

RESEARCH ARTICLE

# Labor Control Strategy in China: Compliance Management Practice in the Socialist Workplace

Fen Dai  
Yonsei University, Seoul, South Korea  
daifen@yonsei.ac.kr

**Abstract:** Based on years of ethnographic research about compliance management practice in China's pharmaceutical industry, this article examines the reaction of Western transnational companies and Chinese workers to recent changes of managerial control in the socialist workplace. Although academic research on China's labor studies has fully explored the areas, such as traditional manufacturing, little is known about the new changes of management-labor practices in China's pharmaceutical market. Following the labor process theory, this article argues that compliance management sounds neat and modern in the context of China, but in practice, the management and workers have "hypocritical" and "paradoxical" reactions to it. Although the transnational pharmaceutical companies attempt to discipline Sales Representatives to work within China's policies and regulations around pharmaceutical marketing, the management also flexibly permits Sales Representatives to engage in informal practices to earn profits. Meanwhile, Sales Representatives have developed a new kind of subjectivity that compels them to "consent" to this new managerial control.

**Keywords:** compliance management, transnational pharmaceutical company, labor management and control, Sales Representatives, China

## 摘要

本文基于多年的民族志研究，考察了西方跨国制药公司及其中国员工对近年来中国制药行业新出现的合规管理实践的认可和反应。现有文献对中国劳动问题的研究主要集中于传统制造业，对中国医药行业劳资关系的探讨尤其是对其近期劳动管理的新变化知之甚少。本文以劳动过程理论为分析框架，研究发现：合规管理虽然在中国商业实践中呈现出理性和现代的特征，但笔者在实地考察中发现，企业管理者和员工对合规管理的反应却是“虚伪的”、“矛盾的”。尽管跨国制药公司试图规训其医药代表在中国有关药品营销的合法政策法规范围内工作，但同时管理层又默默放任医药代表从事一些不合规的操作以获取企业利润；与此同时，在这种新兴的劳动管理控制策略的驱动下，医药代表不自主地构建出了一种新的自主性从而迫使他们“同意”这种新的管理控制模式。

关键词：合规管理，跨国制药公司，劳动管理与控制，医药代表，中国

China is the second-largest pharmaceutical market in the world, and this market is dominated by transnational pharmaceutical companies (TPCs). In response to controls introduced by the Chinese state, the pharmaceutical industry has made substantial changes in workplace relations and management practices. Since the 2013 GSK bribery scandal (hereinafter GSK event), the TPCs in China have been triggered with a proliferation of corporate policies against business corruption based on a series of legal and ethical conduct. Compliance management, a new management strategy introduced by TPCs, has attracted the most attention and aroused a strong response. The associated practices of compliance management require a degree of rationality and legitimacy typically associated with laws, regulations, or agreed set of norms (Abdullah et al., 2009, 2016) and pose a huge challenge to the established socialist ideology and style of production. Therefore, ambivalent responses in the socialist workplace have forced Western capital

to make some institutional compromises that conform with local norms and practices. This article provides a case study of how compliance management affects practices of labor control over Sales Representatives (the name for salespeople in the pharmaceutical industry), an important element in the distribution of pharmaceutical products.

It is important to look beyond simple legal or managerial perspectives to analyze this new business practice. This article attempts to explore the interplay between the control mechanisms of capital and the subjectivity of Chinese workers in the context of changes in management practice in the socialist workplace. Burawoy's earlier works (1979, 1985) stressed that labor control includes both the ideological management mechanism of capital and the ideology produced by workers in the labor process. In other words, the subjectivity of workers is shaped or reconstructed simultaneously under the influence of management control mechanisms

by capital. In this article, I argue that compliance management sounds neat and modern in the socialist workplace. However, in practice, the management and workers have “hypocritical” and “paradoxical” reactions to it: While the TPCs attempt to discipline Sales Representatives to work within China’s policies and regulations around pharmaceutical marketing so as to construct the “legitimacy” of its management practice, the management also flexibly permits Sales Representatives to engage in informal practices to earn profits. Meanwhile, under the capital-driven management practices, Sales Representatives have developed a new kind of subjectivity that compels them to “consent” to this newly managerial control.

Current research on management-labor relations of Chinese business largely focuses on traditional manufacturing (Warner, 1995; Zhao & Nichols, 1996; Lee, 1998; Chan & Zhu, 2003; Pun, 2005; Mi, 2007; Zhang, 2008; You, 2009), whereas research on the non-manufacturing industry remains relatively sparse and mostly concentrated in three industries: construction, service, and the internet (Shen, 2007; Li & Liu, 2007; Otis, 2008; He, 2009; Pun et al., 2010; Tong, 2013; Shi, 2016; Liang, 2016). There has been little research on changes in industrial relations in the pharmaceutical industry, and the research that has been done largely deals with local companies in the PRC, Hong Kong, Taiwan, and some Asian countries such as Japan and South Korea (Lee, 1998; Zhu & Warner, 2000; Taylor, 2001; Chan & Wang, 2005; Won, 2007; Pun & Chan, 2012; Deng, 2017). Therefore, this article brings the Chinese Sales Representatives, socialist ideology, capitalist practices, and interaction to the labor research forefront by focusing on the compliance management operated by Western capital-invested enterprises in China’s pharmaceutical industry.

