Compliance as process: Work safety in the Chinese construction industry

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Chapter 7 Work Safety Compliance in China

1. Introduction

Just as I was finalising this last chapter of the book, the Chinese Ministry of Housing and Urban-Rural Development (MHUD) released the latest official data on construction accidents, reporting that there had been fatal accidents in all of China’s 31 provinces, without exception. Ten provinces even witnessed an increase in their death toll in 2015, compared with 2014. In response, the MHUD, as the highest regulatory authority of construction work safety, decided to deploy a new enforcement campaign against safety violations this year. The overall situation of construction work safety is not optimistic. Safety compliance remains one of the key compliance challenges in China. This research discussed such compliance challenges through an in-depth empirical case study.

The book has examined how the law is implemented, practiced, and linked to everyday behaviours regarding work safety compliance in the construction industry in China. A comprehensive exploration of compliance process (from the law to behaviour) was undertaken looking at three critical sub-processes: regulatory enforcement, organisational compliance management, and the individual’s compliance practices within the organisation. Such an explorative compliance study with a combination of different levels and different perspectives was carried out through a qualitative empirical study in M city, China, where 2 district safety regulatory stations, 3 construction projects and 183 workers were studied through participant observation and in-depth interviews. This book presented general empirical findings about how safety regulation functions, and how the regulated business and individuals within it practice safety compliance. It hopes to depict actual safety practices on the

233 There are in total 31 regions (akin to ‘states’ in USA) in the mainland of China, including 22 provinces, 5 autonomous regions, and 4 municipalities that are directly under the central government.
construction sites and indicate practical problems of law enforcement as well as compliance. It also hopes to develop an understanding of compliance challenges in China and add a Chinese case to general compliance studies.

As a concluding part, this chapter first summarises the findings from the case study answering the main questions posed at the beginning (section 2). Then, the paper will explore some theoretical insights (section 3) and policy implications (section 4) drawn from this research. A short discussion about future research follows (section 5).

2. Main Findings from Cases in M City
This research examined corporate compliance through multi-level processes, and analysed: What are and how do the processes of external regulatory enforcement, internal compliance management, and individual compliance function and influence compliance practices with the work safety law in the construction industry? The empirical case study in M city revealed that safety compliance performance of the construction businesses studied was generally poor. The poor compliance originated from elements in all processes, rather than a singular cause in a singular process of regulatory enforcement, organisation management, or individual’s practice.

The study has found, firstly, external safety enforcement was generally weak, did not generate deterrence, and thus failed to directly and effectively affect compliance behaviours of the regulated construction business. In fact, local regulatory agencies tended to leave enforcement to the construction project itself to organise internally. There were several reasons for this, all mostly structural and unlikely to change. Local regulatory agencies actually had limited authority and capacity to make appropriate sanctions against safety violations, and was even unable to issue a real sanction until a safety accident happened. In the meantime, the agency and also its agents (inspectors) had to maintain a balance between their regulatory duty
and the fear of being blamed by legal-political and economic forces, or the fear of disturbing the regulatory relationship. As a consequence, the agency preferred enforcement action that was appropriate and reasonable enough that the agency would not be criticised for weak enforcement, but not too strong to cause various legal-political or regulatory risks for themselves. Such regulatory practice then had a mixed impact upon the regulated business; the regulated construction business generally perceived the coercive force of state regulation as less visible, while they still tended to take some actions of cosmetic compliance, in case any (uncertain) sanction might happen.

Secondly, internal compliance management of the regulated construction business did not work well. Project subcontracting created numerous work teams with different affiliations in one construction project. These teams stayed comparatively independent from the managerial team of the construction project, and also independent from each other. As a consequence, the internal structure was actually fragmented. Project managers thus lost effective management at the operational layer of the project, and further, they lost effective control of daily safety practices on the construction site. Various non-compliance behaviours were actually tolerated or negotiated in the day-to-day operation of construction projects.

Thirdly, the workers’ behaviours of compliance or non-compliance were mainly based on personal choice and interests. What greatly influenced the behaviour decision of the individual was not external legal regulation or internal management, but the workers’ own operational cost-benefit analysis: what was beneficial or not as perceived by the individual. Workers had little contact with state regulators, and also had little direct contact with managers from the construction firms, such that the latter had little direct impact or control over their safety practices.

