Compliance as process: Work safety in the Chinese construction industry

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Chapter 5 Understanding Compliance within Organisations

1. Introduction

The three cases discussed in chapter 4 demonstrated what actually took place in the operation of construction projects as well as the practices of internal safety compliance management. The attempts of going inside the regulated entities, rather than a simple measurement of some proposed hypothesis, allows us to figure out variations and to further discuss what causes or influences compliance performances. The cases showed that various non-compliance behaviours were actually tolerated or negotiated in the day-to-day practice of construction projects. And we now know that internal management is not working due to fragmentation and several other reasons. This raised the question: Why have the managers lost control over people’s behaviours? Why is there fragmentation? Why were there no effective institutional reforms in these cases? Does the construction organisation have less motivation to make changes? Or does the organisation actually have less capacity to make changes?

Moreover, the discussion of the cases in the last chapter did not yet refer to external factors/conditions. According to study of regulatory enforcement in the Part I, we know that it has been difficult to create much pressure through enforcement, although in the existing literature on China, many see such non-compliance problems as having to be addressed through stricter enforcement (Yu, 2005; Zhao, 2010; Hao, 2011; Xiao, 2012; Meng, 2006; Chen & Cai, 2007; Lv, 2009; Lu, 2010; Li & Wang, 2012; Sun & Li, 2012). However, we can also imagine that punishing people will not likely change behaviour throughout the organisation because of its fragmentation and maybe other factors. But we cannot put forward what needs to be done for better regulation or compliance right now, because we have no idea about, when looking inside, how organisations perceive or
experience regulatory enforcement of the state authority.

To better understand what can be done, we must look again at the organisational structure in more depth, especially to understand the root-causes of the variations (that we have seen some from the three cases) in compliance processes. The current chapter, thus, will continue to analyse the organisational compliance process, by exploring: What can explain the actual compliance and violation practices? What do the findings from the cases studied mean when understanding organisational compliance? And what are the theoretical and practical implications?

The subsequent four sections present the main arguments in this chapter: section 2 analyses how a fragmented internal structure, as a critical factor, creates a complicated circumstance for compliance practice, and causes the failure of safety management and control; section 3 analyses the regulatory context, which acts as a shadow for the organisation and is unable to provide strong incentives or deterrence towards compliance; section 4 further analyses to what extent other external (economic, political as well as social) contexts have influenced organisational compliance. The findings are not optimistic. Section 5 examines how deviance has been generally normalised in daily safety practice, which constitutes a kind of culture within construction sites. Finally, section 6 will present the conclusions.

2. Fragmented Internal Structure and Management’s Failure

The three construction projects all faced a major challenge: compliance practice was fragmented throughout the organisation. More specifically, management mechanisms seemed to have limited influence upon actual behaviours (especially violating behaviours) relevant to safety operation. There was no authority of one layer over another within the organisation.

This section seeks to analyse why such fragmentation exists. The internal structure of the organisation was basically fragmented, which further created the fragmentation of compliance management
in practice. The fragmented internal structure originated from some institutional reforms in the construction industry initiated by the central government. However, it produced some unintended consequences: on the one hand, the attempt of putting different entities as well as actors within the operation of one construction project created numerous independent sub-groups; on the other hand, only the organisation who registered as the builder of the construction project was targeted by the safety law and the state regulatory authority, which made those sub-groups invisible and stay uncontrolled. The fragmented internal structure, ultimately, created the failure of compliance management in practice.

(1) Fractured structure: Background, institution, and reality

A. Institutional reform

It is clear, in my empirical study that various sub-organisations and sub-groups existed in one construction project. This can be traced back to industrial reforms initiated by the central government over ten years ago. First, in 2001, the Ministry of Construction issued Regulation on Qualification Administration of Construction Enterprise ([2001]No.87) as well as Classification Criterion of Construction Enterprise Qualification. Accordingly, the construction enterprise was classified into three arrays: general contractor enterprise, construction enterprise, as well as labour service enterprise. The new institutions, with the purpose of separating the managerial layer from the operational layer in the process of running a construction project, helped to form a pyramidal administration system in the construction industry.\(^\text{120}\)

\(^{120}\) Concerning the pyramidal administration system, please also refer to Yuan, Xin. 2011. “Back Pay and Payment Request: An Empirical Study on Regime of Construction Sites and Labor Process” (Qianxin Yu Taoxin: Gongdi Zhengti Yu Laodong Guocheng De Shizheng Yanjiu), Beijing: Capital University of Economics and Business Press.
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Theoretically, the entire reform aimed at increasing the overall efficiency as well as scale operation of the construction industry. As Figure 5.1 shows, the minority leading enterprise, at the top of the pyramid, concentrates on investing, developing, and bidding for (both domestic and international) construction projects (i.e. as general contractor). A leading enterprise, once it has obtained a project, will sublet it to some qualified construction enterprises (i.e. the type of enterprise studied in this book). The latter, staying at the middle level of the pyramid, will manage the overall operation of a construction project. However, the construction enterprise, with a focus on management, will sublet actual operating work (i.e. the specific construction labour) to some labour service enterprises. According to the institutional design, a certain amount of labour service enterprise is needed, because it, as the operational level of a project, forms the foundation of the pyramid.

Later, in 2005, the Ministry of Construction issued another legal document about establishing a labour subletting system and developing a construction labour service enterprise.\textsuperscript{121} The purpose

of this reform was clear: to cultivate construction labour service enterprises and put labour forces (i.e. the work teams as well as the workers) into qualified and specialised entities. In other words, it launched a process of enterprising for labour resources. The new reform even set the goals that, within three years (2005-2008), a normative construction labour subletting system should be established on a national scale, and the rural migrant workers (who constituted the main labour force in construction industry) should be generally absorbed by labour service enterprises or other relevant enterprises. Moreover, it should be prohibited that the natural person, as labour contractor (also called as the headman, 'Baogongtou'), directly obtains construction work from the construction enterprise.

According to the institutional design, a qualified labour enterprise can maintain a stable employment relation with individual workers through a formal contract. On the one hand, the rights and interests of the individual workers can be guaranteed by the contract; on the other hand, the labour enterprises can give necessary education and training of working rules and skills, safety awareness as well as protective measures. In this way, the labour enterprise can provide professional labour service to the construction project.

Owing to the above industrial reforms, a basic model of running a construction project becomes: the construction firm transfers tasks of actual constructing work to the labour service firms based on subletting contracts. In the meantime, the labour service firms recruit labour force based on labour contracts. Through such dual contractual relations, the individual workers, ultimately, get involve in a construction project and become part of a construction process (see Figure 5.2).

**Figure 5.2 How do individual workers enter into the organisation?**

![Diagram showing the model of running a construction project](image-url)
B. An unintended paradox in practice

However, in practice, the current operating mechanism of construction project produces a paradox. The internal structure of one construction project is greatly fragmented, while the external image is still highly abstracted as a unitary entity, which leads to imbalances in terms of responsibility as well as liability. On the one hand, a direct outcome of institutional reforms was that numerous groups are gathered for one construction project. But it is worth noting that actors working in the same construction project are legally affiliated with different organisations or belong to different employment patterns. Indeed, from Max Weber (1947), we learn that bureaucracy and complex organisations will always have some form of division and hierarchy. But basically these sub-units are seen as part of the overall organisational unit. In my cases, however, it cannot be regarded as a simple phenomenon of inner hierarchy, as there is no direct authority over the whole and the authority is diffused in practice. In other words, there exist multi-hierarchies in a construction project, and its internal structure is fragmented from the beginning.

The first remarkable strand of hierarchy originates from labour subletting. Theoretically, there are thirteen categories of construction work. One labour service firm, of course, can be qualified to provide multiple work categories on the basis of its size and capacity. In practice, a construction firm usually sublets construction work to two or more labour firms. Different labour firms working on the same construction site are parallel and have no legal connections (however in practice, the construction work faces mutual influence and restriction). Each firm keeps an independent contact with the construction firm (see Figure 5.3). Along with the production expansion of the construction industry, some labour firms even provide the construction facilities and funds besides the labour force.

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122 Thirteen categories of construction work include: woodworking, masonry, plastering, stone fabrication, painting, steel bar, concrete working, scaffolding, template working, welding, gold plating, wiring, installation of water, electricity, heating and ventilation.
The relation between labour firm and construction firm, thus, goes beyond simple labour subcontracting. The interdependence and mutual constraint becomes more complicated.

