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### **Co-ethnic exploitation among Chinese within an ethnic economy**

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## Co-ethnic exploitation among Chinese within an ethnic economy

### Abstract

Based on the situation of Chinese migrants in Santiago, Chile this article shows that labor relationships between Chinese employers and Chinese workers could be exploitative. Thus, we aim to discuss the conditions under which co-ethnic exploitation among Chinese takes place in Chile. In addition, we ask why Chinese workers allow themselves to be exploited by their Chinese employers, and how employers explain the exploitation. We argue that such exploitation starts from the migration route, through which both parties mutually agree to skirt local regulations. Chinese employers hired co-ethnic workers through the use of *guanxi* (personal connections), which generate the conditions that keep workers under employers' control and restrict possibilities for change.

**Keywords:** co-ethnic exploitation, ethnic economy, *guanxi*, Chinese migrants, Chile

### Introduction

How could co-ethnic exploitation take place in a labor market with high ethnic solidarity? Studies have identified mechanisms, such as, the lack of proficiency in the host-country language (Li and Whitworth, 2016); the image of 'good boss' employers avoiding complaints (Li, 2017) and recruitment through social networks (Velayutham, 2013) as facilitating the exploitation of migrants by co-ethnic employers. However, there is scarce research examining the role of social ties in fostering and maintaining exploitative employment relationships in the Chinese diaspora. By focusing on Chinese migrants in Chile as a case, this article examines the following questions: (1) under what conditions does co-ethnic exploitation among Chinese take place, (2) why do Chinese workers allow themselves to be exploited by their Chinese employers, and (3) how do Chinese employers explain the exploitation?

The case of Chinese migrants in Chile is interesting to study because it examines a migratory phenomenon across both sides of the Asia-Pacific region: China in East Asia as a country of origin, and Chile in South America as a destination country. In recent years, migration toward Chile has increased dramatically. According to the United Nations (2017),

Chile is one of the countries with the highest increase of immigrants in the last decade in the world, making it an emerging migration destination. Even though the migration toward Chile has been mainly intra-regional, the growing Chinese community in the country offers an opportunity to understand co-ethnic exploitation within an ethnic economy in a relatively new destination. The cultural, linguistic and geographical distance between Chile and China also generates sharper boundaries of the Chinese community and its economy.

In 2018, Chile launched a major immigration reform. Previously, the reforms were mostly small administrative changes since 1975, when the country was under a military dictatorship (Gobierno de Chile, 1975). Argentina, Bolivia, Ecuador, Colombia, Costa Rica and Uruguay enacted new immigration legislation since 2003 (Feddersen, 2017) while the scenario in Chile remained unchanged until 2018. The new immigration policy includes presidential decrees and a new migration legal statute, which is currently being deliberated by the national congress. Among the decrees, the new policy creates new temporary visas, the regularization of 300,000 undocumented migrants, barring the conversion from a tourist visa to a working visa, and special visas for Haitians and Venezuelans. The government's initiative to regularize undocumented migrants allowed them to access temporary visas and identity documents. It is against this backdrop of rising migration and immigration reform that this study on co-ethnic exploitation was conducted.

The contribution of our findings is threefold. First, while labor exploitation based on personal connections or *guanxi* has been suggested by empirical studies in China, mostly they focused on domestic factories (Waldinger et al., 1990; Shen and Zhou, 2007; Cai and Jia 2009). Studies about the Chinese diaspora have uncovered co-ethnic exploitation between Chinese, all of which were conducted in advanced economies and none considered *guanxi* in the migration process (Wright, 2007; Tsai and Bruck, 2009; Wu and Sheehan, 2011; Li, 2017) This study sheds light on co-ethnic exploitation between Chinese SME (small and medium enterprises) employers and co-ethnic workers overseas. Second, through in-depth interviews, the study reveals working conditions which nationally representative surveys may miss, mostly because minority groups are often underrepresented in those samples.<sup>2</sup>

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<sup>2</sup> A survey could use oversampling techniques to reach minority groups in the population. However, these studies are scarce and none of them has been conducted with Chinese population in Chile.

Thus far, few studies have focused on the Chinese in Chile (e.g., Chan et al., 2019; Ramirez and Chan, 2018) compared to other well-studied groups because of linguistic barriers on the part of researchers as well as the population of interest. Thus, this study contributes to raising public awareness on the working conditions of Chinese in Chile. Finally, it contributes to understanding Chinese migration and entrepreneurial activities in new migrant destinations. This literature, thus far, includes research on Chinese SMEs in Africa (e.g., see Mohan and Tan-Mullins, 2009; Gu, 2009; Lin, 2014).

The rest of the article is organized into four sections. First, we present a review of the of findings on co-ethnic exploitation and studies on Chinese migration to Latin America in general and migration to Chile in particular. Second, we outline the methodology. We employed a qualitative approach to gain access to a population that is usually “hidden” from large-scale surveys. The third section presents the findings of the study, which highlight two main themes: the experience of exploitation and the mechanisms of exploitation. The final section presents the conclusions and policy implications.