In doing so, the following research questions are essential and led this research to completion. What will happen to the labor relations between capitalist management and Chinese Sales Representatives, the manufacturing consensus, and the subjectivity of Sales Representatives through the new management control strategy? In this context, how transnational companies adjust their labor disciplining methods to navigate local state laws and regulations? Furthermore, how local workers adapt to new technologies of labor control? This study focuses beyond the simple discussion of a conceptual elaboration or the effectiveness of compliance management in organizational management

but hopes to place it in a specific social, cultural, and political context to identify the future trend of these management practices in different industries of the socialist state.

## **Labor Process Theory and Changes on Chinese Labor Studies: A Brief Review**

The original ideas of the labor process theory come from Marx’s *Capital. Vol. 1 - The Process of Production of Capital*. How to transfer “labor” into “labor power” effectively is one of the most critical issues of labor process theory (Marx, 1867/1990). However, Braverman’s (1974) research on *Labor and Monopoly Capital* has initially aroused the enthusiasm of the academic community in the true sense of the labor process theory. By this time, a key factor in the theoretical study of labor processes is the exploration of local management and control systems and the analysis of how to use these systems to reduce the power of the working class, whose working skills are not replicable by unskilled workers or machines. According to the research conducted by Braverman, in the monopoly capitalism stage, due to the division of labor, Taylor’s (1911) concept of scientific management, the application of emerging technologies, and lean and fragmented work skills could be caused, which destroyed the workers’ comprehensive skill and their ability of labor process control, force workers to obey capitalists and managers in the process of doing their work. In other words, influenced by the deskilling of labor and the principle of the separation between conception and execution, the management of the labor process changes from “the craft control” to “management control” (Braverman, 1974). Since then, the control of the labor process has shifted entirely from workers to the owners of capital.

However, from the perspective of Braverman (1974), it only shows how capital grabs surplus-value, yet fails to notice that capital disguises surplus-value and constructs its legitimacy. It only concentrates on the control of capital over the labor process instead of focusing on the experience and resistance of laborers. To revise and criticize Braverman’s thought, Michael Burawoy put forward a new understanding of labor process research. Burawoy’s (1985) study of *Politics of Production* begins with the claim to “bring workers back in.” His research (1979, 1985) on

political and ideological apparatuses of production has further enriched people's understanding of workers' subjectivity. Burawoy emphasized the importance of the labor's subjective experience in the labor process, especially the political and ideological dimensions in the workplace, and used the "factory regime" to analyze the relationship between the micro politics in the workplace and the macro politics outside the workplace, opening a new chapter of labor process study. To some extent, Burawoy's greatest contribution to the development of labor process study is to emphasize the subjectivity of workers, thus making up for the fact that labor process theory has always focused on work itself and neglected workers. However, the subjectivity that Burawoy realized was only the subjectivity of class. Actually, he failed to fully consider the influence of gender, race, citizenship, local culture, and other social norms on shaping ideology and subjectivity in the workplace. In this respect, this is one of the significant meanings of the theoretical study of this research. These factors, such as the nature of the socialist workplace, the class characteristics of a Chinese worker, China's national conditions and traditional culture, among others, all affect the workplace relations and the formation of workers' ideology in the labor process.

Furthermore, in terms of workers' subjectivity, Knights (1990) attempted to develop a theory of subjectivity to reconstruct modern labor studies. From the view of Knights, a worker's subjectivity is shaped by a variety of disciplinary techniques, surveillance systems, and power-knowledge strategies. Modern labor management techniques (hierarchical surveillance, normalization, and examination) constructs people into competent, independent individuals. However, labor disciplining techniques also make individuals feel uncertain and insecure about their identity. Under the surveillance systems, individuals cannot ensure that they meet the examination requirements, nor can they guarantee that they can perform perfectly in the examination. To acquire material and symbolic resources to eliminate the insecurity of one's own identity, the individual in effect maintains the existing mechanism of power or capitalist mode of production. In this sense, it became farther away for workers to unite to get rid of capitalist exploitation. However, it should be noted that the workers' subjectivity in the socialist workplaces is not only governed and restrained by the power mechanisms of capital but

also largely subject to the socialist ideology and associated practices. To a large extent, the formation of the socialist worker's subjectivity is more complex. The socialist workers have formed a variety of half-hearted responses for capitalist exploitation: resistance, adaptation, obedience, and consent.

Based on these classic Western labor theories, more and more scholars began to focus on the study of Chinese labor since the 1990s. After the reform and opening up, with a large number of migrant workers in cities and the restructuring of state-owned enterprises, China's labor study gradually attracted the attention of researchers at home and abroad. Overseas scholars, represented by Chingkwon Lee, Anita Chan, and Ngai Pun, summarized and discussed the factory regime at the workplace, labor's working conditions and lifestyle, and labor-management conflict in China's factories on the basis of ethnographic study. For the research subjects, Chinese labor studies mainly focus on the three major themes of the labor process, class formation, and labor movement. Among them, the research of most scholars mainly concentrates on the traditional manufacturing industries in Chinese business. Their research directions are mainly as follows: (a) Export processing industry in the Pearl River Delta-Despotism regime and its changes (Lee, 1998; Chan & Zhu, 2003; Pun, 2005); (b) Factory regimes of state-owned enterprises and the reconstruction of socialist workers (Walder, 1986; Lee, 1999; Zhao & Nichols, 1996); and (c) Regional differences in factory regimes: government roles, sources of capital, and labor-force (You, 2009; Deng, 2017, Wang et al., 2018). In addition to traditional manufacturing, more and more non-manufacturing research is also emerging in Chinese labor studies. Nevertheless, the existing fields of non-manufacturing research are still relatively limited, mainly focused on construction, services, and the Internet industries (Pun et al., 2010; Otis, 2008; Liang, 2016). In the construction, service, and internet industries, it is difficult to restrain workers by traditional approaches of assembly lines, machines, and Taylor systems, but the forms of labor control become more and more diversified, such as the use of local networks (*guanxi* practices; Shen, 2007) in the construction industry, the construction of gender in the service industry (Otis, 2008), and the surveillance techniques such as GPS in the labor process of internet economy (Liang, 2016).