Fourth, fragmentation was a key factor affecting all external processes, organisational and individual processes: (i) Fragmented
regulatory authority. A fragmented form of regulation existed in which regulatory authority was de-facto dispersed across silos, making it hard for the law to penetrate throughout these silos and thus achieving compliance was difficult. The empirical case showed that the agency fulfilling daily regulatory duties (i.e. safety station studied in this book) did not have enough authorisation of power, while the agency that had much authority (i.e. specialised 'comprehensive enforcement bureau') rarely fulfilled its regulatory duties. This fragmented situation increased the costs of enforcement, and for the local safety station (i.e. the agency), it could become reluctant to carry out enforcement due to limited power. (ii) Fragmented internal management. As also mentioned above, fragmentation existed throughout the entire project: in the vertical structure of the project, for example, the distinction between the managerial layer and the frontline operational layer, the distinction between the labour boss, the headman and the worker were fragmented. In the meantime, in the horizontal structure of the project, for instance, the distinction between different working teams, or the distinction between different workers were fragmented also. Different groups of actors on the construction site had their own origins, organisations and working habits, and also had different professional skills. Such complex fragmentations, in some sense, led to the failure of internal safety compliance management, as it lacked communication between various groups, lacked coordination within the groups, and even lacked a standardised compliance protocol accepted and followed by the groups. In general, the company lost effective control over safety practice during the construction process. (iii) Working at fragmented workplace. For individuals, they were not necessarily affiliated with the construction firm they were working for, or affiliated with the labour service company that sent them to the construction project ('vertical fragmentation'). In the meantime, workers working on the same construction site could be affiliated with different work teams and hence had no close contact with each other ('horizontal fragmentation'). Furthermore, most construction
workers, as migrant workers, did not stay in a fixed or stable social network: they left the familiar ‘acquaintance society’ in the countryside, but failed to enter into a relatively formal and fixed organisational structure in the city. Consequently, workers were actually working at the fragmented workplace, where state regulation and organisational management rarely reached them directly, and social norms had less influence on them. This partly explained why the majority of the interviewed workers, either as compliers or non-compliers, attributed their behaviour decision as personal choice.

Fifth, safety responsibility was diffused and actors tended to shift blame in the complex fragmented settings. For the regulated business, the fragmented internal structure created a lack of ownership and safety responsibility at each level of the organisation. Moreover, relations among actors in a project became complex and people at different levels then used excuses to defend their behaviours. As a consequence, safety responsibilities may be shifted among different layers of actors within the organisation. As Case I showed, the higher level of the company claimed that it was safety managers of the project who should bear the burden of safety responsibility, while safety managers of the project blamed staff at a lower level of management as well as the labour subcontractors for a lack of responsibility, which created many unnecessary problems or extra burdens. Particularly in Case III, we saw that the frontline managers spent a lot of time and energy in creating an impressive procedural paper system, which just created a paper trail showing one had done one’s job but without any real effect on behaviours. It seemed that they just tried to manage their own risks and hence shifted blame and managed liabilities. In all three cases, the managerial layer of the project often shifted blame to the work teams and workers, claiming that they had no control over the latter. The empirical study generally showed that the accountability system in the organisation was rather vague, and none of the actors involved was ready to take responsible for their actions. Blame shifting, in the
end, could lead to failure of internal compliance management, because such practice fails to stimulate actors involved in the process to perform better, or to act responsibly. In the external regulatory process, we also saw risk aversion and blame shifting by state regulators. As chapter 4 showed, local safety inspectors generally understood that regulatory accountability mainly referred to enforcing the regulated construction business to fulfil its safety responsibility and liability. In other words, they believed that the regulated construction business should pay the bill for unsafe issues. In the meantime, state regulators attempted to manage potential legal-political risks by creating a ‘checking trail’. They usually went through entire procedures during on-site safety inspection, collected evidence and made records. This was a strategy that they called a ‘light touch’ (‘Dian Dao Wei Zhi’), which proved they had done their jobs and avoided blame ‘from above’, but without truly influencing the behaviours of the regulated business, or promoting better compliance.

