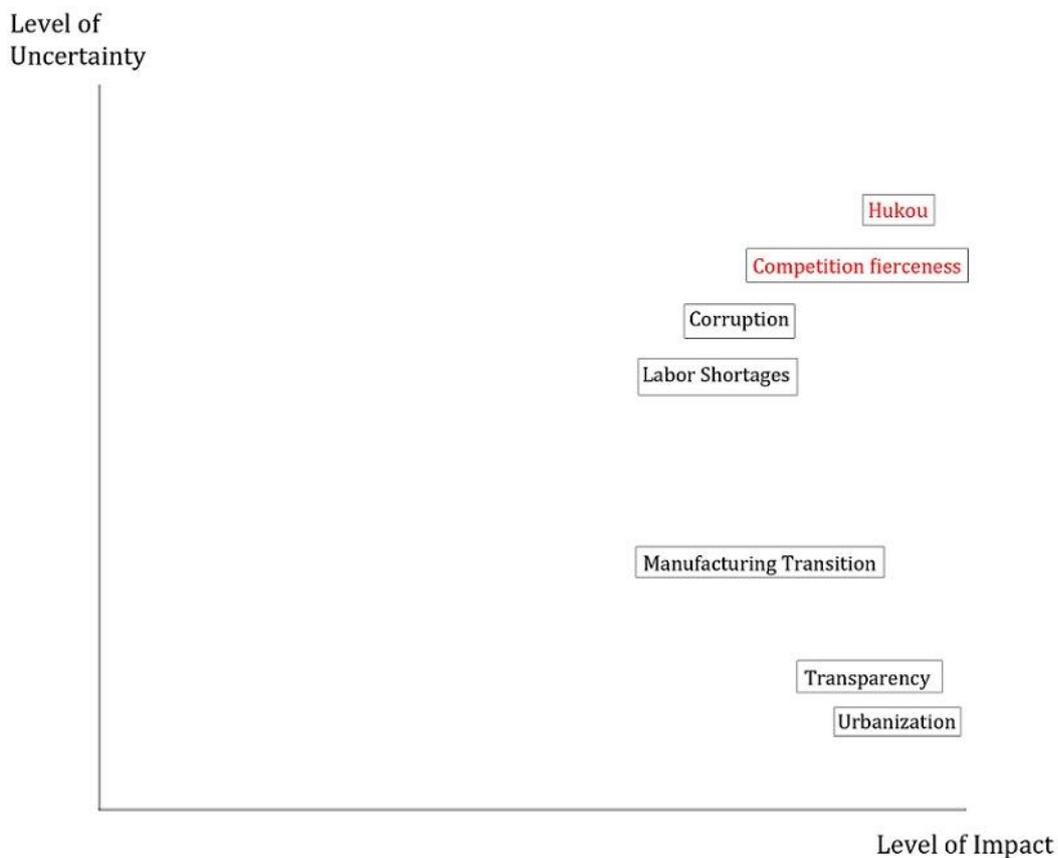
U1 +U3 (Hukou + Labor Shortage)

U2 + U4 (Corruption + Competition)

U3 + U4 (Labor Shortage + Competition)

The following step is to determine the most critical uncertainties that have the highest impact on the situation. The following graph also includes the trends that have been determined, simply to depict their influential power and level of certainty.

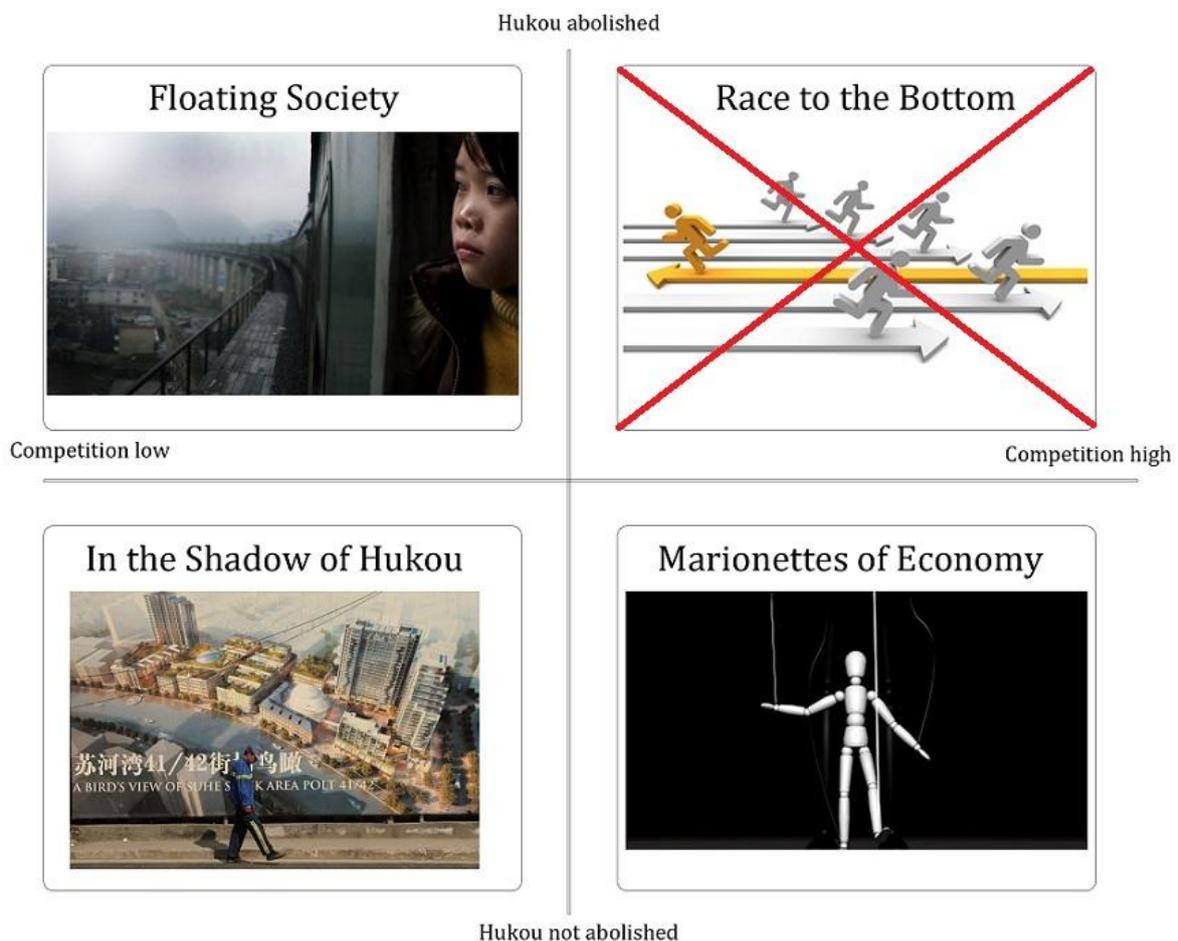
Note: Uncertainty here refers to how uncertain the general outcome of an event is.