In recent years, the Chinese people have been more broadly concerned with medical bills, access to quality medical services, doctors making a living by selling drugs, and drug prices. The rising market demand and the strengthening professional market compel TPCs to adjust their business practices to cater to new emerging requirements arising from the Chinese market. Hence, the exploration of management practices in the pharmaceutical industry is therefore of great forward-looking significance to reveal the nature of the new changes in industrial relations in China. Unlike previous studies, this study believes that it is far from enough to analyze the labor process and worker management only from the objective dimension of simple technological changes or strategic changes. The subjective aspect of workers, namely, the microscopic process of workers' daily lifestyles and experiences in a larger macro dimension, must be taken into account at the same time. Specifically, this study not only focuses on the changes in management strategies or organizational practices employed by TPCs operating in China but also incorporates their impact on the subjectivity formation of Chinese workers who work as Sales Representatives.

## Methods

So far, the classical labor process research has adopted the case studies. The case studies normally focus on the workplace in-house and put the labor process at the center of the capitalist production relationship, which often leads us to ignore the broad political and economic environments such as local market, state, and culture. As Thompson and Newsome (2004) argued, researchers need to link the workplace to the broader political and economic environment, or else the researches will be reduced to the case studies of micro-level control and technique strategies whose causal chain ends only inside the factory gate. Thus, this study used the reflexive ethnography and the extended case method advocated by Michael Burawoy (1998, 2003). Unlike anthropological ethnography and case studies, the extended case method and reflexive science in sociology utilize participant observation to understand people's lived experiences in specific social and historical contexts and constantly reflect on its changes under the macrostructure (Li & Won, 2017).

In this study, I chose Company X (China branch) as the main site of fieldwork. Transnational Company X is one of the biggest pharmaceutical companies in the world. At present, its business covers 175 countries, and it has almost 100,000 employees all over the world. As one of the earliest U.S. transnational enterprises to enter the Chinese pharmaceutical market, Company X has witnessed the development of the whole pharmaceutical industry and the transition of Chinese society. The investigation on the management practices of Company X is therefore very forward-looking in the industry. From the perspective of research strategy, this study chooses both upper management and lower workers to conduct independent research to discover the influence of macro power on micro life and the shaping of macro power by changing aspects of the micro life. The upper managers are the representatives of macro power, whereas the lower workers are the symbols of micro life. Given the interplay between TPCs, Chinese state, market, and local cultural norms, this study examines the diversity and complexity of a socialist workplace from the perspective of the interaction between macro and micro dimensions.

As the topic of compliance management is relatively sensitive in the Chinese pharmaceutical industry, the study adopted diversified methods of collecting data. This study was mainly based upon five years of working experience conducted in a transnational pharmaceutical Company X from 2011 to 2016. These five years of work experience prompted me to start my interest in studying industrial relations in China's pharmaceutical industry. From 2017 to 2020, as a professional researcher, I returned to the field with the problems found in my previous work experience. Under the guidance of professional sociological theories and methodologies, I began to make a series of deep and reflexive observations about Company X. In every winter and summer vacation from 2017 to 2019, through previous working relationships, I followed Sales Representatives and sales managers of Company X to visit doctors and participate in their daily drug sales. Along with the participant observations, I also conducted 75 follow-up interviews with Company X's Sales Representatives, sales managers, and compliance officers. In addition, I collected data through informal oral interviews with doctors and other TPCs' Sales Representatives while conducting participant observations in hospitals. There

were also many difficulties in the process of data collection. As the violation of compliance management always involves commercial bribery issues, some interviewees come naturally to give reserved answers to my interview questions. Some interviewees were even unwilling to accept the interview invitation. Moreover, when I was along with Sales Representatives on daily work, they always avoided me if they want to talk about some “sensitive” topics with doctors (often involving kickbacks or lecture fees). In turn, these Sales Representatives’ behaviors have proved that they realize that many of their sales practices are not compliant. It can be seen that the data observed in qualitative studies largely complemented the “invisible” data that are not available in quantitative research.

### **The Transformation of Transnational Pharmaceutical Companies’ Management Practices in China**

During China’s pharmaceutical market transformation, TPCs have gradually formed a “hypocritical and paradoxical” disciplinary labor regime. Compared with other industries, the labor process and management practices of TPCs have greater flexibility and personalization while maintaining its characteristics of authoritativeness and a sense of discipline. These characteristics parallel Anita Chan’s (2000) notion of the “consensus management style,” which runs a relatively “soft” labor regime through formal labor-management methods. However, Anita Chan analyzed the causes of this contradictory system mainly from the perspective of trade unions and collective bargaining. In this study, I attempt to emphasize the subjective effect of the political and ideological elements on this “soft” labor disciplining system.

China’s pharmaceutical market could be described as “chaotic” before the GSK event, whereby both TPCs and local pharmaceutical companies shared the same sales model characterized by “*guanxi* (relationship) marketing” and “sales with commissions (*daijin xiaoshou*).” The old socialist ideology of “hospitals operated with the high sales profit of pharmaceuticals (*yiyao yangyi*)” has therefore become the biggest obstacle to fair and transparent sales practices in the pharmaceutical industry (Ge & Gong, 2007; Fang

& Chen, 2012). According to several years of field studies, I found no such concept as “compliance” or “compliance management” in the industry before 2013. The industry was commonly viewed with the old ideological root of the abnormal beneficiary relationship between doctors and Sales Representatives. However, a great transformation has been undergoing in the Chinese pharmaceutical industry after the 2013 GSK event.

When it comes to compliance management practice in China’s pharmaceutical industry, I have to mention this major event: The notorious 2013 GSK bribery scandal. The final 3billion RMB ticket for GSK China has become the biggest amount of punishment the Chinese government has issued so far. The GSK bribery scandal elevated corruption in China to its highest point and resulted in the disclosure of a series of compliance failures. Since then, there have been triggered great changes in policymaking, legal obligations, business ethics, and the transformation of management practices in China’s pharmaceutical industry.

Under the strong influence of state policies, the old sales model of “sales with commissions” has been suppressed and banned in various ways, and the relatively lawful and professional model of “academic conference promotion (*xueshu tuiguan*)” has become the new marketing approach for TPCs. Then, the transformation of the labor process is accompanied by changes in labor relations and management practices. In the course of this progressive new pattern of labor practices, managers in TPCs began to utilize a seemingly “flexible” worker control strategy to enable employees to maintain maximum profit while at the same time observing the necessary labor discipline. However, the term compliance management is a relatively new concept for the management and workers in China. As for China, the Chinese word “合规管理 (*hegui guanli*)” is translated from the English word “compliance management.” In this article, I have come up with three aspects to understand this concept and connotation. Namely, there are three levels of meanings: (a) Compliance with the laws, which is that the company has to abide by the laws of the country where it is headquartered and countries where the business is being done; (b) Compliance with the regulations, which are the rules and regulations within the company, including its commercial code of conduct; and (c) Compliance

with norms, which requires employees to follow professional ethics and morality. The following section will explore what compliance management is and how companies adapt compliance management to the Chinese context via a case study.

### ***A Case Study of Changes Made to Increase Compliance Management***

According to Foucault's (1979) work, *Discipline and Punish*, compliance management seems like a new labor disciplinary system in transnational pharmaceutical enterprises, where disciplines are active and being practiced under the surveillance and amendments made with the periodic examination, standardization, and normalization. In order to control the non-compliant sales practices of MICs (Sales Representatives of Company X in short) in the sales process, Company X (China) took the lead in synchronizing its standard global internal self-regulation system—compliance management—to the Chinese market. As an industry leader, Company X was the first company to have its own anti-corruption procedure and policies to restrict the sales actions of workers in the business ethics sphere. Company X's compliance management practices are designed to support legal standards and code of ethical conduct so as to enable all employees' actions not only to comply globally with the Foreign Corrupt Practices Act (FCPA) but also national laws in the local countries in which it operates.

However, after years of observations, I noticed that although compliance management practices have been improved continuously, the compliance management of Company X has been exercised with reservations. To a certain extent, international capital attempted to find a more flexible form of management practice in Chinese business, which could not only reduce the conflicts brought by political pressure and local factors but also maintain the balance between labor disciplining control and the pursuit to maximize corporate interests. Friedman (1977) argued that the management strategy for workers is not necessarily a binary opposition or fixed form. In fact, management will alternate various strategies as needed and even create more buffering strategies. Now let us more specifically analyze the changes made by Company X for compliance management practices.

### ***Change 1: Transformation From “Sales with Commissions” to “Academic Conference Promotion”***

As discussed above, foreign and domestic pharmaceutical companies operating in China are all strongly sales-oriented. Before the GSK event, even Company X used *guanxi* and commission as its main model of sales practices. In China, *guanxi* marketing seems to emphasize more on personal, reciprocal relationships and long-term orientated interest and benefit (Yang, 1994). Chinese people are considered *guanxi* as a social resource and a convenient shortcut to success. More importantly, apart from *guanxi* practices, Sales Representatives in pharmaceutical companies believe that the ability to offer kickbacks to doctors is the most key factor to get successful drug sales.

Although Company X does not directly offer kickbacks to doctors like domestic companies, they had their way to strengthen their relationship with doctors. What I found in talking to the MICs was that they normally claim reimbursements of sales expenses through fake academic conferences and then use the cash to buy gifts for doctors or to entertain doctors, sometimes even directly bribing doctors with cash. After the GSK event, commercial bribery had become a business taboo in the Chinese pharmaceutical industry. Most of the activities for social etiquette that they had engaged in before were seen as bribery behaviors, and medicine rebate has become the point of focus, which the Chinese state aims to combat and punish.

Company X continuously adjusted its marketing strategies to avoid involvement in commercial bribery cases to ensure that MICs legally do business. When I was doing participant observation in Company X, it made many policy adjustments in its sales practices. For example, Company X exclusively allocates RMB 2,000 per month to MICs for ad hoc events such as one-on-one dining with clients and limited meal entertainment, and the rest of the sales budget is only accessible by holding pre-approved academic conferences. Moreover, Company X requires all MICs to use academic promotion as the main sales approach. As mentioned above, MICs in Company X used to make fake academic conferences as a way to “cash-out” (*taoxian*) from the sales expenses budget and then used the cash to bribe doctors. Due to the compliance requirements, Company X forced MICs to hold real academic conferences and change from bribing doctors to paying for their conference

expenses, which seems a more compliant way to transfer the grey interests. Since then, MICs are required to hold at least 3–4 conferences each month to create lecturing opportunities for doctors, converting cash kickbacks previously paid to doctors into a commercially justifiable reason. From the perspective of upper management, such a policy adjustment is undoubtedly the greatest protection for the company's interests. During an interview I once had with a sales manager, he expressed that the Chinese government's aggressive crackdown on the pharmaceutical industry forced TPCs to make some tactical changes in response to the political pressure and avoid more commercial losses. However, one interesting aspect that I found in the fieldwork is that, although these academic conferences took place and evidential, most of the time, doctors actually did not give the real lectures, but MICs did instead. Ironically, this new sales model of "academic conference promotion" is nothing more than a hypocritical performance by the Sales Representatives to meet the compliance inspection in the workplace. The sales managers at Company X are, in fact, aware of the execution flaws in this policy but just turn a blind eye.