Sixth, compliance/non-compliance in the cases studied was obviously affected by economic incentives and conflicting political agendas. Both a regulatory agency and the regulated business were sensitive to economic-political influence (Van Rooij, 2006; Tang, et al., 2010; Thornton, et al., 2009). The booming market of construction created high demands in construction firms, labour force, and construction rate, which easily created a short-term perspective of the business, and made them readily ignore the management of the construction process, and not value worker safety. In the meantime, the construction business generally felt that the political force hardly put any pressure on safety compliance, because of some conflicting political agendas: the overall political context put pressure on local governments to take strict control of work safety, while it also put pressure on local governments to show economic growth that the latter now could largely obtain through real estate as well as the construction industry. Local regulators were also sensitive to such political context. They had to face potential political pressure to not
disturb local development as well as local interests that were however closely linked to the economic interest. Consequently, they showed great tolerance towards safety violations. Such concerns with economic-political influence, in some sense, undermined regulatory performance.

Seventh, social influence on safety practice (Parker & Nielsen, 2011; Hutter & Jones, 2007) was nearly invisible. On the one hand, there was little pressure from the construction business. Labour unions hardly functioned in the area of the construction industry. Individual workers, as direct stakeholders, had difficulty and hence seldom organised groups or associations to put pressure on occupational safety. Compared with other areas such as environment or food in China, there are a few NGOs and they only played a limited role. On the other hand, social pressure on the regulatory agency for a better performance of regulatory enforcement was also slight.

Eighth, a culture of deviance was found (Vaughan, 1996, 1998; Gray, 2006) making minor violations accepted and normalised in daily practice. On the one hand, a culture of deviance was embedded within the organisation. Various minor violations were internally normalised and continued in the daily safety practice on construction sites. As Part II showed, health and safety indifference existed amongst the managers. They admitted the existence of a great number of safety violations, but they generally attributed deviance to their powerlessness, that is, they were unable to reach the workers, and hence unable to change the situation. In addition, they stated no construction project will be 100% in accordance with safety rules. They also perceived that external regulation will not take real action towards violation, so rather than real compliance it was just cosmetic compliance or creative compliance. As a consequence, in some cases (for example, the electricity distribution box in Case II) no violation was truly sanctioned, and no effective measures had ever been taken. Normalisation of deviance could also be found amongst individual workers. As Part III showed, many of the interviewed compliers admitted that others violated the law, but they generally thought such
deviance was common on the construction site, or it was personal business, or it could be acceptable for some reasons. For those behaving as non-compliers, they did not feel their deviance should be blamed or sanctioned, and they believed that many others will act similarly. On the other hand, a culture of deviance also existed in external regulation. As Part I showed, those state regulators admitted that a project meeting all safety rules might not exist. They also indicated that they had no choice but to 'open one eye and close the other' towards various violations on the construction site. Such recognition about violation as well as the 'soft touch' strategy accumulatively made regulators normalise the deviance of the regulated construction business implicitly or explicitly during regulatory enforcement.

3. Theoretical Insights

The findings presented in this book revealed some key problems and issues with regulatory compliance, which of course have been addressed by many other studies, but were uniquely linked to a comprehensive process of compliance in this research. This section discusses what these findings mean when understanding compliance.

(1) A process analysis to understand corporate compliance

This empirical study may add the value of a process study to the compliance literature (Heimer, 1999; Hutter, 1997; Fairman & Yapp, 2004; Bruijn, et al., 2007; Turner & Gray, 2009). It analysed how compliance/non-compliance happens, which is as important as analysing why compliance happens. When taking a general look at three interrelated process of safety compliance studied in this book, many compliance challenges appeared (which have been presented in the previous section). Moreover, a process approach helps to integrate both a top-down and bottom-up perspective to understand compliance (Vaughan, 2007; Sabatier, 1986; Mascini & Bacharias, 2012). From a top-down perspective, the case revealed the law and its enforcement failed to impact the regulated entity, to reach the individuals within it, and failed to effectively affect behaviour of
either organisation or individuals. Likewise, internal management of the organisation failed to reach the individuals within it, and failed to effectively impact their behaviours. From a bottom-up perspective, the practice of individuals was divorced from the zone of influence of the organisation or the law. Likewise, the practice of the regulated business was divorced from the zone of influence of legal regulation. In brief, a process approach makes it possible to gather plural factors that are functioning in practice to shape compliance.