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The graph on the previous page shows that the issue around the household registration system and the fierceness of competition are the two aspects that are the most uncertain and have the greatest influential power. For creating the scenarios it is now possible to cross those two uncertainties and see which other correlations (with U2 and U3) occur and how these interact in the scenarios.

The cross diagram down below shows the four different scenarios that could be created based on the trends and the correlating uncertainties that have been determined in the previous step.



Scenario 2 in the above cross diagram is crossed out. “Race to the Bottom” is a scenario which is unlikely to happen. The reason for this is that with a strong competition going on between China and other cheap labor countries, the government will most certainly not abolish the hukou system, considering the huge costs of it and the inconvenient competitive positions China would be holding. Therefore, it has been decided to not further mention or explain scenario 2.

2.5 Scenarios - 2025

2.5.1. Best-Case Scenario – Floating Society

How did the scenario come about?

Competing cheap-labor countries were not able to maintain their strong competitiveness which was mainly coming through the possibility of governments to exploit their citizens by violating labor rights and lowering labor standards. NGO's and IGO's discovered negative developments in these countries early enough to react on them¹². Bangladesh and other countries, such as Vietnam, Indonesia and Cambodia got their main attention in terms of violation of workers' rights, since the intensity here was significantly worse than in China. As a result, those countries would approach the requirements of UN and other institutions that were thoroughly pushing governments of developing countries to start improvement. Losing their exceptional cheap labor left many of the countries with major disadvantages in competition considering they were lacking flexibility in logistics, quality and sufficient labor force (Vietnam, Cambodia in particular) in order to supply to the high demands of global fashion brands, who demand clean, quality products. A transition from China to another production country was a very costly decision and would not have made up for this fact.

The abolishment of the hukou wasn't mentioned in the 12th five-year plan of China but developed somehow impulsively after reforms of the hukou have liberalized it up to a point where the abolishment would not be very far from reality. China's incentive to do so came mainly from its ambitions to improve quality of life, productivity, narrow the great income gap and to achieve a stable and harmonious society without discrimination. The latter actually was a major concern in China's 12th and 13th five-year plan.

The abolishment was a huge investment (according to one 2010 China Daily article around 1,65 Trillion Yuan for the first 5 years) suddenly providing millions of migrant workers benefits they had not yet received. Eventually the government was hoping to cover the costs with revenue of higher economic output and the rising domestic consumption also resulting from the higher urbanization rate.

The Scenario

Melting Pot China

In 2025 Urban China accounts for roughly 65% to 70% (Jefferies 2013 & MGI, 2009) of China's total population and provides the majority of labor for China's workforce. The urbanization has caused many cities to become home for a great diversity of ethnicities causing social tension between locals and migrant workers. The latter already accounts for more than 67% of the population of megacities such as Shanghai and Beijing (MGI). Despite the abolishment of the household registration system having decreased discrimination against migrants in terms of employment, changing the mindset and attitude of millions of urban-born Chinese is a much more time-intensive and complex issue than laws and regulations make it out to be.

Hotspots and Not-spots

Since it has become the people's own choices where they want to live and work, migration patterns have created a number of hotspots. Bigger cities still attract the most investment and many migrants, especially the talented ones, find their way to those cities because there are more career opportunities and working conditions are somewhat better. This is mainly brought about by the fact that companies

¹² Bangladesh changing the legal amount of working hours for workers which was raised up to 72h per week (Industrial Newsroom, 2012) or collapsing factory buildings (BBC, 2013) are just two examples.

here are better vertically integrated (Fair Wear Foundation, 2010) which means that profit margins are higher and Provincial Governments are even stricter in the enforcement of regulations. This, however, does not only have a bright side. The development came along with drawbacks that become visible in these megacities as well as in developing cities elsewhere. The majority of skilled laborers that is drawn to those high-population cities increase job competition dramatically, leaving many people unemployed and the locals increasingly fear for their jobs. As to avoid labor disputes and further discrimination by the local workers, these workers have been secured by a new unemployment protection policy issued by various bigger cities (assumption based on MGI, 2009).

The perks of freedom of mobility

The freedom of mobility among rural Chinese came along with many more rights they now receive as opposed to decades before. It entitles them for social security including health care, pension schemes and allowing migrant children to access public and first-class state schools, since discrimination of noncompliant institutions is punished severely by government executives. The enforcement in this matter is mostly followed through with since education has become more important for reaching future economic goals and shortages of skilled workers needed to be avoided in order to achieve those.

Ambitions of migration control

With so many migrants streaming to the megacities and a flourishing economy, short-term labor shortages increased in some regions that were still developing. Consequently, Central Government and local ones tried to remain control over migration by promoting “purpose-specific” policies in combination with more vocational training (also by NGO’s under governmental control – GONGO’s) in order to convince or even bind potential workers to the regions where labor force was in demand (Embassy of Sweden, Beijing, 2013). At the same time, the skilled labor surplus of the megacities moves migrants that aren’t successful in the bigger cities, to eventually set out for the middle-sized cities in the economic hubs around those megacities, which strongly developed during urbanization of the last decade (MGI, 2009). The overall level of satisfaction in the East has decreased because of these developments.

Purpose specific promotions and policies are being published regularly since the beginning of 2020’s, because this was the only way to alter migration patterns. China also experienced larger labor shortages in 2020, when it was short of 40mio women, especially affecting the garment manufacturing sector.

A new shape of the garment sector

It was thus necessary for attracting workers to the regions of demand because the trend of the transition in garment manufacturing has caused many of the major brands to source from those regions, especially from the China’s central. The reason for this is not the fact that labor costs here are some 5-10% lower (assumption based on Embassy of Sweden, Beijing, 2013) as compared to the East, because logistic costs rise with the transition to Central China. But most investment flows to central provinces such as Henan, Hubei, Sichuan (Embassy of Sweden, Beijing, 2013) while cities as Chengdu, Chongqing and Wuhan have become megacities and provide a huge number of medium-sized cities close-by, creating an economic hub and a strategic location for manufacturing plants (MGI, 2009). Another reason for sourcing from these central and western hubs was the supply of labor force which was still mainly coming from rural China. A positive development which is reflected in the level of satisfaction of migrant workers, mainly resulting from being closer to home and their families. With the hukou abolishment the rise in wages eventually slowed down, because of the extra costs that enterprises and local governments now had to cover. However, migrants in Central and West

China are earning more of a living wage because costs of living are still much higher in the East (Embassy of Sweden, Beijing, 2013).

A new mindset in a new environment

It is not illogical to think that the abolishment of the household registration system caused the numbers of migrants to rise significantly. The new labor mobility, however, also cause the society to be less interested in settling in just one place. Rather they are seizing their chances and take whatever they see fit for the moment, often engaging in 'job-hopping' (OECD, 2013). For those migrants that are actually settling down in a city, the living conditions have become much better. The high demand of affordable housing was reason enough for huge investments in the construction sector (Jefferies, 2013). Not only did this fuel the construction of affordable houses and infrastructure, but migrants are also entitled to participate in housing programs offering them discounts when purchasing, since the hukou cannot intervene anymore (Fang C. & Yang D. 2010).

China's way of westernization

Transparency itself has proven to be a trend very much appreciated by customers as well as by the enterprises themselves. Due to the competition of other cheap-labor countries not having become threateningly fiercer, CSR practices turned out to benefit China's garment manufacturing industry. The satisfaction of customers in terms of quality, cleanliness and flexibility of Chinese garment enterprises has proved to outstand any country that tries to charm off the pants of their competitors by just lowering labor costs. Corruption has become a term that is less spoken off, although it still happens occasionally among government officials, but working conditions were generally better and the number of noncompliance cases reduced quickly.

Although, in the beginning, lacking some incentives for implementation of Corporate Social Responsibility, China's Inland caught up very quickly now being on the same level with the coastal regions. The only entity that seems to run behind and represent the late adopters of CSR, are small-sized enterprises with employee numbers below the 500. These manufacturers however are getting more and more attention by NGO's and IGO's trying to collaborate with them and engaging in CSR-practices and initiatives as a tool, capable of meeting economical as well as responsibility goals. They are also assisting China with its labor shortages. For instance, the One-Child Policy has been reformed in 2014, yet its effects will not be visible in China's workforce until the year of 2030 when the new generation reaches the legal working-age. In the meantime, China as well as NGO's improved education and vocational training with plans such as the "National Medium- and Long term Talent Development"- Plan. As of 2025, approximately 50-55% of China's 700mio people workforce is indeed skilled (assumption based on Eurasia Group, 2011).

It is to assume that based on current developments and trends, not so far from now, China will catch up with western countries in terms of labor rights, product safety and urban-rural divide. Other issues, such as work safety, public and occupational health and especially environmental sustainability will need much more time as the gap of standards in the past was too great, while labor rights and migration issues had received most attention in recent years.

2.5.2. Most-likely Scenario – In the Shadow of Hukou

How did the scenario come about?

In this scenario as well, the competing cheap-labor countries could not maintain or let alone, improve their competitive position in the garment making sector. Competition for China, thus, is not as fierce and orders keep coming to Chinese enterprises. The trust in China as the “World’s Factory” has not yet worn out and recent developments promise a continuing competitive advantage.

China’s Central Government chose not to take the big step and abolish the household registration system completely. Instead, considering the high costs it would have resulted in, it has been decided to take China’s capital and invest it more appropriately to solve various problems the government is confronted with and to support the more important, developing industries. Along with this decision, the government still adjusted the household registration system with reforms in order to reduce its discriminatory character, create more equality and give migrants more rights and benefits.

The Scenario

An almost harmonious coexist

China’s ambitions as stated in their 12th and 13th five-year plan seem to have paid out. The government has created a society that is becoming more and more harmonious, with a lower income disparity, less discrimination against rural workers in the urban cities and a 2nd tier and 3rd tier city economy which caught up with the economic output of the eastern regions. While the discriminating hukou system itself has never been abolished, it saw strong reforms in order to reach the government’s goal for urbanization and equal treatment of people. With roughly 240 million more migrant workers (MGI, 2009), urban China is now a melting pot of Chinese citizens from all around the Mainland, which has in the past been the cause of great discrimination against people without an urban registration. Even though, discrimination against migrants does still exist among urban workers and few employers, it has become much more bearable and is happening in less extreme extent since the government published notes on it being illegal and violations being penalized severely. Furthermore, local governments are inclined to enforce those regulations and laws in order to create a work environment attractive to potential migrants that are needed for filling possible labor shortages.

A healthy symbiosis

Migrant workers are still the pawn in the hands of the government which campaigns and introduces policies that benefit the Chinese economy, but they too, benefit from these actions. Government policies aim to make as much use of Chinese labor force as possible, while providing sufficient jobs and trainings for migrants to not be unemployed and greatly contribute to China’s economy. On account of local governments having introduced similar policies that make the process of obtaining an urban hukou much easier and without the almost-impossible-to-meet criteria, migrant workers actually enjoy much greater freedom. The access to social benefits, welfare and medical insurance has been made easier, while education for migrant children has improved drastically as well. In bigger cities, most children of migrants enjoy equal education and are allowed for admission to elite schools without being discriminated against or paying extra fees as it was common in the past. Even the rural education has improved with the help of high investment by governments who were focusing on this very issue. These developments promise an even more harmonized and equal coexist in the near future.

