

Chains of Debt: Labor Trafficking as a Career in China's Construction Industry

by Julia Chuang

In “Yali Village,” a rural community nestled in central Sichuan Province, China’s primary labor-sending region, the arrival of Boss Bo in 1992 began a long tradition of migrant labor.¹ That first year, Boss Bo, a long-time labor broker hailing from another village 500 km away, recruited local men to work construction in Beijing, nearly 2000 km or a 30-hour train ride away, where he had secured labor contracts for 20 men. When the men returned home, however, they voiced complaints of confinement to the worksite dormitory and wages that were intentionally withheld in order to create conditions of debt peonage:

Boss Bo . . . did not allow us to leave the worksite even after work, and he [withheld] our weekly living allowances for certain rule violations . . . we never learned what they were. When the year was over and it came time to get paid, he told us there was a problem with the financing, and he would have the money for us when we came to work for him again next year.

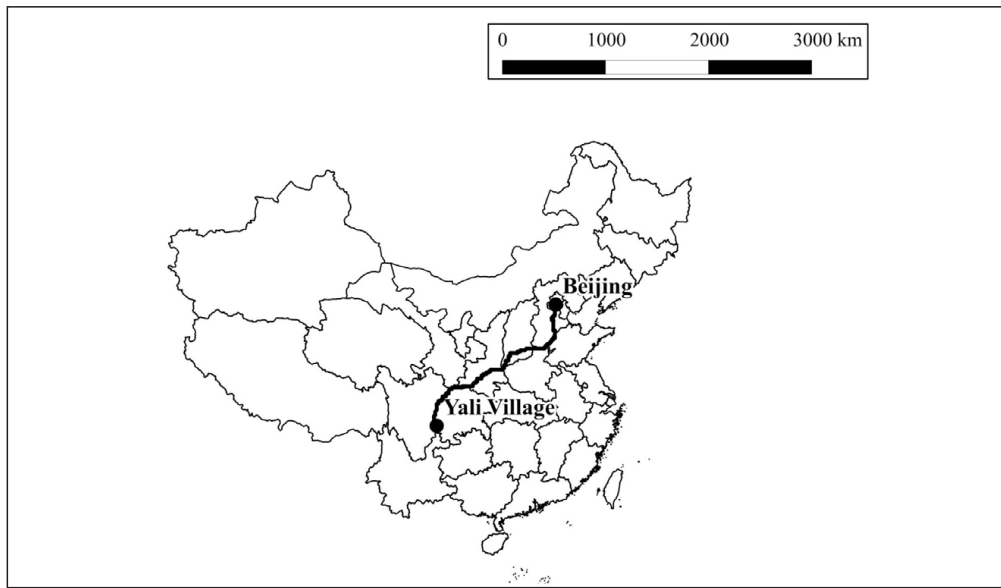
Every year in China, 40 million rural people, predominantly men, seek construction work in cities² through rural labor brokers who facilitate their employment and provide housing, food, and living allowances in cities. Yet, labor brokers, who lack access to construction financing or formal credit, often use these provisions as a pretext for withholding wages to guarantee continued labor. Practices of debt peonage are standard across the construction industry, where, since the mid-1990s deregulations, rural intermediaries, reliant on rural informal economies of debt and arrears, have undertaken labor recruitment and on-site labor management for 90 percent of the national construction workforce.³

Debt peonage is included in the U.S. State Department’s *2012 Trafficking in Persons (TIP) Report*, which defines trafficking as the use of coercion, in the form of “physical threats, psychological coercion, abuse of the legal process, [or] deception,” to compel labor.⁴ Yet, official concepts of trafficking, which identify relations of coercion between “trafficked peoples” and their “traffickers,” overlook the complex debt

relations within which traffickers operate. This chapter examines labor recruitment in Yali Village, a rural labor-sending community where laborers and brokers alike participate in a moral economy that both sanctions and regulates exploitation. A driving force of this moral economy is that brokerage has become a legitimate career aspiration among laborers, who consent to coercive wage-labor arrangements in hopes of cultivating good relations and accumulating the saved wages and developing the social networks necessary for promotion up the decentralized ladder of labor recruitment.