**Figure 5.3 Stratification in labour subletting**

The second strand of hierarchy comes from the many different and unclear employment relations between the labour firm and the workers. The reform of construction labour subcontracting originally sought to improve the degree of systematisation for the labour force as well as labour teams. However, the reality is that legally registered labour service firms, in the short-term, failed to integrate and take on a variety of labour teams or labour resources. Construction labour teams organised by the headmen are still active in the construction labour market at present. Historically, labour teams lead by the headman constituted an important ‘labour pool’ of the construction industry. Before the Revolution of 1911 in China, in the agricultural economy based society, the construction labour force that was gathered by the headman and made up of artisans flowing between urban and rural appeared. Throughout different periods of the
Republic, the founding of New China, the market-oriented economy reform, as well as the construction industry reform in 2001, the headman (’Bao Gong Tou’) and the work team (’Bao Gong Dui’) have never been completely replaced.\footnote{For the similar argument, please also refer to He, Zhijun. 2007. “Management Mechanism and development Strategy of Labor Subcontracting Enterprises in Construction Industry” (Jianzhu Shiqing Laowu Fenbao Qiye Guanli Jizhi Ji Fazhan Zhanlve Yanjiu), Dissertation for Master Degree, Hunan University.}

The work team actually is flexible without a highly organised structure. It attracts a great number of individual workers as both the team and the individual have flexibility to choose work. They do not have to get stuck in an entity or a project for a long period. On the contrary, running a legally registered labour service firm (as the policy hopes) faces many expenses and risks. As a consequence, although it has been prohibited, since the reform in 2005, the headmen and their work teams directly get a construction job, the work teams still can hide themselves in those legally registered labour service firms through various flexible agreements. For example, some work teams, despite owning strength of running a labour firm, chooses to affiliate with a labour firm in name only.\footnote{There are some criteria for market access of the construction labour service enterprise, for example funds, personnel, qualification. Once a labour service firm is established, it also has to afford operating costs.} So it can take on a project in the name of the labour firm. In some situations, the registered labour firm is just an empty-shell and has no fixed work force at all. Once it gets a contract, the firm has to reply on cooperation with some powerful headmen, or to organise a work team temporarily. Even if some labour firms are powerful entities, it is difficult to maintain a stable labour troop in the long run. And the firms could still face a labour shortage especially when implementing several contracts concurrently. Even those small or weak work teams tend to keep a temporary relation with the labour firm in specific projects. In short, the labour firms and the various forms of labour forces can always find flexible ways to form collaborations.

Under such circumstances, the workers that the labour firm
eventually sends to the construction project usually come from different teams or groups. This further exacerbates the fragmentation of the construction project (see Figure 5.4).

**Figure 5.4 Hierarchy in labour relations**

![](image)

Taken together, the institutional reforms, including the functional division of enterprises in construction industry, and the enterprisation process of labour resources, strengthened the efficiency of the construction project operation. It, however, brought about some unintended consequences. The construction subcontracting, in practice, undermines the systematisation of organisational operation and causes decentred management systems. Particularly, when considering the compliance performance of the business, this causes a kind of structural damage for an organisation, because all the relevant intra-organisational elements that shape organisational compliance, such as motives, resources, personnel, management and control mechanisms, have been fragmented in practice (see Figure 5.5).
Figure 5. 5 Multi-hierarchy within the operation of a construction project

On the other hand, we should notice that, despite a construction project operating with a highly fragmented internal structure, looking from the outside, the overall activity on the construction site is conceived of belonging to a unitary entity. More specifically, the state regulations\(^{125}\) for the construction process, especially in the field of occupational health and safety, generally take the construction project as a basic unit, and the construction firm (registered with the license for a construction project) as a basic object. The situation is partly produced by legislation. *Construction Law* stipulates the institution of project subcontracting\(^ {126}\), but it does not refer to any detailed rules on labour service firms. Nor does any other relevant

\(^{125}\) Regulations on construction sites include many aspects, for instance, labour relation, production safety, fire control, public health, urban environment.

\(^{126}\) See: 《Construction Law》, Article 29.
law or policy ever systematically stipulate how the activity of labour service enterprise in a construction project can be regulated.\textsuperscript{127} Rather, the Construction Law explicitly stipulates that the construction firm is responsible for the overall safety on the construction site.\textsuperscript{128} In practice, the local construction safety regulatory authority, still uses the construction firm as the sole subject of safety responsibility and liability. As some safety inspectors explained, *There is no specific rule that we can adopt to directly trace accountability of the labour service firm. Our duty is to regulate activities relevant to safety in a project under construction, whose legal subject of responsibility is the registered construction firm. Of course, the construction firm can distinguish the burden and accountability with the labour service firms. But it’s the business of their contracts.*\textsuperscript{129}

Generally speaking, it is the construction firm who should generally take control of, and take responsibility for the overall operation of a construction project, even though most of the actual work is undertaken by other entities. This is different from the literature finding that the law as well as the regulatory authority tends to make a process of ‘responsibleization’ with reference to workplace safety. That is, while employers have traditionally been the target of health and safety law, individual workers are increasingly assigned greater responsibility for their own safety at work and are held accountable, judged, and sanctioned through this lens (e.g. Gray, 2009). In other words, the regulatory authority seeks to detail duties and responsibilities within the organisation. In my cases, however, it

\textsuperscript{127} Some laws or rules concerning regulation of labour employment mainly focus on issues of labour contract, for example, payment of salary, social insurance. See: <Labor Contract Law>, <Notices about Employment Management and Services for Migrant Workers> issued by General Office of the State Council, <Several Opinions about resolving Problems of Migrant Workers> issued by the State Council, <Interim Measures for Wage Payment of Migrant Workers in Construction Field > issued by Ministry of Labor and Social Security, <Notices about Strengthening Management of Labour Contract for Migrant Workers In Construction and Other Industries> jointly issued by Ministry of Labor and Social Security, Ministry of Construction, and National Trade Unions.

\textsuperscript{128} See: 《Construction Law》, Article 45, as well as Article 44, 46-51.

\textsuperscript{129} See: interview with Inspector Li, Inspector Zou.
shows a tendency of abstracting the subject of duty and responsibility. For the state regulator and the public, the construction firm is the main body being judged as complying with the law or not. In this sense, the construction firm and labour service firm, at least in the field of construction safety, do not keep a parallel relationship. Because they do not simultaneously act as independent subjects of safety responsibility, neither do they act as independent actors being regulated. Labour subletting contracts places people and labour from other organisations in the entity of construction firm. In other words, the subjectivity of the labour service firm was embedded in the construction firm and provisionally becomes invisible in the construction process of a project. It is legally paradoxical, but it is the reality.

As a consequence, when we discuss safety compliance practice on the construction site, we are actually referring to a practical paradox, that is, a construction project is externally perceived as a unitary entity but internally operates with fragmented structures. This, eventually, creates imbalances in terms of power, duty and responsibility, and further causes the failure of internal compliance management.

(2) Challenges towards safety compliance management

The fragmented structures in a construction project bring many practical challenges for day-to-day compliance management. Within a relatively closed space of a construction project, a construction firm (represented by a team of project management) has to apply a set of management systems for cross-organisational actors, to ensure effective control during the processes of construction, and to achieve the goals of safety compliance as a whole. It almost becomes an impossible task. In some sense, the failure of organisational compliance management in practice is caused by these structural factors.

Indeterminate interrelations of the actors on the workplace

The first challenge is the indeterminate interrelations of the
actors at the workplace. A direct effect of the fractured structures might be the separation of power, authority, and autonomy up and down in a project. Gray and Silbey (2014) pointed out that, based on several empirical studies, the variations of regulated practices do not derive from alternative institutional norms or logics, but from variations in positions, autonomy, and expertise among actors within organisations.

In my cases, fragmentation firstly existed in the vertical structure of the project, for example, the distinction between the managerial layer and the actual operational layer, the distinction between the higher-level manager and the lower-level manager, the distinction between the labour boss, the headman and the worker. Nevertheless, the separation of power and autonomy in the hierarchy is not necessarily a top-down trend. For example, as discussed in Case I, the labour service contractor was subordinate to the construction firm as it has to receive payments from the latter. But in some situations, the labour service contractor has the capacity to prepay for construction materials and wages of the worker, which helps to reduce the funding pressure of the construction firm. Consequently, the two parties need each other and restrict each other in the process of construction. Sometimes, actors at the lower level also have higher autonomy and have a certain ability for game playing. For example, as Case II showed, the operating workers, especially some high skilled and experienced workers, even though staying at the bottom of the project, might influence the progress of the project. The middle-level manager has to maintain positive interaction with the workers. The workers can also exercise negative autonomy such as quitting the job, especially for those daily-waged workers.

In the meantime, fragmentation is also distinctive in the horizontal structure of the project. The working teams or the workers, despite staying at similar positions, had different resources, expertise (due to the division of work type), and affiliations even working on the same project. In consequence, their actions, due to varied motives and demands, often showed large differences. Once their works
intersected in the process of construction, the work teams or the workers could compete in terms of power and autonomy. For example, as mentioned in Case II, two different groups (the scaffolding team vs. the carpentry team) had a conflict. In Case III, the project managers had to coordinate different labour teams at the routine meetings. Looking briefly, the criss-cross fragmentation with reference to roles, positions, power and autonomy, creates variations of relation among the actors in the project. It further makes compliance practice on the construction site filled with complexity.