A lack of women & allocation of happiness

Unfortunately, not every aspect has improved in the migrant’s life. China is a big country and therefore local governments are equipped with power for interacting and assuring that resources are

used in the best possible way which, in times of labor shortages, pressures them to 'control' workers' direction of migration.

By 2020, China's was short of 40 million women (BBC News, 2006), seriously affecting the situation in garment factories around Mainland China as well as the overall situation in people's private lives. The great majority of labor force still comes from rural China and female migrant workers tend to work closer to their home and family, significantly improving their quality of life. That was also a reason for a decreasing number of labor disputes in these regions, since people working in the central and western provinces are generally more satisfied – less discrimination, lower costs of living, easier job-hunt were the main reasons. The big cities like Shanghai, Guangzhou and Beijing attract a large number of college graduates that are seeking to seize their opportunities, which however, resulted in a labor surplus in those cities. The consequence from this is, that many of those competing migrants are eventually 'dispatched' to work in the smaller 2nd- or 3rd tier cities in economic hubs around those megacities. Especially the 100 million new college graduates (Statspotting, 2013) are less satisfied, since they are often left with jobs they perceive as 'underneath their dignity', which has resulted in recent disputes by students and graduates that reach more and more people with the Chinese continuingly getting more acquainted with the use of internet (Jefferies, 2013).

Struggling for labor supply

There were few actions taken by the government to fight labor shortages. One of them was the investment in the primary industry, more specifically, to boost productivity in agriculture in order to absorb a resulting labor surplus of this industry (CNN Management, 2013).

Local governments were also forced to, in general, 'prepare' and absorb labor supply from rural China, mostly by early promotional activities during education of rural citizens and putting emphasize on the benefits "long-term"-migrants can get from this kind of work (obtain urban hukou, career possibilities etc.). The 'National Medium- and Long term Talent Development'- Plan helped China to educate more people in rural China and prepare the potential workforce for later occupations.

The Central Government had predicted labor shortages early and has reacted with a reform of the one-child policy in 2014 (assumption based on The Guardian, 2012). According to the new reform, urban citizens now have the same rights as rural citizens and if applicable¹³ have a second child. This reform however, won't show its effects on the Chinese labor force until this new generation will reach the working age at around 2030.

Nevertheless, it might seem that luring Chinese citizens to migrate is somewhat morally reprehensible, taking away their freedom, but at the same time this is the way of stimulating the economy and keep society stable, by providing jobs when jobs are needed. With China still being the number one garment manufacturer in the world, these regulations led to a lower unemployment rate and consequently less unrest, while more and more migrants started to feel themselves accepted and a part of something bigger, with more options in life. Projections of China's middle class rising and income gap narrowing came true with minimum wages rising steadily throughout the last two decades, especially in the Inland of China.

Hukou's shadow

By balancing out labor shortages and level of productivity in the way the government is doing it, migrants remain the major part of the workforce suffering from their noncompliant enterprises that sometimes still seek higher level of competitiveness and greater profit. Although this is mainly limited to longer working hours and slightly lower wages as compared to their urban co-workers, further

¹³ This means, if the first child is a girl, the parents are allowed to have a second child.

improvement needs to be established in the future as to get rid of any potential cause for societal instability.

China's way to full adaption of CSR

Generally speaking, people have become a way more important aspect and are mostly being 'put first'. A sign for this development is the fact that CSR has reached middle-sized enterprises, who now engage in CSR practicing and reporting as a strategic tool to not only satisfy current customers but also to attract those that might not fully be convinced of outsourcing options in other cheap-labor countries. The demand for CSR by customers has increased as well. Something that China has welcomed because this gives the number one manufacturing country a clear additional advantage towards competitiveness. The trend shows a demand for clean, quality products for a reasonable price and in a flexible work environment. While competing cheap-labor countries are struggling with the requirements of customers, China's small-sized enterprises in garment manufacturing will also have to adapt to this trend in order to enhance chances for business expansion. Fortunately, NGO's and development programs of the UN further support equality among the work force and provide more individual-fitted services to companies who are interested in taking on the step towards an improvement of ethical business.

2.5.3. Worst-Case Scenario – Marionettes of Economy

How did the scenario come about?

Cheap-labor countries as Bangladesh, Cambodia, Indonesia and India have gained more attraction of customers, which made competition for China as a production country fierce. With recent foreign investment in these competing countries, they managed to catch up with China's technology and logistic abilities since more and more companies from competing SEA countries stitch together, forming strategic alliances and becoming more of an economic threat with their cheaper labor.

Accidents in garment factories have in the past caught the attention of NGO's and global brands who would press for improvement of workplace safety and general working conditions. Ever since then, the situation improved and the 'responsibility-gap' with China got a little closer.

The fierce competition has cost China a huge number of global customers and therefore slowed down the garment industry. Back in 2012, reaching a strong domestic market and consumption was foreseeable but the spending power and spending pattern of Chinese is not enough to reduce dependency on the export market sufficiently. Forced to act along the circumstances China was finding itself in, the government would not decide to abolish the hukou system, since control over migration has rarely been so important as now and the costs of providing hundreds of millions of migrant workers with additional benefits could not be covered while trying to regain a competitive position.

The Scenario

Losing grip

Migrants have become marionettes of China's government and its economy. Improvement seems an illusion that originates from governments' approaches to reduce unrest in society while the fierce competition with Indonesia and other cheap-labor countries puts pressure on Chinese garment manufacturing sector.

China is torn between reaching its economic goals, stimulating and driving the export economy, and its responsibility goals as stated in many notices and plans before, addressing social problems of millions of migrant workers (APCO Worldwide, 2010).