In Chinese construction, labor recruitment operates through a decentralized chain of debt, and brokers must rely on village lending practices to underwrite the cost of urban social provisions for recruited laborers until they can be reimbursed through construction project revenues. Yet, brokers' subjection to debt-fueled compulsion has been overlooked in both official discourses on trafficking and the current scholarship on Chinese migrant labor, which is predominantly preoccupied with laborers' confinement to dormitories,⁵ exclusion from urban public goods regimes,⁶ and lack of access to legal means of labor arbitration.⁷ This chapter, based on ethnographic research conducted over 13 months—3 months undertaken with a team of Yali laborers recruited to a Beijing construction site by Boss Bo in 2007, and 10 months undertaken with the same team of laborers in Yali Village, Sichuan Province, in 2010—exposes these complex relations of debt and consent in a labor-sending community.

Figure 1: Migration Route from Yali Village to Beijing



The Rise of Rural Labor Brokerage

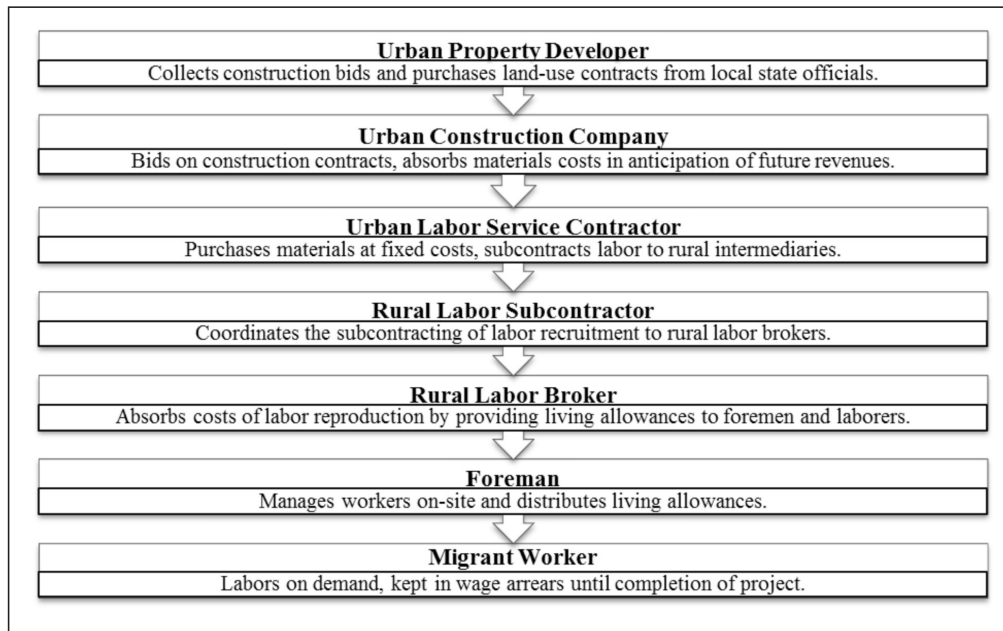
Boss Bo, a long-time rural migrant 49 years of age, began working construction in the early 1980s. In the early years, he built a solid social network that he made sure to stock with management contacts collected from each job. Funded by the pooled savings of several relatives, he later began bringing one or two other men from his home village to labor each year, eventually delivering entire teams of laborers to management.

The conditions that allowed Boss Bo's career to develop in this way unfolded throughout the 1980s. In the years following the 1979 post-socialist reforms, systematic deregulation of the state-run construction industry enabled stratospheric rates of growth, accounting eventually for 6.6 percent of China's GDP.⁸ In 1983, the State Council issued a formal decree enabling state-owned construction enterprises to recruit labor outside of the formal state recruitment system via rural labor bases (*laowu jidi*) and labor service markets (*laowu shichang*).⁹ The following year, the State Council sanctioned the "separation of management from field operations,"¹⁰ thus opening the door for top-tier construction enterprises to launch speculative construction projects in collusion with property developers and local state officials even before securing adequate project funding. In addition, the proliferation of private construction enterprises, most lacking access to credit from state banks, has recharged reliance on triangular debts, which off-load costs within a vertical chain of debtors.