### ***Change 2: A New Approach to Financial Reimbursement: Joint Audit System to End More Fake Conferences***

In years of participant observation, I have found that creating financial paperwork is one of the most important operations in the daily work of a Sales Representative because sales expenses are critical to the achievement of their sales. In Company X, all MICs have their own sales budgets based on the product line and the scale of the market they are in charge of. For instance, normally, each MIC has an average budget of RMB 10,000–20,000 per month at their discretion. MICs are allowed to spend the budget freely, but they have to provide reimbursement receipts and evidence that such spending is of compliance. In principle, Company X only reimburses the cost of holding academic conferences. To get reimbursed, MICs must apply for permission from the company to incur conference-related expenses through an online financial system and then submit paper receipts after incurring relevant expenses.

However, Company X's financial audit system frequently causes financial and compliance issues, likely because it allows MICs access to sales budgets

and the reimbursement process is too simple. Many MICs expressed that their reimbursement receipts were only loosely audited by internal financial division in the past. As a matter of fact, the financial staff never looked into the authenticity of the reimbursement receipts but only checked out whether the materials needed for the reimbursement process are complete or not. However, after the GSK event, Company X set up a compliance division to strengthen the audit process of internal financial reimbursement.

Compliance ombudsman said that their main task is to identify potential compliance problems by checking for consistency with the employee pre-application and cross-checking whether the receipts are complete and authentic. Most importantly, the ombudsman from the compliance division often performs on-site conference checking without advanced notice to reaffirm the authenticity of these conferences. Conference authenticity, including its location, the number of guests, and cost, would be thoroughly checked. If a fake meeting is found or a false invoice is issued, there would be several penalties such as warnings, exemptions from bonuses, or even dismissal, depending on the severity of the situation. However, Company X's compliance inspection is not as strict as we imagined. First of all, the system of spot-checking is prone to some loopholes. There is a big human factor in choosing whom to perform this spot check. Secondly, Company X did not employ third parties but their internal employees to manage compliance affairs. Sometimes, these compliance ombudsmen take a laissez-faire attitude to those who have intimate *guanxi* with them in the company regardless of compliance regulations. One MICs once told me that because he has a good *guanxi* (relationship) with the compliance ombudsman in his region, the compliance ombudsman is actually a human resource to help him solve all kinds of compliance issues. In practice, all enterprises' activities and business operations have always been embedded in *guanxi*-based networks in the Chinese context (Bian, 1994; Chan, 2009; Gold et al., 2002; Yang, 1994).

### ***Change 3: Diversified Worker Surveillance Systems: Phone Spot-Checking, Hospital Follow-up, and IPAD Tracking System***

In China's pharmaceutical industry, apart from the sales managers, most Sales Representatives do not need to go back to the office every day except for weekly



meetings. Due to the free nature of the work, sales managers have to use some methods to monitor the daily work of MICSSs. Sales managers used to monitor MICSSs' daily sales work in two methods. To keep track of MICSSs' sales behaviors in the workplace, they usually call them during work hours to make sure they were in the hospital. Moreover, to see how the MICSSs performed in the target hospital, they also make regular visits to the hospital where the MICSS was responsible.

Most MICSSs interviewed expressed that they are very afraid of being followed up (*bei suifang*) by their superiors because sales managers will always nitpick lots of flaws for their work. After the practice of compliance management, TPCs created a new network monitor system to surveil Sales Representatives—the IPAD tracking system. The system is, in fact, a customer relationship management system that aims to manage all the company's relationships and interactions with existing clients and potential clients. However, some TPCs have turned the system into a tool for tracking and monitoring Sales Representatives. It should be noted here that Company X has introduced this managerial control system but has yet to activate the function of location tracking.

In the past, Company X only paid attention to the management of MICSSs' sales performance and completely ignored the management of individual sales behavior, which led to many cases of non-compliant actions. After the GSK event, to manage MICSSs' sales behavior, especially the relationship between MICSSs and clients, Company X introduced the *yifang* system to evaluate their sales behavior performance. In Company X, each MICSS is equipped with an IPAD to enable him to fill in the *yifang* information anytime, anywhere. According to the sales managers, the reason for this practice is to get MICSSs to make academic and effective visits when they meet with doctors, rather than just greeting and running errands like before. In doing so, MICSSs must carefully fill in their pre-visit plan and specific content into the *yifang* system the day before their work. After a visit, MICSSs are required to update their *yifang* information and submit the visit contents to district managers and regional managers to avoid invalid or fake visits and make it easier for managers to monitor employees' sales behaviors. At the firm level, this system is well-intentioned, but in practice, it has not been implemented as expected. As far as I observed, few MICSSs entered the data as the facts were, basically filling in wilfully. In China's

pharmaceutical industry, an important part of the Sales Representatives' work is to run errands for doctors, but the work associated with *guanxi* practices could not be recorded in the company's visiting system. So, given the actual workplace circumstance, the *yifang* system actually turns into a tool for lower-level employees to "perform" for the top executives.