The Lewis Turning Point that China seemed to have reached since the first decade of the 21st century has left the country with rising wages and therefore less competitive character. Meanwhile, China's garment manufacturing has experienced a major transition to the Inland of the country, where the labor supply was coming from and its pure labor costs were 5-10% lower as compared to the East (Embassy of Sweden, Beijing, 2013). However, cheaper labor could not and does not make up for additional logistic costs from the transition, despite all efforts in improving infrastructure. In its attempt to lure investors and customers with plans of free trade zones in these new economic hubs, the government noticed that this would not keep them competitive for long as differences in labor costs between the East and West kept narrowing.

There was thus no obvious competitive advantage from the new economic hubs that developed with China's urbanization, besides the bigger labor force supply coming from rural China. This supply, however, had to be shared with developing Strategic Emerging Industries (SEI) as stated in China's 12th five-year plan (APCO Worldwide, 2010).

China's 12th five-year plan also made intensions clear about pushing the domestic consumption along with the rising middle class. Consumption increased just slightly because spending patterns have been influenced by the low job security many workers have. Due to this, it did not cut China loose from the dependence of export trade and foreign investment.

Racing to the bottom

While competing countries managed to remain cheaper in labor, it has become once more the idea of local governments to fuel the economy by offering up labor conditions of workers, more specifically, migrant workers since they were easier to exploit due to the hukou system still being active.

The hukou system was promised to be reformed to benefit migrants, but reforms have not given them much more freedom. On the one hand, migrants receive access to more social services and benefits since 2015 (MGI, 2009) and wages kept slowly increasing. On the other hand, their chances of obtaining an urban registration were still quite low, with exception of the few remarkably strong-growing provinces like Henan and Hubei (Embassy of Sweden, Beijing, 2013), where local governments have lowered the criteria. Keeping up the high criteria was a discriminating act by central and local governments who were trying to retain an obedient and easy-to-manipulate workforce without including urban workers in their exploitation. The household registration system, thus, is still being used in order to control migration and with it, employment distribution and exploitation.

Quasi-CSR

China's responsibility goals as stated in previous five-year plans may even seem to be met. CSR had gained a lot of attention at the beginning of the 2010's, when around 80% of enterprises were aware of the CSR concept (Embassy of Sweden, Beijing, 2013). Despite predictions and government promotions, CSR has experienced a slowdown in recent years. The trend 'Transparency' was confronted with bitter obstacles such as the level of corruption and continuing violation of labor rights, whereas the migrants' situation was improving well beforehand. Chinese enterprises therefore have developed ways to hide those issues for the sake of satisfying customers as well as maintaining economic output, while local governments started a race to the bottom themselves, competing not only with other countries but also with other Chinese provinces. This development was especially visible in cities as Wuhan and Zhengzhou where much investment was flowing to due to a good network of small- and medium sized cities around them and the transition having resulted in a big number of settled enterprises. (assumption based on MGI, 2013). The natural result of this was a rising number of labor disputes initiated by the suffering migrant workers, which would reach a broad public since China now has around 1 billion citizens with access to internet (MGI, 2009), resulting in major unrest

and societal instability. The main issues addressed in these disputes are lower wages as well as wage arrears and job security.

CSR has become a promotion tool for attracting customers that were embracing the trend of ethical business, which is yet to be fully embraced by China's competitors who just recently started to practice it more seriously. In fact, however, enterprises hiding labor right violations and local governments 'allowing' it by turning a blind eye on it, gives the impression of China rather engaging in 'quasi-CSR'. According to the governments, not all parties can be satisfied in short-term, which is the reason for this development. Since China can't compete well based on just labor costs, many enterprises now focus on other either relocating plants to SEA themselves (The Wall Street Journal, 2013) or other competitive advantages like expertise in manufacturing, a huge labor force and a high level of flexibility.

Although the trend of Transparency has worn off in recent years and the quality of CSR-implementation of Chinese enterprises is increasingly questioned by NGO's and IGO's, China still has a considerable number of global brands outsourcing from their factories, despite labor violations. After all, many of these brands whitewash the conditions in China by expressing how much worse the conditions are in the cheaper countries.

Enforcement trouble and waiting for change

Even legislations that are published by the Central Government do not have much influence on the migrants' situation. Despite them being benevolent, those legislations do not alter behavior towards migrant workers if local governments do not enforce the law properly as they are racing to the bottom. This development could already be witnessed in the past, especially during the 90's and the Anti-Sweatshop Movement.

As soon as the focus on quality, service and flexibility starts to attract new brands to outsource from China, an improvement becomes more likely again. Until then, however, the speed of improvement as seen between 2005 and 2015 will not be reached and the situation will merely change.

3.0 Conclusion

Based on previous research of trends and uncertainties in this matter, “The shadow of hukou” is the one scenario that is the likeliest to come true. Like the scenario “Race to the bottom” has been taken out of consideration because certain events and reactions of stakeholders were highly unlikely to happen, “The shadow of hukou” contains aspects that make it more probable to come true.

- Total hukou abolishment is costly and loosens control over the movement of 1.4 billion Chinese. Other goals, that could become higher priorities, therefore might not be reached because of lack of control and lack of financial capital. The central government will try to avoid this.
- SEA Countries are in NGO's center of attention due to major labor right violations and their public broadcast putting many global customers in a tough spot concerning businesses' ethics.
- China's position in garment manufacturing market is too strong to completely change within 10-15 years.
- The actions that China was focusing on during the first decade of the 21st century were quite similar to the ones described in “The shadow of hukou” and proved to have had its benefits for the People's Republic. Thus, it might be profitable to follow through with a same approach.

According to this scenario, the situation of migrant workers in the garment-making sector will continue to improve quickly in the coming years. Wages keep rising, the majority of migrants will have social security and pension schemes. Working conditions will improve as well with the transition, but remain tough in various enterprises. The positive development will not erase the traces that human rights and labor rights violations have left behind throughout the last decades and bad conditions will not be completely diminished. Yet, progress in improvement is fast and very promising.