"Field operations" are outsourced to several tiers of rural middlemen¹¹ who hire subcontractors and labor brokers to absorb up-front costs of materials and labor. While materials and labor are fixed costs, earnings at each level of this chain consist of residuals left over after the up-front costs have been recovered. Speculation-driven property value peaks, therefore, generate profits for debtors at every level of the debt chain—with the exception of the laborers themselves, who are paid after the completion of the project at pre-negotiated rates. Labor brokers, too, one level removed from the bottom of a debt chain, earn only marginal profits after their debts for labor are recouped.¹²

Labor brokers capitalize on the availability of rural migrants, who, excluded from urban citizenship and access to public goods because of China's exclusionary household registration (*hukou*) system, rely on them for housing, subsistence, and living allowances

Figure 2: Construction Subcontracting System¹



1. Adapted from Pun and Lu, "A Culture of Violence," 148.

during employment.¹³ Yet brokers, who originate from the same rural communities as laborers, suffer the same *hukou*-based exclusions as their recruited laborers. Chief among these is a lack of access to formal credit sources. Financed informally, usually via pooled loans from relatives in places of origin, brokers absorb the costs of social provisions for recruited laborers, then recoup these debts at the end of production. During his first year as a labor broker, for example, Boss Bo financed labor recruitment from the pooled savings he collected from several households within his clan. For several years, however, his "cut" after cost deductions totaled sums only slightly exceeding the wages of his labor recruits. To raise his profit margin, Boss Bo began to fill simultaneous recruitment contracts at multiple construction sites in hopes of multiplying his earnings. Although diversification in recruitment activities removed him from the daily management of his laborers on various worksites, Boss Bo promoted another Yali laborer to manage production in his absence.

Reliance on trust-based village networks formed the mainstay of Boss Bo's labor recruitment enterprise. Many of the labor brigades Boss Bo assembled were recruited directly from his own home village. In Yali Village, where he lacked direct kin relations, he appointed Little Deng, his brother-in-law, as brigade foreman. He hoped Little

Deng, a Yali local, would establish trusting relationships with the laborers in his stead through kin-based and personal ties. Although Boss Bo seldom visited either Yali Village or the construction worksite in Beijing, preferring instead to outsource tasks of village recruitment and on-site management to Little Deng, he made strategic visits to each of his worksites to motivate his laborers and invoke shared trajectory as a basis of rapport:

When I have new workers come in, I get them all in a big group in the dorm room . . . I go one by one around the circle among the workers, and I ask them . . . why did you leave your village to come here to the city to work? One by one they answer back: to make money. And then I tell them why I come to the city as well: to make money. So I show them that we are all similar in this respect, I show them that I also started off like them . . . then [I say to them,] “When we are working out here in the city, I take care of you, I give you what you need.”

Moral Economy of Brokerage

Boss Bo’s approach to brokerage rests on a claim to paternalistic protection, rooted in a local basis of shared identity and origins. Such localism, however, can result in mutual exploitation as well as mutual aid. Most brokers, Boss Bo included, are removed by several degrees from the subcontractors who have formal access to channels of financing and dividends from construction enterprises. As a result, Boss Bo inhabits an intermediary position in a long chain of debtors and must rely on another subcontractor for access to post-completion dividends. Broker and laborers alike must leverage proximity to formally financed subcontractors to ensure that they are not cut out of the chain of dividends after construction projects are completed. For this reason, rates of wage arrears and nonpayment in the construction industry far exceed that of any other industry in China.¹⁴

One labor broker in Yali Village, Brother Zhu, recruits Yali laborers to work alongside him under the protection of Boss Liu, a subcontractor from a neighboring village and his longtime associate. Brother Zhu receives from Boss Liu a fee in exchange for recruiting and managing the laborers he brings. His recruits, meanwhile, rely on him to advocate on their behalf during wage negotiations and year-end wage payment. Yet Brother Zhu is a selective advocate, ensuring

wage payment exclusively for relatives and prominent villagers whose favor he is interested in cultivating while excluding more marginal villagers. After one young laborer, Jiang Hong, returned unpaid from a year of work with Brother Zhu, he complained of Zhu's favoritism:

Brother Zhu is . . . good to people only if they . . . can be useful to him. This year, I went with Brother Zhu to work [for Boss Liu] . . . But in the end only Zhu's relatives got paid . . . Boss Liu told me he would put the money in my bank account, but when I got home several days ago I checked and it wasn't there. I called him several times but he didn't answer.

