

## **Labour Unrest in China and the Foreboding**

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### **Introduction**

Labour unrest in the People's Republic of China (PRC) has been commented on by a wide range of media and academic institutions. It is a surprise that the Chinese workers have returned to streets now when the Chinese economy is somewhat back on the trails of recovery from the recessionary spell due to the global financial crisis and global economic down turn. Again, it is a puzzle that the Chinese workers choose to vent their fury selectively, against foreign concerns, in particular the Japanese and Taiwanese firms, and that the row should taper out in one stroke following wage hikes.

To some degree, strikes are nothing new in China. There are studies that speak of tens of thousands of protests taking place in China every year over a wide range of issues from workers' back pay to illegal land seizures. Most end peacefully after the government meets some demands. However, there is little evidence of Chinese media highlighting the issue as is happening now. In fact, during the Asian financial crisis in late 1990's, as widespread worker unrest started taking place after the Chinese government rolled back cradle-to-grave welfare and slashed payrolls in struggling state-owned enterprises across the northern rust belt, the security forces were quick to arrest kingpins and suppress the protests, while the media was forbidden from covering them. Today the press is reporting events and the army is in their barracks. Furthermore, the Chinese authority allowed strikers to take to the streets and provided them negotiating space to talk about concessions.

While yet in Western terms minimal, the development for China is phenomenal. It has a significant bearing on the mosaic of industrial relations. China, espousing the tenets of communism publicly notwithstanding, has until now treated the industrial workforce as submissive drones, who could put in long hours of work in wretched conditions for low wages. If this image worked magic in attracting foreign manufacturers to set up factories in China for three decades in a row, it may not be so in the future. Those not-so-submissive workers have won wage concessions in several industries. It has to be seen how long the docile workers, working in foreign concerns as much as those with the native concerns, in particular, state owned enterprises (SOEs), will hold breath their and remain tight lipped and patient. The labor unrest, which had been mainly in the south, now shows signs of spreading to less developed regions. In epidemiology terms, what is happening in China has gone beyond being a "cluster." It's beginning to look like the beginnings of an epidemic.

The paper is aimed at exploring the phenomenon of labour unrest as it appeared, blossomed and found all stakeholders first, pitching and then ironing out differences in their perception and approach. The paper goes on to crystallize the catalysts of change at work, and the future shape of things to come. The events and their sequel, contributing to the blow out, be it string of suicides among young workers while in the factory premises or other such violent forms of protests, have since attracted numerous attempts of explanation.

In addressing the what, why and how of the phenomenon, the study design thus takes a phenomenological enquiry route with a mix of media analysis, though eclectically and with a difference. It recounts lived experience of the happenings, not with personal accounts of either the victims or eye witnesses but through the studied opinions of cross section of expertise in the field. This is in keeping with the limitations, and introducing a plausible alternative in the quest of an objective study. The paper is accordingly, sequenced to focus on: Outbreak and Incubation Trends; Trigger Factor; and, the Bearings on Future. Assumptions include: the current waves of labour unrests in China is the end product of three decades of sweatshop work environment; the young Chinese workforce in their mid 20s with better access to information and education could no longer submit blindly; and, unless and until China looks afresh and brings about meaningful amendments in over all industrial relations, the string of labour unrests of the kind could pose an acute challenge to China's ruling Communist Party and a dilemma for the All-China Federation of Trade Unions.

## **Outbreak and Incubation Trends**

The recent labour unrests in China got international publicity with a wave of suicides among young workers of the Foxconn International Holdings Ltd. in China, a subsidiary of the Taiwanese electronic major Hon Hai Precision Industry Co. Ltd, engaged in the manufacture of computers, games consoles and phones for clients such as Apple, Motorola, Nokia, Hewlett-Packard, Dell and Sony Ericsson.<sup>1</sup> As of August 28, 2010, altogether 16 workers jumped from high buildings at the factory in 2010, with 12 deaths that included the case of a 22 year old woman employee at Kunshan plant in Jiangsu. A further 20 workers were stopped before they could make their attempts. The Shenzhen production base, which employs 420000 workers, has so far been the most suicide prone locations. Most of the workers, who ended their lives, were in prime of their youth in the age group of 17-24 years.<sup>2</sup>

Families of workers, who killed themselves, tend to attribute long hours of work and harsh management methods as agent provocateur behind the motive for the suicides. This is while the response of Chinese trade union organizations such as Shenzhen Municipal Federation of Trade Unions (SMFTU) and the All China Confederation of Trade Unions (ACFTU) has been little different than that of passive onlookers. Nonetheless, there have been discernible efforts on the part of the Chinese government to down play the incident beyond just instituting an

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<sup>1</sup> Foxconn (富士康) was first a trade name of Hon Hai before it became a subsidiary in 2000. The Company employs over 800000 workers in China, which included 150000 in Henan, 100000 in Chongqing, Sichuan and 170000 in Tianjin.

<sup>2</sup> Foxconn had string of suicides earlier in 2007 and 2009. 19 years old Ms Hou (侯) hung herself in the bathroom of the company on June 18, 2007. Liu Bing (刘兵), a 21 year old male worker, committed suicide after the company fired him on Sep 1, 2007. Sun Danyong (孙丹勇) and Zheng Xinsong (郑鑫崧), the two male employees, jumped to death on July 16, 2009 and Aug 20, 2009 respectively.

enquiry. Zhang Xiaojian, vice-Minister of Human Resources and social Security, has been on record to attach psychological factors but downplaying management aspects. He virtually dismissed the idea that China faced a "wave" of labor unrest and said it was "very normal" for workers to make demands. Chinese print and electronic media reaction to the issue has been strikingly similar.

Quite evidently, the suicides in the Taiwanese Foxconn units in Shenzhen and elsewhere erupted amid growing labour unrest in Guangdong province. For example, on May 17, 2010, around 100-200 workers at Honda's China branches, Honda Auto Parts Manufacturing Company, located in Nanhai Shihan Industrial Park in Foshan in the province, went on strike, demanding wage increases to RMB 2500 per month.<sup>3</sup> They were young vocational school graduates who had come from distant provinces such as Gansu, Shanxi and others in search of a better living. They received a paltry RMB 1000-1200 Yuan per month. After deductions at source towards various charges and compulsory rent for living in the factory dormitories, they literally had only RMB 456 Yuan as carry home pay. They had received a pay hike of less than RMB 100 Yuan in the last three years.

In the talks on May 26, 2010, the Honda management wanted the striking workers to sign a 'no strike undertaking' in lieu of nominal pay hike of RMB 366 Yuan per month. Workers insisted on a hike of RMB 800 Yuan. Subsequently, as part of pressure tactics, the Honda management sacked two workers on the charges of aiding and abetting the strike. Hand in hand with the Foshan local administration, as an article in the online magazine *China Worker* on June 01, 2010 bears out, Honda management tried out several repressive measures including buying out leaders, but the unrest continued. On May 27, 2010, around 2000 workers of the Company took to the streets and chanted "strike until success, re-constructing trade union!", "fight until our demands are met" and other slogans.<sup>4</sup>

Hardly was the ink on the agreement of a pay rise of 24 percent at four assembly plants of Honda Auto Parts Manufacturing Company dry, the workers at Foshan Fengfu Autoparts and Zhongshan Honda Lock Company went on strike in early June 2010. Toyota Motor Corporations affiliate in north China's Tianjin Municipality such as Toyoda Gosei Company and Tianjin Star Light Rubber and Plastic Co. were next in line to suffer a series of strikes and assembly line walkouts.

There have indeed been more strikes than have been publicized. In Guangdong province, besides Honda, among the Japanese industrial units, the Chinese workers also went on strike at NHK-UNI Spring (Guangzhou) Co. Ltd., Omron (Guangzhou) Automobile Electronics Co. Ltd., and Denso (Guangzhou Nansha) Co. Ltd. The Japanese industrial units such as Brother Sewing Machine (Xi'an) Co. Ltd. did not escape the heat either. Likewise, the Taiwanese concern Chimei Innolux Corp. in Pudong, Shanghai and Merry Electronics Co., Shenzhen, Guangdong were hard hit. The US industrial units such as Flextronics International in Zhuhai, Guangdong and South Korean industrials such as Yecheng Electronics in Huizhou, Guangdong were equally plagued by sudden waves of strikes. Nujiang Transportation Group in Yunnan, Pingmian Textiles Group in Pingdingshan, Henan, and Jiexiu Factory in Shanxi were among the local Chinese private and state run enterprises to suffer from strikes during this period.

In early November 2008, before the onset of these strikes in largely foreign industrial units, nearly 8,000 taxi drivers in Chongqing city in Chongqing Municipality suddenly went on

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<sup>3</sup> <http://english.peopledaily.com.cn/90001/90778/90860/7002316.htm>

<sup>4</sup> <http://www.taipeitimes.com/news/worldbiz/archives/2010/06/02/2003474442>

strike. The striking cab drivers smashed 20 vehicles, including three police cars.<sup>5</sup> The intervention of the Communist Party of China (CPC) Central Committee member Bo Bo Xilai had little avail until the striking drivers were permitted to set up their own organization to mediate between their employers and the government. As the news spread, taxi drivers of Chaozhou, an export-reliant region, otherwise hard hit by the global economic slowdown went on strike. They blockaded Chaozhou city hall, demanding a crackdown on fare-grabbing gypsy cabs and high management fees. As the taxi drivers did not relent, the Mayor of the town agreed to meet their demand, including clamping down on unlicensed competition and stopping the expansion of the city's taxi fleet. These are illustrative a few hundred cases of wildcat taxi driver strikes which have taken place.

The numbers of different forms of mass protests, including strikes (*ba gong*) demonstrations (*you xing*), sit-ins (*jing zuo*), road block (*zu lu*) and petitions (*shang fang*) in China have since soared. It is estimated that there is currently at least one strike involving over 1,000 workers every day in the Pearl River Delta alone. In its totality, given a number of catalysts, the number of participants in industrial disputes as such in China has grown from around 10,000 in 1993 to 317,000 in 2009, with the total number of participants increasing from 0.7 million to over 5.4 million.<sup>6</sup> In 2008, the number of labor cases in courts was 280,000. The outlook for 2010 can not be any different. Those who largely come out and stake their living and lives constitute of 130 million strong bands of migrant workers, and on an average, 700,000 of which suffer work related injuries, and 130,000 of whom die.<sup>7</sup>

## Trigger Factors

The nature, character and sweep of the labour unrest in China, including the mode, in particular spate of suicides, transcend most recorded cases in the world. It is a surprise first and last, since it happened in the PRC, which, despite quite notable deviations, swears adherence to what it calls 'socialism' with a difference.<sup>8</sup> While the Foxconn incident is attributed to 'sweatshop working conditions', the labour unrests elsewhere, including Honda, has come to be understood as being a rumbling for 'higher wages and better conditions'. The taxi driver's strikes could as well seem to be an outburst of pent up grievances against the authorities.<sup>9</sup> The demonstrations, protests, sit-ins and strikes in various sectors and sub-

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<sup>5</sup> [http://www.chinadaily.com.cn/china/2008/1103/content\\_7167549.htm](http://www.chinadaily.com.cn/china/2008/1103/content_7167549.htm)

<sup>6</sup> Chen Lihua, "Zhongguo 'quntixing shijian' 10 nian zeng 6 bei" (Collective incidents in China multiply six-fold), *Xinhua Meiri Dianxun*, (Xinhua Daily Telegraph), 31 July 2005; [http://news.xinhuanet.com/mrdx/2005-07/31/content\\_3290161.htm](http://news.xinhuanet.com/mrdx/2005-07/31/content_3290161.htm); *China Labour Bulletin*, 'China's Labour Dispute Cases Increase by Over ten percent in 2009': <http://www.clb.org.hk/en/nods/100706>.

<sup>7</sup> [http://www.china-labour.org.uk/en/files/share/File/research\\_reports/workers\\_movement\\_07-08\\_print\\_final.pdf](http://www.china-labour.org.uk/en/files/share/File/research_reports/workers_movement_07-08_print_final.pdf)

<sup>8</sup> Beginning 1980s, in particular in 1990s, the PRC has gradually made a shift from hardcore communism of yesteryears to a system in which all resource allocations are made on the basis of prices, and in which most of the means of production are in private hands. This is what prompts many to question what way the Chinese system differ from outright capitalism. The official term for the Chinese economy in vogue is "Socialist market economy with Chinese characteristics" (Chinese: 具有中国特色的社会主义市场经济). The Chinese political elite stick to their gun as it would otherwise undermine the CPC in the saddle.

<sup>9</sup> Chinese media speak of four main factors leading to scores of taxi driver's strike. They are: (a) Excessive fees and charges; (b) Deregulation of the taxi business by various local governments, leading to the infringement of the rights and interests of drivers; (c) Excessive and often unwarranted fines by the traffic police; and, (d) Increase in the cost of fuel, combined with government's failure to adjust prices.

sectors of the Chinese economy could be attributed to many more general and specific reasons, including the view that the Chinese central government has subordinated the interests of laborers to entrepreneurs and foreign manufacturers. There is then a school of thought that tends to interpret the current wave labour unrest in China as being endogenous to ‘break-neck speed of social changes’.

Among the Chinese think tanks, Peng Guanghua, Associate Professor, School of Labour and Human Resources, Renmin University of China, believes that the ‘causes of labour disputes were complicated’.<sup>10</sup> For most part, the labour unrests as such have been gravitating around foreign companies. Nevertheless, unlike in the past, the developments this time received near full coverage in the Chinese official media, both print and electronic. Chinese columnist Li Hong noted that the multinationals and upstart home tycoons had maximized their wealth taking advantage of loop holes in the system over the past three decades to the detriment of tens of millions of blue collar workers. As all the labour unrests since ended with substantial pay hikes, and the Chinese media speculated at large about the relative merits of the development of the Chinese economy, there is a fear that the Chinese establishment has instigated a ‘limited economic war under conditions of least vulnerability’ against a select band of multinational companies. The rationale includes expansion of ‘domestic consumption base’ in the face of challenges to sustain the momentum of exports in foreseeable future. While only a null hypothesis test could unravel the mystery, the scenario has potential to send shudders down the spine of foreign investors in China.

Quite strikingly, the demand of the striking Chinese workers included the right to form trade unions, independent of All China Federation of Trade Unions, (ACFTU), the sole legally mandated trade union in China. This is broadly symptomatic of ACFTU suffering a loss of trust among its constituents for a variety of reasons. Research studies bear out that the ACFTU seldom works proactively, and where it does, it has more often than not failed to stand up against management to secure the rights and interests of its members, the Chinese workforce. Worse still, the ACFTU have quite often tried to force the striking workers to resume work. Nonetheless, the Chinese workers and ACFTU look adrift at a time when the latter is otherwise engaged in high profile campaign to unionize the Fortune 500 companies. The development has played havoc with the collective bargaining mechanism. As the employer continue to ride roughshod over the employees, and the institution of trade union as such suffers a nemesis of its own kind, the Chinese workers have little option but striking in order to make public their grievances.

The weaknesses of the existing ‘One Mediation, One Arbitration, and Two Trials’ system of the Chinese dispute resolution machinery, including labour laws enforcement system has been skewed to protect the rights and interests of Chinese workers. Nothing has changed even after the 28<sup>th</sup> session of the 10<sup>th</sup> National People’s Congress (NPC) adopted an array of laws, including Labour Contract Law of the People’s Republic of China (*Zhonghua Renmin Gongheguo Laodong Hetongfa*) and Labour Mediation and Arbitration Law (*Zhonghua Renmin Gongheguo Laodong Zhengyi Tiaojie Zhongcaifa*) that came into effect from Jan 2008 and May 2008 respectively. The employers enjoy the favours of the law enforcement agencies for various reasons, including corruption. Distraught and fatigued, the Chinese workers are left with little choice but to resort to direct method to achieve change. This is how the success of Foxconn and Honda workers in seeking pay-hikes led to one strike after another through May 2010 and until now.

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<sup>10</sup> Peng Guanghua, *Laodong Guanxi Jiqi Chuli* (Labour Disputes and Processing) in Chang Kai, ed., *Laodong Guanxi Xue* (Labour Relation Science), 395, Beijing.

## Bearings on Future

The Chinese workforce has been suffering from the skewed state policy and the flawed collective bargaining mechanism. In their mid and/ or late 20s, the migrant Chinese workers, in the forefront of the current waves of unrest, have heard from their toiling parents and now see for themselves how the national wealth of the country has grown rapidly, while they themselves suffer deprivations and over 20 percent decline in the share of wages in the gross domestic products (GDP).

The boiling point has long been reached and the snowball effects of labor unrest are bound to transcend beyond the Pearl River delta region and will reach the Yangtze River delta region before long. The stakeholders in China will have to address industrial relations from a new perspective, and will need to seek for a new of labor productivity policy in the manufacturing industry. This is since the days of China churning out goods at rock-bottom price are now counted in the face of a tight labor market, high and increasing cost of living, growing legal awareness of the workforce, and last but not the least, the mechanism of collective bargaining.

Foreign investment enterprises (FIEs) stand to face greater challenges with a radical change in the labor environment. Once the Chinese State Council issues new national wage regulations, it will have to make provisions for all time additional benefits to the Chinese workforce, to the detriment of the competitiveness of China made products. One of the open options include moving away from the Pearl River Delta Region and Yangtze River Delta Region to inland provinces, in particular to less developed central and western regions.

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*Remarks: Opinions expressed in this contribution are those of the author.*



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