## **Review of the relevant literature**

### *Co-ethnic exploitation within ethnic economies*

New migrants are attracted to the ethnic economy because of linguistic convenience, cultural familiarity, in-group solidarity and the hope of becoming an ethnic entrepreneur (Li and Dong, 2007). In this study, we follow the definition of ethnic economy proposed by Light and Gold: “*an ethnic economy consists of co-ethnic self-employed and employers and their co-ethnic employees*” (2000:4). In Chile, Chinese employers not only hire Chinese workers but also migrants from other Latin American countries (Chan et al., 2019). As such, Light and Gold’s definition of the Chinese ethnic economy was used in this study as also encompassing migrant workers from other ethnic groups. Chan and colleagues (2019) showed that employment relationships within the Chinese economy in Chile are multiethnic. Nevertheless, our research question focused on the enabling conditions of exploitation between workers and employers sharing ethnic ties within a multiethnic economy. In the definition of ethnicity, we follow a standard conceptualization in demography (Saenz and

Morales, 2005). Ethnicity is a social construct, which refers to shared behavioral and cultural attributes. Chinese migrants in Chile share a Confucian culture, possess common descent, share a language, have a common history, economic ties and define themselves (“us”) in relation to Chileans (“them”).

Studies have shown that immigrant employers use ethnic social networks to minimize labor costs (Li, 2017). Bloch and McKay (2015) have pointed out that *guanxi* is a pivotal institutional and normative aspect of relationships within Chinese migrant economies. These economies could also perpetuate exploitation, given the control over workers gained through recruitment (Cranford, 2005). Undocumented migrants or those with temporary statuses are prone to co-ethnic exploitation due to dependence on their employers. Li and Whitworth (2016:139) defined exploitative employment as “*sub-standard employment practices.*” These studies suggest that exploitation takes the form of increased workloads, intense pace of work, unlawful (long) working hours, risky jobs and usually, lower pay and even work without payment (e.g., the so-called “training” period). Co-ethnic exploitation within Chinese migrant groups has been found in several developed economies. Table 1 summarizes findings on the working conditions and factors contributing to these conditions from studies in various countries. Substandard salaries and working hours are common across studies. Various factors lead to situations of exploitation, with lack of proficiency in the host-country language being a common factor. The only study mentioning *guanxi* as a factor that normalizes exploitation came out in the case study of Chinese workers in the Netherlands. According to Hiah and Staring (2016), while Chinese restaurant owners in the Netherlands did not encourage the cultivation of *guanxi* among their workers, the owners fostered *guanxi* with their workers, which results in the blurring of boundaries between work and the private sphere in managing the business.

[TABLE 1]

Findings from a qualitative study on the experience of Indian migrants living and working in Australia suggested that co-ethnic exploitation is a by-product of transnationalized culture (Velayutham, 2013). Co-ethnic employers evaluate the labor relationship based on homeland standards rather than host-country standards. Li (2017) found

that co-ethnic exploitation is justified by Chinese employers and workers in Australia through cultural expectations. Employers recruit “obedient” workers and foster the image of “a good boss” to smooth over the negative emotions of their workers.

Another comes from institutional arrangements that facilitate or promote co-ethnic exploitation (Kathiravelu, 2016; Li and Whitworth, 2016). Kathiravelu (2016) stressed that in neoliberal systems the state distances itself from the regulation of labor relationships. Although migrants are free agents, migrant labor is shaped by ethnic solidarity, which restricts the agency of migrant workers. Likewise, the lack of regulation on countries of origin and the weak control over agents perpetuate co-ethnic exploitation. In the host-country, institutional arrangements could shape and normalize certain sub-standard practices. Li and Whitworth (2016) showed that, under neoliberal policies of temporary migrants, labor market have led Chinese migrants to accept jobs under sub-standard conditions. Furthermore, cultural, institutional and economic process are embedded in these exploitative relationships.

Social networks and language play a role in facilitating co-ethnic exploitation. Velayutham (2013) showed that migrant workers are recruited through kinship or village-based networks. Kinship ties may gloss over the exploitative working conditions of co-ethnic workers, who fear harm that may be done to their family members. The discourse of ethnic solidarity pressures individuals into accepting their conditions. Lacking proficiency in the host-country language further hinder workers from escaping co-ethnic exploitation (Li, 2017). Ethnic social networks and language difficulties trap these migrant workers in a co-ethnic and mono-linguistic environment (Bloch, 2013).

### *Chinese migrants in Latin America and Chile*

Historically, the Chinese comprise the largest, oldest and most widespread Asian immigrants in Latin America (Hu-Dehart and López, 2008), but Chinese migration to the region is significantly smaller than that to North America and Southeast Asia. The Chinese presence in Latin America dates back to 1613, as noted in Peru, and most of it was associated with the colonial project and indentured labor (Park, 2017). Studies about Chinese immigrants in Latin America mainly cover two historical periods. The first period covered the earliest migration up until the arrival of Chinese coolies (*huagong*) and traders (*huashang*) in 19th

century. Most went to Cuba and Peru. The literature on this migration mainly discussed the international background of the migration (Lai, 2010) and anti-Chinese racism (Hu-Dehart, 1993; González, 2013), especially in Mexico and Jamaica. The literature on the second period, the late 20<sup>th</sup> century, deals with the issue of identity and assimilation of Chinese communities in Latin American countries, exploring the issue of identity and assimilation (Lausent-Herrera, 2010, 2011). There has been a growing body of literature about contemporary Chinese migration to Latin America, along with the increasing Chinese investment and capital reaching Latin American countries. However, most of the studies focus on the international political economy and bilateral relations (Park, 2017). In general, this literature acknowledges the role of *guanxi* and social motivations to migrate and to settle. None has examined the role of *guanxi* on co-ethnic exploitation in Chinese communities.

The United Nations (2019) and the International Monetary Fund (2019) classify Chile as a developing economy.<sup>3</sup> However, Chile has been recently included in the group of high-income countries by the World Bank (2019), and it has reduced poverty (on USD 5.5 per day) from 30 percent in 2000 to 6.4 percent in 2017.

Chile's recent economic development suggests that the country is fairly new in addressing emerging challenges brought by rising migration compared to other developed countries which faced migration challenges much earlier. Unlike other developed countries, Chile does not have a Chinatown. Thus, Chinese migrants in Chile negotiate space and symbolic boundaries along with other migrant groups.

Under Chilean law, foreign workers must prove their residence or legal stay in the country and must have a work permit that is obtained with a work contract (Gobierno de Chile, 2018). Foreign workers can bring their spouses, parents and children as long as these family members do not engage in paid activities. Several requirements must be fulfilled for foreigners to work in Chile. The employing company must have legal domicile in Chile. In the case of professionals, they need to have their tertiary educational degrees certified in the country of origin. The economic activities of foreign workers must not infringe upon national

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<sup>3</sup> For a critical review of the indicators in classifying the world's economies, see Nielsen (2013).

security. The work contract must include conditions, such as employers providing return tickets and social security, among others. The residence permit is for two years, subject to extension for every contract renewal. However, once the employment relationship is terminated, the residence permit expires; the foreign worker is given 30 days to find a new employer. This situation increases the dependency of foreign workers on their employers which gives the latter means of control over foreign workers.

According to Ramirez and Chan (2018), Chinese migrants in Chile are overlooked in contrast to other American and Caribbean migrant groups in the country, which they attributed to their dual situation of integration and marginalization in Chile. According to the 2017 Chilean National Census (National Institute of Statistics, 2018) (<https://www.censo2017.cl/>), the share of the migrant population has increased from 0.82 percent in 1992 to 4.35 percent in 2017. Most international migrants, 66.7 percent, arrived after 2010. There were 17,021 Chinese living in Chile in 2017. Based on statistics provided by Data Chile (Datawheel, 2017), 3,569 visas were granted in 2016 to Chinese, who mainly arrived in Santiago. In addition, the number of visas granted to Chinese that year tripled from the number granted in 2005 (from 1,131 to 3,569). In comparison to Peruvians –traditionally the largest migrant group in Chile– the number of visas issued to them doubled during the same period. Migration for educational or political reasons, which occur in most developed countries, is not that prominent in the case of Chinese migrating to Chile. Only 16.5 percent of all visas issued to Chinese were granted to migrants with tertiary education.

## **Methodology**

This study is based on 18 in-depth semi-structured interviews (two interviews were with couples), conducted in Santiago, the capital of Chile, from December 2017 to June 2018. The research participants included Chinese employers and workers in medium and small enterprises (i.e., enterprises with fewer than 50 workers). Three kinds of businesses were selected, i.e., those known and considered as “Chinese businesses” by locals: restaurants, general merchandise stores and slot machine establishments. The interviewees were from the People’s Republic of China, Taiwan and Hong Kong, who share a similar identity under a so-called “pan-Chinese umbrella” (Li, 2017). The majority of participants were recruited by



approaching workers and employers in Chinese restaurants and general merchandise stores, inviting members from the “Chinese in Chile” group (from the “wechat” app), and a few were selected by snowball sampling. Due to similarities in their narratives, responses are not classified according to origin provinces or territories or sub-ethnicities. Guide questions for workers probed into the following: reasons for seeking job opportunities in Chile; work experiences in Chile, and subjective feelings and interpretations concerning exploitation. For employers, the questions explored co-ethnic hiring process, practices in the ethnic economy and their strategies in handling labor relations. We obtained informed consent from all interviewees and all the names used here are pseudonyms. The average length of the interviews was 67 minutes. Table 2 summarizes their characteristics.

## [TABLE 2

The principal investigator, a native Chinese Mandarin speaker and proficient in Cantonese and English, was responsible for data collection and translation into English. Both the Chinese investigator and the Chilean co-author systematically read through the transcripts and engaged in the coding. This convergence of the researches’ ethnic background allowed triangulation of the analysis process. Following Braun and Clarke (2006), a thematic analysis was conducted. In the initial step, transcripts of the interviews were coded. Second, these codes were sorted into themes. Finally, the themes were reviewed and were examined in relation to each other. The analysis of the identified themes is discussed in the next section.

## **Findings**

### *Experiences of labor exploitation*

In the case of Santiago, Chinese restaurants are all over the city and where there is a higher density of Chinese people, space is shared and negotiated with other ethnic groups and locals. The most spoken language in these businesses is Mandarin; others speak other Chinese language, such as Cantonese. Chinese owned-firms hire Chinese and non-Chinese migrants, a situation which can be described as a multiethnic economy. Non-Chinese workers are called

*laowai* (foreigner) by Chinese within the boundaries of this ethnic economy. In the eyes of locals or non-Chinese, the goods and services offered by Chinese enterprises have a Chinese identity (e.g., Chinese restaurants and “made in China” goods).