**Indeterminate production process**

The second challenge is the indeterminate production process. In general, fragmented internal structures might cause a lack of relatively unitary authority and the lack of effective control mechanisms, which further make internal management more difficult. My cases showed that the construction firm (represented by the managerial layer in a construction project) often lost effective control over the operational layer during the production process (the management failure), which eventually caused disorder in the workplace.

First, along with layer-by-layer subcontracting, the construction firm, more or less, adopted the strategy of so-called ‘contract substituting management’ in practice. That is, the construction firm implicitly deemed that the labour subcontractor or the headman was more likely to control the operational practice. The firm hence packaged all relevant rights and duties to the labour contractor. The construction firm no longer took charge of daily behaviours of the frontline operators (i.e. the workers). It only showed up and took measures when an injury or accident occurred. This potentially bred a laissez-faire atmosphere in the construction project, which exerted subtle influence on both the manager and the work team. The mechanism of ‘contract substituting management’ occurred in both Case I and Case II. The main concern of the construction firm was the implementation of contracts. They were less concerned with management of the construction process.
In the meantime, due to the fragmentation of the workplace, different work teams at the operational layer of project, more or less, had the freedom to act and behave in their own ways, which in some sense made the construction process uncontrolled. In particular, different work teams often performed different safety requirements with reference to safety education, qualification examination, technical disclosure, and work procedures. As mentioned in chapter 4, in Case I, the reason why Mr. Li (the representative of labour subcontractor) had a quarrel with Mr. Fan (safety compliance manager) lied in the former believing there was nothing wrong with their way of working (although there was some potential hazard that was identified by the compliance manager). In Case II, many workers or their work teams directly connected electricity through the distribution box without a socket, which was unsafe and forbidden. But from their points of view, it was not a big deal. In Case III, I once witnessed that three work teams scrambled for commanding the operator of tower crane to lift materials without the help of the ground commander of crane. Some explained to me, ‘We just want the crane to lift some materials. It was not hard to give a message to the operator of tower crane’. Scholar Zhao, in his empirical study on occupational safety of migrant workers in China, pointed out that, the lower work teams stayed, the lower they implemented safety standards. Many work teams held that it was not a problem as long as no accident occurs (see: Zhao, 2013). The independent operation of different work teams with various procedures then buried some potential safety hazards for the construction process.

Furthermore, as the managerial layer of the project employed an inactive strategy of ‘contract substituting management’, it often failed to provide necessary support, instruction or assistance when the operational work teams had actual demands, for example, to coordinate conflicts among different teams or clash of work schedules, to deal with emergency situations. The gaps existing in the day-to-day communication and interaction often created tension,

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130 See: Interview with the headman of the scaffolding team, Mr. Gong, in Case III.
estrangement, even alienation between the managerial layer and the operational layer within the construction project.\textsuperscript{131} For instance, in Case II, Director Song did not give a positive response when the team of the crane tower asked for a special training session; the team had to organise one by itself. But later, the workers became indifferent to the orders from Song. The adoption of ‘contract substituting management’, and the failure of communication (like Case II) or fear of communication (like Case III), internally created a form of responsibilization (Gray, 2009) shifting blame to the work teams and workers without enabling them to perform better and actually incentivising them away from compliance.

Besides, the management failure also meant that the managerial layer of the project, limited by the existing law system, could not effectively take any coercive measure towards the operational layer even though violations were detected. As discussed above, the behaviours of the work teams are not directly targeted by the state regulatory authority. The main binding force comes from the subcontract. However, the contract cannot bring an immediate deterrence or effect towards ongoing action and therefore is less useful to deal with violations.

To sum up, the construction firm, more or less, in the practice, loses effective control upon the interrelations of the actors, and control upon the production process, which eventually causes some failure of safety management.\textsuperscript{132} The fragmented internal structures enable a construction project to accommodate plural motives, interests, substructures, actors and actions. It then becomes difficult to judge and distinguish organisational compliance performance as a whole. Further, it becomes a challenge in pursuit of controlling and

\textsuperscript{131} For similar argument, please also refer to Wang, Jianjun & Chen, Qiang. 2005. To Resolve Problem of Separation Managerial Layer from Operational Layer Through Capital Operation” (Guanyu Tongguo Ziben Yunying Jiejue Liangceng Fenli De Jidian Sikao), Journal of Railway Engineering Society, No.6, 2005.

\textsuperscript{132} It also affects construction quality management, but not as much as safety matters. In general, there are a set of more formal and intricate institutions and procedures that are required by the law as well as quality regulation. But that is not the theme of this book.
improving compliance practice. Moreover, it makes it hard for a seemingly thorough and strict law system to be implemented throughout the organisation.

3. Regulation as a Shadow

The preceding analysis revealed that internal structure, as a key factor, greatly influences organisational compliance practice creating a fragmented picture of day-to-day operation of the construction project. However, the daily compliance practice is not just the result of decisions made by the managers or the workers, but exists in a broader framework of external forces that shape compliance in the organisation. Next, we will look at whether external contexts make any difference for compliance practice of the organisation, especially under the circumstance that fragmented internal structures shape an unfavourable situation for organisational management and control.

Both Western and non-Western studies have shown the importance of the regulatory, the economic, the political and the social context as external factors for compliance practice of the regulated actor.133 This section first analyses how safety regulation influences on the construction business as well as its compliance with safety laws, while the other external influences are analysed in the next section.

According to the analysis in Part I of this book, we know that state regulation seeks to enforce self-regulation of the regulated business, and external enforcement hardly does anything to create much external pressure or to make behaviours change quickly. However, this does not mean that the state regulation makes no sense at all. We do not yet know how the regulated construction business as well as the actors within the organisation perceive or respond to state regulation. The findings might be different from an external perspective. Especially when we know that the practice of

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133 Scholars have made some comparative analysis, for instance, see: Gunningham, Kagan, and Thornton, Shades of Green, Business Regulation and Environment; World Bank, Greening Industry, New Roles for Communities, Markets and Governments;
self-regulation on the construction site is fragmented and fails to take an effective control on situations, it becomes important to analyse, through an internal perspective, what state regulation means for the regulated organisation, and what impact it might have upon daily practices within the organisation under such circumstances.

My empirical cases in this part generally showed that, for the regulated construction business, the state regulation on construction safety exists as a shadow. The shadow means: the coercive force of safety regulation is less visible, while the regulation still owns some implicit general deterrence, which leads to some ‘cosmetic compliance’.

(1) Nothing is really going to happen

In the study of local safety regulatory enforcement (Part I), we found that the regulatory agency set ‘enforcing self-regulation’ as a primary policy goal. In practice, regulators no longer frequently went to observe and check whether regulations were being followed. This sub-section analyses how the regulated businesses (on behalf of the managers) elaborate what the state regulations are. The paper found that the interviewees generally perceived that safety regulation was less coercive and nothing was really going to happen in the encounter with the regulator:

‘They rarely come’

As far as the three construction projects were concerned, the first and third projects had never encountered safety inspection from the start of construction to the period that my participant research was conducted, while the second project had experienced one. Besides three projects under construction, when asked to describe how often state regulators visit the construction site based on their own working experiences, most of the interviewed managers could not give a clear answer and just held an impression that safety regulators rarely drop in. Some explained, ‘Regulatory authority has administration over so many construction projects. How can it go
through all the construction sites? '134 Some also held, ‘Who has an interest in going around construction sites unless some incident occurs?’135 A manager even pointed out, ‘I’ve even stayed at a project that wasn’t inspected at all till the whole project was completed’.

Manager Ye, the investor’s representative on the site (Case I), had over twenty years of working experience, gave a bit more information: ‘Generally, there are safety inspections from city and district levels. For a single project, the basic rule is that city-level inspection occurs once every half a year, and district inspection occurs once a season. But regulatory agencies usually have random inspection. They can go to any project they want. So the rule is not fixed. Of course, regulatory agencies might have their schedule and plan for inspection, but for us (i.e. specific projects), the date and frequency becomes uncertain. It depends on whether you could be selected within a certain period. Particularly, in June (the officially named “Safe Production Month”), the probability of being selected is higher’.136

Manager Fan, the full-time safety specialist in the Case I, also confirmed the above idea, ‘It’s hard to discern a definite frequency. Regulators will come to visit if some documents are issued from the above (i.e. the enforcement campaign). Otherwise, it depends on random inspection’.137

These answers imply that the chance that a project under construction might encounter inspection is at random. But one thing can be assured that inspection will not happen very often. It is interesting that some interviewed managers also made a comparison between safety inspection and quality inspection. Construction safety and quality are two main categories of the construction process under the regulation of local regulatory authority.138 The managers

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134 See: interviews with Mr. Ye, Mr. Fan, Case I. Mr. Song, Case II; Mr. Han, Case III.
135 See: interview with Mr. Li, Case II.
136 See: interview with Mr. Ye, Case I.
137 See: interview with Mr. Fan, Case I.
138 Usually, there are two different divisions in the local construction safety regulatory authority (i.e. BHURD) that respectively takes charge of inspections for construction safety and construction quality. At the district level, as the regulatory
introduced that inspection of quality issues was often invited by the construction firm (because many procedures require official checks and acceptance), while no firm will ask for a safety inspection.\textsuperscript{139} ‘Safety inspectors always come by themselves, so the time is uncertain for us’.\textsuperscript{140} From these answers, the regulated actors and the safety regulatory agency rarely kept close contact. In general, for those managerial staff working on the construction sites, they basically held an impression that safety inspectors rarely come to inspect.