(2) Understanding compliance in complex fragmented settings

The existing literature has reminded that fragmentation of the organisation will complicate regulatory compliance, for instance, the study of British Railways by Hutter (2001), and the study of theorised interaction patterns between inspectors and inspectees by Bruijn and his colleagues (2007). My research supported such complications caused by fragmentation revealing a fragmented regulatory authority, fragmented internal management, and also individuals working at fragmented workplace. Fragmentation existed in all processes of corporate compliance, making it harder for any regulator whether internal or external to exert authority, to discern facts, to shape behaviour or influence compliant motivations.

It is also worth noting that fragmentation within the organisation analysed in this book was a bit different from

\[\text{In the study of British Railways by Hutter (2001), fragmentation of the company emerged as a major obstacle. Each department in British Railways had a different tradition and culture, and hence operated semi-autonomously based on its own organisations and policies. In the study of interaction patterns between inspectors and inspectees, Bruijn and his colleagues (2007) argued that many actors who got involved in the enforcement process might be fragmented. For example, a company may have different echelons (a managerial echelon, a techno-operational echelon or a parent company and subsidiaries). A regulator may also be heterogeneous as there could be different inspectors for different aspects of an inspectee’s operation. Such internal fragmentation may create unintended consequences: inspectees may use their own fragmentation to thwart the efforts of inspectors; in turn, inspectors may also make use of the fragmentation of their organisation, for example, fragmentation enabled them to build in some redundancy into the enforcement.}\]
organisational hierarchy. Some studies about health and safety at the workplace have addressed the importance of analysing how organisational hierarchy affects individuals’ perception and decision-making (for example, Gray, 2002, 2009; Silbey, 2011, 2014; Gray & Singer, 2016). In these studies, although different actors might have different motives, expertise or autonomy and behave differently, basically, they were still affiliated with the same ‘unitary entity’. But in my case, workers may be affiliated with different work groups or different labour companies. So there was no direct authority over the whole, no authority of one layer over another.

The empirical findings in this book drew attention to organisational complexity, which may be an important factor for understanding variations in corporate compliance (Vaughan, 2002; Simposon & PiQuero, 2002). My case, more or less, revealed broad complexity in the organisational structure in terms of vertical, horizontal and spatial differentiation (McKendall & Wagner, 1997). A complex organisation may be more difficult to control and may produce more opportunities for illegal practice (Huisman, 2016). In this sense, the academic exploration of ‘going inside’ to tease out organisational or bureaucratic factors does have great significance.

(3) Power and lack of power

In the field of organisation studies, a strand of literature has called attention to power in organisations (cf. Stewart Clegg, 1979; Mintzberg, 1984; Courpasson, 2000). For example, scholars have argued that although the power of management as a labour process has greatly increased, the power of the individual manager as a participant in this process has diminished within various levels of the labour process of management (Teulings, 1985). Some scholars then looked at the way that power is exerted over those at subordinate levels (for example, Mats Alvesson, 1996). Corporate compliance studies also touched on this theme, as proper allocation and legitimate exercises of power and resources within the organisation were key for organisational governance, and a basis of subordinates’
deference to requests or commands (Fiss, 2008; Gray & Silbey, 2014).

The construction case in this book depicted how power or the lack of power matters in compliance. Empirical data revealed the lack of factual authority and power of compliance managers. Particularly, this was not simply attributed to hierarchical elements, but was about power in a fragmented organisation. There was no direct authority over the whole, no authority of one layer over another within the organisation: the construction firm may lose control with labour subcontractors when the former has a dependence on the latter in terms of construction capital (Case I); middle-level managers of a construction project may lose control over lower-level staff (Case I), with labour subcontractors (Case I and II), with the headman (Case I, II, and III), and with the workers (Case I, II, and III). Moreover, labour subcontractors also may lose control on the work teams if the latter are not genuinely affiliated with the former (Case II). Powerlessness of compliance management existed in all cases even when there was a more formal system such as in the last case. It thus became a challenge to authentically solve practical matters across the fragmented divide of the construction project. As a consequence, internal management mechanisms seemed to have limited influence on actual behaviours (especially violating behaviours) relevant to the safety operation.

