Where to Network: Job Acquisition in China’s Emerging Labour Market

Xianbi Huang
Social Research Centre, Faculty of Social and Behavioural Sciences
The University of Queensland
xianbi.huang@uq.edu.au

Abstract:
Guanxi, personal networks of influence, is widely extended and deeply rooted in Chinese society. With the advent of market-oriented reform, debate is occurring about whether the significance of guanxi networks in China is declining. This paper uses China’s emerging labour market to explore in what particular institutional spheres guanxi networks have significant effect, with a view to defining the boundary of guanxi power in China’s employment processes. Qualitative data from in-depth interviews with job searchers in Chinese cities show that the ownership of workplaces, the desirability of the occupation, and the skill-requirement of job positions are the major factors differentiating the comparative efficacy of job acquisition channels in the emerging labour market. Guanxi networks tend to play an active role in acquiring state-sector jobs, highly-desired jobs, or soft-skill jobs; while in other spheres like non-state sector, their effect is limited. These findings provide useful reference for discussing the role of social networks in other transforming social contexts and lead to an “institutional niches” framework for quantitative analysis.

Introduction

Guanxi is one of the key concepts for understanding Chinese social behaviour and social interactions. It has deeper cultural meanings than “relation” or “connection” which are its superficial English equivalents. Guanxi can be traced back to Confucianism that places individuals in the context of hierarchical relations in the family or state. As a network phenomenon, guanxi is an enduring sentimentally-based instrumental relation that invokes private transactions of favour and public recognition of asymmetric exchanges (Lin 2001). With the advancement of market-oriented reform in China, scholars’ opinions about the continued significance of guanxi networks for economic processes vary. On the one hand, with reference to Weberian notions of modernisation and rationality, some researchers claim guanxi practice has withered away due to legal and institutional changes and the competitive
forces arising in market economy (Guthrie 1998); on the other, it is argued that guanxi continues to operate informally because of persisting political power and “institutional holes” that create space for guanxi networks (Bian and Logan 1996; Bian 2002).

This paper uses China’s emerging labour market to anchor analysis of guanxi practices for job acquisition. The labour market is an important domain in social life, with great socioeconomic consequences for individuals, families, and organisations. Moreover, the transforming employment processes in China provide a fascinating opportunity to explore the impact of marketisation on guanxi. Going beyond existing discussions about guanxi declining or remaining, this paper aims to discover in what particular spheres of China’s emerging labour market guanxi networks have significant effects to capture the boundary of guanxi power. The organisation of the paper is as follows: Section II introduces the historical evolution of employment patterns in urban China, providing a setting to discuss job acquisition mechanisms. Section III describes the research question and explains the research methods. In Section IV, findings about using job acquisition channels are presented and the institutional spheres harbouring guanxi networks are described. Finally, Section V discusses the implication for research on social networks in other contexts and quantitative analysis.

**Evolving employment patterns in urban China**

China’s employment policies have altered tremendously ever since the beginning of market reform in the late 1970s that de-emphasised the state job assignment system in favour of market-oriented mechanisms. In the pre-reform period, China did not have a labour market. Labour was strictly controlled by various institutions such as the household registration system, urban work-unit system, welfare policy, the rationing system, and the urban-biased social security system. Labour was treated as a national resource instead of a commodity and private labour rights were denied (Bian 1994). Under this state labour allocation system neither employers nor employees had the power to make a voluntary employment decision or pursue any employment practice by choice; instead they had to wait for the hierarchically-assigned employment quota. State-owned and urban collective sectors were the two absorbers of the labour force and direct state assignment was the predominant method of job placement. Guanxi networks, as a supplementary means, were accessed by some people to break through the institutional rigidity to find a satisfactory job or realise job mobility.
China’s reform of urban labour policies started in the early 1980s, and was designed to decentralise power, to grant autonomy and to give up partial profits to enterprises. In 1983, “labour contracts” were experimented with in certain localities and then extended on a national basis in 1986. The government announced it would not take responsibility for anyone’s employment any more and the job market was to be developed. The 1995 Labour Law made labour contracts mandatory in all industrial enterprises; the loose hukou system and the launch of social security reform in the late 1990s provided further institutional support for employees to move around in the labour sphere. Gradually, Chinese employment practices broke with the authoritarian monopoly of the central government and market forces became a competing mechanism for urban labour allocation while the guanxi networks’ role persisted.

**Research question and methods**

As seen from China’s evolving employment patterns, job acquisition mechanisms can be differentiated into three types, i.e., authoritative hierarchy, guanxi networks, and markets. The hierarchy and market mechanisms are two formal institutional arrangements with opposing logics, while guanxi networks are an informal arrangement, playing a supplementary and lubricating role to the two formal channels. Under the authoritarian allocation system the hierarchy mechanism dominated employment processes and guanxi networks only played a supplementary part. In the post-reform period with markets growing stronger and the labour market maturing, some assume that both the previously-dominant hierarchy channels and the traditionally guanxi networks would be less utilised for acquiring jobs. But this is an empirical question. To this end, this paper aims to explore where guanxi networks remain active in the emerging labour market, and to capture the relative potency and limit of guanxi networks.