\textit{‘They do something simple’}

Concerning what safety inspectors usually do during an on-site inspection, the managers who accompanied inspectors throughout the inspection all described ‘it’s not a complicated process’.\textsuperscript{141} For those who had no opportunity to get involved, they could only give some hearsay. The project manager in Case I, Mr. Hu, gave a representative description: ‘Conventional contents were those items with mandatory provisions, for example, preventive measures, large machinery, electricity. Inspectors usually went around the construction sites. What problems they will address depended on where they went and what they can observe. Another part of inspection was to check documents and records about the construction project, for example, construction license, construction scheme designs, career qualifications of project manager and engineers, record of inner safety check, sometime also referred to record of operational workers. It sounds complex, but document review was just to see whether we had these

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\textsuperscript{139} There is some procedural incentive to comply with quality standards, that is, before the construction flow goes to next phase, the construction project has to get an official confirmation from the quality regulatory agency has already checked the prior phase and been approved for the next phase. If the construction project missed this check and approval in some phases, it is then impossible to get the final check and quality acceptance from the quality regulatory agency for the entire project. It then means that the completed buildings cannot be sold legally. However, concerning construction safety, there is no such mechanism.

\textsuperscript{140} See: interview with Manager Ye, Case I.

\textsuperscript{141} See: interview with Manager Huang, Mr. Hu, Case I; Mr. Li, Case II; Mr. Han, Mr. Liu, Case III.
files there. Inspectors normally won’t check the actual contents. Afterwards, inspectors will have a short meeting with the relevant managers of project and make a summary of the inspection.142

Mr. Han, the chief safety manager in Case III, also remarked, 'It is impossible for inspectors to check all items listed in the ten tables of GDD59-99.143 There are only two or three inspectors for an inspection. Therefore they can only conduct some routine checks and mention the part that they observed.'144

From these descriptions, interviewed managers, based on their previous experiences, generally perceived that external inspections were conducted in a routine way, and basically it was impossible for inspectors to conduct a thorough check. In general, what state inspectors could do during an inspection did not go beyond their estimations.

‘Nothing is really going to happen’

All interviewed managers affirmed that nothing in particular would happen for the outcome of an inspection. In general, inspectors just gave an oral summary of problems (i.e. the violations) they found and asked to improve performance, seldom issuing a rectification notice. These descriptions were exactly in line with what I observed during participant inspections (Part I). Some managers mentioned, ‘In most cases, the problems detected were not big, and inspector won’t issue a rectification notice. Even though they issued a notice, they just meant to give a formal reminder. We of course will make rectification. But to tell the truth, inspectors won’t come back for a re-examination’.145

In particular, all interviewed managers confirmed that inspectors would not impose a fine as a regulatory outcome. 'A fine is only made after the occurrence of an accident,' explained by an interviewee, 'moreover, a fine has to be made according to legal rules.'

142 According to the interviews with Mr. Ye, Case I.
143 GDD59-99
144 See: interview with Mr. Han, Case III.
145 See: interview with Mr. Zhao, Case I.
Another interviewee remarked, ‘Honestly, there is no construction project without any safety problem at all. Anyone can say something about problem. It’s impractical to request a 100% perfect construction project. Inspectors of course know the reality, so they also just inspect by words’.\textsuperscript{147}

The descriptions given by those interviewees who had encountered state inspections revealed that the regulated actors clearly knew what external inspectors would do as well as what they could do for a regulatory decision. It also implies that the regulated actors generally did not believe that something bad or serious was really going to happen. As summarised by an interviewee, ‘Regulatory agency will not make troubles for you unless you are a trouble maker’.\textsuperscript{148}

Generally speaking, this sub-section discussed how the regulated actors perceived state regulation of safety. When I discussed this issue with my possible interviewees, I did not use a structured question list but talked in open way. I was more interested with how they elaborated on what the state regulations were. From the descriptions of the interviewed managers on the construction sites, they thought state inspections rarely happened in a specific project, and even if it happened, what inspectors did was just something simple, and eventually nothing would happen. In other words, the coercive force of safety inspection was generally perceived as less visible. This echoes with the finding in Part I that state enforcement hardly has any pressure over the regulated business.

\textbf{(2) Creation of Potemkin Village: Reaction towards regulation}

Although the construction firm (represented by managers at different positions) perceived safety inspection as less coercive and nothing serious will happen, my empirical study found that, in action,\textsuperscript{146} See: interview with Manager Yang, Case I.\textsuperscript{147} See: interviews with Mr. Yang, Case I. Manager Chen. Case III. Manager Wang. Case III.\textsuperscript{148} See: interview with Manager Zhao, Case I.
the managers of construction projects did not dare completely treat safety regulations as invisible. In other words, the shadow of regulation still existed, which implies there was still a probability (even small) that something (negative outcomes) could happen, for example, for those poor practices beyond the tolerance of the inspector or random events. Such an implicit general deterrence has been found in the empirical cases, where the construction firms, more or less, attempted to make their project ‘look compliant’.\footnote{Concerning the discussion of cosmetic compliance, please also refer to Gray & Silbey, 2014.}

Garry C. Gray used the story of Potemkin Village to describe his empirical findings in the area of occupational health and safety. The story told that the Empress Catherine the Great wanted to show her guests a pleasant pastoral scene, but the visitors only saw the attempt to hide the unpleasant realities of life.\footnote{The expression of Potemkin Village was originally created in the study: Tager & Phelps, 2004. A Critique of the Gene Technology Act and Its Implementation. This study quoted it from the paper of Garry C. Gray, 2006. “The Regulation of Corporate Violations: Punishment, Compliance, and the Blurring of Responsibility”, in British Journal of Criminology, (2006) 46: 875-892.} In his own study of factories, Gray (2006) observed cases in which suddenly the situation of the workplace was the opposite of his previous observations, and daily minor violations were cleaned up temporally. He argued then that Potemkin Village represents the hidden side of local culture of reactions to health and safety enforcement. In the study of environmental health and safety management system for the university’s research laboratories that was conducted by Silbey (see; Gray & Silbey, 2014), things became less safe because of some frantic preparation for inspections. In the construction projects studied in this book, I also observed the attempts to create a Potemkin Village for the potential or up-coming safety inspection.

On the second week of my participant work in the first construction project (at that time, the construction work had been conducted for over nine months), all managerial staffs were equipped with ID cards when entering the construction site. ID cards for the
worker were also in preparation (before that, nobody had an ID card and the guard at the entrance was unable to tell who was working on the site or not). Project manager, Mr. Hu, explained it was meant to make the management look more formal. This was just the beginning of the story. Two days later, the firm itself organised an inner self-examination. At that time, I learned that a comprehensive safety inspection throughout the X district was to be initiated in the following week. The inner self-examination was very impressive, which created a drama: Many staff suddenly became more busy than usual, like they had a lot of work to do (due to shortage of hands, I was also assigned to hang up some new safety signs around the buildings under construction). The chief project manager used a very formal tone that I had never heard from him before; ‘Notify all work teams, today, the firm will give a severe fine once we detect any major problem’, he added, ‘if I see a person not wearing a safety helmet, I will make a fine of 1,000 Yuan’. He really meant it. By the end of the day, the fine of 1,000 Yuan was issued to five workers without a helmet. Moreover, a great number of rectification notices had been issued to relevant work teams. For the first time, I got a feeling that the managers were powerful and they did take control. Regrettably, the project was not selected as a target of safety inspection in the following week. Several days later, the construction site went back to the messy status. The ID cards for the workers were also cancelled.

In fact, ‘looking compliant’ also existed in small issues of day-to-day operation of the project. For instance, in the first construction project, I followed safety manager, Mr. Fan, to check and accept two new compressor machines. On the site, I observed that Fan wrote down basic production information of the machine in a card. Fan explained, ‘In case safety station comes to check whether we implemented procedure of checking, I need to make a file as evidence’. However, he did not check if the machines worked well and we just

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151 With reference to a comprehensive safety inspection, the district safety station will send a red-tape document (i.e. notification) to all projects under construction. But it will not specify which project is targeted.
left. In this case, Mr. Fan was more concerned with proving he had done his job regardless of whether the machine itself had any problem or safety hazard. He attempted to make some preparation (paper trail) for possible state inspection, which constituted a daily part of a Potemkin Village of compliance management.