### *Substandard working-conditions*

Working for more than 10 hours per day is a common practice in Chinese restaurants and general merchandise stores. Workers work from opening to closing without a break. One interviewee who has been a cook in a Chinese restaurant for two-and-a-half years said:

I work 12.5 hours, from Sunday to Thursday, and I work 13 hours on Friday and Saturday. If there is no customer, I could rest a bit. But if it is busy today, I can't take a break. Sometimes I also need to work if there is no guest, I work on other tasks (Huang, 26, male, worker, Chinese restaurant).

Given long working hours, Chinese workers barely have time to engage in non-work-related activities. In addition, it is not common for employers and workers to take holidays. As one employer said: “we don't have time, we work 360 days a year; we also work even during public holidays” (Chen, 25, male, employer, general merchandise store). The Chilean Labor Code (Gobierno de Chile, 2018) establishes that under no conditions should working hours exceed 10 hours a day. Additionally, a worker has the right to 15 days paid annual leave after one year of work. The working hours and lack of holidays described by the interviewees are clearly sub-standard employment practices.

Although most of the workers migrated with legal documents, they usually relied on their bosses for applying for long-term residence permits due to the limited language proficiency and lack of knowledge about local laws. In some cases, Chinese employers withheld legal documents (e.g., Chilean identification document and passport) in order to retain workers for a longer time: “workers don't complain [about the working hour], because it is in the contract and ID cards and passports are seized by the boss” (Zhang, 23, male, worker, slot machine room). Without their documents, workers do not have the freedom to leave and this restricts their mobility on a daily basis. According to Chilean law, police could

check the work/residence documents of any person, anytime and anywhere. Thus, migrants without documents of identification could encounter difficulties in proving their documented status in the country.

According to most interviewees, Chinese employers and workers live in the same house and eat together. This arrangement enables the employer to monitor workers, which employers describe as “taking care” of the workers’ personal life. When being asked about after work activities, many workers replied that they stay at home or go out shopping. One of our interviewee revealed that their employer does not allow them to go out after work: “It is not safe to hang out, and anyway our boss closes the door downstairs by 21:00, no one can go out. We even have a guard there at night, how can you go out?” (Jennie, 27, female, worker, Chinese restaurant)

The actual reason for monitoring their mobility is: “they are afraid that if you have a night out, you may not have the energy to work well the next day” (Lin, 20, male, worker, general merchandise store). By working and living with the boss, workers have neither personal space nor right to a social life outside of their employers’ control. This prevents workers from developing social networks with locals and co-ethnics outside of the workplace.

Studies elsewhere note that migrant workers in an irregular situation are susceptible to co-ethnic exploitation in the destination country (e.g., Bloch and McKay, 2015). However, this does not seem to be the case for Chinese migrants in Chile. Most of the Chinese workers came to Chile with valid travel and employment visa. Based on data from the study, the exploitation is not related to vulnerability due to undocumented status. Therefore, Chile’s new policy to regularize the status of unauthorized migrant workers will not address the exploitation of Chinese migrant workers in the country. Unlike other existing findings of Chinese co-ethnic exploitation overseas (Xiang, 2012), migration to Chile does not involve recruitment agencies or snakeheads (Chinese gangs that smuggle people to other countries) (Silverstone, 2011; Hiah and Staring, 2016). We hypothesize that Chile, a new migrant destination, may not have been discovered by recruitment agencies yet. However, recruitment agencies and snakeheads may likely get into the picture with increasing

migration to Chile. The practice is, Chinese employers arrange and pay for the important steps during the migration process, i.e. visa application, travel costs and settlement after arrival.<sup>4</sup> Therefore, hiring co-ethnic workers is a costly investment for Chinese employers. To guarantee the success of the arrangement, the hiring process is conducted on the basis of friendship and kinship:

I went back to China, to find workers. They are from my hometown and even the same village, and they were introduced to me. I asked if they were willing to come. Once they come, they have to work 2- 3 years for my restaurant, and if they don't like, or if they have savings, they could leave me and start their business (Rui, 39, male, employer, Chinese restaurant).

In general, there are two types of Chinese workers in the ethnic economy, defined by who paid the working visa: paid by the employer and paid by workers themselves before coming to Chile. The latter is very rare because the fees are high (from 500,000 to 700,000 Chilean pesos or CLP, roughly USD 650-920). The common approach of recruitment is described by an employer:

We apply for a visa and pay the fees, and they have to work three to five years for us. With this fixed period of time, we pay him a fixed salary [according to one interviewee, this fixed salary is below CLP 200,000 or around USD 260 per month] and then we don't need him to repay us. Another means is that they paid the visa on their own, we call them *zi you shen* [literally "body with freedom," i.e., the worker can be a free agent to quit the job if he/she wishes to], we pay them CLP 500,000~600,000, or around USD 650-780 per month, we pay more if they work better. (Chen, 25, male, employer, general merchandise store)

Most workers in Chinese restaurants and general merchandise stores reported similar arrangements with their employers. They said that the provision of accommodations is a condition to work for the boss. Thus, mutual trust is embedded in everyday and long-term cooperation in a country far away from home. However, Chinese employers' efforts to bring their "own" workers to Chile and paying for the migration costs put workers in a debt bondage situation, which promotes labor exploitation.

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<sup>4</sup> This practice has also been observed in other countries in the region (e.g., see Lausent-Herrera (2010; 2011) in the case of Peru.