Despite the loss of a year's wages, Jiang Hong did not appeal to Brother Zhu for assistance. Just several years prior, Jiang Hong's father, in dire straits, had accepted a substantial loan from Brother Zhu, and Jiang wrote off the loss in light of the past debt. But, even after the debt was repaid, he now fully aware of his marginalized position on Brother Zhu's team and could not continue working on a team where his pay could not be guaranteed.

Laborers and brokers alike filtered wage-labor relations through the lens and language of village localism. While Jiang Hong understood his marginalization on Brother Zhu's team as a reflection of his family's diminished status in the village, Brother Zhu instead explained to villagers that Jiang's poor work ethic and profligacy—including his tendency to dissipate his wages gaming at Internet cafes—were to blame: "How can I continue to employ a person who does not take responsibility for his family? How can I pay a man for work he did not do?" By contrast, Brother Zhu praised the homeward orientation of his preferred recruits: "He always saves his wages and sends it all back home . . . he is a hard worker."

Laborers, too, adopted a language of homeward orientation to voice their disapproval of dishonest labor brokers. When Chen Yuanjun, a broker who recently transitioned from wage-laborer to labor broker, fell into debt one year, he subsequently absconded without distributing wages to any of his Yali recruits. After this incident, Chen, prepared for the ensuing fallout, knew better than to return to Yali and arranged to continue his recruitment activities in villages elsewhere. Indeed, Yali villagers blacklisted him and, further, spread character-assassinating rumors, proof of his disloyalty: an extramarital affair, allegedly explaining his recent divorce from a Yali woman, linked Chen's wage pilferage and his marital abandonment alike to a

common theme of betrayal. “He left his wife. Now he lives in the city and he has another woman out there. Who knows who she is . . . He traded his old wife for a rich woman, just like he traded us villagers for his own gain,” one villager opined. Localism, as a moral lexicon, became useful for expressing and obscuring the power asymmetry inherent in labor recruitment practices in a rural community lacking other livelihood alternatives.

Career of a Broker

In Yali Village, migrant construction labor was the sole source of livelihood. Although coal mining had once employed a majority of the village population, the privatization of the mid-1990s had led to massive mine closures and men turned to construction work. Unlike manufacturing and service sector work, which generally instituted age-discriminatory hiring practices, turning away laborers once they reached their mid-thirties and forties, construction allowed men to continue working into their fifties and sixties, given suitable health. Moreover, construction’s male-dominated hiring practices proved complementary in Yali, where the feminization of subsistence-oriented agricultural labor enabled households to divert male labor to more profitable off-farm employment.¹⁵ Finally and most important, wages in construction, despite incumbent risks of wage arrears, far eclipsed comparable pay rates in all other occupations open to rural laborers.¹⁶

In the normative trajectory for a construction laborer, promotions and opportunities for upward mobility are available within the subcontracting hierarchy. A capable worker, paired with a dependable labor broker, can expect an eventual promotion to foreman, bringing him one degree closer to the formal network of subcontractors to which his broker has access. Because such a promotion yielded increased social access to networks of brokers and other middlemen at construction sites in the city, as well as a helpful wage increase, laborers venture out year after year in hopes of finding a broker with whom the cultivation of a long-term relationship might result in upward mobility.

In an unregulated secondary market where laborers lose nearly all leverage with labor brokers once they are in the city, finding a reliable broker is difficult. When Jiang Hong returned to Yali bearing

news that a non-local subcontractor had approached him on a slow train from Beijing, promising high wages at a provincial construction project on a highway bridge, others urged him to disregard the offer. The terms of employment were unorthodox, promising an unusually high wage rate—\$42.28 daily—with the condition that laborers work through the Chinese New Year holiday, even though wage payment for the fiscal year had already been settled at the site.

Why are they only hiring men at the end of the year? All the other workers have been paid and gone home already. My guess is that the most vile of the labor brokers . . . still want to squeeze in a little more labor . . . so they attract locals with high advertised wages, then disappear when it's time to pay up. Brokers only hire laborers from outside their home province if they want to cheat them.

