

Report on Industrial Relations and Working Conditions in IMF-related TNCs in China



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*“Work harder than a donkey;
eat food worse than pig’s feed;
wake up earlier than a rooster;
finish work later than a prostitute;
behave like a good grandchild;
try to look better than anyone else;
age five years faster than anyone else”*

Blog message posted by an anonymous Foxconn worker
in Shenzhen, PRC, June 15, 2006¹

Wang Xuedong, a 27 year old electronics worker, is unable to use chopsticks to eat. He is losing control of his hands. “My job has been to wash circuit boards with chemical liquids for half a year,” he said. He has been diagnosed with chronic hexane poisoning.

Reported in the China Daily August 8, 2006

¹ <http://blog.sina.com/lm/z/wengbaowangyou/index.html> [Accessed June 26, 2006]

Foreword

China, with its huge manufacturing sector, is often referred to as the factory of the world. Its economy has been growing at an average of nine per cent per year since 1978. The number of multinational companies with investments in China is increasing, as is the number of incidents of labour unrest.

Many trade unions affiliated to the International Metalworkers' Federation (IMF) have members that work for multinationals operating in China. As a result of World Trade Organisation (WTO) policies and free trade agreements, metalworkers around the world are often finding themselves in competition with China.

Yet worker and human rights in China do not meet international standards and independent trade unions are illegal.

To keep affiliates informed about the situation in China, the IMF engaged the Asian Monitor Research Centre to study the development of the metal industry, industrial relations and wages and working conditions in China. The results of this study are presented in this AMRC report.

The report includes an overview of the industrial relations system in China today and an introductory look at China's information and communication technology (ICT), electronics, electrical appliances, auto, shipbuilding and steel sectors. The report also presents the findings of field research on the working conditions in 27 foreign-invested factories operating in these sectors.

The conclusions of this report indicate that the working condition at the surveyed foreign-invested companies were consistently better than average factory working conditions. However, one third of the surveyed factories had no trade union, and in most cases, workers demonstrated very little understanding of what a trade union is or its capacity to represent workers' interest.

While independent trade unions remain illegal and with a growing presence of foreign capital and multinational companies operating in China, it is urgent that further action be taken to improve the rights of workers in China.

I hope this report adds to our knowledge and understanding of the situation in China and assists us in determining what action we can take to improve the rights of workers in China. A move that will have a significant impact on workers all over the world.

I would like to thank the many people involved in undertaking the research and compiling this report, particularly the AMRC, the research groups based in China that undertook the field research, and the IMF working group on China that has guided us in this work.

Marcello Malentacchi
General Secretary
International Metalworkers' Federation

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Executive Summary

The Asia Monitor Resource Centre (AMRC) was commissioned by the International Metalworkers' Federation (IMF) to conduct a pilot investigation of industrial relations and working conditions in IMF-related sectors in China in 2006. An investigation team made up of Hong Kong and China-based labour researchers was formed to conduct field research into the working conditions inside 27 foreign-invested factories, and gather secondary material regarding the development and performance of IMF industries.

As set out in Part One of this report, Chinese society and economy have undergone rapid change, leaving industry, government and society facing highly complex problems. Besides broad issues to do with poverty, access to social services, and environmental degradation, Chinese workers are affected by poor law enforcement, which means that laws regulating wages, working hours, industrial relations, workplace safety, and social insurance are violated on a massive scale. The Chinese system of industrial relations is not mature enough to protect workers' rights. The Chinese trade union is notorious for toeing the party line, and advocating "harmonious" relations between labour and capital, rather than advocating on workers' behalf.

Against this backdrop, manufacturing industries in China have been booming in the decades since China's economy opened up in the late 1970s. This survey focused on five of these booming industries: Information & Communication Technology (ICT), electronic and electrical appliances, iron and steel, shipbuilding, and automobiles. Due to resource constraints, field research was only conducted into ICT, electronic appliances and automobile factories.