As had been mentioned earlier, the Chinese ethnic economy in Santiago, Chile is multiethnic because Chinese employers also hire locals or migrants from Latin American countries. However, from the perspective of Chinese interviewees, the informal agreement and the potential exploitation it brings seems only to apply to Chinese workers. One general merchandise store owner confirmed that non-Chinese workers work fewer hours than Chinese workers. In keeping with Chile's labor law, locals work only 7.5 hours whereas Chinese workers have to work more than 10 hours each day. When asked about the different working hours, a merchandise shop owner explains: "Our store opens at 10 am, and closes at 8 pm, we need staff to be there all the time. But for *laowai*, the law says they can only work 7.5 hours. If they work longer, we will pay extra" (Chen, 25, male, employer, general merchandise store). Although the labor law applies to locals and migrants, the employer interprets the law as only applying to non-Chinese. The use of the Chinese word *laowai*, which literally means foreigner in English, posit natives and migrants of other nationalities as outsiders in the Chinese economy.

The differential treatment is known to Chinese workers. One Chinese worker had this to say: "The Haitian is treated better than me. He doesn't work as much as I do because the boss is afraid that he would run away if the boss asked him to work more" (Lin, 20, male, worker, general merchandise store). The reference to Haitians is relevant because, like the Chinese, Haitians are not native Spanish speakers. Therefore, exploitation could not be explained solely by the lack of proficiency in the host-country language. Non-Chinese workers, in general, have different work ethics than the Chinese. In fact, Chinese workers view non-Chinese workers, usually the locals and other Latin American migrant workers, as freer, i.e., the latter seem to "do whatever they want, if they don't want to work, they won't show up that day, and you (the boss) have no way to solve this problem. Because they know about the labor law and they speak Spanish" (Huang, 26, male, worker, Chinese restaurant). Overall, Chinese interviewees seem to see exploitation as happening only between co-ethnics.

#### *Under-the-table contracts*

To guarantee the aforementioned arrangements, employers and workers rely on social ties and come to an agreement in China before the workers' departure. Both employers and

workers are fully aware of two types of contracts: one is presented to Chilean institutions or “on-the-table contract,” and the other is usually a verbal agreement between the employer and the worker or “under-the-table” contract. The first type is used for outsiders from the Chinese economy and is submitted to the local authority; the working conditions and terms follow Chile’s labor laws. The other contract is based on the actual conditions in the workplace and is for Chinese workers. This informal agreement usually entails long working hours and higher wages. As one of the employers describes:

We don’t sign the contract with them [Chinese workers] in this way. They are like shareholders; we don’t pay them a salary in the Chilean way. It is more like a mutual agreement. We agreed on the terms before, in China (Chen, 25, male, employer, general merchandise store).

The case of Wei illustrates how this under-the-table contract operates. She was hired in China and brought to Chile by a small Chinese mining company to an isolated zone of the Coquimbo region (460 km from Santiago). Wei is highly proficient in Spanish due to her university studies and she was the only informant interviewed in both Chinese and Spanish. The contract signed in China, explicitly stated that she was going to work as a translator. This contract included several provisions which were in accordance with the Chilean law: the company provides health insurance, payment to a pension system and income above the minimum legal wage. However, other provisions were vague or were in violation of Chile’s labor laws. The contract stipulates that she had to be on call for work 24 hours each day and could rest only if there were no duties. Under the Chilean Labor Code (Gobierno de Chile, 2018), working hours cannot exceed 10 hours per day. Wei had two contracts: the under-the-table contract signed in China which contained terms that violate Chile’s labor laws, and the official contract that was submitted to the authorities which adhered to Chile’s labor laws.

However, upon her arrival, she was provided accommodation in a shipping container (she was promised a beach-front house), Wei realized that she was a victim of fraud. Wei was exploited by her employer, which escaped the attention of Chilean institutions because she lived in a remote area, away from any audit attempt by a governmental labor agency. The absence of workplace monitoring by Chilean agencies was commonly raised in the interviews. There is also the issue of language—Chilean labor inspectors and Chinese

workers do not speak the same language. The interviews suggested that Wei and the other workers had no knowledge about initiatives promoting safe migration to Chile. In addition, due to closely-knit social relations or *guanxi* and lack of Spanish language proficiency, Chinese migrants are outside the radar of NGOs or governmental agencies. Several Western European countries (European Union Agency for Fundamental Rights, 2018), such as Belgium and The Netherlands, have workplace monitoring practices that could illuminate policies for Chile.

The potential exploitation that under-the-table contract brings seems to only apply to Chinese. Ram et al. (2007) explain that this is due to migrants' traditional background, whose cultural norms are less legalistic. This type of contract also denotes a sense of alliance between co-ethnic workers and employers. In the words of Chen (25, male, general merchandise store employer), "Chinese workers are like shareholders, who will not be paid in a 'Chilean /Outsider way.'" As echoed by other studies (e.g., Ram et al., 2001), most Chinese employers also work long hours like their workers. Such arrangement is essential for the survival of small and ethnic businesses. The workers who aligned themselves with employers shall receive help to start a business in the future, i.e., as a condition along with other unlawful treatment "written" in under-the-table contract.

### **Mechanisms of co-ethnic exploitation**

#### The dark side of *guanxi* overseas

Findings from the study show that strong social ties and bonding social capital are embedded in the Chinese economy in Chile, similar to findings from existing studies (Achidi Ndofor and Priem, 2011; Wang and Altinay, 2012; Chand and Ghorbani, 2011). Social ties and bonding capital are most evident during recruitment and the workers' settlement in Santiago. These social ties are acknowledged as *guanxi* in the Chinese context and was explicitly mentioned in our interviews.<sup>5</sup> *Guanxi* reflects the primacy of social relationships in Chinese society, culture and organizations (Yan, 1996; Song et al., 2012; Chen and Chen,

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<sup>5</sup> *Guanxi* seems more salient among PRC Chinese. Interviews with a Taiwanese employer and worker and a Hong Kong worker we interviewed have utilized social network for their recruitment process; the *guanxi*-based employer-worker relationship is not observed from their interviews.

2009). In the face of business uncertainty and competition with local businesses in the destination country, social relationships and social capital become even more vital to remain competitive (e.g., Sanders and Nee, 1996; Katila and Wahlbeck, 2012).

In relation to Chinese workers, *guanxi* with the boss may result to better working or living conditions, and even higher salaries compared with workers without *guanxi*: “workers without *guanxi* have worse situations, they can’t eat as good as workers with *guanxi*” (Zhang, 23, male, worker, slot machine room). On the other hand, there is a downside to *guanxi* (e.g., Zhu, 2018). The hiring process through *guanxi* creates an environment that obscures exploitation. Through the lens of *guanxi*, workers’ perceptions about distributive justice and fair treatment are modified, and it also transforms a formal contractual relationship into an informal relationship with its more fluid terms of obligations and entitlements. This situation generates commitment and compliance from workers, creating a kind of social morality that is only understandable in terms of social connections (e.g., Fei (1992 [1947])).

When asked “why do people consent to unlawful treatment/exploitation by Chinese bosses?,” most respondents referred to the importance of maintaining *guanxi*, i.e., workers are afraid to lose their social ties once they complain about unfair treatment at work. As one interviewee described:

Nobody could do something to the boss. Because the workers that he brought here have relations with him, they are relatives or friends, or people introduced by relatives. For his own people, it is fine to pay late, they don’t care that much. They have *guanxi* with the boss, so they trust the boss (Peng, 27, male, worker, Chinese interior decoration company).

Ethnic entrepreneurs need flexibility as well as stability in their labor force to weather market uncertainties; having reliable workers from the same ethnic community addresses this concern (e.g., Waldinger et al., 1990; Katila and Wahlbeck, 2012). In this study, using *guanxi* as a filter, Chinese employers differentiate between local Chilean workers and Chinese freelance workers (*ziyoushen*). Chinese employers prefer to hire their “own” people, who tend to agree to informal practices and thereby generate more profits to employers. In other words, *guanxi* can lead to exploitation by making workers feel like they are the “boss’ own



people” and they should be grateful to have been chosen. This is actually an individualized form of domination, which is facilitated by social institutions such as *guanxi*.

Several explanations –e.g., relational hegemony (Shen and Zhou, 2007) and the reverse order in paying off workers (Cai and Jia, 2009)<sup>6</sup>– have been advanced that shed light on how employers in China use *guanxi* to mobilize and control workers. Factory workers hired through *guanxi* often feel an obligation to repay their employers’ kindness. (Smart, 1993; Sargeson, 1999) Recent studies on Chinese-owned businesses abroad also uncovered the importance of *guanxi*, mostly focusing on entrepreneurship rather than labor relations (e.g., Collins and Low, 2010; Katila and Wahlbeck, 2012). *Guanxi* and labor relations, particularly how it fosters workers’ sense of “debt,” have been explored in developed countries, such as the Netherlands (Hiah and Staring, 2016). In the Chilean context, similar findings point to debt bondage incurred by Chinese workers. As one of our interviewees indicated: “Actually before I came, my aunt paid the fees to ‘take’ me out of the country, in the black market, so I have to return the money to her” (Li, 25, male, worker, Chinese restaurant).

The issue of debt bondage in moral economies<sup>7</sup> surfaced in studies about Chinese migrants in developed countries (see Yun, 2004). In the present study, we encountered many references to non-monetary debt bondage. Social norms surrounding *guanxi* (e.g., maintaining a long-term relationship, mutual commitment, loyalty and obligation) may hinder raising issues about labor exploitation, as suggested below.

I came here to work. We are relatives and they hired me to help me build my career. If I complain or mess with them, it will affect our relationships, and also my family in my hometown. I will lose face, you know? (Lin, 20, male, worker, general merchandise store)

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<sup>6</sup>Relational hegemony: In the cited paper, relation (*guanxi*) between the boss/manager is functioned as a resource of control over workers, during the procedure of utilizing relation to generate royalty and reduce complaints, an unique form of control and resistance is then recognized as “relational hegemony”. The reverse order in paying off workers: Paying off the peripheral workers to whom they are not personally close before paying off the core workers with whom they have close relationships.

<sup>7</sup> As defined by Scott (1976:401), a moral economy is subsistence ethic, a social arrangement where human behavior is guided by risk aversion, standards of reciprocity and ideas about justice, such as notions of fairness in employer-worker relations.

Velayutham (2013) reveals similar co-ethnic exploitation among Indians in Australia who were hired social networks, i.e., through kin and village networks. They also fear losing their visa and being forced to leave the country if they quit their jobs. However, the cultural mechanism through which they justify such exploitation works differently among Chinese. For the Chinese in Chile, besides kin relations in the country of origin, employer-worker relationships are an additional element of the exploitation. While in the Indian case, social relationships only prevent workers from leaving the exploitative work relationship because of the shame of disappointing their families, among the Chinese in Chile, their sense of indebtedness and kin ties to their employer are paramount. employer.

### *Blocked opportunities*

Both employers and workers are aware that jobs in the ethnic economy are not desirable. The reason for taking such jobs and tolerating potential exploitation is, as some of the interviewees described, due to blocked opportunities or lack of accessing economic opportunities in the home and destination countries. Some interviewees shared that they could not find a job or a satisfying salary in China, hence they opted to seek opportunities elsewhere.

Interviewees described their previous jobs in China as “*dagong*,” i.e., jobs that are low-paying and low-skilled, jobs that rural migrants usually obtain in China. This also reflects the undesirable situation in the home country before coming to Chile. Many interviewees acknowledged that they do not sufficient human capital that can land them a decent job in the Chilean labor market. For instance, lack of proficiency in Spanish was the primary reason why they chose to work for co-ethnic employers. The language barrier also prevents them from seeking the help of the local authorities or local labor unions if they are exploited. “All the information, we heard from the accountant, he/she could speak [Spanish], we can’t... and we can’t speak English either, we can’t communicate with them [authorities]” (Tan, 32, female, Chinese restaurant owner, former worker of a Chinese restaurant). The long hours and hard work motivate them to seek a better alternative, hopefully, soon. As one interviewee put it: “. . . you cannot go back, you have to find your way out. This is really

hard, to work 15, 16 hours day, this is my constant life” (Zhang, 23, male, worker, slot machine room)

Changing jobs, however, is not an easy option that Chinese workers consider: the ethnic economy is a small one and workers expect they will face the same situation under other Chinese employers. The social network-based recruitment pervades the day-to-day experience of migrant workers (e.g., long working hours and the blurring of work and private life) which enables Chinese employers to gain the consent of workers. As mentioned by employers and workers, the world of Chinese businesses in Chile is a small, closed circle. Information regarding employer-worker relationship can easily spread in the community. Thus, workers seem resigned to accept the exploitation since there is no difference between jumping from one *huokeng* (fire pit, i.e., exploitative workplace in the context of the study) into another. “Of course [Chinese workers are exploited]. If I complain to the labor bureau, nothing happens. The other Chinese bosses are also the same, so it doesn’t change too much” (Peng, 27, male, worker, Chinese interior decoration company).

Outside of the ethnic community, Chinese migrant workers find it difficult to seek assistance from local authorities or labor unions, primarily due to language barriers. Wu and Sheehan (2011) documented this situation for Chinese factory workers in Italy. Chinese associations, where they exist, mainly serve the purpose of businesspeople: “All the bosses here are ... [bad], you cannot escape them... The association only cares about big bosses, they don’t listen to us, poor people” (Xie, 33, male, employer, former worker in a Chinese restaurant).

## **Conclusions and discussion**

This article examined the labor relationships between Chinese employers and Chinese workers in the ethnic economic of Santiago, Chile. We showed that these relationships could lead to a situation of co-ethnic exploitation, defined as working under substandard conditions. Such exploitation starts in the country of origin, where both employers and workers agree to an under-the-table contract to work around Chile’s labor regulations. To guarantee this arrangement, *guanxi* is necessary during and after the hiring process. By utilizing *guanxi* and

potential debt bondage, Chinese employers hire trustworthy co-ethnic workers, which give employers power to keep workers under their control.

The dark side of *guanxi* and this situation of control are related to the concept of non-existence space proposed by Coutin (2003). Migrant workers cease to exist when they are trapped and totally controlled by the boss; in non-existence space, mobility is restricted; and full social personhood is prevented. Although migrants could have legal status in the host country, this social non-existence drives them “underground.” In addition, this situation prevents any potential feedback effect or attempt to modify the migrant labor regime. Chinese workers in the non-existence space do not have social participation, thereby precluding collective mobilization and political participation. In the process, workers are rendered invisible; in contrast, Chinese employers are organized in business associations and are able to protect their interests.

These findings contribute to the growing literature on the negative consequences of social capital. Portes (1998) pointed out that there is a bias toward positive outcomes emerging from sociability. He underscores that social capital can also have negative consequences: exclusion of outsiders, excessive claims on group members, restrictions on individual freedoms, and downward leveling norms. These also emerged from this study. The relevance of our findings stems from the fact that, as Levine et al. (2014) argued, excessive in-group trust brings about negative consequences not only for the members of the group but also for the entire society. Chinese employers feel excessive confidence and comfort with the relationship of exploitation, and the given-by-granted loyalty of workers reinforce this situation. This downside of social cohesion could also have implications for labor relations of other groups sharing religious affiliation, social status, among others.

Findings from this study have similarities and differences with previous studies of Chinese co-ethnic exploitation. Characteristics of exploitation –long working hours, unpaid overtime and excessive workload– are present both in advanced economies and Chile. However, in the Chilean case, employers seem to fulfill standards of social security, although they use the previous informal arrangement to pay lesser taxes. Withholding of documentation and under-the-table contract have not been identified in other contexts. In the

case of Chinese migrant workers, lack of language proficiency contributes to their exploitation, but it is not the only one. *Guanxi* seems to play a role in fostering co-ethnic exploitation. The Chilean case *is* embedded in the process of migration, and not generated at the workplace. The risk of migrating to an unknown country and a lower supply of workforce from the small-but-growing Chinese local community requires the reduction of uncertainty prior to the departure, where *guanxi* engage. For instance, Lévy and Lieber (2008) showed that Chinese women in Paris turn into prostitution because of a personal migratory plan that failed. They engaged in illegal activities because of the lack of social networks. In the case of Chile, strong employer-worker social bonds reduce the possibility of leaving the exploitative relationship. Although studies in Latin America have emphasized the relevance of Chinese network in migration (Lausent-Herrera, 2010, 2011), previous studies did not look into *guanxi* in exploitative situations.

Findings from the study call for policy and social interventions in the following aspects. First, countries of origin in the Asia-Pacific region should play a more active role in regulating migration. Actions should include educating and empowering migrants so that they are not forced to agree to dubious terms and conditions of their work contracts. Second, host countries should also play a more active role in reducing the asymmetry of information of the labor market. Migrant workers' lack of proficiency in the host-country language is a handicap to labor force integration and access to fair conditions. Host countries should not only focus on the legal work and residence of migrants, but they should also ensure the social inclusion of migrants. Language proficiency is a step forward for promoting the social inclusion of migrants. The formation of workers' unions should also be encouraged to provide workers a venue to air their concerns and to access support. At the same time, the monitoring function of local agencies is relevant to control and prevent situations of exploitation. Finally, as a destination country, the most critical objective for Chile is to promote the social integration of migrants. Suggestions to create a Chinatown in Chile (24Horas, 2018) will have to consider the potential danger of creating a sub-population that will not be able to access support and achieve full personhood. The concentration of the population and the creation of an ethnic community may increase the strength of in-group ties, but may hamper the integration into the Chilean society. Therefore, the dark side of

*guanxi* could be deepened. Full social personhood, taking migrants out of the “underground” and social integration could tackle and reduce risks of increasing exploitation.

Future research could explore other contexts, comparisons with other ethnic groups and delving further into cultural meanings. In recent years, the literature on Chinese labor relations has discussed different types of exploitation of local workers by Chinese firms in Africa (Yan et al., 2019; Jauch, 2011). Patterns of exploitation in other contexts where underdevelopment and unprecedented migration need to be further examined. This study focused on a particular context and on a single ethnic group and cannot be generalized to other ethnic groups. We agree with the recommendation of Chan et al. (2019) to extend the discussion to inter-ethnic exploitation in developing countries where the intersectionality of race and migration brings about tensions that may be absent or reduced in co-ethnic relationships. Finally, the meanings of labor relationships within ethnic enclaves and how these relate to legal concepts would be interesting to examine. Hiah and Staring (2016), for example, found that for Chinese in the Netherlands, the legal definition of labor exploitation could differ from their notions of labor exploitation within the ethnic business. In this study, the cultural dimension of an ethnic economy and the particularities of ethnic relations may not always correspond to criminal, administrative and immigration laws. An understanding of the cultural dimension could bridge the gap between law and practice.

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**Table 1.** Characteristics and factors affecting Chinese co-ethnic exploitation.

Country	Reference	Subjects	Substandard conditions	Factors
England	Wright (2007)	Legal and undocumented migrant workers, including Chinese	Low pay Unpaid overtime Long and unpredictable hours Excessive workload Lack of written information and contracts Racial harassment Barriers to promotion	Limited labor market opportunities High level of tolerance for poor working conditions Lack of language proficiency
United States	Tsai and Bruck (2009)	Chinese workers	Long and unpredictable hours Tension and conflicts with other workers Lack of social relations at work Overlapping roles No formal training on safety and health	Lack of language proficiency  Debts (with kinships) generated by family sponsorship
Italy	Wu and Sheehan (2011)	Legal and undocumented Chinese workers	Poor facilities Long working hours No days off Unpaid leave No illness or maternity leave No insurance for injury No access to trade union	Social isolation Lack of understanding and support from the public Total dependence upon Chinese employers Segmentation of the migrant labor market Undocumented status Lack of organization supporting Chinese workers Health and medical needs
Australia	Li and Whitworth (2016), Li (2017)	Chinese employers and legal Chinese workers	Low salaries Non-payment of wages Unpaid overtime Long working hours Jobs paid in cash* Unsafe and over-crowded housing	Lack of language proficiency Higher earnings than in China Lack of formal contract in cash-in-hand jobs Low expectations of co-ethnic employers Image of obedient workers Visa restrictions
The Netherlands	Hiah and Staring (2016)	Chinese employers and undocumented Chinese workers	Informal employment agreement Low salaries Long working hours Unpaid sick leave	Independent moral economy Preference for co-ethnic employees <i>Guanxi</i> Worker-employer dependence

**Table 2.** Socio-demographic characteristics of interviewees (n=18).

Characteristic	N
Mean age (min, max)	31(20-58)
Gender (Male)	11
Years in Chile, mean (min, max)	10.14 (0.1, 34)
Level of education completed	
Middle school	4
High school	4
University	9
Masters and above	1
Work status	
Employer	7
Worker	11
Origin	
Mainland China	14
Taiwan	3
Hong Kong	1