Even in Case III, where safety management looked relatively formal and standardised, I also witnessed a centralised preparation for a possible safety inspection. This event was actually initiated due to a special inspection conducted by the Department of National Housing and Urban-Rural Development (HURD). Although it was a random inspection, local construction regulatory agencies at both the city and district levels paid great attention to it. A meeting was called by the district safety station, which emphasised the importance of the inspection to all construction firms with projects under construction. Consequently, the managerial layer of project III organised a special meeting to discuss how to prepare. The chief project manager made a general arrangement:

‘If our project is selected, we all know there are lots of practical problems on the construction site. Anyway, what we can do currently is to make full use of the last two days: on the one hand, to supplement necessary documents about the project; on the other hand, to carefully check safety issues throughout the project. For example, it’s better to move the machinery equipment that is not in use off the site; tower cranes without certificates temporarily stop working. If inspectors don’t find any major safety hazard or problem, they are not going to check the paper documents. However, if inspectors find some aspects looking unpleasant, they will further check the details. As we all know, no construction project can stand a detailed examination.’ As a conclusion, the manager addressed, ‘for this special period, it doesn’t matter that construction progress slows down. We have to make good preparation for the inspection’.

This busy movement of masking the workplace lasted for several days until the national regulatory group left M city and our project was luckily not targeted. The construction site hence got its
normal face back and seemed like nothing ever happened.

Nevertheless, what impressed me most was the second construction project, when facing an up-coming safety inspection, undertaking a large scale effort of creating safety documents. Very soon after I started research in this project, I already found that its safety sector was poor in file management, because most of the 25 total file boxes were empty. At a routine meeting, the chief project manager suddenly mentioned, ‘A few days ago, an accident with the tower crane occurred in a construction project and someone was injured. Consequently, the district safety station will conduct a general inspection for production safety. The exact time is not set yet, but it must be in the following days.’ As a result, all staff in the safety office began to make the required files. The first time-consuming part were the records of three levels of safety training for the workers (i.e. the work team level, the project level, and the firm level), which required the signature of all workers who attended the training sessions as well as the signature of the educators. I had no idea of where and how the staff got such a great number of signatures, but two days later, four hundred training record cards were ready. Staff then moved to other parts including weekly notes of the production process for the work teams, record of examining and accepting machinery equipment, record of inner safety inspection, copy of files for the operators whose job required specific certificates, etc. Due to a shortage of hands, I was assigned to make records of examining the construction climbing frame. What I needed to do was fill in seven columns of a form with the phrase ‘meets the specification’. It was quite easy and I finished in ten minutes. One staff then took the forms and went to get required signatures. The crazy filing process lasted for almost one week. I had no opportunity to witness the process of inspection (carried out in the office) and only heard that nothing

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152 In order to give necessary instruction on safety management, the district safety station created a measure: when a construction firm came to apply for construction license of a project, it was required to purchase a set of file boxes that the safety station has helped to label the title. The purpose of these boxes was to remind the construction firm what types of document are needed.
happened in the inspection. In the following days of my research in this project, none of the files were updated further.

These empirical cases bridge my understanding from an organisational perspective and the findings from regulatory perspective, concerning possible impacts of external regulation on organisational compliance. In the study of regulatory enforcement (part I), the paper argued that a direct positive effect of state regulation on compliance was not as strong and efficient as expected, but other indirect effects on the degree of mutual communication, relation maintenance, as well as degree of cooperation between the regulatory agency and the regulated actors were found. Turning to the empirical study of three construction projects, on the one hand, most actors representing the construction firms did not really believe anything serious was going to happen, implying that state regulation rarely showed coercive force in practice. On the other hand, without an exception, all the projects attempted to make up their safety compliance performances when faced with a safety inspection. It possibly implies that the existence of regulation still implicitly sends some deterrent massages. It might serve as a reminder (Gunningham et al., 2005, P290). However, in my case, it was not a reminder for better compliance performance, but a reminder to take actions of masking and hiding anything that might be viewed as a safety violation. In other words, the way that the regulated businesses (in my study) reacted to state regulation showed a so-called practice of cosmetic compliance indeed (Parker & Nielsen, 2006). It was actually an opportunism conduct/reaction other than real compliance. In sum, my cases showed that state regulation did not influence compliance behaviour itself, but created some reactive modes of practice on the construction site. State regulation only existed as a shadow.

4. Market, Political and Social Influences on Organisational Compliance

So far we have seen fragmented internal structures within a construction project, creating failures of organisational compliance
management. We also discussed to what extent the external regulation (i.e. state regulation) could influence compliance performance of the organisation by referring to how the regulated perceive and respond to regulation. Regrettably, we saw state regulation existed as a shadow and in some sense pushed the regulated business to create cosmetic compliance practices. In this section, we will further discuss other external forces that could shape compliance in the organisation.

In an empirical study of regulating land and pollution in China, Van Rooij (2006) pointed out, based on the overview by Gunningham and his colleagues (2003), that the most common framework for how external context influences compliance behaviour refers to three contexts: regulatory, economic, and social. Studies about developing countries, however, often mention a third factor of influence, that is, the political context, which consists of attitudes of political leaders and of the political system as a whole. This section discusses possible influences on organisational compliance from market, political as well as social forces. The analysis showed that social pressure on the construction business is generally invisible, and political context has paradoxical effects, while market force implicitly produces an incentive for non-compliance.

(1) Market influence

Since the end of the 1990s, the nation, local government, and individual all showed great demands for real estate, stimulating the increasing development of the construction industry.
According to statistical data shown in Figure 5.6, the floorage of residential buildings under construction has undergone rapid growth from 1985 to 2013. In 1985, the floorage under construction was only 355 million square meters, while in 2013, the floorage reached 11320 million square meters. The construction industry is experiencing a time of continuous prosperity. The booming market brings about a series of impacts.

First of all, the construction firm is in high demand. Accordingly, on the one hand, a lot of economic entities began to set foot in the industry, comprising enterprises of uneven size, scale, and capacity. For example, in Case I, the founders of Changjiang Company used to engage in trade. When switching to construction, they had limited professional experience of running projects and were even perceived by some middle managers as laymen. Moreover, due to a limited economic capacity, the firm had to partly rely on prepayment for construction expenses (material and wages) by the labour firms or the work teams. As a result, the firm lost efficient control over the labour firms and the work teams. On the other hand, facing a fast-growing project market, many construction enterprises were stimulated to chase project contracting. However, some firms had to distribute limited managerial resources to different projects, and
some even captured business beyond their actual capacities. For example, in Case II, Zhongding Company ran many construction projects in different places in the country. As a consequence, it only sent a small group of managerial staff to L Project in M city. Even the chief project manager, due to a high qualification requirement, was employed temporarily. The cases imply that, to some extent, the boom of the market causes negligence of project management, or deficiency of operating capacity.

Furthermore, the market creates demand for the rate of construction. Some scholars have claimed that the construction business (in China) adopts ‘speed preference’ that pursues ‘the faster the better’ (Zhang, 2006). This can be explained from complicated relations between the rate of construction and the construction investment. In general, a construction project requires a certain amount of capital input. In the meantime, a construction cycle is not very short. This implies that return on investment needs a long period and the business has to take a potential risk, especially for those firms of small size or mainly funded by bank loans (Shi, 2005). But, if a construction project can be completed quickly, the investment can be returned rapidly. Further, the faster the business can earn a profit, the faster it will make investments for new projects. This shapes an endless circle that stimulates the pursuit of the construction rate. However, the pursuit of speed brings a major problem to the construction firm, due to a fast construction process, leaving no choice but to take a reckless approach to management. For instance, it will lower the criterion of operation, or simplify the procedure of construction (Xu & Qu, 2012). This creates some potential risks for work safety during the construction process. As some scholars pointed out, an unreasonable requirement for construction rate might force the workers to work overtime and overload tasks. The long-term physical exhaustion easily causes a decrease of attention to safety. With the pressure of keeping the job going (Nichols, 1997), the workers also voluntarily simplify the procedure of operation to save time. Under such circumstances, the
workers are more likely exposed to potential occupational risks. In the meantime, the company is unwilling to spend much time in many specific and practical issues such as maintenance of protective facilities and machinery, which also creates new potential hazards for the construction process (Su, 2015).

Moreover, the market produces a high demand for labour force. Both the construction firm and the labour service firm are eager to find as many workers as possible. But, as discussed in section 2, the construction service firm, which is regarded as the sole legal subject of taking labour subcontracts, fails to absorb the majority of work teams led by the headman. As a consequence, two types of firms explicitly or implicitly accept the fact that numerous work teams get involved in the construction process through various types of employment or cooperation. The reality that the demand exceeds the supply in terms of construction labour force, more or less, expands the space in which various illegal work teams led by the headmen make a living freely and actively. It also creates complicated relationships among the construction firm, the labour service firm, the work team, and the individual worker.

In sum, the market prosperity, on the one hand, enlarges the development space for the construction businesses, on the other hand, it produces some adverse stimulation in terms of the excessive expansion of business, the pursuit of construction rate, and very flexible labour employment. The adverse stimulation causes the negligence of improving management capacity and taking careful control over the construction process. It also creates a short-term perspective and does not value worker safety. In some sense, market force offers a seemingly practical and reasonable excuse for the construction business to give up self-regulation, and to conduct illegal practices.