Laborers with kin-based relationships with already-established labor brokers often fared best. Yet, even well-connected laborers faced enormous up-front costs upon promotion. When Little Deng was appointed by his brother-in-law Boss Bo to become a foreman, overseeing on-site daily management for one of Boss Bo's labor brigades at a Beijing worksite, he received an appeal from one Yali laborer, citing a family emergency, for a personal loan of \$113. The laborer, under immediate financial duress, asked Little Deng to advance him the cash, under the condition that Deng could later deduct the sum from his year-end wages. Boss Bo had already left the worksite and the matter was left to Little Deng for resolution.

Unbeknownst to Little Deng, however, the supplicant was acting on advance knowledge: he and the rest of the team knew that just earlier Boss Bo had disbursed to Little Deng the month's worth of the team's living allowances. Word was he had left with Little Deng an envelope containing \$569 to distribute to the 15-man team in small sums, \$16 per laborer every 10 days. The team watched as Little Deng contemplated the request. As Deng refused the supplicant, he unknowingly incited their discontent. Many of the men had expected Deng, their protector in Boss Bo's absence, to deduct the sum from Boss Bo's monthly disbursement, then borrow money through his personal network to make up the living allowance fund later in the month. But Little Deng, wary of the ever-present possibility of wage arrears, was reluctant to take on the personal debt.

When Boss Bo heard of the incident, he returned to the worksite,

paid the loan to the supplicant, then demoted Little Deng and replaced him with another of his associates. To Boss Bo, the situation demonstrated Little Deng's lack of aptitude for brokerage and his unsuitability for further promotion within the labor recruitment system:

If it is me, if a worker comes to me and says, I have a family emergency, I need \$113 right now, then I give it right to him right away. How does Little Deng approach this same situation? He is afraid that this project will not pay out . . . He is thinking like a worker, not thinking like a foreman . . . The laborers too will sense that Little Deng is afraid of the investment risk . . . [they will] worry that they will not get their wages . . . He looks selfish in their eyes; he looks like he is only really worried about his own pocketbook. So they will think, well, if he is worried about getting paid too, then what are we doing here?

Prime among the qualifications for labor brokerage is the ability to underwrite temporary debts—this ability, in fact, is essential for getting and keeping laborers' consent to otherwise coercive employment arrangements. As Boss Bo explains, informal moneylending provides a performative signal of a broker's capacity to provide for and pay his laborers. Paternalism, moreover, is not a given, but must be reproduced regularly through high levels of personal leverage, specifically via aggressive borrowing and lending practices.

Prospects of upward mobility in the labor brokerage chain tend to favor entrepreneurial factions of the rural elite, with substantial access to capital, over laborers. Yet in Yali, where origin myths of various local brokers are commonly circulated, laborers hold fast to aspirations of promotion:

You didn't know this about our cousin Boss Chen? He is a broker. He leads his men to the construction site every year. He just started but already he is making \$8,131 a year. And he doesn't have to actually do much work out there. He . . . just supervises everyone else.

Among laborers, consent to employment arrangements known to be precarious and exploitative is fueled by widely held aspirations to become brokers.

Conclusion

Industrial deregulations have allowed construction enterprises to outsource labor recruitment to rural labor brokers. Meanwhile, an exclusionary system of residence-based citizenship deprives rural laborers of housing and access to social provisions while in cities. These conditions force laborers and brokers, all originating from the same rural communities, to rely on informal rural networks of support. Brokers borrow funds so they can provide housing and sustenance to their recruited laborers. In exchange, they recoup debts and collect dividends at the end of the year when construction project revenues finally materialize.

This chapter shows how this debt economy, whose complexities are overlooked by the label of “trafficking,” produces a complex and highly exploitative network of labor recruitment in villages. Because brokers who abscond with the year-end wages of their laborers go unsanctioned, laborers exercise great care in determining who is reliable and who unreliable. Even strategies of self-protection, such as laborers’ preference for native-born and carefully vetted labor brokers, serve to reproduce their consent to localistic paternalism. Moreover, brokers expend great effort to reproduce, through financial leverage, their paternalistic capacity. Trafficking, never simply a binary relation between trafficked people and their traffickers, implicates and entangles entire communities. It takes a village, as it were.