To address this question, I conducted in-depth interviews with job seekers in Chinese cities in 2003-2004. Since job search processes are often private, I used a combination of purposive and network sampling methods to generate interviewees. Randomly sampled interviewees might not have been willing to share their inside stories and private experiences. Through personal recommendation I reached 65 interviewees and carried out face-to-face or telephone interviews. This exploratory study gives priority to depth and richness of interviews rather than representativeness of the population. Yet, the diversity of city, work sector, and occupation were taken into account when
locating interviewees. For instance, I had trips to six cities and made phone calls to interviewees in other five cities; these cities cover different degrees of economic development and marketisation of the labour market.

Findings

The interviews show that a hybrid situation of utilising job acquisition channels exists. In some spheres of labour market the market channel already exceeds the hierarchical channel, while in other parts hierarchical power remains influential but guanxi networks are still indispensable in winning a job offer. Based on the interviewees’ experiences, the efficacy of job acquisition channels varies by several key factors, the ownership of workplaces, the desirability of an occupation, and the skill-requirements of a job. Briefly speaking, job seekers tend to utilise guanxi networks to obtain state-sector jobs, highly-desired jobs, and soft-skill jobs.

1. Networking for state-sector jobs

According to the interviews, to find jobs in state-owned enterprises and state institutions, guanxi networks play an influential role in overcoming various institutional barriers or gaining advantages in competition; the hierarchical channel also remains a partial influence. In contrast, employment practices in the non-state sectors (e.g., private enterprise and foreign-invested companies) assume a different pattern where the market appears to be a dominant mechanism.

Ms. Zhang graduated with a major in computer science in 1998. She tried to enter a state-owned telecom company through the market channel but failed. With help from her guanxi networks, she finally got a job offer.

It was one of the most famous telecom companies in Eastern China, a state-owned enterprise with more than 3,000 employees. I submitted my resume to the recruiting staff; they accepted it but informed me later that I was rejected… My uncle helped me later. He was a professor and one of his old classmates (Mr. Cao) worked in this telecom company, being in charge of the General Affairs Office. After contacting Mr. Cao, things went so smoothly… My uncle told him, “My daughter applied to work in your company but was rejected, please give her a hand”. Mr. Cao made a phone call to the Department of Human Resources and then asked a staff member to assist me in finishing all the employment procedures…

Based on her work experience in state-owned enterprises (SOEs), Ms. Zhang thinks it is impossible to escape from guanxi networks and it is commonplace for relatives to
introduce relatives and friends to introduce friends to get a job. In fact the leaders of her company realised that nepotism had created many serious problems and even attempted to conduct an internal survey that required all employees to specify their friends and relatives working in the company. However, many people opposed it and the survey produced no useable data. Ms. Zhang emphasised that this problem is very serious in SOEs and that guanxi is too pervasive.

Mr. Ding’s experience also shows the importance of using guanxi in job search process in SOEs. He majored in chemical engineering, and was aware that working in chemical plant meant doing a dirty or dangerous job. The state bureau became an attractive choice for him.

I got a job offer from the municipal Road Bureau of my hometown with the help from my mother’s brother, a middle-level cadre in this bureau. In order to help me get the job, he spent a lot of time and money. There were too many applicants eagerly seeking this stable and high-paid job. Although I was a university graduate and my technical skills were not bad, I could not win the competition if it were not for guanxi.

As illustrated by these two cases, guanxi networks are heavily involved in getting a job from a state-owned company or state bureau. Without the influence from guanxi-contacts, it would have been impossible for the interviewees to enter these work units.

2. Networking for highly-desired jobs

There is a common view among the interviewees that jobs can be classified into “hot” jobs and ordinary or “cold” jobs. When asked what kind of jobs are “hot”, most interviewees did not have a clear definition but referred to some examples, such as working in profitable enterprises or some state bureaus, like banks, insurance companies, real estate agencies, telecom companies, and “gong, jian, fa” (the Public Security Bureau, the Procuratorate, and the Courts), etc. Furthermore, when attempting to get a so-called “hot” job the primary strategy is to use guanxi networks.

Specialising in international finance was a hot choice for students in the early 1990s. Many famous universities expanded enrolment in this major program during those years. The increased enrolment size resulted in keen competition for jobs in the graduating year. Under such circumstance, to achieve a job in bank Ms. Jiang had to “pull interpersonal strings”.

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Banks developed quickly and provided a high salary and good benefits for their employees. Its high level of job security was most attractive to me. I decided to find a banking job and finally got one offer from the Bank of China. At that time, local branches of Bank of China in every city had to apply for recruitment quotas from the Headquarters in Beijing. It was extremely difficult to get in. A high-school classmate’s father helped me. He was the mayor and later the governor of a province.