Part Two of this report explains how all five industries have experience massive growth in industry size, output, sales volumes and revenue. There has been significant foreign investment in each sector, and foreign brands dominate the high-end of the market with relatively high-quality products and strong innovative capacity. While each industry has seen growth in sales quantity, profits are actually dropping in electronic appliances and ICT products, as well as in the iron and steel industry. Intense producer competition, price-cutting, the appreciation of the renminbi (RMB) and, in the case of iron and steel, changes in the international market, have all reduced profit margins for even large, well-established manufacturers in China. To counter this, the Chinese market is seeing an increasing number of both horizontal and vertical company mergers to save on external sourcing costs, and increase product range and market share.

Chinese manufacturing was previously concentrated in packaging and assembly, but in recent years an increasing number of both foreign and domestic companies are investing in more complex manufacturing facilities and even research and development (R&D) inside China. In terms of R&D, domestic Chinese manufacturers generally still lag far behind their foreign competitors.

For this study, our investigation team conducted field research into 27 factories producing for 12 transnational corporations (TNCs) in five booming regions of China: Guangdong province, Zhejiang province, Suzhou city, Beijing and Shanghai. These factories represent a cross-section of U.S., German, Japanese, Korean, Finnish, and Swedish TNCs and their suppliers.

Part Three details how working conditions in these factories were consistently better than average factory working conditions in these areas. They more or less meet the standards set by the Chinese *Labor Law*, and in some cases go beyond it. The fact that these are partially or fully-invested foreign factories is an important reason for this.

Wages in the surveyed factories were generally higher than local averages – significantly higher in some cases. The survey did, however, discover several factories where overtime exceeded legal limits or where workers were not receiving legal minimum pay for overtime work. These are chronic problems in Chinese factories generally. Investigators found evidence of some factories implementing policies to reduce overtime hours, which subsequently reduced workers' salaries. None of the surveyed factories owed wages in arrears.

Most factories take occupational safety and health (OSH) seriously. These companies seem to meet relevant government standards, and investigators reported no serious accidents. Having said that, workplace OSH committees were only present in exceptional cases.

Surveyed factories provide varying levels of insurance for employees. Nearly half of the surveyed factories contributed to the bare minimum of old age, medical and unemployment insurance. Some factories went beyond this, providing maternity and work injury insurance, or more. Almost all factories provided free meals and transportation to and from work. All provided dormitories, but some levy a fee.

Investigators did learn of some unreasonable factory rules and regulations, particularly in factories in the Guangdong province. These include deducting legally entitled break time from workers salaries, workers having to stand at their work stations for 8-11 hours a day, work uniform deposits ranging from 100 to 1,000 RMB, and rules requiring workers to apply for a pass to use the toilet.

It is important to note that this survey revealed distinct regional differences in terms of both working conditions and industrial relations. Being close to the country's political centres, industrial relations in the selected Beijing and Shanghai factories were more mature than those in Zhejiang province, which in turn were better than industrial relations in the Suzhou and Guangdong factories. Furthermore, three of the strongest trade unions were present in enterprises that were formerly state-owned enterprises (SOEs) or subsidiaries under SOEs.

One third of factories surveyed did not have trade unions or other workers' organizations. Companies preferred to use human resource management (HRM) as a substitute for industrial relations. Where there were unions, they rarely engaged in collective bargaining on behalf of their members. Collective consultation was usually ritualized without real substance and hard bargaining. Wages were determined unilaterally by management. Workers in only six of the 27 factories were covered by collective contracts. Some companies – particularly Korean or Taiwanese – were resistant to enter into collective bargaining.

The trade unions in surveyed enterprises displayed obvious Chinese characteristics despite these companies' foreign ownership. In five factories, for example, company managers and/or Communist Party members served as trade union officials. Another distinctive characteristic of Chinese trade unions is an emphasis on co-operation rather than confrontation with

management. At best, factory unions in this study fulfil five major roles: liaising with management, gathering opinions and suggestions from workers, holding leisure activities for workers, running technical or productivity contests between workers, and providing welfare benefits to workers. But often, unions in surveyed factories do little more than organize leisure activities and hand-out bonuses or benefits at festival time.