Despite the fact that “The shadow of hukou” seems rather neutral than strictly positive or negative at first sight, it is actually the better case scenario because most stakeholders are in a better position as opposed to the “Floating Society”-Scenario, which makes for a more harmonious coexist between all parties.

As described in the scenario itself, it can be concluded that in coming years, China's government will follow through with its plans of tackling inequality and trying to create more harmony in the People's Republic. This requires a lot of actions, law enactments and new policies as well as reforms of already existent laws or regulations such as the liberalization of hukou which will result in much greater freedom and equality.

When giving credit to what the scenario describes, there are still three major reasons for working conditions remaining tough in some regions of Mainland China. Firstly, the labor shortages that Chinese Government has inflicted itself with, by introducing the One-Child policy also resulting in less satisfaction because of the shortage of women. The second reason is the discriminatory mindset of Chinese citizens towards rural Chinese and other ethnicities. And lastly, the fact that CSR has not yet trickled down to the smaller enterprises in China contributes to the 2025 situation still being in need of improvement.

The overall situation does not only need improvement for the sake of migrant workers though. Some of the key stakeholders as well, find themselves in a position that might not be completely ideal for their purposes. Therefore, actions need to be taken in order to adapt better to the situation and reach individual's goals. In order to do so, the following part gives strategic advice to brands that are global or will go global, and explain what the situation means for the remaining stakeholders.

3.1 Strategic advice for global brands

Strategic advice can only be given when taking important background information of the company into account. In this case it means that some questions have to be asked before proceeding and giving advice on how to act in this economy and market.

What is the current sourcing status of a brand? Is it a brand that is already engaging in outsourcing? If so, where does it source from and what does it source? Fabrics, yarn, complete garments? If not, is it considering outsourcing or does the brand have expansion plans? Is the brand planning on entering new, unknown markets?

As to give the most suitable advice for the scenario most likely to come true, it is thus necessary to categorize brands. What follows is the strategic advice given to three sorts of brands, each in a different sourcing-situation.

The ones outsourcing from China

While some of the bigger manufacturing enterprises already have relocated production to the South East Asian countries (from now on referred to as SEA¹⁴) and some global brands transitioned with them or by their own, to South East Asia, the majority has not yet taken this huge step and thus, still source from China. Brands do not make 5-year decisions but rather 15-20 years decisions and need to take all costs and consequences into account. A transition to another production country is very costly and because of that, often protracted, while it bears not only financial risks. The image of the company might suffer from it as well as the quality of products or even lead-times.

Thus, brands are left with two options within the realm of China Mainland. Both seem feasible depending on the brand's situation and market demands. Yet, their drawbacks might also push them to seize opportunities outside of China as well (see following parts).

	Eastern region	West / Central of China
Pro's	<ul style="list-style-type: none"> ▪ Very likely that brand is already sourcing from here, which saves costs of transition. ▪ Better logistics and shorter lead-times. 	<ul style="list-style-type: none"> ▪ Sufficient labor supply and more satisfied workers. ▪ More cost-efficient if 2nd and 3rd tier suppliers are located here as well.
Con's	<ul style="list-style-type: none"> ▪ Labor shortages occur more often and stronger than anywhere else resulting in drop in reliability. 	<ul style="list-style-type: none"> ▪ Brand or enterprise needs to transition or find a new supplier from this region => high costs

Besides the aspects that are discussed in the table above, there are two more that need to be taken into consideration. Depending on the brands engagement or interest in Corporate Social Responsibility, CSR is a bit more common in the East. However, the CSR-gap between East and West/Central will narrow quickly in coming years and completely have disappeared by 2025. The same is true of labor costs. Human resources are more costly in the East, while workers in the West get paid 10-25% less (China Briefing, 2012), but this gap will narrow as well, leaving China with just a few provinces whose local governments remain with somewhat lower minimum wages than others.

¹⁴ When referring to SEA, the most noteworthy countries here are the ones that have experienced a steady increase in export, in recent years. To name a few: Bangladesh, Cambodia, Vietnam, Indonesia, and Myanmar. Furthermore, India and Pakistan do not belong to South East Asia, however, in this report, it is counted as one of them considering their competitive position being very similar to SEA countries'.

The advantage of this last fact is that if brands decide to transition to the Inland of China and act quickly, the lower labor costs can cushion the investment of this transition. Since logistic and distribution costs rise with this transition, total labor costs will amount for almost the same and profit is not necessarily higher.

There are many factors that influence strategic decision-making in this case. There are pro's and con's on both sides, as much as there are two other options that will be explained further on.

It depends on what brands consider their core values with a supplier and what financial sources they have. In terms of staying in Mainland China - If it's reliability and a good brand perception that a brand holds for inevitable, then a transition to the Inland would be the better of the two options. Is the focus rather short lead-times and more cost-efficiency in respect of export, then the brand should keep outsourcing from where they are sourcing from right now – the East.

The ones outsourcing from SEA

Brands that source the majority of garment production from SEA have either started their business by doing so from the very beginning or at some point decided to relocate its production. The main reason for sourcing from SEA countries in the past, certainly has been the cheap labor.

However, recent developments in countries such as Bangladesh, Cambodia and Vietnam, as much as the legal backgrounds of countries as India where the “Worst Forms of Child Labour” ILO-Convention is not even ratified, put brands under pressure. The situation is delicate and reminds of the triggers that caused the Anti-Sweatshop Movement of the 90's. Brands therefore, need to be cautious and act along strategically as much as responsible, in order to keep brand perception as good as possible.

Not only this specific situation, but also the political instability of some of those countries and their shortcomings of labor supply, technological progress and labor standards gets in the way with expectations of potential customers and even existing ones.

Pro's	Con's
<ul style="list-style-type: none"> ▪ Cheapest labor options worldwide. ▪ Prices of Commodities are usually lower. (China Sourcing Blog, 2012) ▪ Have experienced great investment in recent years. 	<ul style="list-style-type: none"> ▪ Labor costs rise almost as quickly as China's labor costs. (Want China Times, 2012) ▪ Labor disputes and strikes are common. Consequently, reliability in respect of lead-times drops. ▪ Logistics and infrastructure is not as developed as China's.

Brands that are already sourcing from SEA countries do not have too many options in their geographical realm. A brand must reflect its position in Social Responsibility and if it's worth remaining in that position or not. Is it more profitable to change the brand image, becoming more responsible, or to keep the costs as low as possible, hoping that suppliers are able to clear the brand's name from harmful press publications.

Big brands such as H&M or C&A have consolidated suppliers in SEA and emphasize how important social responsibility is for them by publishing annual reports that disclose the apparent situation in the production facilities. How much trust can be given to these reports, though, and how much can the customer trust 'green' campaigns of brands like H&M that are being held in such high esteem? (Greenfashion.net, 2013)

Reports and black listings by well-known NGO's caused some brands to hit the headlines and become the center of attention, while an increasing number of consumers too, become conscious about working conditions in SEA.

All in all, circumstances in these countries leave brands sourcing from there with just little swing. For those looking for a reliable supplier that is able to satisfy customers with sufficient labor force, quality products and short lead-times just like China, it is recommended to look for strategic alliances between several suppliers or enterprises from various SEA countries and exploit tariff-free export zones within the ASEAN realm. While the labor cost gap between SEA and China will narrow in coming years, such international partnerships might help enterprises and brands to regain a higher level of competitiveness, focusing on more than just cheap labor. Competitiveness will also be further strengthened by improvement of labor standards which can be brought to public with more transparency, counteracting the black listings of NGO's and using them to audit or inspect production facilities.

The ones considering outsourcing from cheap-labor countries

New brands or brands that are about to expand business will most certainly consider outsourcing simply for the sake of logistics, distribution and more cost-efficient production opportunities.

Here it is also of importance what kind of retail strategy a brand applies, what core values the brand has and where its major market is located. A trend that has experienced a strong increase in adopters in recent years is "Fast Fashioning" and plays a crucial role in the way outsourcing is done. Fast Fashion is a retail concept which is strongly based on renewal of affordable fashion styles, quick replenishment circles through short lead-times and generic instant gratification of the consumer. Fast Fashion is also very common for representing lower quality products that are usually resulting from cheap labor and lacking labor standards (The Guardian, 2012). Brand executives need to take into consideration where the brand's major export market is located (besides aspects as suitability of suppliers etc.) and also based on this information decide for a location to outsource from. If for instance, the European and the Mid-East market are major export markets for a brand, Near-Sourcing becomes a very attractive option. Near-sourcing in this case simply means outsourcing from a country which is close to export markets, while its production capabilities most often meet the standards of customers. An additional advantage besides the strategic location is the fact that there are some countries that are even able to compete with China, India and SEA based on labor costs. The most noteworthy countries that need to be mentioned here are Bulgaria, Turkey and Romania which are located perfectly for a distribution to the Mid-East and Europe, while Tunisia too, provides great opportunities in this matter.

For Fast Fashion retailers, Tunisia is of most interest since it is highly reactive and produces and delivers garments faster than most other countries (Think Tunisia, 2009).

Naturally, those countries have their drawbacks as well. However, the less common implementation of CSR and lack of commodities might become just minor problems if handled well. In return, Bulgaria produces on a similar labor cost level as China (332€ per month in 2010), while increase in wages happens on a significantly slower pace as opposed to Asian countries (BAATPE, 2011).

The decision-making process in this 'category' is even more difficult, since all options are still open, all questions need to be asked and all aspects need to be taken into account. As to find a suitable sourcing region, it is helpful to look at ones core values in business and their correlation with the

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company's competitive strategy. The following table shows core values appointed to two of the three competitive strategies a brand might choose, according to Michael E. Porter.¹⁵

Cost-leadership strategy	Differentiation strategy
<ul style="list-style-type: none"> ▪ Price ▪ Instant gratification (Fast Fashion) ▪ Integrity (towards affordability) ▪ Flexibility 	<ul style="list-style-type: none"> ▪ Design & Quality ▪ Service ▪ Responsibility (Social and environmental) ▪ Integrity (towards service)

With conducted research and a close look at the above table it can be said that China resembles a better place for those brands that adopt differentiation strategy, while SEA as well as Bulgaria and Tunisia favors Cost-leadership strategists. The reason behind this is the fact that according to China's 12th five-year plan, it is moving up the value chain by pushing value-added production and value-added industries, meaning China will focus on higher quality and a "Designed in China-not-Made in China" attitude. Meanwhile, especially SEA countries will still be very much focused on remaining cheaper, which they also will be, according to given scenario. However, they will also push investment for improving ports and countries' infrastructure, logistics and in general flexibility in order to be able to respond quickly to demand. Bulgaria and Tunisia on the other hand are a match for Cost-leadership strategists because those countries are cheap as well as strategically situated and highly responsive and flexible respectively.¹⁶

In the table below, the outcome of above analysis is summarized in a more comprehensible way. It displays the three different brands as categorized before, the total of 4 options that have been defined according to each category and the related competitive strategy according to Michael E. Porter. Each cell in between outlines under which circumstances or for what reasons the specific option might or should be chosen.

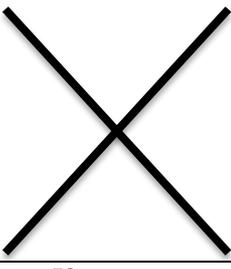
Should source from ... ¹⁷	Outsourcing from China	Outsourcing from SEA	Not yet outsourcing	Strategy
China East	<ul style="list-style-type: none"> ▪ If short lead-times are inevitably the key objective ▪ If Asian markets account for major consumption ▪ If high-value production is key objective 	<ul style="list-style-type: none"> ▪ If high-value production becomes key business objective and strategy shift is considered ▪ For improvement of logistics and distribution 	<ul style="list-style-type: none"> ▪ If high-value production is very important to business ▪ If Chinese market is targeted or expected to become big consumer market. 	Differentiation
China West	<ul style="list-style-type: none"> ▪ For cost- 		<ul style="list-style-type: none"> ▪ For <i>some</i> high- 	Differentiation

¹⁵ Michael E. Porter is a Harvard University professor and a well-known economist with a leading role in company strategy. He was subject and inspiration to many lectures of "Textile Engineering and Management", for what reason a part of his competitive strategy model is used in this report.

¹⁶ China does not exclude the option of being suitable for cost-leadership companies, nor do SEA countries exclude the option of high-quality production, however, considering each regions' expertise and resources, eventually it might not be as profitable and efficient as sourcing from the competing country/countries.

¹⁷ Naturally, it is possible to source from more regions than just one. This report, however, focuses on each option's specific advantages.

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	efficient commodities sourcing and more reliability		value production opportunities ▪ If China market is targeted and for yarn-to-garment sourcing	
SEA stitched together	▪ If costs for commodities & labor raise prices exceeding the limit customers are willing to pay	▪ If not considering options outside of SEA, this will be very advantageous	▪ If looking for the cheapest sources of labor and commodities	Cost-leadership
Near-Sourcing (BG, TN etc.)	<ul style="list-style-type: none"> ▪ If considering Fast Fashion as retailing concept ▪ For shorter lead-times to Europe and Mid-East markets 			Cost-leadership

With help of this report other stakeholders too, know what to expect from the future and in what position they might find themselves in. In consideration of future developments, stakeholders can use this information in order to avoid negative outcomes of certain decisions or even increase improvement of their situation.

- Chinese factory owners will need to focus more on flexibility and integrity as their core values, so they can improve their competitive position in the near future.
- The Central Government seems to be on the right way for achieving the goals of their 12th five-year plan. The positive economic development of China which in the near future will reserve them the title of “The World’s Factory”, allows more swing to focus on internal issues such as societal stability. Thus, China can and has to focus on the battle against corruption among their own people. Future developments are beneficial for the government as well as for China’s people but law enactments and plans need to be pushed to the local level more severely so that lack of enforcement and noncompliance will become less of an issue. The All-China Federation of Trade Unions can support the government as its right arm and mouthpiece.
- Shareholders can use this report to see in what direction the sourcing-market will develop and use it for strategic decision-making together with the owners and executives of the enterprises as to generate greater profits.
- Employees are the ones who keep alive the exertion of discrimination against their rural colleagues in the workplace. Naturally, the hukou does its job in discriminating against migrants as well, but this will improve and it will bring much more freedom and rights to the migrants. Meanwhile, urban citizens hang on to their mindsets making life of migrants tougher, which is also not going to change in the course of the coming decade or two.
- What NGO’s can see in this report, is where the focus should be lying on. When using this information, they can effectively approach the rather neglected smaller sized enterprises (according to the scenario) that are the late adopters of CSR and the implementation of international labor standards.
- IGO’s like United Nations may proceed with their supportive educational programs and the monitoring of labor standards. Their involvement with China might at some point push them as far to finally ratify the remaining 4 ILO-Conventions which would further westernize China and push it towards a more socially responsible economy.

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Pictures used:

Cover photos:

http://4.bp.blogspot.com/_s9bZUCtws8c/S7WlcKuoziI/AAAAAAAAABPk/rzFNmAq6oE/s1600/Last_Train_Home_filmstill2.jpg

<http://upload.wikimedia.org/wikipedia/commons/thumb/e/ef/ChinaGrey.png/745px-ChinaGrey.png>

Scenario Cross:

Scenario 1 – Floating Society: <http://genevaanderson.files.wordpress.com/2010/09/lasttrainhome-photo01.jpg>

Scenario 2 – Race to the Bottom: <http://www.smallbusinessmarketingconsultant.com/wp-content/uploads/2009/12/race-opposite-directoin.jpg>

Scenario 3 – In the Shadow of Hukou: http://www.rfa.org/english/commentaries/energy_watch/tax-03182013112421.html/china-property-march-2013.jpg

Scenario 4 – Marionettes of Economy:

<http://lh3.ggpht.com/bokustex/SKPXI0u8eAI/AAAAAAAAApw/GQ9XDPPstGY/s400/master%2520of%2520puppet%2520marionette.jpg>

I. Annex

Trendmodel



II. Annex

Other mentionable trends

Rising of the Middle class	Connectivity	Fast Fashioning	Near-Sourcing
<ul style="list-style-type: none">• The middle class in China has experienced strong growth in recent years and the trend is very certain to continue. The government addressing the big income disparity hoping for solving unrest problems, and raising minimum wages greatly contributes to this trend (MGI, 2009).	<ul style="list-style-type: none">• Connectivity is a trend that plays a major role for Transparency. People are getting more and more connected with each other by using Internet or rather mobile Internet on smartphones. Not only will this change the way of communication, but it will also give people the possibility to reach and address more people easier and quicker. In terms of labor disputes, this might put the government and even its press censorship under pressure. By 2025, there will be 1.1 billion netizens in Mainland China (Jefferies, 2013)	<ul style="list-style-type: none">• The fast fashion trend that developed quickly in recent years seems to continue and serving as inspiration for new entrepreneurs to enter this fast fashion market, where the key values are instant gratification and a sufficient choice of different fashion styles, while quantity stands above quality and lead times are crucial to business (Guardian, 2012).	<ul style="list-style-type: none">• With steady increase of wages in the Asian manufacturing world, more and more brands that operate on the European and middle-East market, consider Near-sourcing as a much more cost-efficient way to supply retail stores. This trend is also fueled by the rise of fast-fashion which demands short lead times and strategically located manufacturing and distribution plants. Among the most popular destinations belong Bulgaria and Tunisia (Textiles Intelligence, 2012 & BAATPE, 2011 & Just Style, 2007)

Note: Just Style has been consulted because the formerly used source is not available anymore. The source was "Textile & Clothing Industries" by www.thinktunisia.tn ; This report was based on the 2008-2009 Global Competitiveness Report published by the Davos World Economic Forum.

III. Annex

Archie Carroll's 4-part model of CSR