To sum up, compliance management, by its nature, is full of contradictions. On the one hand, TPCs are under pressure from the outside for fear of being punished by the Chinese government for compliance violations. The new worker disciplining methods seem like a hypocritical act by the TPCs to evade government regulation. On the other hand, TPCs generally turn a blind eye to these informal sales practices to make more profits. Most of the time, the enterprises for the workers' noncompliance behaviors take a *laissez-faire* attitude, and sometimes managers and Sales Representatives are even in the same boat. In a way, it is not realistic to implement the ideal compliance management in the context of China. Instead, the nature of this contradiction continues to shape new labor disciplines and management practices in the socialist workplace.

### **Sales Representatives' Subjectivity and Manufacturing New Consent in the Socialist Workplace**

The neglect of workers' subjectivity has always been the core criticism of the recent labor process research (Burawoy, 1979; Thompson, 1990; Collinson, 1992; Newton, 1998; Sosteric, 1996; Knights, 1990; O'Doherty & Willmott, 2001). In *Manufacturing Consent*, Michael Burawoy (1979) made a compelling case study to understand the significance of workers' subjectivity in the labor process. He emphasized that the labor process study should not be limited to the objective effect of work but should refer more to the subjective aspects of the worker. In doing so, the focus on workers' subjectivity can enrich our understanding of the dynamic relations between capital and labor, which further opens up a fresh idea and new landscape for a thoroughly liberated practice without being constrained by the inherent social patterns and traditional ideas (Foucault, 1983; O'Doherty & Willmott, 2001).

### ***“Flexible and Autonomic” Work Nature of Sales Representative***

In China’s pharmaceutical industry, the sales department is the core department and generally employs 70% of the company’s employees, wherein other departments exist primarily to assist the sales department. Salespeople, also known in the industry as Sales Representatives, are the main targets of capital management controls. In pharmaceutical companies, irrespective of being local or foreign-owned, Sales Representatives do not have to be punctual and be office-bounded every day. Their daily work is to visit doctors in target hospitals and arrange their own work schedules and time according to their own will. As everyone is in charge of a hospital independently, and every day is to visit different clients, Sales Representatives have a high degree of freedom in their work. For example, this is the daily schedule of a MICS in charge of prescription drug sales in the inpatient department and outpatient department that I interviewed with.

Sales Representatives in the pharmaceutical industry generally have delegated hospitals and departments according to the products they are responsible for. Sales Representatives usually have a high degree of autonomy over the regions and operations they are responsible for. In Company X, the first step that MICSs must do after being assigned their hospital is to construct a list of potential departments and potential clients independently. For example, if MICS is responsible for the sales of antibiotics, they should identify and locate crucial departments with a high incidence of lung infection, such as the respiratory department, hematology department, and ICU. After that, the list of potential clients in varying levels of importance should be evaluated according to the doctor’s prescription preference, seniority, and level of departmental consumption.

For each target department (such as the pneumonia department, hematology department, and infectious department), MICSs need to select some key attending doctors and resident doctors as the target

#### **Daily Schedule Example of a MICS in Company X**

**7:00-8:00:** MICS goes to the hospital and visits the surgeons as soon as they arrive at the hospital if they are not available after 8:00.

**8:00-8:30:** MICS brings drinks or breakfast to the clients on duty in the outpatient department before they start working at 9:00.

**9:00-10:30:** This is the busiest period for doctors. The physicians are doing ward rounds and the surgeons are doing operations. During this time, MICS can find a place to rest in the hospital and wait for the doctors to finish their work.

**10:30-12:00:** The doctors have finished ward rounds and gone back to their offices. The MICS usually uses this time to visit VIP clients, who are usually in the hospital in the morning and often absent in the afternoon. MICSs can take this opportunity to communicate with the hospital directors about some academic conference-related matters.

**12:00-14:00:** Lunchtime. MICS usually eats near the hospital and waits for an afternoon visit.

**15:00-17:00:** The afternoon is usually a less busy time in the hospital, so the MICS can collect some information about patients from resident doctors when they are not busy. The doctors usually work on documents in the ward during this period. The MICS can chat with resident doctors and ask for information about new patients and their prescriptions, as well as check some patients’ medical records or laboratory tests.

**18:00:** Get off work. Despite being off duty, the time after work is actually the best time for the MICS to learn about patients’ information. Because there are relatively few doctors on duty at night, it is much easier to obtain patient information and the prescription information of the department. At the same time, working overtime with doctors can also improve the relationship between MICSs and doctors.

*Source:* Data collation derived from participant observations in this study.

clients, in addition to the senior director being their VIP clients. In this process of selecting target departments and clients, sales managers usually provide limited advice, and the final selection should be determined independently by the MICSs according to the actual sales situation of the hospital in charge. Additionally, when the Sales Representatives are in the hospital, they are held accountable for everything that happens and complete all the business independently. Therefore, TPCs, including Company X, have high requirements on the ability of Sales Representatives to handle affairs on their own. Regardless of the Sales Representatives' working time and work content, the Sales Representative in the labor process to a large extent is in a state of an independent atomic individual. Hence, as atomized individuals, it is difficult for Sales Representatives to use collective actions to protect their legitimate labor rights and interests.