Workers demonstrated very little understanding of what a union is, or its capacity to represent workers' interests.

It is worth rearticulating, however, that, industrial relations, wages, working hours, and working conditions in these surveyed factories are generally much better than local norms.

Lastly, the awareness of International Framework Agreements (IFAs), corporate codes of conduct, the United Nations (UN) Global Compact, and the guidelines of the Organization for Economic Co-operation and Development (OECD) is insignificant or very weak.

It is recommended that more in-depth investigation is conducted on this subject, including other sectors such as shipbuilding, iron & steel and aerospace. A process of workers' empowerment should be promoted, including exchange programs and trade union education.

1 Social and Economic Background

General Political and Economic Situation

The global political and economic importance of China is undeniable. China and the broader process of economic globalisation have had a profound effect on trade, manufacturing and working conditions around the world. China's enormous and ever-increasing manufacturing capacity has earned the country a reputation as the "world's factory", producing a significant proportion of the world's manufactured goods. China now ranks number three in the world in terms of national volume of imported and exported goods. China's rapid economic growth, eradication of poverty and urbanisation in coastal areas has all been unprecedented.¹

In complete contrast, there is widespread concern about social problems such as the polarisation between rich and poor, the widening urban and rural divide in standards of living, environmental degradation, as well as more and more documented cases of unrest among workers and farmers. Furthermore, the rule of law is not yet fully established, and sections of the international community are critical of rampant violations of human rights.² The rule of law is seriously undermined by corruption, which exists at all levels of government. Some sections of government are painstakingly cracking down on this phenomenon, for example, the city government in Shanghai.

The industries and enterprises targeted in this study must be understood in the context of a massively complex and rapidly changing society and economy.

Recent social and economic changes have created new poor groups in Chinese society, such as urban workers laid off from state-owned enterprises (SOEs), rural migrants working in the cities, and farmers whose land has been appropriated on a large scale due to urbanisation and industrial development.

Last but not the least; women are affected by segregation in the labour market. Now, fewer women hold white-collar jobs. Furthermore, SOE layoffs have affected women disproportionately. Generally speaking, men continue to have better educational opportunities than women, particularly in rural areas

In response to these issues, the Chinese Communist Party (CCP) and the Chinese government repeatedly use new slogans such as "maintaining stability" and "building a harmonious society" as state policy to pacify people's grievances and frustrations and legitimise their ruling power.³ The recent "coloured revolutions" in the former Soviet states have caused grave alarm amongst the CCP.⁴ Very telling was a statement by National People's Congress Vice-Chairman Shen Huaren, who said that "western hostile forces are stepping up their conspiracy to westernise and divide us and make a big fuss out of questions such as democracy and human rights". (South China Morning Post)

¹ Asia Monitor Resource Centre (AMRC), Asian Labour Update (ALU) no. 59

² Asia Week, Chinese version 10th Sept 2006

³ 16th CCP Congress

⁴ Street Politics and Coloured Revolution, 2006 and South China Morning Post (www.scmp.com)

Below are some basic indicators as to China's current state of economic and social development.

Table 1.1: Changes in China's Gross National Product, 2001-2005

Year	Amount (billion RMB)	Annual growth rate	Per capita (US\$*)
2001	10,965	8.3	1,042
2002	12,033	9.1	1,135
2003	13,582	10	1,274
2004	15,988	10.1	1,490
2005	18,232	9.9	1,703

*Note: US\$1 = 8 RMB

Table 1.2: Selected Chinese Human Development Indicators

Land Area	9.6 million sq km
Population 2004, including Hong Kong, Macao, Taiwan	1.33 billion
Urban population	543 million
Population density	134 people per sq km
Population aged 65 and above	7.6%
Population under 14	21.5%
Population growth	5.87 per thousand
Adult literacy rate	90.9%
Living space (per person)	Urban areas from 18 sq. m to 21.3 sq. m and rural area 24.8 sq. m to 29.7 sq. m
Life expectancy at birth	Men 70.8 years; women 74.6 years
Human development index	75.5

Table 1.3: Selected Chinese Economic Indicators

People who have Internet access	Over 100 million (2004)
Telephone users, 1980 - 2005	Increased from 20.1 - 57 per 100 people
Mobile phone users, 1980 - 2005	Increased from 6.8 - 30 per 100 people
People who have participated in basic pension program, 2005	174 million
Poverty reduction	Reduction of poverty in the rural areas from 250M to 23.6M people (1980-2005); poverty incident rate dropped from 31% to 2.8%.
Private cars ownership in the urban areas, 1980 - 2005	Increased from 0.5 - 3.4 per 100 people
Motorcycles ownership in the rural areas, 1980 - 2005	Increased from 21.9 - 41 per 100 people
Per capita net income of rural residents, 2005	3,255 RMB

Sources: Map of China Development Figures 2006 and China Human Development Report 2005, Economist Pocket World in Figures 2006 and 2007, China International Business September 2006, China Statistical Abstract 2006, China Industrial Development Report 2006.

Table 1.4: China's Rising Gini Coefficient, 1978-2005

Year	Gini Coefficient
1978	0.15
1990	0.35
1995	0.39
2002	0.45
2004	0.35
2005	0.319

Table 1.5: Officially Recorded Cases of Chinese Government Corruption, 1979 - 2004

1979	Only 702 cases filed and investigated
1999	38,352 cases
2004	166,705 cases and 170,850 persons disciplined including 1.6 per 10,000 party members faced criminal punishments

Sources: South China Morning Post, Public Order Disturbances and Public Opinion, Analysis and Forecast on China's Economy 2006, 2006 China Society Report, Correctly Understand and Assess the Present Struggle on Anti-corruption Situation, Analysis and Forecast on China's Social Development.

Recent Industrial Development

Much of China's economic and social progress during recent economic reorientation is due to rural people (called *mingong* or peasant labourers/migrant workers) leaving the land to work in factories producing export goods, in firms with foreign investment, or local subcontractors. There are now more than 150 million *mingong* - more than the total number of state sector workers.

In the industrial sector, there has been widespread privatisation of SOEs. Many of China's 30 million *xiagang* (laid-off) workers from SOEs have become the new working poor in society.⁵ Urban poverty is now a fixture in China's Northeast,⁶ and nobody embodies it more than poorly educated, laid off workers in their 40s and 50s. They are the lost generations.⁷ Often it is middle-aged women who find it most difficult to find new employment. Some women have turned to prostitution to make a living.⁸

One labour researcher has succinctly summarised the plight of the Chinese urban working class as four phenomena: workers have become wage labourers, no longer the "masters of the society"; pauperisation and the creation of new working poor; disempowerment; and disintegration.⁹

Table 1.6: Decrease in the Number of China's SOEs and Their Employees¹⁰

Year	Number of SOEs	% of nation's enterprises	% of nation's workers employed in SOEs
1999	50,000	30	57
2002	30,000	16	41

Table 1.7: Number of Migrant Workers in China, 2001 - 2004

Year	Size of migrant labour force
2001	90 million
2002	94 million
2003	98 million
2004	103 million

Source: Analysis and Forecast on China's Social Development 2006

⁵ ALU

⁶ China's Northeast, also known as the country's rust belt, had a particularly high number of industrial SOEs and therefore a lot of people affected by lay-offs.

⁷ National Geographic, September 2006

⁸ AMRC 2005

⁹ Chen, From Masters to Wage Labourers, www.wyzxsx.com/Article/Class21/200808/9106.html

¹⁰ Yusuf, S., Nabeshima, K., Perkins, D.H. (2005.) Under New Ownership: Privatizing China's State-Owned Enterprises. Palo Alto, CA: Stanford University Press

The number of TNCs operating inside China has increased dramatically since China joined the World Trade Organisation (WTO) in 2001. The volume of Foreign Direct Investment (FDI) in the last few years was also impressive, concentrated heavily in the export manufacturing sector.¹¹ FDI has been described as “the biggest vacuum cleaner” to describe how this investment sucks up raw materials and energy such as coal and oil to support the sector’s massive output.

Table 1.8: IMF Sector Related Figures and Profiles, 2004

	Enterprises	Number of workers (10,000)
Non-metal minerals	17,980	407.19
Ferrous metal pressing/smeltering	4,797	261.39
Non-ferrous metal pressing/smeltering	3,830	115.58
Smeltering Metal products	11,225	191.59
General equipment	14,900	308.36
Special equipment	8,135	209.13
Transport equipment	9,389	327.48
Electrical appliances	11,760	298.57
ICT and electronics	6,638	333.40
Office equipments, meters, instruments	2,788	78.33

Source: China’s Industrial Development Report 2006 (CID)

Industrial Relations and Labour Law in China

In terms of industrial relations, China is trying to catch up on two fronts. On one front, it is trying to build tri-partite systems at all administrative levels under the guidance of the International Labour Organisation (ILO). On the other front, it is moving away from state-labour industrial relations (*laodong guanxi*), to labour-management industrial relations (*laozi guanxi*).

However, one serious problem remains: how can the All-China Federation of Trade Unions (ACFTU) - the Communist Party’s official trade union body - cope effectively and systematically with this paradigm shift?¹² Can a system of real industrial relations with workers’ participation develop under the dominance of the ACFTU? Also, the newly-formed labour NGOs working outside the union structure pose a challenge to the official unions.

The ACFTU is still isolated from the international labour movement, except for activities co-ordinated by the ILO.¹³ To date, the ACFTU has claimed to have established exchanges with 155 countries and 402 trade unions around the world, but it still has highly troubled relations with foreign trade unions, which are scathing of its ties to the CCP and its complete monopoly over workers’ representation. Independent trade unions are still illegal in China.

On most occasions the ACFTU just toes the government or party line, and is willingly become its pawn in international affairs. There is no recent recorded case where the ACFTU has voiced solidarity with labour campaigns in other countries. Rather, it aggressively defends the Chinese government’s position whenever China is criticized for its stance on labour or human rights issues.

¹¹ AMRC, ATNC Outlook 2004

¹² ACFTU blue paper and year books, MOLSS reports

¹³ IHLO report, ACFTU year books, Jude Howell

Up to now China has ratified 25 ILO conventions: 11, 14, 16, 19, 22, 23, 26, 27, 32, 45, 80, 100, 111, 122, 138, 144, 150, 155, 159, 167, 170, and 182, but with denunciation of three conventions, namely, 7, 15 and 59.¹⁴

In the areas of core labour standards, China has ratified conventions on the elimination of discrimination in the work place (ILO Conventions 100, and 111), and the elimination of child labour (ILO Conventions 138 and 182).

The Chinese government enacted the first labour law in 1994 to meet the new challenges in labour relations. Subsequently many provincial and city level labour laws and regulations were promulgated. Reading from the surface, the Labour Law itself is quite comprehensive and not a bad law. But its implementation leaves much to be desired, mostly because of collision between investors and local government officials who are too eager to attract or retain investments by ignoring or diluting labour and environmental standards. Furthermore, most of the workers employed by these enterprises are migrants who do not enjoy the same rights as local people. (See the footnote on page 56 for a more detailed explanation.)

Besides the problem of poor implementation, critics also highlight three major concerns about China's labour legislation. First, more subsidiary laws and regulations are required to more comprehensively protect workers' rights. Second, there is inconsistency between national, provincial and city labour standards. And third, more legislation is required to support collective labour relations. (Ten Years' of Exploration of Social Justice, 2006).

Basically, the Chinese labour law regime is very much in line with the continental law approach. The Chinese government has openly pledged to improve labour standards to meet international labour standards and related human rights conventions.

Many advocates have been campaigning for an overall revision of the said Labour Law and stronger measures to protect working people. But the government decided not to do any review but to either enact more independent pieces of labour legislation, or to amend the existing ones such as the controversial Labour Contract Law (draft), Trade Union Law and others. In the coming year, there will be four more pieces of legislation under scrutiny, such as the Labour Dispute Resolution Law, Social Insurance Law, Employment Promotion Law, in addition to the Labour Contract Law.

The draft Labour Contract Law has drawn much criticism from the major foreign business associations in 2006 (Global Labour Strategies 2006, 2007 and ALU no. 58), which threatened to withdraw capital from China and invest elsewhere if the law was passed. A watered down version of the draft was presented at the end of 2006, and the final version is still pending approval, subject to more internal bargaining between various stakeholders. During the drafting process, the government issued an open invitation for public submissions regarding the draft law. The response was unprecedented, setting a historical record of nearly 200,000 submissions received from Chinese groups and individuals from all walks of life. The debate continues until today. (2006 China Enterprises Labour Relations Report)

¹⁴ See <http://www.ilo.org/ilolex/english/convdisp.htm> for full details of ILO conventions.

Labour unrest is nothing new in China.¹⁵ Now workers' discontent is considered to be one of the major threats to social stability. Some researchers claim that the number of disputes grows by 20-30 per cent a year. (Ho 2006, Qiao 2006) The figures can be more alarming in some regions.

It appears that the Chinese authorities are prepared to tolerate short-term factory-based disputes that do not go further than the immediate physical vicinity. However, protesters' blocking a public road or any form of violence is not tolerated. There is also no tolerance of "secondary" solidarity with workers in struggle, for example when they have the support of workers from other enterprises or - even worse - overseas organisations. If there is a clear case of labour rights violation, the government will usually demand that management remedies the problems in question, for example pay wages in arrears to the workers involved, or end other illegal practices. In some cases of wage arrears, the government will put up money of its own in order to resolve labour disputes in their early stages.

¹⁵ For example, cases documented by LAC and IHLO, ICO, Lee Ching Kwan, Tim Pringle, China Labour Bulletin (References)

2 The General Situation of Industrial Development in IMF-related Industries

General Situation of Industrial Development

In 2006 at the start of China's 11th Five Year Plan (FYP) (2006-2010), many sectors in the metal and ICT industries were still growing steadily. However, growth in 2006 was slower than previous years. This phenomenon was largely the result of government intervention through macro regulating policies, the appreciation of the Chinese RMB, a reduction in industry tax rebates, and industry restructuring.

Government Intervention

Since the beginning of the 10th FYP (2000-2005), the Chinese government has carried out macro regulating policy to tighten the overheated land market and control the excessively lax approval of mega projects. The objective of these policies is to bring the chaotic economy under control.

Throughout the 10th FYP, macro regulating policies have managed to radiate influence into different levels of the country. Their impact became visible at the industry level in 2005. Many land development projects and mega projects were stopped or delayed by government reassessment. Finally, the overheated market cooled down slightly.

In the last two decades, the state was expecting local enterprises to benefit from technological transfer by collaborating with foreign investors. In order to attract foreign investment the state implemented low tax policies and invested in infrastructure to support enterprise operations. Many provincial, city or county level governments have even compromised labour, environmental and legal standards more readily to attract foreign investment. Accordingly, the foreign investment not only set up factories, but many big brand enterprises even moved their production bases to China to enjoy the low tax policies and cheap labour.