Mr. Xu’s first job was working in the Bank of Communications. It was a very good job, highly-paid, stable and respectable. He entered the bank through a direct application and originally thought it was not hard to get this job. However, something learned later changed his mind.

After having worked there for six months, from an episode related to me by a colleague, I realised my job application was not so simple. A classmate of mine and his parents visited the president, asking the bank to cancel the contract with me and sign a new one with him. The classmate’s father was the associate chief editor of the local newspaper, and his mother was a senior journalist; both were high-level cadres. The president rejected their request and insisted on honouring the contract with me. The president was very principled and their hiring process basically followed the market rule; however, if the classmate or someone else had sought stronger guanxi to exert stronger influence, I am afraid that the president could not have ultimately resisted.

The above incident was not the first time Mr Xu encountered guanxi-users in job competition. Previously, he had applied for a position in the Highway Administration Bureau, which was also a hot and highly profitable opening. Although he was ranked first among all the applicants in the comprehensive examination, he did not win the offer due to other applicants’ guanxi interference.

3. Networking for soft-skill jobs

Another finding from my interviews shows that, even in the private sector, some positions need to be filled by referrals or recommendation through guanxi networks. Usually, hard-skill jobs (e.g., technical jobs) can be reached using the market while soft-skill jobs (e.g., communicational or managerial jobs) do not favour the market and frequently depend on guanxi networks.

Mr. Liang had ever worked in a state-owned Gas Corporation for five years and was promoted to manager of the IT department. To find new challenges, he left this job and chose to lead a private software company at his friend’s invitation.
The General Manager of my current company is a friend of mine. We first met at an international conference and have stayed in touch since then for mutual appreciation. We knew each other well and shared a common social circle. He invited me to join the company and work together with him as the Vice General Manager. People with high- or middle-level positions rarely go to job fairs. They usually change jobs through networks and friends, and I was one of those cases. Because these jobs are difficult to quantify and management skills are soft and invisible, choosing a candidate to fill the position involves risk. The best way to reduce risk is to find a person through guanxi networks to assure familiarity and trust.

Similarly, Mr. Zhao is a vice-manager of advertising department of a famous colour television company in Fujian province. He suggests why acquiring advertising or marketing jobs usually needs to mobilise guanxi networks.

The advertising jobs require employees to be good at communicating with clients, agencies, and media, etc, and to have a wide guanxi network; the wider it is, the more convenient it is for communication and the more profits might be generated. For some young men, they do not have abundant social resources for the time being but they should prove they have a great potential to construct guanxi networks in the future. In this case, their guanxi contacts must serve as middlemen who can assure the referee’s ability and potential.

In both these examples, the extra information or resources from guanxi networks provides advantages that market-based job acquisition procedures do not.

Discussion

Based on the qualitative data from in-depth interviews, the ownership of workplaces, the desirability of occupations, and the skill-requirements of job positions are the major factors that differentiate the comparative efficacy of job acquisition channels. Guanxi networks are mainly effective when searching for positions in state-owned workplaces, highly-desirable openings and soft-skill jobs. Meanwhile, the market channel is emerging rapidly and gradually starting to dominate job allocation in non-state sectors.

The inferential power of these exploratory findings is limited, but their implications deserve further consideration. First, the results provide suggestions about the role of social networks in other transforming societies. Although guanxi culture is unique to Chinese society, guanxi networks are only one type of social networks. In other social contexts, different forms of social networks exist with diverse local cultural meanings, functional logics, and institutional constraints. This study enriches networks research
in transitional societies from Chinese settings and shows that substantial institutional analysis is required when interpreting variations.

Second, the findings are relevant to the current market transition debate and lead to an “institutional niches” framework for further quantitative analysis. Market transition theory proposed by Nee (1989, 1991) claims that market forces sweep away the old hierarchical mechanisms and increase the returns to human capital. On the other hand, the power persistence thesis holds that market reforms have not undermined the old hierarchical order and the importance of network resources (Bian and Logan 1996). My findings show that since China’s market-oriented reforms the emerging labour market opens up new possibilities for urban employment processes. The market transition theorists are right that the market channel has developed rapidly and posed a strong challenge to alternative means of job acquisition. Nevertheless, their argument about the strength of marketisation appears over-stated and ignores particular institutional characteristics related to different work organizations and jobs. The emerging labour market is not a homogeneous system that shares the same speed, scope, or depth of marketisation; instead it is differentiated by multiple institutional factors. Within certain sectors or workplaces, it is true that marketisation appears to have become gradually dominant; in the other cases however, the political or social influence is still strong and unavoidable. I call the areas of the emerging labour market that favour particular job search channels “institutional niches” which provide room for different channels to play an active role in the employment processes. This proves to be a useful framework for conducting quantitative analysis. Due to space constraints here, a detailed discussion of this is not possible but relevant findings can be found in my related research (Huang 2006).

References:


