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Lost and Added in Translation

A critical review of the implementation strategies for a market reform in China

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ABSTRACT

Developing markets to serve the poor is an increasingly popular approach in the development industry. This study explores how a market model that contains standards and guidelines for market development has been used to construct a market for social services in China. The author worked three month as an intern with the ILO international project management team that has designed and implemented the market model. Interviews, observations and desk reviews were conducted to study the strategies used to enroll actors and regulate and co-ordinate behavior in the market place. When discussing the empirical findings, the author has used socio-economic theories on the construction of markets and combined these with institutional theories on the use of standards. The results show that a market model can serve as a tool to provide a vision and unite actors around common goals and objectives. However, the voluntary nature of the standards in the market model limits the ability of the market designers to control the implementation process. The market designers have been forced to negotiate and manipulate the original model during the implementation process, which has resulted in an unstable market with conflicting interests and goals built into the design.

Key words: market construction, market development, standards, China, ILO

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1. INTRODUCTION

1.1. SETTING THE SCENE

Using market principles for the organization of society, is becoming increasingly accepted among decision-makers worldwide. Social services like healthcare and education are examples of activities that were formerly controlled by public administrations in many countries, but which have now, at least to some extent, been opened up to market mechanisms.

Translating ideas about the market into manageable models has, however, shown to be a very complex and challenging task with many unintended and surprising effects. The main difficulties with constructing markets for social services is to protect the public interest, while at the same time encourage individual market actors to pursue their private interests. Despite these challenges, market models for social services continue to travel around the globe and most recently they have been welcomed in the former Soviet Union and in China. There, they are used to construct markets that serve the poor.

This thesis is an effort to further explore the travel of market models and how they are used to construct new markets. The case at hand is a market model that has traveled to China, carried by an international development project. The objective of the development project is to provide low-income clients with high quality business services to the lowest possible cost, and in this way promote entrepreneurship and self-employment among the poor. The initiator, the ILO[1], has a ready-made market model containing guidelines for how to introduce the business courses for low-income clients in a market place and how to develop market-oriented training institutes that want to provide this kind of services.

The original ILO model is designed for state, private and non-profit organizations, and similar projects have already been implemented in more than 80 developing countries worldwide. An interesting feature of the project in China is that the State has positioned itself as an especially prominent actor.

> "The project design is based on a set of normative assumptions that marry the principles of a free market economy with the belief that

[1] The International Labor Organization, the ILO, is a United Nations agency working for the promotion of labor rights and employment (www.ilo.org)

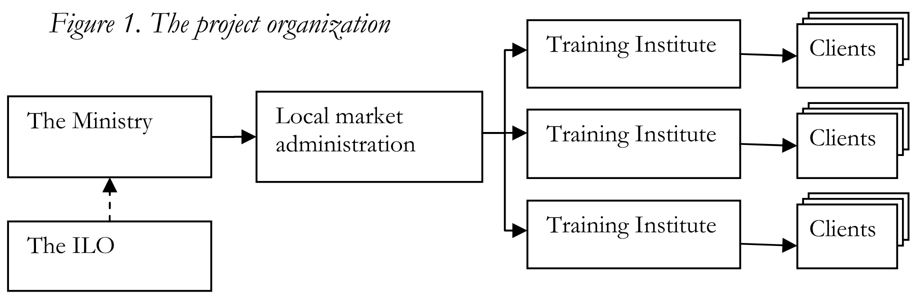
> Government has to play an active role in creating a level playfield for competition, and to directly promote the most vulnerable groups in society… " Source: Project Document (2005: 8)

When the ILO initiated the project, they had not foreseen that the Government would be such a strong participant. When the project was launched on a small scale basis, public local labor bureaus and their affiliated vocational training institutes simply seemed like the most natural counterparts. As the project expanded, promoted by the Ministry of Labour and Social Security, the same set-up was used in other cities and suddenly more than 200 more or less public training institutes had joined the project.

Today the ILO and the Ministry are busy transforming the existing labor bureaus and (state) training institutes into business-like and market-oriented actors. Simultaneously, various efforts are made to promote entrepreneurship and business start-up courses among unemployed workers. Steadily, the project is expanding across the nation, with the objective to be implemented in 100 cities by 2007. The long term goal is to fully commercialize the training, expand the target group and introduce new services. In other words, the long term objective is to stimulate the market for business services to low-income clients by setting a good standard for business training and create a level playing field for interested actors.

The ILO and the Ministry have set up a central program management unit responsible for establishing sustainable market institutions. The activities include training and capacity building of local labor bureaus, and training institutes, as well as market research and promotion. The local labor bureaus are later supposed to act as market administrations responsible for assisting local training institutes in promoting the business courses and in this way develop the market. The figure below illustrates the organization created to spread the ILO market model:

Figure 1. The project organization



1.2. RESEARCH OBJECTIVE AND DELIMITATIONS

During three months as an intern with the ILO in Beijing, I worked with the ILO project management unit, studied their daily activities, and learned about their concerns and challenges. In interviews, desk reviews of project documents and observations in the field, I started to understand the complex process of translating a market model into practice. This is how I developed the thesis which aims at exploring *how a market model has been brought to China and is now being used to shape and construct an emerging market.*

My primary source of inspiration is a school of socio-economic research that studies the market as a phenomenon. This multidisciplinary school studies how the *performativity* of market theories (Latour, 1987), or how powerful ideas about the market, unite actors and take part in shaping markets (Helgesson et al. 2004, Callon 1998a Brunsson and Hägg 1992). The researchers argue that all markets are social constructions, just like any other organization or institution in society, and may as such be constructed and re-constructed. Consequently, to understand markets the researcher should study markets in the making - the actors, forces, practices and processes that form the market (Helgesson et al 2004, Norén, 2003). Controversial markets are especially suitable, since these make the processes more visible through debates and re-regulations (Callon, 1986). Given this theoretical framework, the project in China is clearly an excellent case study for the further exploration of the construction of markets.

In order to understand the complex process of market construction, I have chosen to make a longitudinal study of the project, starting with the first introduction of the idea, the experimental pilot project and continuing with the activities to implement the model nationwide. Of special interest to me are the strategies used by the ILO and the Ministry to convince the local market actors to apply the voluntary guidelines and standards of the ILO. The focus of this thesis is therefore the activities of the ILO and the Ministry, but also the response to these activities from the adopters. My guiding research questions are:

- How did the ILO market model travel to China and how were the different actors enrolled?
- What are the tools and activities used by the ILO and the Ministry to convince and mobilize market administrations, producers and consumers to act according to standards?
- What are the implications of the strategies on the functioning of the market?

1.3. CONTRIBUTIONS

The objective of this thesis is to see how a market model containing guidelines and standards developed in the West, contributes to shape and construct an emerging market in China. By combining theories on market construction with a discussion of how standards may be used to construct markets, I contribute to an emerging research field. Besides this, I believe that my thesis could be interesting for the practitioners of market development in emerging markets.

In addition, my thesis should be valuable for those interested in the management of reform projects in China, as all major reforms in China require the involvement of Government and state administration. Researchers within political science have studied reforms in China from a structural point of view, but studies from an organizational perspective are still difficult to find(March, 2004; Li & Tsui 2002).

Being a case study, however, the conclusions and insights should be delimited to this specific situation, my access to information, and the theoretical framework in use.

2. THEORETICAL FRAMEWORK

2.1. THE MARKET AS A PHENOMENON

Since the age of Adam Smith, the idea of the market has inspired decision-makers as a model for the organization of society. Today the idea of an ideal market is widely but not totally accepted. Slater and Tonkiss (2001) provide in their book *Market Society: Markets and Modern Social Theory* a review of the evolution of market theories and the inflamed debate between economists and sociologists on the validity of the market model. The perfect or ideal market model builds on Smith's assumptions of a free and rational individual that guided by an invisible hand creates a stable, yet dynamic order in a fast changing society. If perfect, the market is something spontaneous, natural and good. Sociologists and anthropologists do, however, question the validity of theses assumptions and give empirical evidence of the irrational, rule-governed, ritual, and deviant behavior of market actors.

The school of socio-economic research chosen for this thesis has left the normative debate and instead focuses their efforts on the spread of market models and their influence on society. In this chapter, I will give an account of the theories and models I have used to understand and analyze the case study at hand.

2.2. THE CREATION OF A MARKET

2.2.1. The Market as an Actor-Network

Michel Callon is often mentioned as one of the main initiators behind the study of market construction. In *The Laws of the Markets* (1998), he develops his theories on how actors use market ideas to construct and shape markets. His (1986) and Latour's (1987) theories on the construction of *actor-networks* is used as a point of departure.

Czarniawska and Hernes (2005) give a good introduction to Actor Network Theory (ANT) and its applications. ANT was originally developed to describe how ideas are translated into action to establish facts, knowledge, practices and actions. According to ANT, actors actively use powerful ideas to create change and to unite and enroll other actors for a certain goal or vision. The *actor* could be a person, a social group, a machine or an artifact - any stakeholder with intention, character and the ability to influence other actors. The actors that first pick up an idea are called *focal actors* and often actively manipulate the idea to enroll the other actors. However, when the idea has been introduced, the network is constantly re-constructed, the initial idea is changed and re-regulated as the other actors become enrolled and influence each other and the network. Together, actors in a network create a *behavioral pattern* consisting of routines, codes, and facts. The behavioral pattern gives each actor certain characteristics and an assigned role in the network.

If we return to the construction of markets, ANT is used to show how ideas about the market help shape the special configuration, or behavioral pattern, that creates the calculative[2] homo economicus who learns to pursue his or her own interest by negotiating according to a commonly accepted market rationality (Callon, 1998a).

2.2.2. The Framing Process of a Market

The process in which a market is constructed is called *the process of framing* and is thoroughly described in Callon's article from 1986. In the framing process, consumers, sellers and commodities are disentangled from interfering modes of calculation and framed into the behavioral pattern of the specific market, united by the vision of an ideal market model. The framing process consists of four iterative moments of translation, by Callon referred to as *problematization, interessement, enrollement and mobilization.*

In the problematization stage, the focal actors or market designers define the identities and interests of other actors in the network in accordance with the designer's interests – they unite the other actors around a certain idea. Often, the designers establish themselves or their ideas as *obligatory passage points* – in other words make themselves indispensable in order to maintain control of the construction process. They do this by organizing so that the other actors cannot attain what they want by themselves. In the interessement stage, the designers attempt to lock other actors into their assigned roles. Usually there are competing networks and the designers must therefore cut or weaken all the

[2] Callon defines calculation as a means to "establishing distinctions between things or states of the world, and by imagining and estimating courses of action associated with things or with those states as well as their consequences." This action includes qualifying and therefore has Callon used the word qualifying (2003:5)

links between their chosen objects and other networks. If the links between the chosen actors and other networks are strongly established, the designers might have to use pure and simple force, but in other cases where the actors are already close to accepting the problematization, seduction or simple solicitation could be used. If the interessement is successful, it is time to enroll the actors. At this stage, when the various actors take their assigned role, they influence each other and negotiations must therefore be made to fit everyone in. If these negotiations are successful, the actors can finally be mobilized around the definitions laid out by the initiators. According to Callon's model, the initiators or market designers set the path for the market. However, keeping the control of the market as it evolves is more difficult.

In this case, Callon's theory of framing can be used to identify the main market designers and their strategies to make the other actors adopt and comply to their rules and models. The framing process shows how powerful ideas about the market are used and manipulated by certain actors to involve and mobilize other actors in the construction of a market.

The framing process is also useful to show the omnipresence of the outside world on markets. The framing process leaves many uncontrolled entities both outside and inside the network. All the people, objects and artifacts that contribute to settle a market place, are also responsible for bringing in new influences. Callon calls this the impact of externalities or overflows, which are inevitable but unforeseen effects of every market configuration. Economists also use the term externalities, but they see it as a kind of market failure. In Callon's theories, externalities and the unforeseen behavior of market actors is the norm.

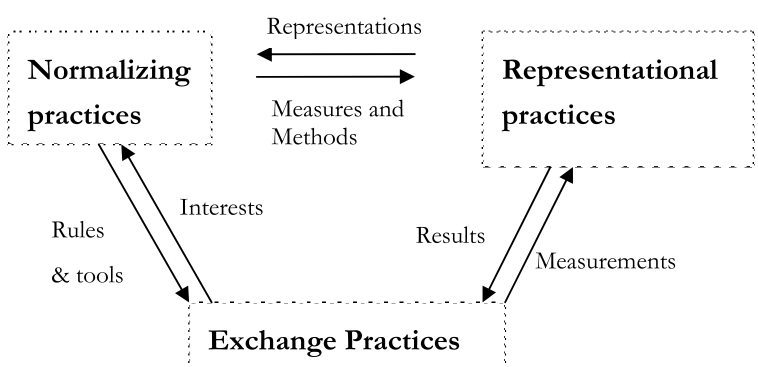
In order to understand how difficult it is to frame actors and to create a stable market, Callon uses the creation of a good as an example (2003). A good must be created according to socially accepted rules; otherwise the good cannot be understood and made to circulate (compare with Winroth, 2004). Consequently, a good becomes objectified, embedded in a social network with a wide variety of social connections that make it legitimate and understood. In addition, to become a good it must also be singularized, i.e. represent a value to the buyer, if necessary by transforming the world of the buyer. It is in other words quite difficult for the focal actors to control the creation of a good. Likewise it's difficult to control the construction of producers and consumers.

Callon's notion of externalities and overflows help describe how the markets designers in my case constantly must negotiate with interfering forces and actors. The framing process shows *the complex and iterative process of market construction and the many forces that must be taken into account when constructing a market.*

2.2.3. Tools and Practices for Market Construction

Helgesson et al (2004) have created a conceptual model that extends Callon's theories. Their model focuses on how ideas about the market are translated into various market practices that together shape the market place. They suggest that a market is the result of *normalising practices*, such as competition laws or strategic documents that set the rules and normative objectives for market interaction in a certain market; *representational practices*, like statistics and research reports that communicates what the market looks like and how it works; and finally *exchange practices*, e.g. price negotiations, marketing activities that help the consumers and producers to meet and exchange goods. In a series of ongoing and linked translation processes, these market practices construct and re-regulate the market place

Figure 2: A conceptual model of market practices



Source : Helgesson et al (2004 : 248)

Helgesson et al.'s model can in this case provide a framework for describing and categorizing the activities employed by the market designers and the market actors in the construction of the market. The model can be used to answers what possible shapes economic exchanges and markets assume, by concentrating on the translation processes or activities that lead to these outcomes.

2.2.4. The Construction of Market Power

When we now have models that allow us to study the processes that lead up to the construction of a certain market, what can we do with our acquired knowledge? One important insight is the understanding of how power in the market place is constructed and re-constructed; when applied, the study of power allows us to discuss how autonomous consumers and producers are created. According to Callon, calculative power depends on an actor's access to information and tools to calculate, and its ability to convince other actors of its opinions (compare also Brunsson and Hägg, 1992).

Actors that use the most appropriate tools to convey their knowledge are usually the most convincing and will decide the action for the others in the market. The negotiations of facts are what Callon calls clashes between different *centres of calculation,* which are common in unstable networks or markets. To provide an example, in a debate about costs cutting in a company, the company's accountants use cash-flow models to argue for their cause, these arguments might clash with the facts and knowledge that the front office personnel possess. The center of calculation that has the best status within the company will decide the outcome. Knowledge, facts and artifacts are used like this to convince other actors in the market place. Calculative power is, however, not given, it evolves as the institutional environment change (compare with Brunsson 1992, Winroth 2004 and Hägglund 2004). Also, actors may increase their power by improving their access to information and tools to calculate. A consumer may, for instance, increase its power by developing its calculative equipment. Consumer unions are examples of tools that can help the individual consumer in its framing and advocacy. As the relative calculative power and the relative degree of autonomy shift, new power relations emerge (Hägglund in Czarniawska and Hernes 2005).

Callon and Helgesson et al.'s models allow the study of how power relations are constructed in a market place. Their models assist in describing what actors have the power to influence others and the market configuration, but also how power evolves in the market place as actors find their place and achieve calculative power.

2.3. REFERENCE STUDIES: MARKET MODELS FOR PUBLIC SERVICES

Several studies on the implementation of market principles in public administrations have already been conducted. Czarniawska has, for instance, studied reforms in the city management of Warsaw (1996) from a translation perspective. Two studies with research questions similar to this thesis are the studies conducted by Norén (2003) and Rombach (1997). While Norén uses Callon's theories as a framework for analysis, Rombach uses more institutional and social constructionist theories. However, their studies on the design and implementation of market models for public services in Sweden provide both a good understanding of the strategies market designers use and the challenges they meet when constructing a market.

Both researchers argue that market principles can be made to function in the production of social services as old routines are avoided and new ones are incorporated. Then again, the result is often quite far from the original vision of a market. This gap between the idea of the market and the market practices is what make markets created on political initiatives very fragile, as they are constantly criticized and re-regulated. Below I will give an account of strategies and challenges observed by Norén and Rombach in the construction of markets for public or social services.

2.3.1. Goals and Motives

To begin, we have to understand the goals and motives behind market models in the public sector. According to Norén, market models used for public services have their origin in public choice theory (Buchanan, 1969). One of the first models developed was Friedman and Friedman's voucher model (1980). Besides the voucher model, the public procurement model has been the most common choice for decision makers in, for instance, Sweden. Both models incorporate political goals with market principles.

The most obvious motive for market reforms in Rombach's and Noréns study was the pursuit for increased efficiency and productivity, coupled with a desire to increase the number of alternatives for the citizens. Rombach also concludes that there was a strong normative pressure from society to organize the production of public services according to market principles. Besides rational market arguments, the market designers also recognized a need to protect vulnerable consumers and the design of the models reflects this objective. For instance, a public procurement office was implemented in a market model for the production of a healthcare service, in order to assure that the right person received the right care. The voucher model was on the other hand implemented in the Swedish school system, with the main objective to increase the students' individual choice.

Norén observed that market development objectives and social concerns often conflicted, as clashes between self-interest and the common interest constantly emerged. When studying the characteristics of the ideal market model it is easy to see the emergence of ideological conflicts between market principles and state intervention. In an ideal market, producers and sellers are supposed to be guided by their self-interest. They are characterized by a lack of loyalty; quickly abandoning their counterpart when they find something better. Price is the information market actors use to make their calculations, and is thus the basis of competition (compare Brunsson and Hägg, 1992). Producers and consumers in the market of public services cannot live up to these demands and must therefore constantly deal with continuous shifts in the mode of calculation, goal conflicts, and political controversies as shifts in the environment influence the market place.

In conclusion, as motives and goals seem to influence the design of the market model, the goals and motives of the different actors involved in the case study at hand will be important for understanding the design process and the resulting revised market model.

2.3.2. Constructing a Market Administration

Norén and Rombach proceed by studying the functioning of the market administration. Their studies show that the main difficulties for the market administration is to understand who they work for: the politicians, the citizens or the producers.

In both the voucher model and the procurement model, the market administration is supposed to act like an intermediary between producers and consumers, and between the politicians and the producers, understanding their different goals and interests. Furthermore, the market administration is supposed to support competition, monitor rule compliance, and at the same time develop new procedures with the risk of benefiting certain market actors. Moreover, the market administrator in a voucher market is supposed to create the formula for subsidies, provide the consumer with information about alternatives, and make sure that directives are being followed. Likewise, the public procurement model needs a market administration responsible for defining the service or good, mapping and comparing different alternatives in order to stimulate economic exchange in the market. The procurement model also usually includes market regulators responsible for solving disputes.

In conclusion, a functioning market administration, which is an important part of a market model, needs to be equipped with a number of tools and resources. Hence, to study the construction of a market administration in the case at hand, I will study the tools and strategies that have been used to equip a functioning market administration..

2.3.3. Constructing Producers

Norén's and Rombach's studies also show the many challenges associated with the construction of producers of public services. Transforming public producers into market oriented producer that must be faster, more flexible and able to market their products is not an easy task. There are, according to Norén, two main strategies to create new producers of public services; encouraging intrapreneurship within the public sector and/or by inviting the private business community to compete.

However, this has not shown to be sufficient. One factor may be that the price mechanism is put out of order, which makes it difficult for consumers to calculate on price. Another reason is that it is very difficult to close down any public activities, since it is often a political decision. A more subtle explanation is that activities intended to develop producers often have a negative effect on the competition. Many designers set standards for what the producers should do and what they should have; thus, the most successful actors are the ones who learn the rules quickly. Those who are too different are left outside the game (Norén 158 ff).[3] A third factor, is that the market designers seem to put too much trust into the moral standards of the producers. Commercialized producers might not always prioritize the public interest, but instead pursue their own interests.

Similarly to the construction of a market administration, the construction of producers encounters many challenges. In this case it is therefore interesting to stud what strategies have been used to support and develop the creation of autonomous and market-oriented producers of business courses.

2.3.4 Constructing Consumers

Rombach and Norén are both quite negative to the effects of market reforms

[3] The phenomenon of imitation is called isomorphistic behaviour and is according to institutional theories a common feature in organizational fields (Czarniawska, 2002: 164).

on consumers. The relative weak consumers do not have the power to demand the right quality on social services. The stronger producers have then taken the chance to decrease quality in order to cut costs. The reason is that market designer falsely assume that the consumers are autonomous and calculative actors with a high moral and an ability to make considerate choices (Rombach). Norén then concludes that a prerequisite for the success of a market construction is to work actively to transform citizens into consumers. Consumer guidance, information systems, or the use of force to make consumers choose, are means that market designers can use to create and equip consumers with the abilities they need to make good choices. However, firstly the consumers must be willing to act like consumers.

An interesting application of Noréns and Rombach´s observations, is to study how the consumers of business courses, the unemployed workers, in this case have been equipped to be able to act as consumers and make rational choices.

2.3.5. Constructing Goods and Services

The difficulties with constructing goods have already been described by Callon (2003). In the case of public services, Norén and Rombach have shown that the market administration is often responsible for defining the goods or services. However, if the service is totally new, cooperation between market administration and the market actors is often needed to construct a good that is accepted. It is common that public services are complex and difficult to calculate and the design is therefore frequently questioned and subject to revision (Norén). Especially when subsidies are coupled to the service or good, it becomes a common target for re-regulation.

In conclusion, introducing a public or social service is often a controversial task. A new good requires constant negotiations between the market administration, the consumers and the producers. How have the actors in my case study created a good? Who have been involved and how have the different actors influenced the design of the good? What consequences does the construction process have on the acceptance of the good?

2.4. STANDARDS AND THE CONSTRUCTION OF MARKETS

Above, I have given an account of the main theories on market construction and their applications for this thesis. Now I would like to introduce another related field of study: institutional theories and the use of standards as a means to co-ordinate activities in society[4]. Brunsson and Jacobsson conclude in their book *A World of Standards* (2000) that the use of standards is an increasingly popular tool to create and control order in a society where traditional directives and norms can no longer be used to coordinate people's actions. In society there are different forms of rules. There are norms, which are social rules taken for granted; there are directives which have a clear source and may often be followed by sanctions; and there are standards. Standardization is supposed to regulate a situation where there is no legal centre of authority, and where there are no existing norms or directives. Eventually, may standards transform into norms or directives.

Standards are developed by standardizers who claim to be experts and sell their standards as "expert knowledge stored in the form of rules". Standards could in other words be described as the objectification of ideas, which translated into action will create rules for interaction. And when standards are used for market construction, the standardizers could be called market designers.

Standards are in contrast to directives, claimed to be voluntary. The implications of this is that standardizers cannot force their standards on the adopters, instead they must convince and persuade the decision makers who then force the adopters to comply.

The theories on the use of standards, can in my case study be used to describe how the ILO and the Ministry created a market by creating and then selling and enforcing their standards. When selling and enforcing their standard, the ILO and the Ministry could in Callon's terms been said to have problematized, interessed, enrolled and finally mobilized the framed actors.

2.4.1 Selling a standard

Standards, just like ideas, travel and create change when they are picked up by actors. Institutional theories assume that organizations change because they want to be modern and legitimate and accepted in society. Often organizations imitate other successful organizations. The power of a standard thus lies in its acceptance in society and is dependent on how successful and fashionable it seems to the potential adopters (Czarniawska and Sevón, 1996 and 2005). The

[4] Students of organizational theory have probably already noted that Callon's and Helgesson's theories belong to the same research field as institutional theory (Meyer and Rowan, 1977; Brunsson and Olsen 1997); translation theories (Czarniawska and Sévon, 1996); network theories (Granovetter 1985) and decision-making theories (Kingdon 1995).

status of the standardizers is therefore important for the success of a standard. Standardizers that have acclaimed and legitimate expertise are powerful, because their adopters - decision makers in society or organizations - are required to use acclaimed expert knowledge to rationalize and justify what they do (compare Meyer and Rowan, 1977). In conclusion, standards that build on powerful and modern ideas, like the idea of the market, and which are issued by well known standardizers have a good possibility to enroll adopters.

However, standardizers must not only rely on their reputation and good timing. As said by Brunsson and Jacobsson, standardizers also actively use a number of strategies to sell their standards, in other words influence decision-makers to adopt their standard. There are several decision making theories that can help in describing the activities used by standardizers when selling their standards.

Brunsson and Jacobsson's account of how standards travel and enroll adopters is very useful for describing the activities and strategies used by the ILO in this case when selling and implementing their market model in China.

2.4.2. Enforcing a standard

According to Jacobsson (2000), several strategies can be used to convince other actors to adopt and follow standards. One common strategy is to persuade a third party with power or authority that can assist in convincing others to follow. Another strategy is to relate more closely to adopters, for instance, help them in implementing their standards. Certification procedures and monitoring are also methods that can be used to ensure implementation. Finally, a standard is more powerful the more adopters it has, thus it is important to try and achieve monopoly status within a certain area of standards.

One very forceful strategy that may combine and encompass all of the above strategies is the creation of a standard-based organization (Ahrne et al. 2000). Just like a formal organization, the standard-based organization has the power to include or exclude members, to set the rules, gather common resources and establish a centre of authority. It can offer its members a certain status and legitimacy, and facilitate interaction or exchange in-between its members. In addition, it can promote common goals and protect its members from the supervision of others.

Jacobsson and Ahrne et al. show a number of strategies that standardizers can use to make the adopters comply to their voluntary standards. These observations may help to characterize the strategies used by the ILO (and the Ministry) in this case to enforce their market model.

2.4.3. The Implications of the Use of Standards

The enforcement strategies may, however, have effects that collide with market principles. For instance, the use of a standard-based organization encounters many of the problems that ordinary organizations do. To begin, it has been shown that reforms are very difficult to implement and usually cause a lot of resistance in organizations (Brunsson and Olsen, 1997). Translated to a standard based-organization this means that it is very difficult to change rules and standards once they have been accepted by the first group of members (Brunsson and Jacobsson, 2000). Standard-based organizations therefore usually expand and add rules instead of changing existing one. Another challenge is that standard-based organization may have difficulties to grow, while at the same time remain effective in monitoring its members. Standard-based organizations gain members more easily if the standards are not too heavy to comply with, too costly or too controversial. At the same time, if the standard is too vague, it is difficult to monitor. A linked dilemma is that a standard-based organization may actually shield its members from outside viewers such as media or consumer organization, since the standard-organization itself assures the status of its members. Hence, there are many pitfalls when using a standard-based organization for the construction of autonomous producers and consumers.

The observations made by Ahrne et al on the effects of enforcement strategies show that standardization might have unintended effects on the construction of market actors. Ahrne et al.'s observation will be used to discuss the enforcement strategies of the ILO and the Ministry.

2.5. ANALYTICAL FRAMEWORK

To facilitate for the reader, I will hereby summarize how I will apply the different theories in my case study. The empirical findings will in the following chapters be filtered through the theories described above, and the concluding discussion will single out some of the most important and interesting features of the market construction process initiated by the ILO and the Ministry.

2.5.1. The Theoretical Framework Applied

Callon's theory of framing can be used to identify the main market designers in this case study and their strategies to make the other actors adopt and comply to their rules and models. It can show how powerful ideas about the market are used and manipulated by the initiating actors to involve and mobilize other actors in the construction of a market. Furthermore, Callon's notions of externalities and overflows help explain how and why markets designers must constantly negotiate with interfering forces and actors. Hence, when using the framing process as a grid for analysis, I can show the complex and iterative process of market construction and the many forces that the designers must take into account when constructing a market.

If Callon focuses on how various actors and forces shape a market, Helgesson et al.'s model can be used to study the practices that shape markets and the possible shapes economic exchanges and markets assume. According to their conceptual model, the market is in this case constructed when ILO's market model through various activities is translated into rules and tools for exchange in the market place. Moreover, Helgesson et al.'s model show how the other actors force the market designers to re-regulate the market place over and over again, as the market configuration causes unwanted and unforeseen behavior in the market place. Helgesson et al.'s model can in this way be used to describe and characterize the externalities and overflows that Callon discuss in his theory.

Norén's and Rombach's prior studies of market models for public services have shown that the market designers must construct consumers, producers and a market administration, by giving them the tools and responsibilities to act as market actors. Their observations help me to describe how the market designers in this case have tried to equip the consumers producers and the market administration. Furthermore, constructing a good, especially a new good, requires cooperation between the different actors in the market place. It describes the actors that have been involved in designing the service offer in this market and how has the service been received by the different stakeholders. Finally, Norén's and Rombach's studies show that motives and goals of the market designers seem to influence the design of the market model; hence, the goals and motives of the different actors involved in the case study at hand must be analyzed to understand the design process and why the market model is designed the way it is today.

The ILO has constructed markets in several countries by using a market model. Their model includes a number of standards and guidelines. Therefore, prior studies on the use of standards are useful for this thesis. Brunsson's and Jacobsson's work (2000) will help me to describe the strategies used by the ILO when selling and enforcing their standards in China. Moreover, it can give some hints on the implications of using standards to construct market actors.

2.5.2. Outline

The outline of this thesis is hereafter built on the analytical framework in use. The empirical section will give account of the activities of the ILO and the Ministry, the processes and forces that have shaped the current design from the project initiation in 2000 until December 2005, when I left the project. To begin, in chapter 3, I will describe the ideas and motives behind the market model and the actors involved in designing the original model. In chapter 4, I will describe how the market model traveled to China and how it was negotiated and manipulated to enroll, or problematize, the Chinese counterparts. I will also describe how the original model was modified by local actors as it spread across the nation. In the following chapter 5, I take a closer look at the market designer and describe how the Ministry used the political structure and its political force to enroll local market actors. In chapter 6, will describe the tools and activities used by the ILO and the Ministry to regulate the behavior of the market administration, the producers and the consumers. In chapter 7, I will describe some of the challenges the ILO and the Ministry have encountered when trying to enforce their standards and guidelines and motivate the local market actors.

In the discussion in chapter 9, I will single out some important observations and with the help of my theoretical framework analyze the implementation strategies and what consequences these strategies have for the development of autonomous consumers and producers.

3. ACTORS, IDEAS AND MOTIVES BEHIND THE ILO MODEL

3.1. THE ILO AND THE COMMITTEE FOR SMALL ENTERPRISE DEVELOPMENT

The initiator of the project, the ILO, is a specialized United Nations agency that works for the promotion of human and labour rights in its 175 member states. The ILO's approach to develop small enterprises as a means to alleviate poverty is widely accepted worldwide. Self-employment or entrepreneurship is regarded as a very rapid and efficient means to create income for vulnerable and low-income groups. By setting up their own little business, very poor people can employ themselves and eventually even others (Clemensson, 2001).

Besides the ILO, a number of different organizations and experts are active in the work for small enterprises development and entrepreneurship promotion. A multitude of different models and approaches exist. The project in this case belongs to an approach called business development services (BDS). Basically, the method aims at providing potential and existing entrepreneurs with courses in basic business skills, often coupled with a micro-credit scheme and other services needed for start-up. ILO's project is called the SIYB, Start Improve Your Business, and has a good reputation worldwide, according to representatives of both the British Department for International Development (DFID) and the Swedish International Development Agency (Sida). In fact, the program could be called a market leader in the field. During its almost 30 years of existence, it has traveled from Africa to more than 80 developing countries and most recently to China and Russia (www.ilo.org).

The ILO is actively working to develop new approaches to enterprise development and is one of the main players in the Committee of Donor Agencies for Small Enterprise Development. The Committee was established in 1979 on an invitation of the World Bank. Participants are mainly representatives of bilateral and multilateral donor organizations, and international development organizations. Conferences, working groups and more recently inter-agency webpages[5] help spread the best practices and experiences among these actors (www.sedonors.org). In addition to this forum,

[5] www.bdsknowledge.org, www.businessenvironment.org, and www.sedonors.org are all maintained and sponsored by the donor committee.

there is a wide range of other actors who work for the promotion of entrepreneurship. The donor committee has, however, been referred to as a main player at several occasions in my interviews with ILO informants.

Why are these actors involved in small enteprise development? There are probably a number of political and personal reasons. Technical cooperation projects like the project in China is, for instance, a way for the ILO to spread its ideas and knowledge, or as cited *"one of the primary tools for translating the fundamental principles of ILO standards*" (www.ilo.org).

In conclusion, there is a global community of practitioners for small enterprise, in which the ILO has a prominent role. These international experts have a large influence on the design of approaches for small enterprise development in developing countries and actively spread their ideas and models.

3.2. IDEAS AND MOTIVES BEHIND THE ILO MODEL

In this section I will show how the ILO model for small enterprise development has been given the current design and then relate the objectives of the model.

From the beginning, the ILO model was a Swedish idea, initiated by the Swedish Employers' Federation, who had a training program called "Look After Your Firm" targeting existing Swedish small enterprises. In 1977, the program was adopted by Sida and the ILO who used it to design business courses for micro-entrepreneurs in developing countries. Eventually the training program was branded as the SIYB program, Start Improve Your Business. The name comes from the four interrelated business courses of the program which together are meant to guide the clients from idea generation to expansion.

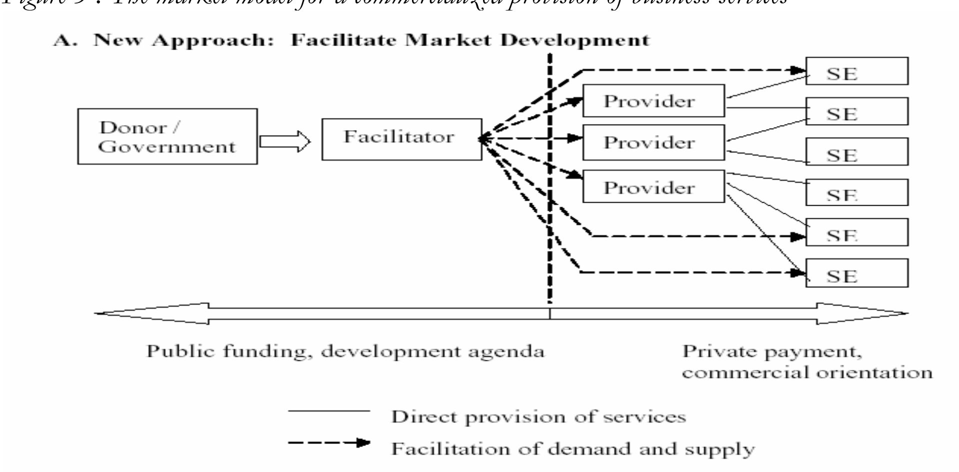
From the beginning, the program design had a traditional welfare approach where the ILO directly provided business courses for free. Since the late 90's, however, the design builds instead on market principles, where the role of the ILO is to develop local training institutes and create a level playing field, in order to develop a vibrant market for business services. Likewise, the beneficiaries have become clients, who are supposed to pay the cost of the services provided (Clemensson, 2001).

The Guidelines (2001) adopted by the Committee for Small Enterprise

Development presents the basic idea of the market development approach for business services. Basically, the advantages of a commercial orientation include increased outreach and cost effectiveness. However, it is recognized that the clients are poor and must be protected. The role of the donor and the government is therefore to create a level playing field for the promotion of good producer and to ensure quality. Emphasis is put on commercializing the business courses and thereby aiming to reduce the need for subsidies.

The figure below summarizes the approach recommended by the Committee. The donor and/or government, in this case the ILO and the government build up capacity of local market administrations (facilitator) who then facilitate the demand and supply by assisting training instititutes (providers) and the small enterpreneuers (SE)

Figure 3 : The market model for a commercialized provision of business services



Source: Guidelines (2001:4)

In my interviews with ILO staff, it became obvious that the market development approach still is controversial, both as to technical concerns but also for ideological reasons. The debate concerns the degree of state intervention in the delivery of services to low-income clients. The role of the state in the correction of market failures is widely recognized, however, the more liberal stands mean that subsidies will distort the future market. In recent years, the debate seems to have shifted further to the liberal stands. The ILO is said to place itself somewhere in the middle, acknowledging the benefits of market principles, but not neglecting the important role of the state in stimulating emerging markets.

Last year, the annual seminar of the donor committee presented a larger development framework called "making markets work for the poor" which covers all initiatives aiming at helping the poor to be active producers and consumers in the global markets (Miehlbradt and McVay, 2004; Tanburn, 2005).

3.3. THE ILO MODEL

According to ILO project documents, the role of ILO is to: facilitate capacity building of local organizations so that they can perform the training and market research they need; assist in building brand recognition, and promote the ILO business courses (www.ilo.org).

The ILO model does, as already described, contain *a market administration*. This market administration could be a state or a private function. The ILO market administration is supposed to protect the consumers and is therefore responsible for the monitoring and certification of the training institutes. In addition it should develop new training institutes and products and assist in creating a level playing field for training institutes of management training. Yet another mission for the market administration is to control the distribution of training manuals. Affiliated to the market administration is also one or a few *master trainer(s)*, similar to internal consultants, who are trained directly by the ILO and then hired by the local market administration. A master trainer is supposed to have the main responsibility for promoting the SIYB courses and for developing and monitoring local training organizations (www.ilo.org). In conclusion, the market administration acts as a link between the ILO/the Government and the market place. It is encouraged to commercialize its services as much as possible, although its main role is to serve the common interest.

The *training organizations* are supposed to act as commercial providers of business services and their responsibility is to design appropriate courses, prepare the budget for the training, choose a venue, design session-plans, promote workshops for marketing the SIYB, evaluate training and provide after-training-support services to entrepreneurs. The training institutes and trainers must be trained and certified according to ILO standards (www.ilo.org). In interviews and during the workshop I visited, it became clear that the producers are encouraged to follow the standardized course content and mode of delivery quite strictly to ensure the quality of the courses. In conclusion, the producers are encouraged to act as commercial providers of services, but they are given a restricted freedom to design their services.

The appointed *consumers* are potential and existing entrepreneurs among low-income groups. Despite their low income the clients are supposed to pay a fee, at least covering the costs of the producers. Since many of the clients are not used to consume these kind of services, the market administration and training institutes are encouraged to guide and encourage entrepreneurs to buy the courses. Also, the market administration and training institutes make sure that the applicants are truly motivated and use selection process to make sure that the most promising entrepreneurs have the right of precedence, according to ILO informants. In conclusion, the consumers are supposed to act as autonomous market actors, but the model takes into account that they cannot always make the most rational choice without assistance and guidance.

Finally, in addition to directly developing local market administrations, producers, and consumers, the ILO usually works with local decision-makers in trying to influence policy making for small enterprise development.

3.4. CONCLUSION

This chapter has given an account of the main actors involved in designing the "original" or "ideal" ILO model that is now under implementation in China. I have shown that the main rationale behind the market development approach is to increase outreach and improve efficiency for the delivery of business courses to micro-entrepreneurs. The model has been designed by the ILO in cooperation with a number of international expert organizations and donor agencies working for small enterprise development. These actors actively work to promote their ideas and models, and have among other things created a forum for exchange of best practices for small enterprise development. The ILO model is very similar to the model supported by the International Donor Committee for Small Enterprise Development.

The ILO model contains a market administration and guidelines for how this market administration can develop producers and assist consumers. The model clearly recognizes that both producers and consumers need support to become fully rational and autonomous market actors – in fact, this is the core concept behind market development projects. The role of the ILO is to act as a consultant, building capacity within the local organizations by helping them to adopt the standards proposed by the ILO, with the long- term objective to develop a “vibrant market for business services” to low-income clients.

4. THE ILO MODEL COMES TO CHINA

This chapter will describe how the ILO model came to China and was adopted by the Chinese Ministry of Social Security and Labour as a national policy for entrepreneurship promotion among unemployed workers. Furthermore, the chapter will describe how the different actors became enrolled in the project and how the ILO model was adapted to the Chinese setting in various processes of negotiation.

4.1. INTRODUCING THE IDEA

When asked how the project was initiated, the common version provided by ILO informants is that the initiative came from the Ministry who asked the ILO for advise on how to counter the unemployment problem. The ILO then suggested the introduction of start-up courses and after initial pilot projects the Ministry decided to expand the project nationwide. However, when studying project documents and asking further questions, a richer story evolves.

According to an ILO informant, the foundation was laid during an earlier employment project targeting under-employed rural laborers. As unemployment among laid-off factory workers in the cities meanwhile had escalated, the donor, the ILO, and the Ministry agreed that a refocus to the cities would be a great idea. This was when the ILO suggested the introduction of business start-up courses, combined with a micro-credit program. A similar program in Vietnam was used as reference. According to an ILO informant, the Ministry hesitated at first, as it had not tried anything similar before. The idea to encourage workers to be responsible for their own unemployment was quite far from the the danwei system, or the "iron rice bowl"[6].

The lack of real political support, gave the project an incremental structure and only three cities were targeted at first. According to an ILO informant, the ambition of the ILO was only to introduce the concept and see if it worked. The ambition was to open up for further cooperation. Interestingly, the project documents (ILO, 2001) written for the Japanese donors expressed much higher ambitions. Besides the introduction of business courses, the intention

[6] During Mao's era there was no labour market as each person was allocated a workplace or *danwei* also called the "iron rice bowl". The danwei gave each worker his/her share of rice, housing, pension and medical insurance and there was a life long commitment between worker, employer and the state. (Frazier, 2005)

was to influence policy makers on a national and local level to promote small enterprises.

4.2. THE IDEA IS ACCEPTED

After less than a year, the Ministry decided to expand the project. ILO staff and an international researcher that I interviewed explained that considerate evolutions had occurred in the political stream. Social unrest among the many unemployed former state workers had increased, and the Ministry was under a lot of pressure. More than 28 million workers in former SOEs[7] were laid-off between 1998 and 2004 due to the restructuring of state and collective owned enterprises. Furthermore, in 2001 it became apparent that the existing re-employment centers couldn't find any new jobs; half of the laid-off workers had instead chosen self-employment, according to figures from the Ministry (MOLSS, 2004). Suddenly, the ILO project seemed like a perfect solution to further encourage the creation and development of these small enterprises, especially since the central government had shown clear support for the development of small enterprises. Among other things, a SME-department had been set up under the Central government, and entrepreneurs were for the first time welcomed to become members of the Party. The Chinese Citizens were now openly encouraged to take responsibility for their own employment, as cited in the report for the National Re-employment Forum in 2004.

> "After approximate 20 years of reform of the labor security system, part of the employees have raised the adaptability to changes, having changed their employment ideas, having played their initiatives and creativeness, and actively plunged into business (carving out) activities which would make "rice bowl" for them own. This is a true materialization of the business (carving out) vigor of ordinary Chinese people…." (MOLSS, 2004)

Quite unexpectedly, the ILO and their model had become integrated in the reforms of the Chinese labour market and the Ministry had taken a clear leadership of the project. Already in September 2002, at a national conference, the Ministry declared their intentions to expand the project. Moreover, the

[7] SOE stands for state owned enterprises. Consequently, this figure does not include all workers in collectively owned enterprises. The SOEs were owned directly by the state, province, city or county. The collectively owned enterprises could however be owned only by the city or the county.

Chinese President Jiang Zemin was present and highlighted the promotion of SMEs in a symbolic speech. After this national conference, there was huge interest in all provinces to learn more about the idea. In total, the Ministry and the ILO held workshops for representatives from over 30 cities. Besides conferences and workshops, regional and national mass media helped spread the message (PEP-project document, 2005).

4.3. INTRODUCING THE MARKET DEVELOPMENT STRATEGY

The quick expansion caused major management and control problems. Soon, the ILO expressed its concern on quality issues, and the overall risky management system of the program. When starting the pilot project, quality had not been an issue since the project was so small, but now the ILO found itself running after the Ministry, trying to catch up with the activities. The ILO therefore suggested the launch of a new project that would focus on ensuring the quality and commercialization of the SIYB courses as the market expanded. In other words, the ILO thought it was time to launch their market model. The Ministry who, according to an ILO informant, also had noted the problems and the real costs of an expansion welcomed the initiative.

In December 2002, the ILO and the Ministry held a strategic planning workshop. It was a high-level meeting, including the Director General of the ILO, and ILO international experts. According to the ILO, The Ministry was clear on what they wanted, and wrote a 20-pages project proposal stating the ambition to train 500 000 entrepreneurs in 100 cities all over China. A national project organization built up according to ILO guidelines should assure the development, standardization and improvements needed to maintain quality of the courses nationwide. Neither the laid-off workers, nor the training institutes – the target for the project - were present in person. Focus group discussions had been conducted in the pilot cities, but besides that, no demand analysis was made as there was no time or need for this. The donor was not present either, as the Japanese donor supporting the pilot project had decided not to support the expansion.

Once the project was approved by the Ministry, an international expert was called in to work out the final strategic document. He had to consider the requests from the Ministry, the regional ILO office Bangkok and ILO head office in Geneva and make the project manageable.

The ILO finally found a donor for the project, namely the UK department for international development (DFID). As said by a DFID informant, the investment in the ILO project was not initially planned. The DFID had some money left over in their budget for these kinds of activities, and given the solid track record of implementation in other countries it seemed like a good investment. Moreover, it was already designed and ready to launch.[8] However, DFID also knew that their policy for international aid was under reform and could therefore only promise support for one year. The insufficient donor support cut the plans of the Ministry and in the first official strategic document it was decided that the project was to run over 3 years, starting in 14 cities, and then be extended. The Ministry who wanted to expand the project even further than this then decided to put in their own resources to achieve their goals.

4.4. CONCLUSION

In conclusion, the initiation and expansion of the ILO model in China is the result of a combination of forces and actors; the activities of the ILO and the initiative of the Ministry coupled with changes in the political climate.

The ILO did not introduce the market model at first. The ambition was only to introduce the concept of business-start up courses. When the Ministry then took charge of the project, and hundreds of state training institutes joined the project on their own initiatives and perhaps due to political pressure, the ILO had no mandate or resources to stop the expansion and ensure that the project developed according to the ILO market model. In this way, the ILO model was adapted to the specific setting in China, giving the Government and state organizations a very important role.

The ILO managed to initiate a new project with the objective to ensure quality monitoring and improve the control. Present at the strategic meeting were the ILO, international experts and the Ministry. The local market actors who had already enrolled were not invited to participate in person.

[8] According to an ILO informant, many donors actually prefer when the beneficiaries approach them with a ready-to-launch project.

5. THE MARKET DESIGNERS AND THEIR USE OF POLITICAL FORCE AND STRUCTURES

The ILO and the Ministry are now together trying to implement the ILO market model in order to ensure quality of the business courses. While the Ministry has taken a clear leadership of the project, The ILO could be described as an advisor. In this chapter I will further explore their relationship in designing the model. Moreover, I will explain the political structure in which the project is embedded and what strategies of political pressure the Ministry use to make their local counterparts adopt the ILO model.

5.1. A CLOSER LOOK ON THE MARKET DESIGNERS

The ILO and the Ministry are the market initiator and the designers. We have seen how they together wrote the strategic document and led the introduction and expansion of the project. What does their relationship look like, and what implications does this have for the design of the market?

The role of the ILO has become that of an advisor. The mode of cooperation was according to an ILO informant laid already during the pilot-project, when the pilot project management unit was established. After the ILO had initiated the project, the Ministry took charge of the expansion. When its local labour bureaus then were assigned the role of local market administration, there was not much for the ILO to do, other than to accept that the Chinese Government had taken ownership of the project. In 2004, there were in total 1500 trainers and 200 training institutes in more than 30 cities, a majority of them state affiliated. According to ILO informants, it is good for the sustainability of the project that the Government has taken responsibility of the project, however, it makes it difficult for the ILO to control the implementation of their market model.

From my daily observations, I have seen that the Ministry is using a number of different strategies to limit the access and influence of the ILO. Firstly, the organizational design with two separate project offices makes it difficult for the ILO to see what is happening within the Ministry and to be active in setting the agenda. The management unit consists of two teams – the ILO team and the Ministry team. The ILO is located in the ILO head office in Beijing and consist of eight administrative and technical staff (of whom one is an international expert). The Ministry has its management team, consisting of three persons, located in another part of Beijing. Secondly, the ILO does not have its own budget as the project budget is decided on consensus in the Steering committee[9] of the project. As the Ministry has its own budget it can also decide on activities without the approval of the ILO and the Steering committee. Thirdly, administrative procedures in the state administration also limit the access and influence of the ILO in the project cities. For instance, travel permissions for ILO officials into the provinces must be handled via the department of Foreign Affairs within the Ministry. Another dilemma linked to this is the access to the right people in the project cities. The SIYB China is a very large project, and it is very difficult for the ILO to keep track of the person in charge at the local level. According to an ILO informant, this is a common problem for international organizations in China, as they usually let the Ministry deal with the local counterparts.

The management of the ILO project seems to have many similarities with how other development projects in China are governed, at least when I compare with statements from other UN staff and bilateral aid agencies. As China has opened up to the global economy, the Chinese government has welcomed international expertise on various economic and social issues. Good government relations are, however, crucial for all development projects, as it is almost impossible to conduct development projects without the consent of the Chinese government. Most agencies therefore spend a lot of time on relationship building. As the political system and the state administration is very complex and the collaboration between different departments limited, most UN agencies have focused their "lobbying" on the Ministries that are most important for their work. For instance, the World Bank works primarily with the Ministry of Financy; Unesco works with the Ministry of Education, the ILO with the Ministry of Labour and Social Security. According to several sources within the UN and other aid agencies, their help is only asked for as long as the Chinese government finds the expertise useful and the Government takes an active role in all cooperation.

The implication for the design and implementation of the ILO is best illustrated by a statement from an ILO informant. According to this source, the ILO has found itself running after the Ministry, trying to catch up with the activities and standardize the implementation. Once again, when comparing with other studies of reforms in China, similarities can be found. Several

[9] The steering committee consist of donors, ILO representatives, the Ministry, representatives from various interest groups in China, such as the All China Women's federation.

researcher in political science have noted that the reforms have been marked by experimentation, followed by rectification (Lieberthal, 1995).

In conclusion, when it comes to strength and resources and access to information, the Ministry has a clear advantage over the ILO. The ILO must constantly re-affirm its expertise to gain influence in the decision-making process, and it has difficulties in catching up with the Ministry. In chapter 6 I will further discuss the strategies of the ILO to gain influence on the implementation.

5.2. THE MERGER BETWEEN THE ILO MODEL AND EXISTING ROUTINES

To understand how the ILO model is embedded in the Chinese Public Employment system and the challenges it poses on a "successful" implementation, I must first describe the structure of this state administration and explain how they have been enrolled.

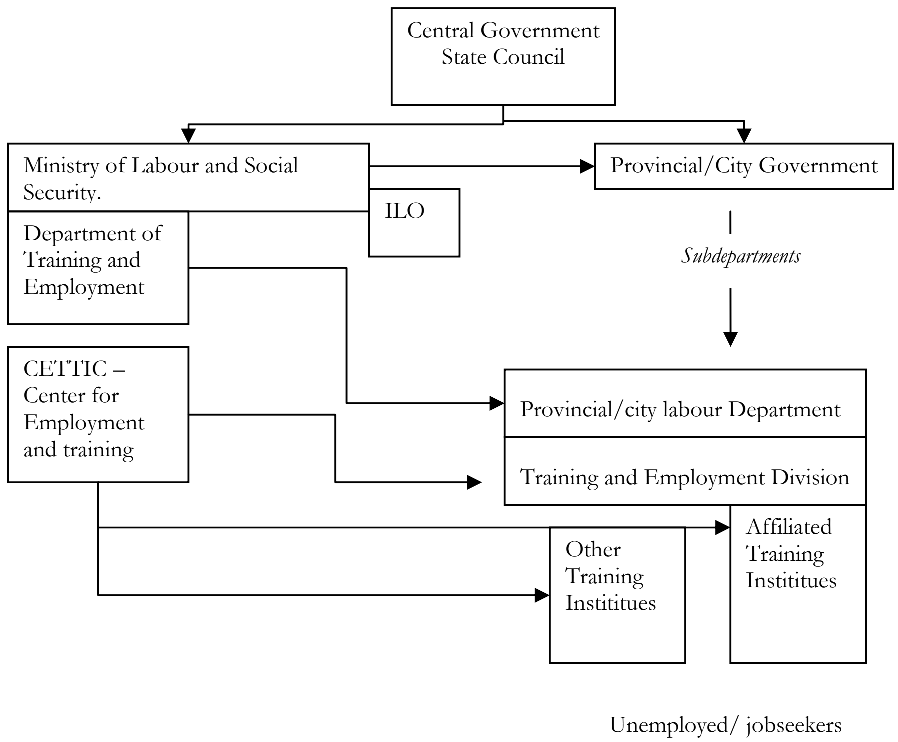
It is very difficult to describe the exact condition of the labour market institutions in China today as the country is so vast. According to the Ministry (MOLSS, 2004), all larger cities have employment service organizations that are either state or collective/social organizations established under the local labour departments. The local labour bureau is a replica of its counterpart in the Ministry at the central level. Or, as the Chinese say, *"each local state administration has its mother in the central government for guidance and assistance"*.

A city labour market administration usually has a*n employment centre* or a job-placement center, with the mission to give vocational guidance and advisory to job seekers. Usually, e*mployment training centers are attached to the employment labour bureau* – these are institutes responsible for technical training to young people or unemployed that need job transfer training. Finally there is a *labour administration and unemployment insurance centre*, officially responsible for registration of the unemployed workers, collection of funds and delivery of unemployment insurances. According to ILO informants, the decision makers in the local labour bureaus are often older government officials, educated within the communist party. Below the government officials are, however, younger management staff with various backgrounds responsible for the daily work.

The vocational training centers attached to the labour bureaus are interesting for this case, since they have become the training institutes for business courses. Vocational training has a long tradition dating back to Mao's era and an important position in the Chinese labor market, as they provide workers with technical skills. As said, they are often affiliated to the local labour bureau and get subsidies and perform tasks given by the labour bureaus. Before, they were often connected to the SOE:s. In addition, the All China Trade Union and the All China Women's federation have job centers for their members. Recently, some social or private training organizations have also emerged. There are however, many barriers for setting up a vocational training institute, as there are specific demands on vocational training institutes. According to an informant with UNESCO, all teachers must, for instance, have an education for adult training and be certified by the Labor department. The local labour department and the local industry and trade association are responsible for certification. A good network within the state administration is thus an important resource. Important to note, however, is that in theory there are no regulations against private actors in the labor service market (Sida, 1995).

The figure below shows the political structure in which the public employment service system is embedded.

Figure 4: Actors of the Chinese Public Employement system involved in the ILO project, and their interrelations



The ILO model is today totally emerged in these structures. The program management unit is located in the *Department of Training and Employment* and their center for vocational training – *the CETTIC*, which are both sub-department of the *Ministry*. The Ministry is responsible for all policy making and execution regarding labour and social security under the *Government or State Council*. The sub-departments for employment and training are thus responsible for policy making mainly on re-employment issues, whereas the CETTIC is specialized on development and monitoring of vocational training. The local counterparts, the *provincial/city labour department* and the *training and employment division* have become the local market administration for the ILO model. The *vocational training institutes* which are either directly affiliated or chosen by the local labour bureau are ILO training institutes. Finally, the unemployed workers, or active jobseekers are the target group for the ILO business courses.

It is officially stated that the market administration should be "capable of representing the public interest" (ILO Research report, oct 2005). To get an idea of what a local ILO market administration could look like, I visited one which was affiliated to the employment center in Chengdu, a city of about 10 million people. The employment center was a huge modern building that had different vocational training centers in the basement, ranging from hairdresser training to computer skills training and mechanical training. In a vast employment centre on the main floor job-seekers could meet employers who were seeking workers, or advisors who could guide them to new jobs or vocational training. On another floor, there was a business start-up center, where entrepreneurs could come to get ideas for a start-up, get assistance with micro-credit and/or training. In other words, the ILO market administration was totally emerged in the existing public employment institutions. Furthermore, the training institutes in Chengdu were all affiliated to the employment center, and were all allocated to one city district.

I would describe the ILO market model in China as relying on two interlinked market relations. The first market relationship is the exchanges that take place between the local market administration and the training organizations. In this relationship the market administration acts as a public procurement office, but similar to that of the market administration in a voucher model: the market administration is responsible for both the allocation of subsidies and tenders. It is simultaneously responsible for the certification and monitoring of the training organizations it has selected. Furthermore, the labour bureau usually has its own training organizations that conducts training; hence, it is also a producer. This set up has distorted the price mechanisms and price comparison is very difficult. When I tried to receive information about the subsidies in all 14 project cities, I received information from only three cities and the amounts differed substantially.

The second market relationship is between training organizations and the entrepreneurs. In the ideal model, this is supposed to be a clear cut market relationship, where the entrepreneurs choose training from a number of training organizations, and the training organization has a portfolio of service offers. With today's supply, the entrepreneurs have only a limited ability to choose and exactly how the entrepreneur finds the training, or is allocated a spot in a training course, is not widely researched.

In conclusion, today it is difficult to see how any other actors could have been appointed to enroll in the ILO project. As it is a government project, state actors have naturally been invited to participate. The complex structure of the Ministry and the Chinese public employment system are now important components of the adapted ILO market model in China, and existing structures and routines have influenced the original ILO model. The result is a mixed market model with both market and public administration traits.

5.3. POLITICAL STRATEGIES TO FORCE LOCAL IMPLEMENTATION

As observed by researchers in political science, the implementation of reforms are very difficult to control (Lieberthal, 1995). While the central government has monopoly on policy-making, the Ministries have been more and more forced to persuade, consult or bargain with its lower-level actors over the implementation of its policies (Lieberthal, 1995).[10] There is a strong barrier in-between the central Ministry and their local counterpart – the local government. In theory, the local governments are subservient to the Central government, but in practice provincial officials have a large amount of discretion with regard to economic policy. The Ministry is therefore dependent on the support from the local government when they want to implement a program like the ILO model, as the local state labor bureau usually gives their local government priority over its vertical state counterpart. In addition, as the subsidies to the local labor bureau are fully sponsored by the local government, the Ministry has no financial incentives to convince local state administration with.

The Ministry has, according to various informants within the ILO and the Ministry, used a number of strategies to influence the local government to adopt reforms. Firstly, it uses normal official documents, such as circulars from the State Council to motivate the local governments and get them to comply.

[10] A great decentralization process has accompanied the economic reforms. Due to the socio-economic differences in the vast country, the central leaders had to release the provincial leaders so they could adapt national development policies to their special needs and challenges. Some cities like Shanghai and Tianjin have gained a lot of economic power and often do things their way. The economic reforms in China have therefore been characterized by intense local experimentation. When some local initiatives have proven especially successful, the central government have approved them as models for the rest of the nation. The larger cities have had great influence since they are more visible. (Lieberthal, 1995 and interviews with ILO staff)

Secondly, if the directives are not acted upon, the Ministry may make a visit at a local project cities and send high government officials to attend. The Ministry then forces local leaders to make public promises in front of local media, and can in that way "convince" local government to comply. Thirdly, symbolic actions, like speeches from the president are very important and have been used extensively since the project was expanded. Finally, the Ministry can directly influence staff in the local labor bureau, as it has the ability to promote lower government officials. According to ILO informants, the latter strategy has already been observed at multiple occasions.

5.4. CONCLUSION

This chapter has shown how the implementation process of ILO model has been taken over by the Chinese government and embedded in their state administration. The ILO today has limited influence on the implementation process, as it would be almost impossible for the ILO to take any major initiative without the consent of the Ministry. The Ministry controls the activities of the ILO, but takes the advise of the ILO on management issues.

As the model has been implemented locally, the market designers have lost control. The framing process was extensively influenced by existing structures and procedures in the state administration, and these structures and procedures have been mixed up with the ILO market model. In addition, the actions of local labor bureaus officials pursuing their own interests, have also influenced the local implementation. The Ministry can use political pressure to some extent but is still dependent on cooperation from the local governments and the local labor bureaus. In conclusion, in order to ensure that market actors are actually following the standards and guidelines in the ILO market model, the Ministry and the ILO must use strategies of influence, instead of force.

6. TOOLS AND ACTIVITIES FOR THE CONSTRUCTION OF MARKET ACTORS

In the previous chapters, I have shown how the ILO model has spread through the political system and that the ILO is unable to use any force towards the Ministry to ensure proper implementation. In addition we have seen that, the Ministry cannot fully control the implementation process at the local level due to the decentralized political system. Instead, strategies of influence are used by the ILO and the Ministry to make market actors follow the ILO guidelines.

This chapter will describe the activities employed by the ILO to convince the local actors and the Ministry to adopt the ILO model. The long-term objective is to assure quality, create brand recognition and status for the certified trainers and training institutes. These activities also serve to equip the public agencies involved with the tools they need to transform into producers and consumers..

6.1. INFORMATION AND PROMOTIONAL ACTIVITIES

I have already described how the ILO market model was introduced as a solution to a political problem in China. When expanding the project, the ILO and the Ministry have used a number of channels to promote the project and inform stakeholders.. Below I provide two examples of these activities.

Starting in 2005, the ILO and the Ministry conducted a series of *workshops* for the management staff of newly affiliated labour bureaus. The workshop consisted of two days' lectures, with plenty of time for the participants to meet and interact. The intention was to make the management staff understand the vision and methods of the ILO project and to convince them about the advantages of compliance to ILO standards. When observing the Ministry and the ILO in the seminar, it seemed to me like the Ministry ensured political support and the ILO explained technical issues, convincing the adopters with their expertise. The arguments often used by the ILO was the universality of their model, that it could be implemented anywhere, and that prior projects had been very successful. If adhered to, the modern and rational management systems would transform the market administration and their training institutes into very efficient organizations. An illustrative statement provided by an international ILO expert shows the rationale used:

> "Delivering a SIYB course should be like delivering a McDonald's hamburger. The division of labour must be strict - like when putting a hamburger together. To achieve cost effectiveness, the courses must be standardized so that the trainer doesn't do everything from scratch all the time …"

Besides speeches and teaching, the ILO also take the opportunity to *network* with local officials at dinners and other social functions during the workshops. Knowing the importance of personal visits, the ILO has had the ambition to travel to all new project cities in 2005 to show their commitment and willingness to support the implementation of the ILO model. The Ministry have likewise expressed that they appreciate the presence of the ILO, since this gives workshops and other activities more attention.

In addition to workshops*, media* seems to be another important channel for promotion. In the end of 2005, the ILO and the Ministry launched the production of a "soap opera" about successful micro-entrepreneurs. The "soap opera" is intended to target migrant workers and motivate them to take the ILO business courses.

There are also other channels used to reach consumers. The labour bureau is supposed to be the main source for *information and guidance to consumers* about the courses and business-start up possibilities. This activity is, however, not under direct control of the ILO.

6.2. SCREENING, TRAINING AND CERTIFICATION

To ensure quality of the business courses, the ILO has ready made processes for screening, training and certification that they want to implement in China. If properly implemented, the market administration, the training institutes, the master trainers and the trainers must all go through rigorous processes before certification. Selection procedures are outlined in manuals provided by the ILO and all training is supposed to be conducted according to existing training manuals. Below, I will briefly summarize the activities.

The *selection procedure of training institutes,* which is supposed to be conducted by the market administration, is much similar to public procurement procedures in, for instance, Sweden. Firstly, the market administration is supposed to create awareness about the opportunity to conduct SIYB training via advertisement and marketing. Then, interested parties should submit their application, from which a shortlist is selected. Interviews are then to be conducted with the short-listed candidates, and the final decision should be based on a comparative analysis. The selection criteria are based on prior experiences from the ILO global program, but also from inputs by the labor bureaus in China. The weighted selection criteria are well specified and request the training institutes to have, for example, their own training facilities, good links with financial institutions, and a devotion to small enterprise. The strict criteria are intended to keep fraudulent training institutes out.

The *master trainers* are responsible for choosing the right training institutes and trainers. Today the master trainers are personally trained by the senior master trainer and the ILO representative at the ILO office in Beijing. The master trainers are initially trainers who go through a two week training course, after which they get certified, if successful. During the training seminar, master trainer learn about the global ILO model and its quality standards, how to organize and conduct training of trainers, and to monitor the performance of trainers. The master trainers are then supposed to promote the ILO program in the local market place.

The *training of trainers* is a very important part of the ILO market model. Usually the training course for trainers is conducted by a master trainer and last for two weeks or ten working days, with a weekend in-between, “to build up group dynamics”. The intention of the ILO is to construct a network of trainers that in the future can meet and exchange experiences. The idea is that certified SIYB trainers should gain a certain status, separating them from other trainers and assure their quality.

All these activities of screening, training and certification were not totally new to the Ministry, but according to a source within the Ministry, the ILO system is more advanced than the quality and monitoring system the Ministry had before. According to the same source, the Ministry appreciates the quality control system and has already adapted some parts of the ILO reporting system to other vocational training programs. An ILO informant says that the monitoring system is good for the Ministry because they can evaluate the government officials at the local level and use it for promotion or degradation.

6.3. REPORTING AND MONITORING SYSTEMS

Reporting and monitoring is important for the two market designers, not at least because the Ministry needs to report to the State Council and the ILO needs to report to donors and the headquarters. In addition, as said by an ILO informant: If all SIYB entrepreneurs would be kept on file it would be the world's largest SME-record, and a great source for research.

The monitoring system intends to monitor that the local market administration and training institutes follow procedures. Moreover, bio-data of trainers and the entrepreneurs is gathered together with training evaluations. The data is then inserted into real time balanced scorecards with a web-based interface designed by the ILO. The plan was to make each trainer and market administration report their evaluations and data directly in this system. However, the Ministry has decided to wait with the implementation of this very transparent monitoring system, instead it has chosen to centralize all reporting and analysis to the national program unit of the Ministry.

6.4. PROJECT EVALUATIONS

Besides the monitoring activities, the ILO routinely carries out evaluations of the project which are then used to communicate with the donors. The evaluation teams usually consist of international experts or consultants working in the field of small enterprise development. Also, representatives from the ILO, the donor, and the Steering Committee have taken part in the evaluations. At all occasions, the evaluators have been accompanied by Chinese government officials and they only visited the cities considered to be model cities with the highest committed management staff. The results might therefore be biased.

The evaluators are primarily concerned about the impact, the number of trained entrepreneurs and the cost effectiveness, but also about the sustainability and the management of the project. The evaluators concluded that the beneficiaries were very positive to the ILO project, but they have been critical to the "un-modern" approach of the project, the use of subsidies, the lack of involvement of the private sector and the dominance of the state sector. The evaluators acknowledge though, the importance of Government cooperation and the criticism of the design therefore seems comparatively balanced.

To which extent the evaluations influence the re-regulation of the SIYB design is unclear. At least within the ILO office the evaluations are listened to, and the Ministry has accepted some of the criticism. For instance, the SIYB and the Ministry had a seminar on BDS market development in June 2005, to underline the importance of an invitation to the private sector after criticism from the evaluation team.

6.5. RESEARCH REPORTS

Various research studies, designed by international experts associated to the ILO, have been conducted. The goal has predominantly been for the market designers to get a better understanding of the supply and demand of management training, but they are also intended to be used by the local market administrations for their marketing activities. The result of the research reports have also provided arguments for a specific activity or a specific development of the project. For instance, the survey of migrant workers showed that many migrant workers watch TV, which spurred the idea to launch a TV-series about migrant entrepreneur. This research report also stated that migrants often had savings to pay for a business course and collateral to get loans for starting up a business.

6.6. CONCLUSION

As we have seen in this chapter, the ILO and the Ministry use a number of different strategies to enroll and mobilize the appointed actors to follow the ILO guidelines. Workshops, networking and media are used to promote the ILO concept; screening, training and certification are used to assure quality. In addition, monitoring activities are used to control the behavior of the market actors and visualize the development. Finally, research reports are used as a tool to depict the market and identify potential threats and opportunities. In the next chapter, I will discuss the challenges the ILO have run into when trying to use these tools described above to develop and control market actors.

7. CHALLENGES FOR IMPLEMENTATION

Due to the size of the program, and the fact that it is still in its initial phase of implementation, it is impossible to provide a good account of the effects of implementation efforts. The cities differ, according to ILO evaluations (2005), in everything from budget allocation to marketing practices. This chapter will therefore focus on the challenges that the ILO management staff have mentioned in interviews, or issues that were brought up in the evaluations. Especially, I will discuss how ILO activities have been received by the market actors.

7.1. REACTIONS TO ILO'S STANDARDIZING ACTIVITIES

7.1.1. The Market Administration

As we have seen, the local market administrations evolved on their own during the start-up phase; hence each city developed their own methods and routines of varying quality. The efforts by the ILO and the Ministry have during the last two years been focused on standardizing the work of the market administrations and on making sure that the market administrations act more in accordance with the ILO ideal. How have these efforts been received?

In interviews, ILO staff have mentioned that some local market administrations have expressed their concerns and worries for commercialization and competition from private sector. As said by an an ILO informant, the labor bureaus are used to a planned economy and now they worry about who is going to pay. They are responsible for the implementation of national policies, but they need the support and financial aid from their local government. At one workshop I attended, a labor bureau manager from a poor western province wondered how their local government should be able to sponsor the ILO program.

What the labor bureau staff think about market orientation and quality control is difficult to estimate. According to the ILO, the local staff seem to follow rules and regulations laid out by the ILO, almost without questioning why. However, some routines like the controversial selection procedures for training institutes have met both resistance and criticism. During one workshop, an officer from a labor office explained that they had already signed contracts with a number of organizations to provide vocational training. Therefore, they had to give the contract for business training to these organizations. The ILO is aware of the risk that selection procedures only have a limited impact or may simply be ignored. Yet, an ILO informant means that helps making the selection of partner organization more transparent, as the choosing authority must now officially justify their choices. Similar problems have been observed in the selection process of master trainers. Political or personal reasons often intervene in the decision process.

Similarly, the monitoring system has encountered some challenges. An ILO informant explained that there is a Chinese way of reporting. This means that not all figures are possible to collect. As figures may be used to embarrass someone – it is important that parameters are carefully chosen. Also when setting targets, one must consider the Chinese way of reporting. As said by an ILO informant, if the central government sets a target of 80 % start-up rate, it will get a 80 % start-up rate without anyone questioning it. Hence, the market designers must carefully set reasonable goals, that the market actors can obtain without compromising, for instance, quality.

In all, many cities have taken the project seriously and seem interested to learn and adapt to the management system provided by the ILO, at least as long as the Central government encourages them to. An interesting observation of well developed business-minded market administrations is that they have encountered a new problem; gradually, they have become too different from the normal state administration and has found themselves without a "mother in the ministry" that can guide them and set policies. As the other market administrations evolve, one might speculate that the central government will need to reconsider the design of its central administration.

In conclusion, the market administrations are concerned about the new market-oriented management system that the ILO model brings along. They mean that their existing routines and old agreements make it difficult to act according to ILO guidelines. Also, they are worried about the competition from private sector, and the consequently decreased financial support from the government. Several cities are taking the implementation very seriously and show a great interest in the ILO management system and ways to develop their services. However, these market administrations have noticed potential problems in their relations with the central government, which has not yet a clear policy for dealing with the local market administration.

7.1.2. The SIYB Training Institutes

The overwhelming majority of the training institutes are state affiliated. The ILO has therefore taken a pragmatic standpoint and focused its activities on transforming the existing training institutes into commercial providers, instead of arguing about inviting the private sector. Eventually, private providers can hopefully enter the market. With this point of departure, how have the Chinese state training institutes received the ILO guidelines?

To begin by setting the scene, the quote below is illustrative of the Chinese view on the development of market oriented training institutes:

> "In the socialist market economy, the function of providing training services to MSME[11] is essentially a private sector function because training services bear all the necessary qualities of a marketable product. Where the training market is developed, such MSME training providers need not be funded from the government budget because they can earn their income by selling their services to the MSME. Whether the training provider is owned by the government, collective organizations (such as chambers or associations), or by the private sector is not important as long as all organizations obey the market rules and are subjected to market forces. " Source: ILO Research Report (Oct 2005)

A research report conducted by the ILO showed that many existing entrepreneurs would prefer a state institute (however, the researcher notes that the survey was conducted by government officials). An illustrative viewpoint from a laid-off workers was expressed in a focus group discussion:

> "We trust this program. Government will not cheat us unemployed people as private providers may. When the private provider disappears with my fee, he is gone. If the Government makes a mistake it cannot run away. We can take the issue to the street." Source: Focus Group Discussion, (2004)

The private sector is also somewhat hesitant to get involved in sectors were the Government is an important actor. Any extensive research on private training

[11] Micro and small and medium enterprises

institutes and their attitude towards the ILO program among private institutes has not been done, but one research report concluded that 50 % of the private institutes are willing to invest the money needed for gaining a certificate from the ILO (ILO Research report oct 2005).

To return to the main question, how have the training institutes reacted to the activities of the ILO? During the workshops, where also many training organizations were present, many questions addressed financial aspects and the underlying question was, who will pay? Important to note is that all public services in China are fee-based. During Mao's era, the workplace paid for healthcare, but each person had to pay for their own education if they didn't have a job. Hence, public organizations are used to charging money for their services, but not to competition. When one representative was asked, he did not seem so worried about the private sector, meaning that the private sector could not live up to the standard of the state owned training institutes.

Some training organizations have started to show a distinct commercial behavior. When I visited a training institute, it declared its concerns about adapting its courses to the entrepreneurs. The ongoing business-course was, for instance, designed for a group of entrepreneurs within the same industry. Also, it had tried several channels to reach new customers, for example, contacted prior course participants and asked them if they were interested in follow-up training. This kind of business logic has according to an ILO developed since the first pilot project. Hence, a change seems to have taken place.[12] Several training institutes have also mentioned that they want to learn more about marketing strategies.

At the same time, the research and evaluations made in 2005 have shown that the training institutes still listen carefully to political signals. For example, they only have short term goals as they are very dependent on the promised funding from their local government. Also, when the State Council recently issued the guidelines about focusing on migrant workers, training organizations said that they had only been waiting for this confirmation, now they could start investing in training for migrants.

[12] It should be noted that the training organization was shown to an international delegation as a good example; for this reason, it is difficult to estimate its truthfulness, as it was probably eager to please the international delegation with donors and experts.

In conclusion, the training organizations, with their clear affiliation to the local labor bureau are concerned about the same questions as the labor bureau staff. They still listen carefully to political signals, as their work is dependent on financial support from their local governments. However, many training institutes have adopted a commercial behavior, thinking about how to attract new consumers who don't have a voucher, and how to retain old customers. To some extent they are worried about competition from private providers, however. In brief, the training institutes are today oriented both towards the market and towards the political decision makers.

7.1.3. The SIYB Consumers

When studying the research reports and evaluations, it's clear that the targeted consumers have welcomed the idea of participating in business courses. More than 30 000 have according to official figures from the Ministry been trained. However, there have been some miscalculations. For example, evaluations n the three pilot cities showed that about 60 % of the surveyed participants were already experienced entrepreneurs, not really in need for a business start-up course (ILO evaluation, 2005).

The evaluators provide some different explanations to this deviant behavior. Firstly, labour bureau officials who did the selection of participants were keen to keep a good success rate i.e. business start-up rate. Secondly, focus group discussion with course participants showed that many entrepreneurs foremost took the course because it would help them to get a micro-credit. Thirdly, as said before, the supply of management training and business advise to small entrepreneurs was and is close to non-existent, hence a lack of alternatives seems to have contributed to this market distortion (ILO evaluation, 2005).

Another main challenge for the ILO is to transform the current beneficiaries into clients willing to pay for the service. Research by the ILO has shown that participants are hesitant to pay any larger amount for the courses. The laid off-workers still see themselves as having the right to this kind of service, an illustrative quote from a laid-off workers show why:

> "'I started to work in a SOE when 18 years old. Now I'm laid-off. The training must either be free of charge or charity organizations like the Red Cross should assume the program costs. I have a problem to feed myself.' This statement generated considerable applause in the group" (ILO Focus group discussion 2004)

According to the ILO, this attitude is changing, first and foremost among clients for the more advanced business courses. The hope is that an expanded target group will make it possible for the commercialization of the services. All evaluations, research reports and focus group discussions have brought up the issue of expanding the target group for the ILO business courses. In 2005, a new target group was invited, the 120 – 200 million[13] 'floating' migrants that have been 'discovered' as an emerging vulnerable group in China.[14] After an increasing international and national debate on the status of the migrants, the State Council issued a circular in November 2005 stating that the special funds initially designed for assisting laid-off workers with employment services should be extended to include also migrant workers until 2008.

Already in September 2005, the ILO and the donor officially re-focused on migrants instead of laid-off workers. The ILO had conducted a major research study of migrant workers in 2004/2005 which supported the idea of promoting business courses to migrants, and that the migrants had resources to pay for courses and often the collateral needed for a micro-credit. However, it was acknowledged that migrants needed to be transformed into consumers, as a majority had never taken or paid for any skills courses before.

In addition, newly recognized as a target group for the ILO business courses are the 24 million new entrants in the labour market each year, including graduate students from universities that have problems finding employment.[15] In order to reach recent graduates, the ILO is about to initiate a new program, directed at providing entrepreneurship training at universities and in a longer perspective in secondary schools. Since the Ministry is not in charge of this target group however, the ILO needs to find new partners within the Ministry of Education.

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[13] The exact figure is unknown. Officially it is 120 millions but in reality closer to 200 millions according to an international researcher.
[14] Migration in-between the provinces in China is controlled and regulated by the so-called houkou system, which means that a migrant must get a residence and work permit before moving to a new province. Otherwise the migrant will not get social security. The problem is that a majority of the workers migrate illegally from the countryside and thus get exploited in the cities. The World Bank declared, for instance, in November 2005 that it had 40 million dollars to distribute on projects for migrants. Several other multilateral and bilateral aid agencies have also steered their focus on migrants (ILO informant).
[15] According to the Ministry of Education, almost one fourth of recent graduates were unemployed in September 2004.

In conclusion, the consumers have not had much choice in accepting or not accepting enrollment. The first target group of consumers became beneficiaries. They were seen as an especially vulnerable group in need of extra care, and they also saw themselves entitled to training. This did, however, put them in a dependent position vis-à-vis the market administration and the training organization. The new target groups of experienced entrepreneurs, the migrant workers and graduate students will probably not assume the role of beneficiaries, but be encouraged to pay for the courses. It will be interesting to see if these actors can be transformed into consumers who actively try to influence the work of the training organizations and the market administration.

7.2. UNFORESEEN CHALLENGES

As we have seen, the project has already encountered a number of unforeseen challenges, and there are still many uncertainties. Below I will mention some potential concerns to the current market design.

Firstly, for the coming years it is still unknown who will sponsor the project, and one can assume that at lest the official project design will be influenced if a new donor comes in. None of the existing donors have so far been actively involved in the design and management of the program, although DFID has shown some interest in, for instance, the issue of financial sustainability. If the program lacks funding it will be very difficult for the ILO to continue to have an influence on the project, and the ownership of the project will shift to the Chinese government.

Secondly, competing programs and policies are of course a threat. China is under a rapid economic development and many parallel processes in the political stream have, as we have seen, already influenced the project. According to an informant within the National Development and Reform Commission (the NDRC)[16], many different initiatives are currently ongoing within various government departments to promote small enterprises. For example, the Ministry of Agriculture work with policies for rural enterprises, the Science and Technology department work with high tech enterprises. Efforts have been made to streamline all these activities in new policies for SME promotion and the newly established SME department has also implemented a program similar to the ILO project, but targeted at somewhat

[16] The NDRC is the former Planning Commission, the most powerful policy making body in China.

larger enterprises. The NDRC informant means that "SME-promotion is considered to be more important than labor", hence a standard set by the SME-department will probably have a large impact on the ILO program. Recently, a project sponsored by DFID has been launched to study the market for business training in several provinces where the ILO model is implemented.

A third force is the call for an overall reform of the state administration. In July 2005, the World Bank issued a review with recommendation of reforms of the state administration and the provision of public services. The conclusions were, in brief, that the state administration had monopoly on too many services that should be opened up to the private sector, or other organizations. The pressure on the state administration to modernize is thus increasing. The Ministry has already declared its intentions to create a modern and scientific labor market, and it is probable that new reforms will shake the current structures and affect the ILO program.

In conclusion, there are several forces in the environment, such as "competing" reforms, which might intrude on the ongoing implementation of the ILO model.

7.3. CONCLUSION

The efforts by the ILO and the Ministry to change the existing routines of the labor bureaus and the training organizations have naturally met some resistance. The implementation of modern management systems for quality control clearly disrupts prior routines and relationships, and the call for commercialization worry both the labor bureaus and the training organization. They clearly see it as a means to cut existing financial support from the state.

Some labor bureaus and training organizations seem to have incorporated a business logic. Several training organizations have shown that they think about the customer, and some labor bureaus take the ILO advise seriously, trying to improve their quality and marketing systems.

The consumers have accepted the idea of business courses. In fact, demand is larger than supply. However, the target group has shown a resistance to pay for the courses. In other words, the consumers are still acting more like beneficiaries being allocated a service, than as autonomous market actors.

Finally, there are several threats in the environment for the continuation of the ILO-model. As the project is embedded in the state administration and national policy programs it is subject to all major political changes. Moreover, the position of the ILO is dependent on their donor, which may shift.

8. CONCLUSION OF EMPIRICAL FINDINGS

This thesis is a story about the implementation of a market model, which aims at developing producers and consumers of business courses. The market model contains standards and guidelines directing the market actors on what to have, what to do, and what to say. In the previous chapters, I have with the theoretical framework used as a filter, given an account of the empirical findings gathered in interviews, observations and desk reviews. In this way, I have tried to provide a holistic perspective of the strategies used to implement a market model, and in turn how these implementation strategies have been received.

Callon's and Helgesson's theories, combined with institutional theories on the use of standards have directed me to focus on the actors, ideas and motives behind the ILO market model; the actors and forces involved when the ILO market model traveled to China; and the following process in which the market designers through various activities have influenced, negotiated with, and tried to frame the other market actors, thereby locking them into roles and responsibilities.

Firstly, I have described how the original ILO market model was designed by the ILO. The main idea is to promote entrepreneurship by providing micro-entrepreneurs with business start-up courses. In addition, the delivery should be as efficient and cost effective as possible. After years of experimentation and debates within the normative international community working with small enterprise development, the ILO market model has been developed. The ambition is to develop a "vibrant market for business services". The ILO strategy is to establish local market administrations that can assist the development of producers and consumers. Hence, the model clearly recognizes that both producers and consumers need support to become fully rational and autonomous market actors. When compared to, for instance, the public procurement model and the voucher model, two popular models for the production of public services in the West, the similarities are evident. The role of the ILO is to act as a consultant, helping the local actors to become rational market actors, and the ILO has a whole set of standards and guidelines for this. In conclusion, the first empirical chapter clearly shows how ideas about the market can be translated into models and standards which then can travel, spread and enact the idea.

Secondly, I have described how the ILO model traveled to China as a solution to an emerging unemployment problem. I have described how the changing policy environment quickly opened up for the ideas of the ILO model. While the ILO and the Ministry had still not worked out a plan for how to ensure quality and compliance to ILO standard, the idea of providing business services to unemployed workers spread without control across the nation. However, the idea of market development got lost in translation. Gradually, and then suddenly, the ILO market model was fully embedded in the local Chinese public employment system in more than 30 cities. As the local actors had not been fully introduced to the ILO principles, they experimented and innovated the model locally. Finally, the ILO and the Ministry held a strategic meeting with the intention to set a plan for how to ensure quality and standardization in the delivery of business courses. Present were the ILO, international experts and the Ministry. The local market actors who had already enrolled were not invited to participate in person. Their interests were represented by the ILO and the Ministry. The strategic document then set the long term objective to develop a vibrant market and laid the foundation for the current project organization and activities undertaken to implement the ILO market model.

Thirdly, I have described the strategies used by the ILO and the Ministry to make the local actors follow the rules and guidelines, and achieve the objectives laid out by the ILO and the Ministry in the strategic document. To begin with, the fact that the ILO model became embedded in the state administration gave the Ministry the ability to use political force and normal political channels to spread the directives. However, the decentralized political system in China, and the voluntary adoption of the ILO model, required the Ministry, with the assistance of the ILO, to set up a management system to monitor and control the local counterparts. The Ministry was very pleased with these new tools. The activities to enroll the local actors included promotional activities such as workshops, networking and media. Screening, training and certification procedures where then implemented to assure understanding of and compliance to ILO standards. In addition, monitoring activities have been implemented to control the behavior of the market actors and visualize the development. Finally, research reports have been used actively as a tool to depict the market and identify potential threats and opportunities, and inform the decision makers about needed re-regulations.

Finally, I have described how the local market actors have reacted to the activities by the ILO and the Ministry to transform them into autonomous market actors. The staff at the local labor bureaus are concerned about the new market-oriented management systems that the ILO model brings along. They mean that their existing routines and old agreements make it difficult to act according to ILO guidelines, for instance when conducting selection processes. Also, they are worried about the competition from private sector, and the consequently decreased financial support from the government. The labor bureau in several cities are, however, taking the ILO guidelines very seriously and show a great interest in the ILO management system and for ways to develop their services.

The training organizations, with their clear affiliation to the local labor bureau are concerned about the same issues and still listen carefully to political signals, as their work is dependent on financial support from their local governments. However, many training institutes have adopted a commercial behavior, thinking about how to attract new consumers and how to retain old customers. To some extent they are worried about competition from private providers.

Finally, the consumers have not had much choice other than to accept their own enrollment, as they are beneficiaries of a subsidized service. The first target group of consumers were the laid-off workers who were registered at the labor bureaus, which put them in a dependent position vis-à-vis the market administration and the training organization. The new target groups of experienced entrepreneurs, the migrant workers and graduate students will probably not assume the role of beneficiaries, as no subsidies are intended for them. In the future, new challenges may occur. Other reforms in the Chinese society might interfere and the ILO might lose influence if there are changes in the organizational set-up of the program management unit.

9. A DISCUSSION ABOUT STANDARDS AND MARKET CONSTRUCTION

In this chapter, I will discuss how the ILO and the Ministry have used a market model to construct market actors. As seen in the empirical findings, the market model has standards that describes the ideal market actors and the service offer, as well as guidelines for how these actors should be constructed. In other words, in order to study how the ILO market model is used to construct a market, I will in fact discuss how standards are used to construct a market.

With Callon's and Helgesson et al.'s theories as my point of departure, I will answer how the ILO and the Ministry have problematized, interessed, enrolled, and mobilized the appointed local market actors during the implementation process of the market model. Also, I will show the negotiations between actors involved in constructing the market i.e., the negotiations between the two market designers, the ILO and the Ministry, and the negotiations between the market designers and the market actors. Finally, I will briefly discuss what visible implications these processes have had or might have on the functioning of the market. I would like to point out that the strategies I describe are not necessarily intended and planned by the market designers. Instead, they should be seen as responses to events that unfold.

9.1. DESIGNING MARKET PRACTICES BY USING STANDARD

Helgesson et al.'s conceptual model describes the construction of markets as an ongoing process of interlinked market practices consisting of normalizing, representational and exchange practices. I claim that the ILO market model and its standards has been used to actively shape and influence the market practices, which in turn have created a market in interlinked processes of translation.

9.1.1 Standards and their influence on market practices

To begin, normalizing practices create normative objectives which are translated into, for instance, strategic documents. How have standards and the market model influenced the normalizing practices of this market?

Standards are said to be expert knowledge stored in the form of rules (Brunsson and Jacobsson, 2000). The ILO model has as we have seen in chapter 4, been designed in a series of normalizing practices, in which ILO experts, the Donor Committee for Small Enterprise Development and ideas about market development have been involved. When the ILO market model then traveled to China it laid the foundation for new normalizing practices between the ILO and the Ministry, which resulted in the adapted project documents used for constructing market actors in China. These strategic documents have then directly and indirectly defined the exchange practices in detail, as well as the design of the representational practices. In chapter 6, I described the various tools and activities the ILO used to sell and implement their standards, many of which could be categorized into exchange and representational practices.

Exchange practices are all the activities aimed at stabilizing and defining the market exchange. I argue that the ILO market model contains tools that directly influence the exchange practices. Training manuals, for instance, outline the exact course content and advise the training organization on everything from marketing activities to the choice of location. Moreover, selection procedures and criteria are defined in the normalizing practices, which thus also influence the exchange practices.

Likewise, the market model influences the representational practices. The representational activities in this case include evaluations and research reports, which are, as we have seen, conducted according to ILO standards and often initiated and financed by the ILO. Mostly, the research reports and the evaluations compare the actual market place with the ideal ILO market model described in the strategic documents. Hence, the normalizing objectives in this way influence the representational practices.

One consequence of the activities described above, is that the exchange practices defined by ILO standards are very unstable and fragile, as they are fluctuating with the normalizing practices. I can provide one example: the desire to involve private sector was underlined in the project documents from 2004 and 2005. As a result, the evaluations that were conducted looked for private sector involvement, using the project document as a guideline for measurement. When the results showed a clear absence of private training organizations, the evaluators stressed for interventions. As a result, the selection procedures for training organizations were implemented, which resulted in a change of the existing exchange practices.

Another consequence is the subjective use of representational practices. I argue that the research reports and evaluations conducted by the ILO are used as powerful tools for persuasion, used to argue for re-regulations of the market, rather than as critical reviews. The ruling centre of calculation has set the methods and measurements, which makes it very difficult to establish alternative interpretations of the market place. This use of accepted tools to argue for one's cause has been mentioned by Callon as an important strategy to gain power in the design of markets. We have seen that the evaluations and research reports have influenced the policy making process. The actual influence is, however, difficult to measure. Clearly, the Ministry does not simply accept all knowledge presented by the ILO; the receptiveness to new ideas evolves constantly and depends on a number of other factors.

9.1.2. Consumers' and Producers' Influence on Market Design

Helgesson et al.'s model can also be employed to study the influence of the local market actors on the market design. We have examples of how the behavior of the local market actors have influenced the decision makers and their normalizing practices. For instance, the Ministry has clearly chosen not to monitor activities that are too politically sensitive. Moreover, many activities initiated by the ILO or the Ministry have been spurred by the deviant behavior of the local market actors. Currently, the debate is centered on the micro-credit. As evaluations have shown that some clients are foremost tempted by the micro-credit, the market designers now consider to de-link the micro-credit and courses. In conclusion, the examples above show that exchange practices do via lobbying, and representational activities, influence the normalizing activities.

Callon's theory on calculative power can be linked to the discussion above. Calculative power depends on the equipment and the autonomy market actors have when making decisions in the market place. Actors with great calculative power have a greater capacity to influence other actors, and in turn the design of the specific market.

In the case at hand, I argue that the consumers still have weak calculative equipment and low autonomy, thus low calculative power. To illustrate, the laid-off workers have to trust the labor bureaus for information and guidance. They have no independent consumer organization to rely on and no institution were they can file complaints. In addition, due to the limited number of producers, they have not been able to make active choices, which otherwise would be the main source of power for consumers in a market place. My conclusion is that their ability to influence the market lies in the hands of the market designers, who can choose to invite, or not invite the consumers in the normalizing activities. However, as the market develops, the power of the consumers might evolve if competition increase, and/or if they form, for instance, consumer organizations.

Today the producers still have relatively low autonomy, but thanks to access to better resources they have a relatively better calculative equipment. It has been shown that the trainers have very little background in business training and seems afraid of taking their own initiative. As a result, they have to turn to their local market administration and master trainer for advise on how to produce and market their services. As the same administration is also responsible for certification and funding, the producers become very dependent on the cooperation with the local market administration. To date, the training organizations have only sparsely been involved in the higher level decision-making processes and then only via research reports, and evaluations initiated by the market designers. The power of the training organizations might evolve with increased knowledge about their local market place, and experience in the field. However, with the current unstable market, the volatile certification and selection procedures, it is risky for producers to invest in their own development.

As a final note, the local market administration has been well equipped with calculative tools by the market designers. Also, the local market administration can increase their power by using their knowledge about the local market place more strategically. However, the market administrations are still dependent on the support from the central market designers, which can help assure financial support from the local government. In turn, the market administrations must maintain good relations with the market designers.

9.1.3. Conclusions

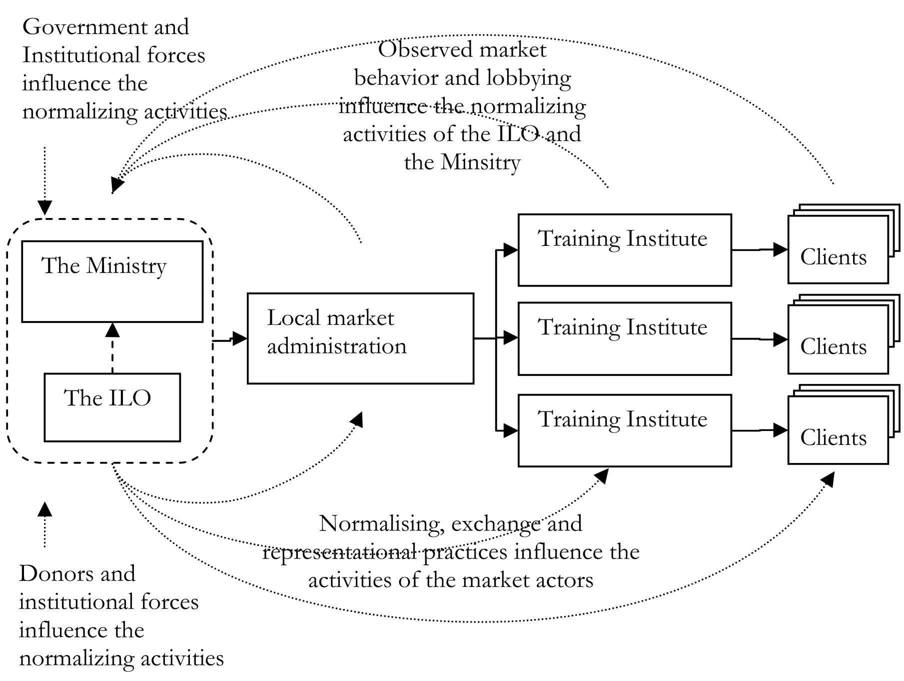
I have concluded that standards shape the normalizing, representational and exchange practices. Consequently, the ILO and the Ministry have become very actively involved in shaping the market activities. This has several consequences on the construction of the market. First, it makes the market unstable because the constantly shifting normalizing practices make the rules for interaction unclear. Second, the use of standards in everything from training manuals to guidelines for research reports make it very difficult for other actors who want to provide an alternative interpretation of the market;

hence, the market designers have the preferential right of interpretation.

Concerning the influence of the consumers and the producers on the market design, the consumers and the producers can only influence the normalizing practices to a limited extent; either when being invited by the ILO and the Ministry in evaluations, or by "misbehaving" and in this way forcing the ILO and the Ministry to take measures. Furthermore, in their local market place, the consumers have the lowest calculative power. The producers have the possibility to be well equipped, if using the ILO resources, but they are still very unsure in their roles and must turn to their local market administration or the ILO and the Ministry for advise and financial support.

The figure below visualizes the actors involved and how the market model is spread and negotiated in various interrelationships.

Figure 5: A conceptual model for actors and market practices in interaction



The ILO and the Ministry are the main market designers, setting the normative objectives influenced by ideas and norms from their institutional environment and stakeholders. Through the creation of a project organization, in which the ILO and the Ministry are the program management unit, they spread their standards and guidelines through normalizing, representational and exchange activities. When the market actors respond to these standards and efforts, they stress the ILO and the Ministry to work out new standards and regulations, designed to correct the misbehaving market actors.

9.2. FRAMING A MARKET

Now we turn to Callon's theory of framing. From this perspective, I argue that the ILO market model is used by the market designers to unite actors around common goals and objectives and to lay the foundation for the behavioral pattern of the market. However, the voluntary nature of standards limits the ability of the market designers to control the implementation process and the adoption of the behavioral pattern. .

9.2.1 Challenges When Framing a market

I will begin by giving an account of the challenges for the framing of this market. According to Callon, every actor that has been framed in a market is a possible opening for overflows and externalities. During the framing process which I have described in chapter 4 and 5, actors with very different interests and motives have been enrolled in this market development project. I argue that the conflicting interests of these actors have been incorporated in the market model, which have made the market very unstable and the object of constant re-regulations. Below, I will provide some examples of conflicting interests and the influence of certain interests on the market design.

9.2.1.1 Conflicting Goals and Interests

In fact, the ILO market model contains conflicting goals in itself. The recognized need to protect the vulnerable clients often collides with the objective to create autonomous market actors. The problem is that these two goals are rated as equally important. Simultaneously, one outspoken desire of the Ministry is to increase control of the local counterparts. All these conflicting goals are then transferred to the market place. The most visible result is the dilemma of the market administration, which has to combine the task of protecting public interest with the demands to be business-like and promote market development. Also, the conflicting objectives stir up constant criticism from opposite sides, which have in this case been visible in, for instance, the evaluations.

9.2.1.2. The Difficulties in Controlling the Framing Process

In addition to the dilemma of conflicting interests, another challenge is to counter personal motives and interests influencing the functioning of the market. The Ministry has, for example, focused primarily on the monitoring system, and neglected activities to develop private producers of training. This clearly reflects what the Ministry considers to be most important – the control issue. Similarly, the labor bureaus have focused on achieving the immediate goals to train entrepreneurs, and less on the financial sustainability.

Yet another example of the difficulties to control the framing process, are the many forces involved in the construction of a good. One of the main ideas of the ILO market model is to introduce a standardized service. Therefore, the market model contains training manuals with rigidly defined course content and mode of delivery. However, according to Callon, when a good is framed it gets a number of social links in the market place that the market designers cannot control. When the ILO business courses were introduced in China, they became a public service, especially produced for laid-off workers. Furthermore, the business courses were labeled as a type of vocational training, delivered by the public employment service system. This particular framing is explained by the fact that business courses to low-income clients was a totally new concept, which had to be linked to something that was understandable for the consumers. Vocational training was the only similar activity that the Ministry and the unemployed workers understood (compare Winroth, 2004). Hence, the ILO, the Ministry, the market administration, the training institutes, the consumers and the existing structures of the public employment system have together contributed to design the business courses.

9.2.1.3. Conclusions

In conclusion, this section has illustrated that conflicting objectives and interests have been built into the design of the market. According to Norén, this is a common feature of markets designed to achieve political goals. The result is, however, a very unstable market, which can constantly be questioned by actors both inside and outside the specific market. In addition, the section has shown that the objectives and motives of each of the different actors will be visible in the functioning of the market. Especially powerful actors will in this way force their interest onto other actors. The result of this, is that market designers have very limited ability to control the market.

9.2.2. Strategies to Problematize and Interesse Market Actors

In this section, I will describe the strategies used by the ILO when 'selling' their market model to the Chinese counterparts.

9.2.2.1. The Strategic Use of Ideas

As described in chapter 3, the ILO market model builds on three important ideas. First, to promote entrepreneurship and in this way alleviate poverty. Second, to promote entrepreneurship by providing micro-entrepreneurs with business start-up courses. Third, to make the provision of these services commercialized in order to achieve financial sustainability. This commercialization is achieved by constructing producers and consumers of business courses. I will argue that the ILO has used the ideas separately when selling their market model, and in this way been able to convince the adopters bit by bit.

If we return to what theory says, the success of a standard, or an idea, depends on its acceptance in society. If a standard fits with accepted and modern ideas about organization, it is more probable that it will succeed (Brunsson and Jacobsson, 2000). The ILO started by introducing the idea about entrepreneurship promotion which was not that controversial, considering the ongoing restructurings in the Chinese economy in the late 90's. However, the idea to commercialize and involve the private sector in the provision of employment services to laid-off workers was not, and is still not, accepted by the Government, the state administration or the public.

As time has gone by, the Chinese counterparts seem to have softened up to the market development ideas proposed by the ILO, perhaps influenced by the proactive and persuasive activities employed by the ILO. Theories on decision making can be used to describe the influencing activities of the ILO. Kingdon (1995) has provided a theory that can be used to study so called policy entrepreneurs in political policy-making processes. Policy entrepreneurs usually have solutions they want to sell and keep their eyes open for changes in the political stream and new problems to which they can attach their solutions. A successful policy entrepreneur must, according to Kingdon, be an acclaimed expert, with a mandate to speak for others, a good network and an ability to mobilize others.

I would argue that using this definition, the ILO is a very skillful policy entrepreneur, acting proactively and using strategies of persuasion. When studying the ILO, I can quickly conclude that it has been flexible in adjusting to a changing policy environment and to changing actors. Since the first introduction, the ILO kept its eyes open for changes in the political environment and new problems that it could solve. At the time of the pilot project, the idea of encouraging entrepreneurs was as mentioned still controversial and the ILO was therefore at that stage pleased with being able to introduce the idea and the business courses. When the Ministry then showed such an enthusiasm for the project, and financial sustainability became an issue, the ILO could more actively pitch the idea of commercialization. Another example of the pro-activeness of the ILO is their response to the new target group – the migrant workers. In fact, the ILO started already in 2004 to steer the project towards migrant workers by conducting research and introducing new services targeting migrants. As I discussed in section 9.1.1 these reports are powerful tools for influence

Yet another interesting feature of ILO's strategies is the use of de-coupling (Brunsson and Olsen, 1997). In this case, I argue that decoupling is used as a strategy to soften up the decision makers. De-coupling is usually defined as a gap between formal and informal structures, or between talk and action, and is normally used when organization has to meet conflicting demands from the environment and their internal organization. The example of private sector involvement can be used to show the de-coupling strategies employed in this case. In project documents written for the donors and other international stakeholders, the ambition to involve private sector is clearly outspoken. However, when the ILO talks to their Chinese counterparts, the concept of private sector development is toned down or, in fact, is almost a non-issue. The ILO and the Ministry acknowledge this gap, and they actually admit that the project document is just a vision, and should be used as vision. My interpretation is that the gap between vision and reality actually helps the ILO to soften-up the decision makers. When the controversial ideas are presented in project documents, or in workshops they do not cause change immediately, but they make the decision-makers used to the thought. When a window then opens, the decision maker is already familiar with the idea (compare with Kingdon, 1995:180). Furthermore, de-coupling also allows different actors with different objectives to enroll. De-coupling makes the final goals more vague and expandable, which can ease the enrollment of hesitant actors.

Finally, the ILO has clearly also used its status and acclaimed expertise as a UN agency. When studying the ILO at workshops it became evident that the ILO often refers to its expertise and experiences from prior projects in other countries. Moreover, the ILO often use rational arguments like increased efficiency and productivity to argue for their market model. By using these arguments, they suggest that it is possible to transform the Chinese state organizations into modern and market oriented organization, which is flattering for the labor bureaus who want to transform. Henning (2000) who has studied the argumentation of standardizers in public sector reforms in Sweden mean that these kind arguments often are used by standardizers.

9.2.2.2. Conclusion

There are probably plenty of other theories on decision making and influence that can be used to study the strategies employed by the ILO. However, my ambition with this section was to show that the ILO has been active in selling their market model, and make the market ideas accepted in China.

In conclusion, this section has shown how the ILO has sold its model part by part, as the receptiveness to the ideas of the ILO market model has shifted. Parts of the ILO market model that have been too controversial have had to wait for introduction. Meanwhile, the formal and the informal version of the project have been de-coupled. Steadily, but not yet fully, the Chinese counterparts have opened up to the idea of market development. Throughout the process, the ILO has been very pro-active in selling their ideas and used the power of their ideas and their status to influence and create change. The implications of these strategies on the functioning of the market will be discussed in the next section.

9.2.3. The Use and Result of Political Force and Structures

In the section above, I have shown the use of more subtle strategies of influence to enroll actors. In this section, I will describe strategies of force and pressure that have been used to make the involved actors comply with the standards and guidelines laid out by the ILO and the Ministry.

9.2.3.1 The Creation of a Standard-Based Organization

The Ministry and the ILO have built up what Ahrne et al (2000) call a standard-based organization – in this case referred to as the project organization. The objective was to use the formal structures of a standard-based organization to pressure the local market actors with both threats and incentives. In other words, the standard-based organization would give the ILO and the Ministry better tools to cut unwanted links and correct unwanted behavior. They saw the need after the first expansion phase, when the ILO and the Ministry realized that they had lost control of the implementation and interpretation of the ILO standards and guidelines. With a standard-based organization they can now expel those who don't cooperate and encourage members who adhere to the ILO standards. For instance, certified training organizations can enjoy the common resources of the project, such as research reports and master trainers. Also, the certification give the members a certain professional status, which separates them from others.

However, to be forceful, a standard-based organization must have a certain status. The key to a better status is to enroll more members. It is unclear what status the project organization really has. However, since the Government supports the project, a certain formal status has already been obtained. Moreover, the organization is steadily expanding.

The problems with the use of a standard-based organization have been described in chapter 6. The challenges in this case, mainly concern the fact that the organization is embedded in the state administration, which makes it difficult to, for instance, expel unwanted members. However, there are also benefits with the embeddedness in the political structures. Political force can be used both to recruit new members and to enforce compliance, as described in section 5.3. The establishment of a standard-based organization has also given more control, especially to the Ministry. Thanks to the role as a central authority, the Ministry, assisted by the ILO, has established itself as an *obligatory passage points*. According to Callon, this is a method often used by focal actors to maintain control of the framing process. An actor with a position as an obligatory passage point makes sure that all other actors are dependent upon it. When centralizing the monitoring and certification system the Ministry made all other actors dependent upon it, including the ILO.

9.2.3.2. The Implications for Market Development

The use of a standard-based organization and political pressure may, however, have a reverse effect on market development. Firstly, research has shown that benchmarking activities like competitions for best practices, increase the probability that actors will start imitating each other instead of finding their own way. To date, it has been difficult to see such tendencies in this case, however, the trainers have been criticized for following training manuals too strictly. Secondly, it has shown very difficult to change the routines and criteria that are set in the initial phase when creating a standard-based organization. These challenges can be observed in this case; the actors that first entered are very difficult both to expel or to change. Also, the introduction of new procedures have met resistance. Thirdly, the strict barriers to entry that standard-based organizations have created might also deter new actors to enter the market. It is evident in this case that private training institutes are hesitant to make the investments needed to be certified. Finally, another problem with using a standard-based organization is that it actually buffers its members from outside viewers. I noted in my research that, in fact, it is very difficult to get access to information about the internal process in the local market place, as information about this is centralized at the Ministry.

If the standard-based organization becomes so powerful that it will knock out other actors in the market, the challenges above might in fact have a reverse effect on market development.

9.2.3.3. Conclusions

In conclusion, to ensure compliance to the standards in the market model, the Ministry and the ILO have built up what could be called a standard-based organization. A standard-based organization can be used to pressure adopters to compliance by using both threats and incentives. The success lays in the status of the standard-based organization, and its ability to attract new members and expel unwanted elements. In this case, the status of the organization seems to be solid and continues to improve as the project expands. However, as the organization is embedded in the state administration, it is difficult to, for instance, expel unwanted members. At the same time, the embeddednes also makes it possible to use regular political channels for pressure, which has been done. Finally, the standard-organization has been instrumental in giving the market designers a position as *obligatory passage points*.

The dangers with using a standard-based organization is that it may distort the market. Standard-based organizations have been shown to encourage imitation among producers and establish strict barriers for entry. This might be a problem, if the standard-based organization becomes so powerful that it will knock other actors out of the market for business services.

9.3. CONCLUDING DISCUSSION

In this final discussion, I have reflected on how the ILO and the Ministry have used a market model to construct market actors. By combining Callon's and Helgesson et al.'s theories with prior research on the use of standards, I have discussed how the ILO and the Ministry have problematized, interessed, enrolled and mobilized market actors. Also, I have briefly discussed the results on the function of the market. The chosen theoretical framework has guided me as I have singled out the most characterizing processes and forces in the construction of this market. These forces and processes will be presented below.

Firstly, I concluded that the standards in the ILO market model are used to shape normalizing, representational, and exchange practices in the market. Consequently, the market designers, the ILO and the Ministry are very influential in all the activities in the market place. This has several consequences on the functioning of the market. First, it makes the market unstable as the constantly shifting normalizing practices have a great influence on the rules for interaction. Second, the use of standards in everything from training manuals to guidelines for research reports, makes it very difficult for other actors to provide an alternative interpretation of the market; hence, the market designers has the preferential right of interpretation.

Also, I discussed the relative influence of the consumers and the producers on the market design. I concluded that the consumers and the producers can only influence the normalizing practices to a limited extent; either when being invited by the ILO and the Ministry in evaluations, or by 'misbehaving' and in this way forcing the ILO and the Ministry to take measures. Furthermore, when studying the calculative power in the local market place, the consumers clearly stand out as the weakest market actors. The producers have somewhat higher calculative power thanks to the training they receive, however, they are still very unsure in their roles and must turn to their local market administration, or the ILO and the Ministry for advise and financial support.

Secondly, I studied the strategies used to unite actors with very different motives and interests; in other words, I studied the framing process. Firstly I concluded that the market designers cannot possibly control the implementation of a market model. I provided several examples of how the initial ideas of the project have been negotiated and manipulated to fit the various actors active in the construction process. Then, I described the influencing strategies used by the ILO to convince the local market actors to join the market development project. I concluded that the ILO has worked proactively, adapting its messages and arguments to a changing environment, constantly looking for the right moment to introduce their ideas. When their ideas finally were accepted, the ILO used them forcefully to convince the adopters. In this way, they have slowly been able to make their market model and their standards more accepted in China.

Another influencing strategy has been to de-couple formal and informal structures. While project documents visualize the ideal ILO market model, the most controversial ideas are left out or toned down when the model is sold to hesitant potential adopters. In this way, the ILO has been able to enroll market actors with different interests and motives. Also, perhaps the constant advocacy of the ideal ILO market model in documents and workshops has served to soften-up the Chinese decision-makers and slowly made them more receptive to the market ideas.

Finally, the ILO and foremost the Ministry, have tried to increase their formal authoritative power in the market by setting up a standard-based organization. The advantages of such an organization is that it can be used to pressure the certified training organization by using threats and incentives. In this case, as it is incorporated in the Chinese state administration, it also makes it easier for the Ministry to use regular political channels.

In conclusion, this discussion has shown that standards and guidelines can be used to make the idea of the market travel. However, when the standards and guidelines are translated into action, they do not necessarily lead to the intended outcome, because the standardizers, or market designers, must negotiate with a number of actors and forces when implementing the standard. Together all these actors shape and re-regulate the market place.

10. CONCLUDING REMARKS

My ambition at the outset of this study was to explore the increasing efforts to construct markets for social services in developing countries. Through my internship at the ILO, I got the unique opportunity to study the activities, challenges, and concerns of a market designer when making a making work.

Market construction is a complex process that is difficult to grasp and describe. Prior research on the construction of markets have been of great assistance,when defining and characterizing the activities of the market designers

The objective of my study has not been to produce any general knowledge, instead I wanted to explore a particular phenomenon. I still believe that my findings can be generalized to a certain extent. General applicability of a study usually concerns whether it is possible to draw general conclusions based on the gathered empirical material. In my study, I use prior research on market reforms in the public sector to understand the activities and challenges in my case. The similarities between the cases are numerous. Hence, the case study could be used to draw further conclusions on common strategies used for market construction. My research methodology has for this reason been thoroughly described in appendix 1.

Regarding future research projects, I see many interesting openings. This study has combined theories on market construction with institutional theories on the use of standards and showed how a market model has been used to construct a market. The research on the use of market models can be developed further. To begin, there are a number of market models and ideas out there. How and why are these market models produced and by whom? Furthermore, the results of this study show the many challenges in constructing autonomous consumers and producers. Future studies of the use of market models could therefore focus on the correlation between initial design and result, and implementation strategies and result.

The research objectives above are large and ambitious projects. There are also other smaller studies that could be endeavored. For instance, Helgesson et al.'s model can be used in a number of ways to study market practices and their influence on the market place. How is, for example, a good constructed? How do representational practices influence normalizing and exchange practices?

The study of markets and how ideas about the market shape our society is an important task for socio-economic research, not at least as an contribution to the political debate on markets. I hope this study has inspired someone to continue this path.

Finally, I would like to extend a word to those whose contributions have been particularly helpful for the writing of this theses; the ILO management team in Beijing, the ILO Geneva staff and all my other helpful sources. Not at least, I would like to thank my tutor Staffan Furusten who has patiently encouraged and guided me along the way.

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ILO Informant China (A)	Several occasions 2005-09-07 – 2005 -11-28
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ILO Informant China (C)	2005-10-20, 2005-10-21
ILO Informant China (D)	2005-11-02, 2005-11-28
ILO Informant China (E)	Several occasions 2005-09-07 – 2005-11-28
ILO Informant Geneva	2005-06-13
ILO Informant Geneva	2005-06-14
International Researcher	2005-10-26
MOLSS Informant	2005-10-21
NDRC Informant	2005-11-23
UNESCO Informant	2005-11-24
Sida Informant	2005-11-22

OBSERVATIONS AND FIELD TRIPS

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Visit at Chengdu Employment Agency, (2005-10-20), Chengdu.
Pre-study visit at ILO, Geneva, 2005-06-13-2005-06-15

APPENDIX 1: METHODOLOGY

1.1. CHOICE OF STUDY

When I worked with entrepreneurship promotion in India in the summer of 2004, I became interested in learning more about small enterprise development in developing countries. When it was time for me to write my master thesis I therefore contacted the ILO in Geneva, which I knew had a worked in several countries and were considered to be "market leaders" in the field. In discussions with their department for employment promotion, the project in China came up as an object of study, and I was of course intrigued.

1.2. A QUALITATIVE LONGITUDINAL CASE STUDY

The researcher's worldview is, according to Brunsson (1981), often decisive for the researcher's choice of study and research approach. My interest in development issues guided me to the project of study. My worldview decided how to frame it from an research perspective. Briefly, this thesis paper is based on the assumption that reality is socially constructed. In other words, the pre-assumptions and theories through which I filter reality are constructed by my subjective and inter-subjective view of the world (compare Jackson and Carter, 2000).

What intrigued me in this case was to unfold the processes behind the existing project and answer how the ILO and the Ministry had first been able to unite a large number of actors around the vision of entrepreneurship, and then tried to force these actors to comply to standards laid out. A longitudinal qualitative case study seemed like the most appropriate methodology to answer this kind of research question. Firstly, the qualitative case study allows the study of the full complexity of one situation and it describes how a limited number of institutions and actors influence each other as said by for instance Björkegren (1988) and Merriam (1994). The case study is according to Yin (1994) especially appropriate for the exploration of new phenomena or unique and extreme cases, as I believe this case study is. Secondly, a longitudinal case study includes a description of several settings at different points in time, which I deemed as necessary to fully understand the construction process (Yin 1989 in Andersen 1998:159).

There are problems with reliability of a longitudinal case study, especially if it builds on secondary data and interviews I tried to counter this problem by conducting several interviews with the same persons and following up on data that was unclear. Therefore, I deem that the reliability regarding data is not in question in my case.

1.3. AN ABDUCTIVE APPROACH

In prior studies of organizational change and decision-making, I had been acquainted to new institutional organizational theories. The project in China was from this perspective a much interesting case study. However, my intention was not to test or criticize any theories, but to explore a phenomenon. My research methodology should therefore be placed in the abductive approach, and along the way I found better theories that could explain the phenomena.

Abduction is an iterative research process which focuses on generating theory but without dismissing the fact that the researcher already possesses a theoretical framework around the field explored. However, Starrin and Renck (1996) mean that the researcher should set this knowledge aside when gathering the empirical material and keep an open mind to new insights, which might generate new knowledge. I tried to do this, and the theoretical framework I started out with was also complemented with more specific theories on market construction.

The theoretical framework in this thesis was then in accordance with the abductive approach used as an interpretative and analytical tool for analysis. Assisted by the theoretical framework, I have sorted and categorized the empirical findings, discovered patterns and processes, and tried to give a full picture of the context (Andersen, 1998).

1.4. RESEARCH TOOLS AND STRATEGIES

A qualitative method encourages several types of sources. I used in-depth interviews, direct observations and desk-reviews of secondary sources, which I was able to gather during the three months I spent as a management trainee in the ILO office in Beijing, working together with the participants of my study. This approach could in more academic terms be called a clinical approach, in which the researcher conducts the research in close collaboration with the participants, often with the objective to create change (or improvements). (See for instance, Brunsson 1981; Björkegren 1988; Mårtensson 2001). So let’s briefly discuss my types of sources and how I gathered the data.

1.4.1. Qualitative Interviews

In an ideal world, qualitative interviews give the participants the opportunity to describe their experiences and their reality with their own words. They give the study depth and meaning on a personal level. The interviews should therefore be conducted in a way that allows for spontaneity, that makes the interviewee comfortable and helps the researcher understand the world of the interviewee (Kvale, 1997).

I conducted some longer interviews both at a pre-study at the ILO head office in Geneva and with staff at the ILO office in Beijing. However, most of my interviews (or rather questions) were conducted with project stakeholders ad hoc, when the opportunity came. It could be at a dinner, in an airplane, or during a meeting or a workshop. In addition to interviews with project stakeholders, I also had several conversations with reference persons who helped me understand the Chinese context.

I worked strategically to increase the opportunities to meet important stakeholders of the project in various contexts. I do believe this approach made the answers more truthful, as the questions were asked in an appropriate natural situation when the interviewee was relaxed. Moreover, this method also made the research more spontaneous and helped me to keep an open mind for new insights, as the interviews were not tailormade for my research study. Also, the respondents sometimes voluntarily brought up issues they had on their mind or that they deemed important; hence, in conclusion I did achieve the goal of qualitative interviews.

The language was a barrier. To interact with the ILO staff was easy, but outside the office it was more difficult. My Chinese colleagues had to interpret for me. They were informed about my research objective, but they often had to summarize long answers and what got lost in translation, is difficult to estimate. Moreover, there might be some cultural dimensions that I never understood. My interpreters have, however, worked for foreigners for many years and were eager to share their interpretations and make them understandable to me. Their help was an invaluable asset.

A possible reaction to the strategy described would be the registration of my interviews. Most of the time I had a notebook within reach so that I could write down the questions and answers directly or shortly afterwards. As the "interview sessions" were usually short, and the translation gave a natural pause to make notes, I feel confident that my notes are accurate.

1.4.2. Observations

Observations are very useful for qualitative case studies since they make it easier to relate the phenomena with the context it's in (Andersen, 1998:153). I found the direct observations very helpful for my study. At two workshops I could, for instance, study how the ILO and the Ministry communicated with local management staff. Also, in company with an international delegation I had the opportunity to visit a local employment centre, one training institute and one entrepreneur, and understand a little bit more about the challenges the market designers encountered in their daily work.

There are several challenges with observations as a method (Andersen, 1998). The researcher may, for instance, become too involved with the object of study. As I noticed that I adopted the language and the perspective of the persons I interviewed, I took a cooling off period once I returned to Sweden to counter this involvement.

1.4.3. Desk reviews of secondary data

The desk reviews served many research purposes. Project documents, project evaluations, project progress reports and project research reports gave a background knowledge and the official version of the SIYB project in China. Since these documents were written for the ILO, the donors and Chinese stakeholders they gave a good picture of the compromises and visions of the stakeholders. In addition, the desk reviews helped to understand the practitioners' view and the discourse on market development projects in developing countries. In this way a got a better understand of the principles of the ILO market model and the main ideas it is built upon. Finally, I read research articles and books on China to try to understand the economic, political, social, and cultural context in China.

1.5. QUALITY OF THE STUDY

As we have seen, the empirical data was not tailor made for my study and my access to material and persons was restricted. The validity and reliability can therefore be questioned.

To begin, for a qualitative method based on a socially constructed view, the validity as defined as to which degree the research method succeeds in describing the case in a correct way, is not so important. However, validity can also be measured in terms of how well suited the sources are to answer the research question. I must argue that I have well covered the actors that are relevant for this case and my research questions. Access to more local market actors would have been optimal, but given the timeline and scope of this thesis, I believe my sources are well chosen.

Reliability of the method is perhaps more important to discuss. Reliability could be measured in terms of transparency, consistency and communicability (Mårtensson 2001:317) To begin with transparency; by being very open and in detail describing my methodological approach and my research strategy, I have tried to be transparent, showing the difficulties with carrying out qualitative research in a political environment in China. Regarding the consistency, I have tried to constantly look for inconsistencies in the story told by different actors and clear them out. Finally, regarding the communicability, I have made sure that the participants understand my conclusions, by discussing my observations throughout the work process and allowing them to read and comment on my empirical findings.

1.6. A CONCLUDING REMARK ON RESEARCH ETHICS

To end my account of my research methodology I would like to discuss the question of research ethics. Kvale (1997) stresses three aspects of research ethics: informed agreement, confidentiality, and consequences. My research was conducted under informed agreement with the ILO management team, however, sometimes it was difficult to assess what was said to me in personal confidence and what was said to me as a researcher. I have then to some extent chosen to leave out some information that I have deemed as too personal, and I have chosen not to reveal the identity of the persons interviewed.