(2) Political influence

Concerning occupational health and safety in the workplace, the political context plays a contradictory role

On the one hand, the nation, at least the central government,
does increasingly attach emphasis to occupational safety in the production process. In 2003, for the first time the Annual Report of Central Government (submitted to the National Congress) mentioned ‘safe production’ (five times in the report). From 2004 to 2015, the theme of safety in production has been referred to explicitly in every Annual Report of Central Government. The focus also has been gradually shifted from coal mine safety to general fields of the industry. In particular, two very large safety accidents happened in 2013, which greatly shocked the country.\textsuperscript{153} President Xi and Prime Minister Li successively made special announcements on safety management, regulation and administration throughout the country.\textsuperscript{154} A severe accountability mechanism for safety incidents or accidents is necessary. Moreover, the work in terms of safety inspection and safety enforcement should be strengthened. The political discourses, to some extent, set the tone for rigorously restraining unsafe or illegal practice in the production process.

On the other hand, the government, especially local government, in practice, intentionally or unintentionally, loosens control and regulation on construction business. This is partly caused because local government having some dependence on real estate as well as construction industries. In the past ten years,\textsuperscript{155} the so-called ‘real estate economy’ has become a main characteristic of local development. The real estate industry is an important resource of

\textsuperscript{153} In June 3, 2013, a major fire explosion accident happened in the factory site of Jinlin Bayuanfeng Poultry Co., which eventually caused 121 deaths, 76 people were injured, and a direct economic loss of 182 million Yuan. In Nov. 22, 2013, an explosion caused by oil pipeline leak in Qingdao left 62 people dead, 136 people injured, and a direct economic loss of 751 million Yuan.


\textsuperscript{155} Following the cancelation of welfare housing system in 1998, housing consumption has become a new economic point. In 2003, a critical policy, \textit{<Notices about Promoting Sustainable and Healthy Development of the Real Estate Market>}, was issued by the State of Council, which named the real estate industry as ‘pillar industry’. Consequently, the real estate industry in China started its fastest growing period in history.
local finance. Sometimes, the local government itself, by establishing state-owned investment corporations for urban construction, acts as the investor of specific estate projects. On this occasion, local government, as the stakeholder, also demands speed and results from construction projects. In general, the intricate relations between local government and the industry shape a loose political context for free and even permissive development of the construction industry. This can be shown through the interviews with managerial agents.

Mr. Huang, a project manager (in Case I) with over twenty years of professional experience, remarked as follow: ‘Generally speaking, the government shows incompetent and powerless control in terms of safety issues. For example, there are many specific banning norms in the construction law, such as cannot sublet project to unqualified actors, cannot borrow qualification of others, cannot come into operation without a construction license. However, the insiders all know well how a project is actually operated and to what extent a construction project is breaking the laws. If the government seriously enforces the law, for instance, to directly revoke the business license once it detects the firm is lending its qualification to an unqualified entity. Who dares to repeat such practice next time? Do you think the local safety regulatory agency doesn’t know the actual situation in a construction project? It is just a kind of political inaction. The local government is keeping a balance. If it strictly implements legal criteria, most construction projects might be disqualified here or there. Could the government take the risk of abandoning or suspending the overall production of this industry? As a result, the government will keep a balance between maintaining production and controlling risks. In this sense, safety regulation of course must be discounted’. Actually such opinion was also confirmed by some other experienced professionals in my empirical cases.

156 Concerning “real estate economy” in China, please also refer to: Chen, Zhiyong & Chen, Lili. 2011; Peng, Qing. 2011; Zhao, Xi & Sun, Jigu. 2012; Zhang, Lunjun. 2013.
157 See: interview with Mr. Huang, project I.
On the whole, the political context created a fragmented regulatory context: it created pressure on local governments to show economic growth which they now could largely obtain through real estate; it also created some tension between the broader policy goals of the central government and local interests. Such fragmented regulatory context further produced a paradoxical influence upon safety compliance practice of construction business: although a higher political discourse strictly controlled occupational risks and pursued safe production, in practice, local political discourse supplied a permissive space for various illegal practices. As a consequence, the regulated construction business could only see the strength of political pressure as well as regulatory deterrence when a major accident happened.

(3) Social influence

In the study about ‘smart regulation’, scholars have advocated for innovative use of multiple social controls from a broader range of social actors, for instance, NGOs, international standards organisations, trading partners and others along the supply chain, commercial institutions, financial markets, industry associations, etc (e.g. Gunningham & Grabosky, 1998; Gunningham, 2011). Hutter and Jones (2007), in their study of external influences on business risk management, also identified plural sources of social influence including NGOs (at the local, national or international level), standards agencies, professional organisations, consumers, communities, the media, and other possible stakeholders.

This sub-section discusses what societal forces are at play, and to what extent such forces have an impact upon safety compliance performance of the construction business. The paper argues that, compared to the fields of environment protection and food safety in China, where social influence on compliance practice of regulated actors becomes increasingly evident and effectual, social

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158 For instance, protests against PX Projects (which may cause serious effects on environment) took place in many places. Protesting activities resulted in delay or
pressures upon the matter of occupational health and safety in the field of construction industry are nearly invisible.

In the field of occupational health and safety, the labour union has been regarded as an important force to create pressure on self-regulation of the organisation as well as to protect the worker’s rights and interests (Nichols, T. 1997; Chen & Chan, 2010). Unfortunately, at present, the labour union in the construction industry of China does not exist, which is greatly determined by its employment forms.¹⁵⁹ In China, migrant workers constitute the backbone of the construction labour force. Here, the wording of ‘migrant worker’ (‘Nong Ming Gong’) specifically refers to the rural people working in cities. In the early stage, some surplus rural labour forces began to flow into cities during the slack seasons of farming and engaged in short-term work (most of which were physical jobs). Later, more and more people stopped returning to the rural locations and stayed in the cities. However, for years, China has carried out a dual administrative/governance model based on structural partition between the urban and the rural.¹⁶⁰ That is, there are two separate ruling systems with reference to identity management, social security, and public welfare operating within the country.¹⁶¹ For those migrant workers, their identities are still registered in the rural system even though they have already lived in the city for a long time. In other words, they are not involved in the formal urban system. As a consequence, most migrant workers have to stay in some informal or temporary labour relations (this is different from the identity stagnation of projects, or some projects were forced to re-plan or relocate. Another example is about food safety. The joint protest initiated by many families of tainted milk-powder victims caused a comprehensive enforcement campaign throughout the country.

¹⁵⁹ Concerning the discussion of employment forms, please also refer to Zhao, Wei. 2013.
¹⁶⁰ For some classical analysis on dual administrative model in China, pleas also refer to Su, L.I. 1998; Lu, Xueyi. 2000.
¹⁶¹ Of course, the model of two separate ruling systems in China is undergoing a change gradually, through a series of institutional reforms, for instance, the unification of medical treatment, social insurance, change of household registration system. However, the gaps produced by the dual models cannot be resolved in the short-term.
management in many other countries). Such labour relation is particularly embodied in the construction industry as the latter absorbed the majority of migrant workers. They follow various headmen or find jobs as casual workers. Accordingly, migrant workers are rarely highly organised, and it becomes impractical to set up a labour union within a construction firm or labour subcontract firm. In this sense, there is a lack of any pressure concerning safety issues from any association of the construction workers.

Further, the individual workers, as a direct stakeholder, also have difficulty bringing pressure for occupational safety. As mentioned above, migrant workers in China have to face various problems caused by structural and institutional partitions. Some relational distance between the migrant worker and the city as well as the city system exists. It is hard for the migrant workers in the construction industry to stay or develop some stable or strong social relations or social networks in urban life. In other words, they lack social support to take action or bring pressure to the employers. Besides, as some literature has shown, it might be a worldwide problem that the frontline employees have difficulty speaking up. The study of factory workers conducted by Gray in Canada showed that workers had less power to refuse dangerous work (Gray, 2002). Another study carried out by Gray and Singer (2016) in the US revealed that the healthcare employees also faced sociocultural obstacles to speak up about medical errors considering social hierarchy, conflict avoidance, as well as willingness and ability to take ownership of safety-related problems inside hospital settings.

Looking further at possible influences from the public, in some noticeable fields of China, such as environment, food, land rights and public health, public concern has increasingly become an important recourse of social pressure. In these fields, not only the direct stakeholders (e.g. the victims), but ordinary people get involved in

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discussion or actions towards relevant issues. For instance, people express much concern on matters of environment, food safety through various newly emerging social networking platforms (such as Facebook, WeChat, Twitter, Blog.), which have a great effect of propagation and mutual education. Many international or local NGOs conduct plural research or follow-up monitoring, and initiate advocates or actions. Correspondingly, issues concerning environment, food and public health also become hot fields that the media chases. Regrettably, with reference to the matter of occupational health and safety, because not all occupations have to face obvious risks of safety, consequently, the public rarely pays much attention to specific industries or specific groups of people. There are of course some organisations working for safety protection, for instance, the worker rights centres. But such organisations aim to protect rights of the workers through individual cases in terms of occupational injury, salary payment or other issues. Their activities, thus, hardly produce major social influence on a large scale. Furthermore, the media seldom shows great interest in this field. Occupational safety issues will not even be reported or stressed unless some serious accident or group injuries happen. In general, when discussing social influence on safety compliance performance of the construction business, we see that the possible pressures from the group or the association of the workers, as well as the public force are nearly invisible.