### ***The Reformation of Sales Representatives' Self-identity***

Despite Sales Representatives being free, independent, and autonomous when entering the workplace, they are trained to act in a specific manner through various types of disciplinary methods to demonstrate their professional expertise. As I had mentioned above, TPCs utilize its advantage of highly standardized human resource management experience through their well-established and resourceful employees' "training programs." Regardless of whether you have any drug sales experience, you will certainly become a highly qualified drug sales personnel through their rigorous training. From the very beginning, the new recruits will be placed on various courses and training camps in subjects of sales, marketing, public speaking, presentation techniques, social etiquette, time management, crisis management, and other related skills. Upon mastering these various skills under surveillance and examination, Sales Representatives are gradually shaped into highly functioning individuals with a distinguished trait of the company's specific needs.

Among the numerous training sessions of Company X, the most famous section is its new employee training program. The training covered product knowledge, sales skills, role-play practice, among others. MICSs have to take the super-intensive class from 8:00 am to 9:00 pm for a continuous 15 days, and then they must excel in the final exam to become a qualified employee.

Anyone who failed to complete the program is offered a second chance and be placed to retake a new training session. The most interesting part of this training is the role-playing practice in which a senior MICS or sales manager acted as a doctor and the trainee simulated different scenarios of hospital visits. Throughout the whole exercise, the new recruit must ask the doctor a guiding question in strict accordance with the training material taught, and the final conversation must be concluded on his own product. Sample questions include: "What patients are you treating recently? What is the infectious rate? What is the percentage of Gram-Negative Bacilli (GNB)? What medicine do you use to treat GNB?" If the client mentions their product, MICS should then emphasize the product advantages and suggest the client continue usage of the product or suggest prescribing the product with priority. That is what Company X calls an "effective and complete visit." Indeed, for a recruit who knew little or has no background knowledge in medicine or sales experience, such a detailed training program will shape how one will conduct their sales practice.

Furthermore, with the emphasis on compliance management, Sales Representatives are encouraged to improve their accreditations and turn from traditional *guanxi*-based sales to academic promotion as soon as possible. Traditionally, MICSs in China only knew their own product information, but they did not know the characteristics and conditions of the diseases related to the product. As a result, when MICSs talked with doctors, they often failed to communicate effectively and do not understand what the doctor is saying. After the GSK event, the academic promotion was put on the agenda by TPCs. In particular, Company X requires that all MICSs not only shift the focus of work to academic conferences but also request them to improve their medical professionalism through various academic training and examinations. In 2014, with the intention to solve this problem and improve the academic ability of front-line MICSs, the Marketing Department of Company X changed its previous habit of training MICSs on product knowledge and strategy in response to this demand. They started training MICSs to understand the concept of "patient portrait" and "diagnosis and treatment path." In addition to product knowledge, MICSs must be familiar with disease information and various treatment schemes of diseases in some key target departments. Under these high-intensive talent management systems, the Sales

Representatives are in a state of self-transformation and have been gradually forged into new “professional and valuable individuals”.

### ***Manufacturing New Consent and Sales Representatives' Responses***

According to the analysis of Hirschman (1970), people will show some loyalty to the original organizational system only when they think that the structure of the organization conforms to their wishes or can bring them some benefits; when they are dissatisfied with their organization, their basic response is often to speak up or quit. For the Sales Representatives of TPCs in this situation, is it better to leave or stay? This is a rational selection process under the given conditions. In this study, I found that the Sales Representatives have mixed responses, and they will weigh up many factors before making a final decision. Although most people are more or less dissatisfied with and worried about the compliance management practices operated at the enterprise level, most of them still choose to stay in this industry. There may be several reasons as follows:

First of all, as I mentioned earlier, with the continuous practice of compliance management by TPCs, the pharmaceutical market in China is reshaping and improving to become a more regulated industry. Initially, when Sales Representatives talked about the concept of compliance with their clients, they all thought Sales Representatives were fobbing them off with this concept considering Sales Representatives did not want to give them “resources” anymore. This period was the toughest time for the Sales Representatives of TPCs. But then, all TPCs began to focus on compliance management, and even some large local pharmaceutical companies began to talk about compliance. Doctors, therefore, started to accept the reality and began to accept TPCs to pay them in another form of “lecture fee.” The concept of compliance management is gradually accepted by the whole industry. For their part, doctors have formed a new habit of cooperation: Kickbacks from local enterprises and academic conference resources from TPCs. Doctors’ consent to this new sales model simultaneously reshaped another form of sales practice between doctors and Sales Representatives.

In addition to the above reasons, another big reason that Sales Representatives are willing to endure so much pressure to stay in this industry is the generous salary

system. In pharmaceutical companies, salespeople’s income is directly related to their sales performance. The pharmaceutical companies encourage high sales growth—the higher the growth, the higher the bonus. Compared with other industries, the bonus of the pharmaceutical industry is significantly hefty in China. That explains why Sales Representatives are willing to meet sales targets regardless of noncompliance risks. For example, in China’s second-tier cities, the average per capita salary is around 4,000 to 5,000 RMB per month. However, according to my fieldwork data, the basic salary of a sales representative in a transnational company is between 8000–12,000 RMB every month and a bonus of 20,000–30,000 RMB per quarter. Therefore, compared with other industries, the pharmaceutical industry pays a high salary for employees.

Also, the welfare and benefits of TPCs are particularly good. In China, companies usually pay employees “five social insurances and one housing fund (*wuxian yijin*),” which refers to the combination of several kinds of guaranteed benefits given to workers by Chinese employers. In general, ordinary companies pay a very low benchmark or the minimum benchmark for the employees. However, as far as I know, TPCs pay extremely high five social insurance and one housing fund fees for their employees. All of these welfare services provided by TPCs are therefore highly appreciated by Sales Representatives.