Furthermore, this study added a unique point that power was not a universal concept with a top-down departure. From a bottom-up perspective, it seemed that actors were also lacking power to break through fragmentation, and break the situation of no one having control. As Gaventa argued (1980), social stratification may undermine empowerment. Frontline managers attributed the failure of compliance management to insufficient empowerment 'from above'. For the frontline workers, they had even less power to change the situation. As discussed in chapters 5 and 6, on the one hand, it was a lack of unions that could organise and empower workers to play a regulatory role in ensuring safety compliance in the workplace. On the other hand, workers had a long relational distance from the
managers so that their voice could not be heard and they actually had little opportunity to get involved in decision-making of corporate safety compliance as well as safety management. Then they of course were unable to function as the whistle-blower within the organisation.

In brief, the construction case presented some micro power relations among the actors and in the complex organisation, which may also be an important variable to explain variations in corporate compliance.

(4) The limits of responsive regulation

In the construction case, we observed that the frontline inspectors navigated their enforcement style according to the seriousness of the violation, as well as responsiveness of the regulated actors. This is, more or less, in line with the idea of responsive regulation developed in advanced capitalism. According to Braithwaite (2013, 2006, also Ayres & Braithwaite, 1992), responsive regulation, as a policy dynamic, advocates that enforcement needs to be tailored to the specific situations and then to decide whether a more or less interventionist response is needed. For over 20 years, responsive regulation has been an influential policy idea. However, the Western literature also found that responsive regulation is hard in practice, because, for instance, it is hard to know who is a good or bad apple, and also it is hard to adopt a style in such a way to match the situation (Mascini, 2013; Mascini & Vijk, 2009; Waller, 1997). And sometimes, it may only have an effect on attitude, but not on behaviour (Nielsen & Parker, 2009).

In the construction case, the regulatory approaches seemingly followed the structure of the enforcement pyramid (Ayres & Braithwaite, 1992). But there were other problems, which revealed the dark side of responsive regulation in practice. Firstly, in order to act against bad apples, the enforcement agency should have the authority and capability to actually enforce strong sanctions, which the local agency did not have. It had only limited power and authority,
and was only able to employ limited measures to deal with safety violations. According to Braithwaite, responsive regulation allows for using enforcement actions from dialogue at the base to the top of the pyramid (issue a fine, revoke a license, etc.). But if inspectors cannot use this ultimate action (Braithwaite used the metaphor ‘the benign big gun’), then the whole idea of responsive regulation collapses.236

Second, responsive regulation is built on some trust between the regulator and the regulated actors (Ayres & Braithwaite, 1992; Six, 2013). They must at first be trustful and cooperative and escalate only to sanctions when the trust is broken. In my case, however, the regulated businesses saw some threats again and again but never saw a real sanction so that they eventually perceived regulation as a shadow. Consequently, they tended to undertake cosmetic compliance in regulatory encounters rather than a real attempt at compliance. In other words, trust did not make sense in the regulatory encounter: the seeming cooperative approach adopted by the local regulators did not derive from the trust that the regulated actors will comply with the law, while for the regulated actors, they did not believe that enforcement had real strength.

Furthermore, if most regulated actors are bad apples, then the enforcement automatically should become strict and punitive and not much of a pyramid is left. This may well be the Chinese case, in which the majority might be not in compliance (Van Rooij, 2006). As my case showed, we actually saw a ‘violation pyramid’ rather than ‘enforcement pyramid’ (see chapter 3). In this sense, an alleged responsive regulation goes to the dark side: no trust, no strength, a superficial and symbolic response and cooperation, which eventually fails to promote or achieve real compliance.

(5) The limits of enforced self-regulation

The construction case also showed that the local regulatory agency aims to enforce self-regulation of the construction business

(which has become a primary policy goal of the agency). Taking a look around the world, it seems to be a prevailing practice that governments encourage, support and impose requirements for regulated businesses to conduct inner regulation by themselves: we first saw a surge in self-regulator regimes in North America, Europe, and other advanced economies during the 1970s-1990s (Gunningham & Rees, 1997; Andrews, 1998; Parker, 2002; Short & Toffel, 2007), then it became a recent trend in developing countries (Aalders, 2003). In some sense, enforced self-regulation acts as a favoured approach of governance, which places responsibility with the risk creators, especially those in the fields of environment, food, mining, manufacturing industry, and also helps to overcome the problem of regulatory overload and incapacity (Fairman & Yapp, 2005). It is also regarded as a curial intermediate layer of the enforcement pyramid (Ayres & Braithwaite, 1992).