In conclusion, this section analysed the influence from external forces (except regulatory factor that were discussed in the prior section) in shaping organisational compliance. The analysis showed that social pressure on the construction business is generally invisible, and political context has paradoxical effects, while the market force implicitly produces an incentive for non-compliance.

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5. Normalisation of Deviance in Safety Practice

Considering that, on the one hand, organisational compliance management of a construction project is fragmented due to decentralised internal structures, on the other hand, external contexts have limited influence on organisational compliance when state regulation exists as a shadow, political and social forces give less pressure, and market forces even stimulate non-compliance. How can we explain daily practices that are filled with various illegal behaviours as well as operations on the construction sites?

Some scholars hold that most violations are ‘minor’ and not serious (Hawkins, 1990), while others have argued that countless minor violations taking place everyday do have ‘major’ consequences (Pearce & Tombs, 1990). Following the approach of Garry C. Gray that develops a social context understanding of the local culture of health and safety violations, this paper would argue that, the normalisation of deviance has become an overall culture and background of safety practice on the construction sites.

We first need to explain the meaning of culture used here because culture is a very complicated term and can be used in many ways. This paper actually refers to it as a concept of organisational culture. Turning to the literature, Schein (2010, 1990) defined organisational culture as ‘a pattern of shared basic assumptions learned by a group as it solved its problems of external adaption and internal integration, which has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems’. Vaughan (1998), well based on Van Maanen and Barley (1985), provided a similar definition: ‘culture can be thought of as a set of solutions produced by a group of people as they interact about the situations they face in common. These solutions become institutionalized, remembered, and passed on as the rules, rituals, and values of the
In this paper, I refer to the culture of deviance to some social norms developed within the organisation, which contribute to shape how people behave as well as how people perceive such behaviours.

The paper explores a culture of deviance that explains daily practices on the construction sites, where minor violation has been internally ignored, and even occurrence of accidents cannot change such institutionalised practice. In general, deviance in daily practice is not easily broken down.

(1) Minor violations have been internally ignored

In her research on the Challenger Space Shuttle Disaster, Diane Vaughan (1996; 1998) provided a historical ethnographic example of how safety violations were continuous over time and increasingly became regarded as normal in the social context. Garry C. Gray (2006) also observed that the workers in the factory continually saw both internal supervisors and external inspectors not taking the violations seriously (before an accident happens). As a result, minor violations of health and safety were often ignored in everyday practice.

Such health and safety indifference can also be found in my empirical study. Taking the electricity distribution box in Case II as an example, I continually observed illegal use of electricity from the distribution boxes (at least twelve times within one month). However, the problems were never properly resolved: none of the violations were truly sanctioned, and no effective measures were ever taken so that people had no chance to arbitrarily connect electricity through the boxes. Sometimes, when the distribution box went awry due to illegal use of electricity, some workers and headmen came to watch how the problem was fixed. They also complained about the inconvenience caused by short circuit and discussed the root of the problem. What most impressed me was that, one time, all the onlookers agreed that an accident should have happened and the problem could hopefully be resolved. Of course, it was just a joke. The

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fact was: no matter how often people on this construction site complained or discussed, they actually got accustomed to the existence of illegal electricity usage as well as the power outage of distribution boxes occasionally.

During discussions with frontline managers on the three construction sites, I also found that they generally perceived the universal existence of illegal operation as ‘normal’. For instance, Mr. Liu, a project manager in Case III, explained to me, ‘There actually exist some flexible scales for discussing safety. If fully implementing legal standards, no construction project could keep running. There are some gaps between theory and practice. It is, hence, normal that errors (i.e. illegal operations) exist in practice. The main difference lies in the amount of errors’. In other words, illegal or unsafe practice, provided that it does not go beyond a certain extent, is acceptable and even perceived as reasonable in practice. Another manager in Case III, Mr. Chen also confirmed such an opinion, ‘There exists a certain scale. Any violation outside of this scale, of course, cannot be accepted. However, people normally won’t go beyond this scale as nobody hopes that something goes wrong.’ However, in these interpretations, nobody could clearly explain what the so-called flexible or acceptable scale was. Some frontline managers even explicitly expressed their indifference with safety, for instance, Mr. Yang, as a lower level manager in Case I, stated, ‘Honestly speaking, there are definitely illegal behaviours and operations in the construction process. As long as it doesn’t affect final output, a poor performance actually doesn’t matter’. These expressions in fact reflected the general perception that minor violations were very common and could be ignored.

Furthermore, the ignorance and normalisation of illegal practice seemed to be the result of a longer process. Many times, I tried to ask, in the conversations with my interviewees, why they took some specific (illegal) behaviours, or why they accepted others accepting

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165 Interview with manager Liu, Case III.
166 Interview with manager Chen, Case III.
167 Interview with lower level manager Yang, Case I.
some (illegal) behaviours. Nobody ever gave a clear or definite explanation. They answered with a vague ‘past’, for example, ‘we used to do it’. I can imagine, of course, it would almost be impossible to trace back when or where the first violation was ignored and tolerated. However, once nothing really happened, the same action could be repeated and continued many times, until one day, the deviance became common practice and regarded as normal. As Vaughan argued in her study of *Challenger Disaster* (1998), the problem of normalisation of deviance began, not on the eve of the Challenger launch, but nearly 10 years earlier. The past—previous engineering analysis, conclusions, and launch decisions—was an important context for decision making in the current situation.

In general, through a lengthy empirical study on construction sites, I found that countless illegal operations were explicitly or implicitly labelled as not serious. More important, just as Gray argued, it is not a certain individual indifference towards personal well-being among workpeople. It is a part of local culture that minor violations continually became accepted as normal in everyday health and safety practice (Gray, 2006).

(2) **Is an accident a big consequence?**

If there exists a boundary where minor violations cannot be ignored, it must be the safety accident. In the study of safety regulatory enforcement (Part I), I found that regulators would not employ a real sanction until an accident happened. In the interviews with the regulated actors on the construction sites, I also found that their answers about daily practice, as well as perception of regulation were made with a precondition that no accident occurs. Many interviewees also confirmed that once an accident happens, the sanctions and outcomes will change. This finding was in line with the literature saying unless a near-miss accident (often based on repeated minor violations) actually resulted in harm, then no action
was taken (Gray, 2006).^{168}

Nevertheless, my study further discusses the real influence of an accident. The deterrence of accident does not necessarily change the normalisation of deviance in daily safety practice. In the discussion of accidents with all interviewed managers (including the labour contractor as well as the headmen), I found two types of opinions. One held that accidents belonged to a rare event and was about fortune. As some people commented, *Nobody will deny the importance of production safety. However, people might think it is not so easy to have an accident.*^{169} *Why are some firms unwilling to invest in safety measures? They mean to save an expense provided no accident happens. The companies also think “my fortune might not be so bad that an accident happens to me”*^{170} Safety director, Mr. Song, in Case II can also be an example: in his past experiences, he never encountered an accident so he became very self-confident that all safety hazards had been eliminated on the current construction site. Such interpretation was partly in line with the literature saying that ‘people believed when problems occurred, it seemed to be random’ (Vaughan, 1998.). But in my cases, people further linked the randomness to personal fortune.

Another opinion about accidents was attributed to one’s destiny or related to *Feng Shui* (i.e. geomancy). For example, Manager Zhao (in Case I) mentioned, *There are a number of reasons for an accident. Sometimes, even though you have already done everything (for prevention), the accident still happened. You can only say it’s fate.*^{171}

Following this logic, nothing can be done if someone had an accident; on the contrary, nothing should have to be done if someone was lucky enough. Several examples were also given by the interviewees when they heard an accident happened mysteriously. They hence concluded that *Feng Shui* of the construction site was very important. If *Feng Shui* of the site was not good, construction firms held special

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^{168} Garry C. Gray, 2006, P884.
^{169} Interview with manager Huang, Case I.
^{170} Interview with manager Chen, Case III.
^{171} Interview with manager Zhao, Case I.
ceremonies such as putting firecrackers up, inviting monks to chant scriptures after the accident.\textsuperscript{172} The safety specialist, Mr. Li in Case II also confirmed that many people working on the construction sites believed in superstition. He gave an example for the construction project where I did research. The foundation pit of one building under construction was flooded by an unexpected rainstorm. The firm thus invited a Master to perform a rite. Mr. Li also supplemented that even the large-scale firm, for example, the firm he worked for before, believed in ‘Feng Shui’ very much in case any incident happened.\textsuperscript{173}

Here we can see some discourse that keeps people from framing an understanding of the risks. In the study on limits of community-based pollution regulation in China, Van Rooij and his colleagues (2012) emphasised the role of local discourses in shaping the way villagers view pollution and possible courses of action against it. In my study, there also existed an internal discourse that attributed the occurrence of an accident to some non-objective or uncontrollable factors rather than actual behaviours. In other words, accidents, despite having a big consequence, were not necessarily linked to how the construction was conducted in practice. Such a discourse, to some extent, obscured the relevance between improper conduct and safety hazards. As a result, violations in daily practice can be accepted. And accidents did not necessarily bring about any changes in acceptance or ignorance of deviance. This was actually in line with the social constructionist perspective holding that the meaning of safety was viewed as situated, generated and transplanted in the historical, socio-material, and cultural contexts (see: Turner & Gray, 2009).