Notes

1. All names of people and places are pseudonyms.
2. Pun Ngai and Lu Huilin, “A Culture of Violence: The Labor Subcontracting System and Collective Action by Construction Workers in Post-socialist China,” *The China Journal* 64 (2010): 144.
3. Shen Yuan, *Shichang, jieji, yu shehui: Zhuanxing shehuixue de guanjian yiti (Market, Class, and Society: Key Topics in a Sociology of Chinese Transition)* (Beijing: Shehui kexue wenxian chubanshe, 2007).
4. *Trafficking in Persons Report 2012* (Washington, D.C.: Office to Monitor and Combat Trafficking in Persons, United States Department of State, 2012), <http://www.state.gov/j/tip/rls/tiprpt/2012/192352.htm>.
5. Pun Ngai, *Made in China: Women Factory Workers in a Global Workplace* (Durham, NC: Duke University Press, 2005).

6. Zhang Li, *Strangers in the City: Reconfigurations of Space, Power, and Social Networks Within China's Floating Population* (Stanford, CA: Stanford University Press, 2001); Anita Chan and Peter Alexander, "Does China Have an Apartheid Pass System?," *Journal of Ethnic and Migration Studies* 30, no. 4 (2004): 615.
7. Ching Kwan Lee, *Against the Law: Labor Protests in China's Rustbelt and Sunbelt* (Berkeley: University of California Press, 2007).
8. Pun and Lu, "A Culture of Violence," 144.
9. Lei Guang, "Reconstituting the Rural-Urban Divide: Peasant Migration and the Rise of 'Orderly Migration' in Contemporary China," *Journal of Contemporary China* 10, no. 28 (2001): 485.
10. Youjie Lu and Paul W. Fox, "The Construction Industry in China: Its Image, Employment Prospects and Skill Requirements," (working paper, Sectoral Activities Program, International Labor Organization, Geneva, 2001).
11. I use the term "subcontractor" to denote middlemen with direct access to construction financing and dividends. In all other instances, I use the term "labor broker" to denote all other middlemen who recruit and manage labor at their own expense in order to recoup later profits, to which they have only by-proxy access. Finally, I refer to as "foremen" the proxy management charged by brokers with the overseeing of on-site labor management.
12. Pun Ngai and Lu Huilin document the construction of one 108-unit luxury housing complex in which available seed capital for field operations totaled only \$123,599. The remaining costs were absorbed by a chain of debtors, which included labor brokers, who contributed investments to cover labor costs totaling \$13,010 per unit. Although units eventually sold for \$1,636,310 each, labor brokers received such a marginal cut of these revenues that they waited instead to advertise their services to resident buyers seeking interior renovation in order to achieve additional earnings. Pun and Lu, "A Culture of Violence," 149.
13. For a sample of the large literature on migrant labor and rural-urban exclusion in China, see: C. Cindy Fan, "The Elite, the Natives, and the Outsiders: Migration and Labor Market Segmentation in Urban China," *Annals of the Association of American Geographers* 92, no. 1 (2002): 103–124; Dorothy Solinger, *Contesting Citizenship in Urban China: Peasant Migrants, the State, and the Logic of the Market* (Berkeley: University of California Press, 1999); Lei Guang, "Reconstituting the Rural-Urban Divide: Peasant Migration and the Rise of 'Orderly Migration' in Contemporary China," *Journal of Contemporary China* 10, no. 28 (2001): 471–493.
14. Xin Qi, *Qianxin yu Taoxin: gongdi zhengzhi yu laodong guocheng de shizheng yanjiu (Wage Arrears: A Case Study of Labor Politics and the Labor Process in a Construction Site)* (Beijing: Capital University of Economics and Trade Press, 2011).
15. Tamara Jacka, *Women's Work in Rural China: Change and Continuity in an Era of Reform* (Cambridge: Cambridge University Press, 1997); Ellen Judd, *Gender and Power in Rural North China* (Stanford, CA: Stanford University Press, 1994).
16. In 2010, a typical mid-career construction worker in Yali Village could expect to make \$650 in monthly wages, whereas a factory worker of comparable experience earned approximately \$325, and a miner of the same experience earned approximately \$195 per month.