There is however also much doubt about whether enforced self-regulation will work. For instance, scholars examined some essential premises of enforced self-regulation: one is internal control of the business, and the other is external regulatory mechanisms. Empirical findings showed that what actually takes place is quite different (for example, Sinclair, 1997; Andrews, 1998; Ford, 2013; Fairman & Yapp, 2005; Aalders, 2003). The construction case in this book echoed the literature, finding that enforced self-regulation was problematic: on the one hand, the ‘self-regulation’ by the construction business was much weaker; on the other hand, it was not really ‘enforced’.

According to the literature, the first critical component of enforced self-regulation is the internal control systems (Ayres & Braithwaite, 1992). But the operation of such internal control relies on regulated actors being rational, autonomous, and coherent enough to know how they are conducting and what needs to be done, and also relies on actors having the capacity for change and motivation (Ford, 2013; Fairman & Yapp, 2005). But the business may have problems with self-regulation, for example, Parker and Nielsen (2006)
found, from a survey of 999 of the largest Australian businesses, that the implementation of a compliance system was partial, symbolic and half-hearted. In the construction case studied, the construction company actually lost effective control over various actors and actions during the operation of the construction project, due to fragmented internal structures and diffusion of authority throughout the organisation. Moreover, there was no clear accountability system within the organisation. None of the layers tended to take responsibility seriously and what they tried to do was shift blame to other layers. All these made self-regulation of the business unreliable.

Under such circumstances, it becomes important that regulation should ‘make sense’. As the literature argued, enforced self-regulation assumes a meaningful regularly presence. It means the presence of clear government rules and sanctions, and adequate interaction and control by regulatory authority. In other words, the regulator must be in a position to credibly verify firms’ conduct and to respond accordingly (cf. Ford, 2013; Gunningham & Rees, 1997; Aalders, 2003). The construction case however revealed that ‘to enforce self-regulation’ has become an excuse through which the external state regulatory agency can leave most of the burden to the business (see chapter 3). In other words, when self-regulation of the business fails or is inefficient, the regulatory agency could do nothing to activate some mechanism of monitoring and remedying to help the regulated actor recover its self-regulation, or ensure the regulated actor is accountable. In this way, enforced self-regulation turns to a dark side where nobody, internal or external, will really take charge or take responsibility.

(6) A cultural perspective to understand compliance

Scholars have also added a cultural perspective to understand compliance or misconduct of the organisation (for example, Vaughan, 1998; Lawrence & Suddaby, 2006; Silbey, 2009; Parker & Gilad, 2011). Particularly, some empirical studies discussed the culture of the workplace. For instance, Vaughan (1996, 1998), studying the 1986
Chapter 7 Work Safety Compliance in China

*Space Shuttle Challenger disaster*, argued that there was a culture of normalisation of deviance: “for years, engineers and managers together developed a definition of the situation that allowed them to carry on as if nothing were wrong when they continually faced evidence that something was wrong. Cumulatively they expanded the amount of technical deviation, which eventually became routine and officially condoned.”

Gary (2006) also observed that unless an accident takes place, minor violations often become accepted as normal in everyday practice. It develops a cumulative effect in the normalisation of deviance within the local culture of health and safety violation. My case was more or less in line with such literature. A culture of deviance existed within the organisations. Moreover, a culture of deviance may not only exist amongst managers, workers within the organisation, but also amongst the regulatory context. In brief, an organisational cultural perspective may be important to understand regulatory compliance, especially for analysing the compliance challenge in China, where the finding of a culture of deviance might be symbolic to many systems. It was not just a culture of deviance at the construction sites, but also maybe amongst regulators and more broadly in the broader political and legal systems (for example, Shan, 2015).

4. Policy Implications

Besides the above-mentioned theoretical insights for understanding compliance, the research also suggests some implications for practice. This section addresses several important aspects that might be useful for the future.

**(1) A caution against the adoption of responsive regulation and enforced self-regulation**

Recently, there has been an increasing policy orientation in China holding that enforcement should take corresponding responses by differentiating specific actors, issues, or situations, for example,

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the approaches of so-called soft enforcement (Rouxing Zhifa), negotiated enforcement (Xieshang Zhifa) or responsive regulation (Huiyingxing Zhifa) (Meng, 2006; Chen & Cai, 2007; Lv, 2009; Lu, 2010; Li & Wang, 2012; Sun & Li, 2012). The construction case, as discussed above, however points out a dark side of responsive regulation in practice: no strength, no trust, and tolerance of violation. It, thus, warns against the implementation of such a policy: given that regulatory enforcement fails to avoid the above-mentioned dark side, a symbolic responsive regulation may become even worse than a traditional command-control approach.