**Summary: Normalisation of Deviance as a Local Culture**

If I had to find a way to explain what actually caused safety practices on the construction sites, where countless violations were

\textsuperscript{172} Interview with manager He, manager Fan, manager Gao, Case I.

\textsuperscript{173} Interview with manager Li, Case II.
repeated daily but nothing really happened until a project was completed and people moved to the next project, I would add a cultural perspective to all my discussion. Besides the less-than-ideal state regulatory enforcement, the fractured internal structure and management failure, as well as the weak external pressures, the normalisation of deviance has been implicitly embedded in ideas and actions of the business, the groups, and the individuals within the organisation. Developed through a gradual and continuous process, it became a local culture of deviance within the organisation and on the construction sites. The culture of deviance made people working on the construction site continuously conduct unsafe practices, ignore violations, and perceive various deviances as normal.

What does this mean? It implies that deviance in daily practice is not easily broken down. Ericson and Doyle (2006) found in their empirical study of insurance sales, five sources of moral risk were ‘institutionalized in the structure and culture of life insurance sales’ that gave rise to ‘institutionally endorsed manipulation, deception and sometimes fraud’. Similarly, the normalisation of deviance, as a local culture of health and safety practice on the construction sites, was not easily broken down by occasional inspection tours, weak enforcement, reactive management, or even an accident. Cultural persistence\(^\text{174}\) made unsafe behaviour habitual practice.

Moreover, it implies that the normalisation of deviance might produce a cumulative effect. Vaughan found that in the Challenger case, each decision about launching seemed logical, rational, and noncontroversial as cumulatively they expanded the number of technical deviations that were acceptable.\(^\text{175}\) In my study, I found that many singular violations cumulatively expanded the number of construction deviances. It was difficult to count an exact number of deviances that had been normalised in a construction project. Nonetheless, once some violations were ignored, it produced an


\(^{175}\) Ibid.
atmosphere or environment in which other violations, if any, would not be deemed weird. Moreover, once some violations were accepted as normal by the constructions firms, the groups, or the individuals, such practices could be brought to new projects and new construction sites. The perceptions and practices about normalisation of deviance can accumulate across time and space.

6. Discussion

Based on the empirical study in three selected construction projects in M City of China, Part II of this book (both chapter 4 and chapter 5) explored day-to-day practice of organisational compliance at a frontline level, and developed an interpretation and understanding in a broader context. The empirical findings, first of all, showed that compliance or non-compliance within the organisation was not some singular event, but situated in a process: a continuing process over time, a process of mutual interactions between actors, and a process filled with negotiation and construction of behavioural meanings. This was in line with the literature arguing that compliance is often not a unitary response by a regulated actor to an official rule, not simply an outcome or a final situation that one can measure and look at what has caused it (Van Rooij, 2012b; Parker & Nielsen, 2009b). What influences safety compliance in my study included the level of cohesive organisational structure, external forces (i.e. the regulatory, economic, political or social factors), as well as some social-cultural contexts shaping how people within the organisation perceive and behave.

**Fragmented organisation.** The empirical cases first demonstrated that the internal structure of the organisation was tremendously fragmented, which generally caused the failure of compliance management within the organisation. Indeed, studies have shown that the regulated organisation is not a singular entity, or a unit of analysis. For instance, the study of a factory by Garry Gray (2002, 2009), study of a lab by Suan Silbey (2011, 2014), and study of a hospital by Garry Gray and Sara Singer (2016) showed that the
hierarchy of roles and positions within an organisation had an effect on organisational compliance. These studies highlighted relations between organisational structure, hierarchy and power. However, my empirical cases presented a more complicated picture about fragmented organisations. In the above-mentioned study of factories, lab or hospital, such fragmentation was less clear and less problematic. They were still unitary organisations. But in my cases, there was no direct authority over the whole, no authority of one layer over another. In other words, the authority was diffused throughout the organisation. As a consequence, the practice of compliance management within the organisation was also fragmented. It created a lack of ownership and responsibility at each level of the organisation for work safety. Day-to-day practices of safety compliance on the construction sites were negotiated, and safety responsibilities could be shifted among different layers of actors within the organisation. In brief, fragmented compliance management failed to enable people within the organisation to have better compliance.

**Regulatory impact.** Besides the analysis of organisational structure, power relation, and internal compliance management, the paper also analysed organisational compliance in a broader framework. Regarding how safety regulation was conducted and how the frontline inspectors encountered the regulated business on the construction sites were analysed in the first part of the book, part II continued the discussion from the other side, i.e. to analyse how the regulated business perceived and encountered external regulation. The cases showed that, in practice, the regulated actors generally perceived that nothing was really going to happen during a safety inspection. The coercive force of external regulation was less visible. Regulatory enforcement had no real strength. However, the existence of potential regulatory inspection had some influence creating the illusion of compliance: the regulated business attempted to have ‘cosmetic compliance’ (Parker & Nielsen, 2006). According to Bruce Jacobs (2010), there is a distinction between deterrence and
deterrability. He explained that, 'If deterrence describes the perceptual process by which would-be offenders calculate risks and rewards prior to offending, deterrability refers to the offender’s capacity and/or willingness to perform this calculation.' In the understanding of deterrability, the concept of risk sensitivity is an important variable, through which actors can be differentiated as deterrable or undeterrable offenders in real-life circumstances. In my empirical cases, the creation of Potemkin Village illustrated some risk sensitivity. Actors that tried to evade detection of violations were at least deterrable, so they may at least be deterrable actors where deterrence simply does not work yet. In this sense, we perhaps can make an assumption that if the inspections were better, they would get real strength.

**Other external influences.** The paper also discussed other external forces that possibly shape the compliance performance of the business. The regulated construction businesses showed a sensitive reaction towards market orientations. The booming market of construction created high demands for construction firms, labour force, and construction rate, which easily created a short-term perspective for the business, and made them readily ignore the management of the construction process, and not value worker safety. In the meantime, the construction business hardly received much political pressure for safety compliance, given the tension between the broader policy goals of the central government and local interests. As a consequence, the regulated construction business could only see the strength of the political force when a major accident/disaster happened, while the latter happened occasionally. Moreover, the possible pressures from social forces (e.g. the labour union, worker’s group, NGO, the media, or the public) were nearly invisible. Generally speaking, the market, political, or social forces did not produce useful incentives or pressure that promoted better compliance from the construction business.

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**Normalisation of deviance as a local culture.** My empirical study also found a situation similar to Vaughan (1996, 1998) describing a culture of deviance that is embedded within the organisations. Various minor violations were internally normalised and continued in daily safety practice. Such cultural discourse also influenced how people working on the construction sites framed perception of risks. Consequently, even an accident could not change such institutionalised practice. In general, deviance in daily practice was not easily broken down, which further obstructed internal safety management and likely also external regulation. Furthermore, the finding of a culture of deviance might be symbolic to many systems in China. There was not just a culture of deviance in the construction sites, but also maybe amongst regulators and more broadly in the broader political and legal systems (for example, Shan, 2015).

In sum, the above-mentioned internal and external factors, in a broader framework, explained the three empirical cases in this book, and helped to develop some general understandings of compliance practice for the construction business in China. Moreover, these empirical cases bridged the findings from an organisational perspective and the analysis from a regulatory perspective. Now we can at least link the regulatory process and the organisational process to understand compliance practice of the organisation, in which we see possible interaction between the regulator and the regulated, and we also have an opportunity to discuss what actually happens during the compliance process using both a top-down and a bottom-up perspective.

However, so far, we have not yet been able to draw conclusions on what can be done to promote better compliance performance, or improve regulatory enforcement. There are still some aspects that the current analysis has not touched upon in depth. When we discussed the organisational compliance in this part, we saw the hierarchies within the organisation, and also discussed how people at different positions of the organisation perceived and acted. But the focus of the analysis was the organisation itself: how the organisation conducts
self-regulation and internal compliance management, what causes the failure of compliance management, as well as poor compliance performance of the organisation. It was a top-down perspective within the organisation. So we need to understand the individual and the individual’s behaviours from a bottom-up perspective within the organisation. Specifically, we need to examine the other side of the organisation, the employee (in my study, it is the worker), especially given that internal managers perceived the workers as ‘untouchable’, and the work teams normally worked independently. This will be further studied next.