Indeed, in this new game of Sales Representatives, doctors, and managers, the Sales Representatives are seemingly more of compromise and consent than fierce resistance. The reasons for compromise are analyzed as discussed above, among which profit-driven is one of the most worth emphasizing elements. The high salary and generous welfare make them willing to endure all kinds of grievances. However, even when the Sales Representatives lost their interests, they would not carry out much resistance either, and the only thing they can do is leave in silence. As the Sales Representative is in a relationship with an atomized individual at the workplace, their collective consciousness is relatively worse than in other industries. Relying on collective bargaining to defend rights has not yet formed a sense in the pharmaceutical industry. In China, workers’ awareness of using trade unions to protect their own interests is still weak, and worker-led collective bargaining has not been effectively implemented (Lee, 2007; Leung, 1998; Chan, 2009).

## Conclusion

As Abdullah et al. (2016) showed, the compliance management requirement for actual practices within companies has a key feature of subjectivity and is often influenced by local factors and organizational appetite. In this respect, this article has revealed that the practice of compliance management in the context of China is, in fact, a hybrid product of both old and new, a combination of neo-liberal market rationality mixed with old socialist practices. Under the transition of the Chinese market economy, the nature of management-labor relations in Western multinationals is that the worker under the “human resources management” in Western business has been struggling with the old practices in the socialist workplace with Chinese characteristics.

As Burawoy (1979, 1985) showed in his studies, research on the management-labor relations between the management and the workers, especially the relationship between exploitation and being exploited, should not simply examine the control mechanism of the management over the workers but should be examined in the process of the objective and subjective interaction between the control mechanism of the management and the workers’ subjectivity. In other words, the management discipline mechanism at the enterprise level and the participation of workers under this mechanism have jointly completed the reproduction of management-labor relations and the reconstruction of the “legitimacy” of various management systems. Burawoy’s studies were more concerned with the workplace and its class dynamics, ignoring the influence of broader social, historical, and other macro factors embedded within the local society. The nature of labor relations in the Chinese context requires more consideration of its complex macro-force factors. Kellee Tsai (2006) explained that informal interaction and informal institutions are crucial social components in understanding China’s social transformation process. She stresses the need to consider more “soft variables” when studying China cases, such as the elements of informal institutional space of ideas, norms, and culture. Based on all of these comprehensive factors, this article has revealed the nature of management-labor relations of Western transnational companies by investigating a particular capitalist practice that is linked to the local norms in the context of socialism.

Under the pressure of national policies, TPCs, on the one hand, compel Sales Representatives to work within the scope of disciplines through such a formalized system as compliance management; on the other hand, due to the influence of market competition and local factors, the managers have to make some concession and disguise the noncompliance sales practices of Sales Representatives. In transnational pharmaceutical enterprises, the control mechanisms of the “financial and meeting spot-checking system” and “diversified worker surveillance system” have been used to supervise and control the sales practices of Sales Representatives, to construct Foucault’s idea of a panopticon (1979) to control the Chinese worker. Due to the random inspection and the severe punishment brought by compliance failure, Sales Representatives are always full of fear and worry about related practices of compliance management.

Under the new pattern of the management system, the old sales model of “sales with commissions” has also been replaced by a seemingly more rational and professional sales model of “academic conference promotion.” However, these changes are of “partial” and “two-faced” features in light of my research. To complete the sales target and get a high income, sometimes middle sales managers and Sales Representatives gang up against the inspection of compliance management by various means. Ironically, at this point, the new kind of management strategy at the socialist workplace looks more like a *modus vivendi*.

Additionally, I found that the changing labor relations in China’s pharmaceutical industry are the product of manufacturing consent amid the sales managers, Sales Representatives, doctors, and compliance officers. With the acquiescence of sales managers, doctors, and compliance officers, Sales Representatives have developed a distinctive but ambivalent subjectivity in the socialist workplace. Due to the freedom nature of the work, Chinese Sales Representatives have great autonomy in their jobs. Not only that, the perfect talent training systems of TPCs prompt Sales Representatives to be more professional and independent in the labor process, and thus they have a great advantage in the competitive market for talent in the industry. However, it is strange that Chinese Sales Representatives, even with such high autonomy in the labor process, cannot strongly defend their worker rights and interests in the face of

capitalist exploitation. Their resistance to the coercive control measures is still less than guaranteed at the institutional level, and the “internal state mechanism” emphasized by Burawoy (1979) has not been fully shaped in China’s pharmaceutical industry. Thus, when faced with the new management strategy proposed by the enterprises, Sales Representatives gradually adapted from the initial panic and finally formed a new subjectivity to cope with the squeeze of capitalism. Even if the Sales Representatives cannot organize a strong rebellion, they can leave freely on their own terms instead. To some extent, it is so-called another form of resistance to capital controls in China’s labor market.

To conclude, compliance management in the socialist workplace is clearly in flux but gradually moving towards a neo-liberal business management model, serving the needs of both the capitalist management and the Chinese workers. Compared with management or applied science for macro-structure analysis, this article revealed a dynamic and bottom-up perspective between organizations and workers in the workplace practices, which, thus, provided certain reference significance for the management practice of transnational enterprises in other fields under the socialist system. Of course, there are some limitations to this study. In terms of Chinese business practices, it is necessary to comprehensively consider the factors embedded in the socialist workplace from various dimensions. In this sense, further in-depth researches can be conducted with a more macro perspective on how these external factors influence the managerial control and labor relations of transnationals in the socialist workplace.

#### **Declaration of ownership:**

This report is my original work.

#### **Conflict of interest:**

None.

#### **Ethical clearance:**

This study was approved by the institution.

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