Moreover, there is an increasing policy orientation in many regulatory areas of China, aiming to enforce self-regulation of the construction business. The construction case also reminds about the dark side of such a regulatory regime in practice, that is, the coexistence of weak self-enforcement by the regulated business, and weak enforcing mechanism by regulatory authority. We hence need to reflect upon such innovative policy reform, in China and maybe also in many developing counties, where enforced self-regulation might come too early (Aalders, 2003), as the government lacks strong legislation and external control facilities, and in the meantime, the regulated businesses lack the capacity and motivation to undertake good internal regulation.

(2) Enforcement and beyond

The construction case also touches on individuals’ compliance practices within the organisation, which brings some new policy implications. Individual workers make behavioural decisions mainly based on a practical calculation of costs and benefits, for instance, those compliers were more concerned with personal safety (i.e. the benefits of compliance behaviour), while many non-compliers explained their behaviours by referring to such practical elements as  

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238 Seeing from the legislations (including those new revisions to the law), self-regulation has been increasingly highlighted. For instance, “Food Safety Law of People’s Republic of China” (2015), Article 4; “Construction Law of People’s Republic of China” (2011), Chapter 5.
inconvenient, habits (i.e. the costs of compliance, or the benefits of non-compliance). Such decision-making of behaviours was not so much about deterrence. Accordingly, strategies of simply strengthening the legal deterrent effect or enhancing law enforcement do not necessarily achieve the desired policy goals. However, enforcement policy makers may not be fully aware of the necessity of understanding what influences compliance besides deterrence.

Indeed, there may be a need of pursuing some ‘smart’ enforcement approaches, especially for those regulatory agencies in developing countries, where general deterrence may be less influential on behaviours, and regulators have a heavy workload, but weak capacity and power, and may face economic-political pressures, or danger of capture or corruption (Van Rooij, 2006; Aalders, 2003). For instance, in the study of Chinese farmers’ pesticide compliance, after finding the operational costs and benefits as a key and clear driver of compliance, Yan, Van Rooij and Van der Heijden (2015) argued for a need-based enforcement strategy rather than risk-based enforcement. It may help to allocate enforcement capacity more strategically, and help to prevent redundant enforcement in less critical situations. So it may be advisable for the regulatory agency to differentiate between conditions that shape compliance performance, in view of different action logic in different regulatory fields.

In the construction case here, considering that compliance was mainly based on personal choice, education may be a better choice to promote compliance performance of the individuals. For instance, some studies in the field of therapy and healthcare suggest that patient education may obviously affect compliance with a basic treatment regime (Fisher, 1992; Brus, et al., 1998; Stokamer, 2005). It then has an positive policy implication: given that more knowledge and information about safety and risks can be learned and accepted by individuals, the reasonable perception of risk can be formed, which will further shape their attitudes to conduct safety behaviours that are also desirable behaviours by the law.
(3) Accountability and danger of blame shifting

The construction case also touches on accountability within bureaucracy and within the organisation (Thompson, 1980; May, 2007; Parker, 2013). Frontline regulators left the burden to the regulated business in the name of self-regulation. They tended to take a 'light touch' in the regulatory encounters. They focused on making a checking trail to avoid blame. Moreover, the matter of accountability may also be complex within the organisation. As discussed above, safety responsibilities may be shifting among different layers of actors within the organisation, and internal managers may also be keen on making a checking trail and executing formalistic procedures.

This has some policy dangers, for instance, the excuse that officials or managers use in defending the decision they make may eliminate or mitigate responsibility (Thompson, 1980), and technocratic use of accountability mechanisms will result in poor outcomes (Power, 2003; Wilson, 1989; Crouzier, 1964). Accordingly, attention should be paid to the mechanisms that can ensure officials and managers take responsible for their actions. It may at least include prescribed rules about individual duties, procedures of monitoring, disciplinary approaches, as well as mechanisms of tracing individual accountability through time, which helps to ensure accountability actually occurs.

(4) Empowerment to 'the third party'

There is increasing support that plural resources may get involved and function in the regulation and governance (for example, Gunningham & Grabosky, 1998; Braithwaite, 2006; van der Heijden, 2009; Van Rooij, 2006, 2010a, 2012; Nielsen & Parker, 2008). In the study of the construction sector, van der Heijden (2014), by analysing examples from both developed and developing economies, pointed out that the traditional approach, such as direct regulatory interventions led by governments, faced some practical problems and a new ‘networked enforcement’ regime was needed. The actor subject
to statutory building regulation would be accountable to a range of other actors, and these all had specific disciplinary powers to incentivise compliance. In a broader vision, Braithwaite (2006) proposed that developing states with limited regulatory capacity might, bypassing the regulatory state, directly develop a ‘regulatory society’ model, by utilising NGOs and local social pressure.

The construction case however revealed that, in the construction sector, and maybe also in many other regulatory fields in China, application of networked enforcement or networked governance may not be easy owing to the context of an authoritarian government and lack of regulatory capacity. Additionally social influence was very weak on the business, and on the whole, civil society plays a weak role in governance (Van Rooij, 2006, 2010, 2012). But considering that things might change, for instance, the case of governance reform in Guangdong Province of China (Tang et al., 2010), and also considering that networked enforcement may be a tendency for the future worldwide, there is still a policy implication for the Chinese case: we may need to explore optional mechanisms through which non-state actors can engage in governance. Then a critical issue is that the third party (private and public interest groups) can obtain appropriate empowerment from the government so that it has the capacity and ability to perform this role.

5. Future Research

This book was an exploratory study understanding corporate compliance through processes. It highlighted the value, as the literature claims (for example, Hutter, 2001; Parker & Nielsen, 2011), of studying internal practices of the corporate as well as its relationship with the external world. This multi-level study of compliance was conducted with real access to the processes, using


participant observation of actual practice and conducting qualitative interviews with the actors. This is, to some extent, an ambitious academic attempt and thus has some limitations, for example, the processes of compliance, actors get involved in the processes, and interactions among actors may be much more plural and complex than discussed in this book. Owing to a limited research cycle, sample, and methods to collect data, this study may inevitably miss some other valuable insights that could also help to explain real life. In addition, the analytical frameworks adopted in this study have been restricted to the most relevant dimensions, so that the data as well as the cases presented in the book may be limited. Future multi-level studies of compliance, thus, should go further to explore in more dimensions, with broad perspectives, and use more plural methodologies, which may include but not be limited to the following aspects.

Firstly, this book presented an empirical case study of compliance processes in a sole sector. Future research can develop more detailed empirical research in different regulatory fields, with the focus on understanding the relation between regulation and corporate compliance management, and understanding the relation between corporate compliance management and individual compliance behaviours.

Second, this research called attention to the matter of system complexity. Fragmentation or other various forms of complexity throughout the organisation may exist, which shapes different perceptions, power, autonomy, as well as decision-making strategies (for example, Gary & Silbey, 2014). So there is a demand for future studies on how system complexity influences corporate compliance in practice.

Thirdly, this research highlighted the importance, for an empirical study, to look at both external and internal contexts that could influence compliance practice. As other literature also showed (for example, Van Rooij, 2006), variations exist concerning in what way and to what extent different contexts influence different
processes of compliance, and influence different actors in these processes.

Fourth, from a methodological perspective, this research proved that it is possible and highly valuable, for an empirical study, to focus on actual compliance behaviours and practices. Such a methodological attempt, although difficult, is worthy of being further developed in future studies of regulatory compliance.

Fifth, this study, from a bottom-up perspective, examined how people perceive compliance and explain their behavioural decision. It showed the value of a subjective approach to analyse compliance, which may be further developed in empirical research. Particularly, a ‘dialogue interview technique’ was useful and valuable, which should be developed and adopted in compliance studies based on subjective exploration.

Sixth, with a focus on actual behaviour and combing inductive and deductive analyses, this case study thus only analysed a limited number of variables that shape behavioural decision of the individuals. In addition, although the empirical data presented some insights about interactions between the variables, this study did not specifically examine their joint influence on compliance. Further studies on other possible variables as well as their joint influence are needed.

And last but not least, this empirical study of a Chinese case showed it is important to further assess the explanatory reach of regulation and compliance theories that have developed in the West. Also it may be worthwhile to develop comparative compliance studies across countries (Van Rooij et al., 2016).