However, local enterprises have only managed to take hold of the low to medium level technology. Foreign companies still withheld high level technologies in order to dominate the market. Therefore foreign enterprises achieved much higher sales profits than the local Chinese enterprises. Identifying this situation, the Chinese government highlights the importance of strengthening independent local innovation capacity in the 11th FYP. Many local enterprises have allocated more resources to research and development and will further focus on this area in the coming years.

With accession to the WTO, China has to comply with international trade agreements. According to WTO requirements, internal market regulating policies and import quotas will have to be abolished soon. Foreign enterprises will soon have full market access. That means many national industries will have to compete with foreign producers without the current protection from the state. Recently, Chinese exporters have also faced complaints of dumping from the U.S., European Union (EU) and other countries. These complaints will definitely affect industries where the export market is highly developed.

In order to satisfy the latest international environmental standards, such as WEEE¹ and RoHS² from the EU, the central Chinese government has stated that export industries such as computers and electronic appliances will eventually have to comply with these standards. This challenge will not only raise production costs, but also challenge the technological and management capacity of the Chinese electronics industry.

Appreciation of the RMB is still the subject of very controversial negotiations between China and her trading partners. On July 21, 2005, the RMB was appreciated by two per cent. The appreciation had already reduced the profit level of many industries. If the RMB is further appreciated some enterprises might not be able to survive.

Industry restructuring

In the last five years, many industries have undergone continuous restructuring in response to fierce market competition. Many enterprises have adopted cut-throat measures to secure their market share. Competition has put a lot of pressure on profits. Many manufacturing enterprises have carried out vertical expansion to avoid profit reductions by wholesaling and retailing companies. Furthermore, many manufacturing enterprises also carried out horizontal mergers to diversify their product range. For example, widespread restructuring took place among enterprises in the electronic appliance manufacturing industry in the last five years. Another objective of enterprise restructuring was to increase access to new technology, especially when local enterprises incorporated with foreign investors. Although China's exports of automobile, electronic appliances, ICT products, iron and steel are continuously increasing, most exports cluster at the low-end of the market. Chinese products rarely enter the high-end of the international market, as they lack independent innovation capacity. Therefore export profits remain low.

Labour Force in Foreign Invested Enterprises

With the rapid expansion of industrial development, the labour force in the industrial sector has expanded enormously. The number of workers in the secondary industry has increased substantially in the last three decades. It increased from 53.32 million in 1978 to 83.9 million in 2004 – an increase of more than 57 per cent.

Many workers are working for foreign enterprises, particularly Hong Kong, Macao and Taiwanese companies. In 1994, the number of workers employed by foreign investment and Hong Kong/Macao/Taiwan investors was 2.92 million and 1.95 million, accounting for 1.58 per cent and 1.06 per cent of the total urban workforce respectively. In 2004, this number had increased to 5.63 million employees in foreign firms, and 4.7 million in Hong Kong/ Macao/ Taiwanese enterprises (or 2.13 per cent and 1.78 per cent of the urban labour force).³ This marks an increase of 92.8 per cent and 141 per cent respectively.

¹ CID Report, 348

² WEEE is a regulation policy on environmental protection while RoHS is a standard on the restriction of harmful chemical application.

³ CID Report

ICT and Electronics Industry

Industry History

The ICT and electronics manufacturing industry have been identified as one of the priority areas of development since China reopened in the late 1970s, but it was only in the mid-1980s that the sector developed large scale industrial production. Initially enterprises were small. But from the 1990s, the industry was already able to produce a variety of products, including PCs, external components, accessories and software. By the beginning of the new millennium, China had become an important base of the world's ICT and electronics manufacturing industry. In 1999, the ICT and electronics manufacturing industry had collectively amounted assets worth 81.8 billion RMB. In 2005, this increased to 445.6 billion RMB. The industry grew at a rate of 41.14 per cent in 2002 and 41.62 per cent in 2003.

Nevertheless, the industry has experienced a slight slow down in the recent two years. It is believed that the industry is entering a mature stage of development.⁴

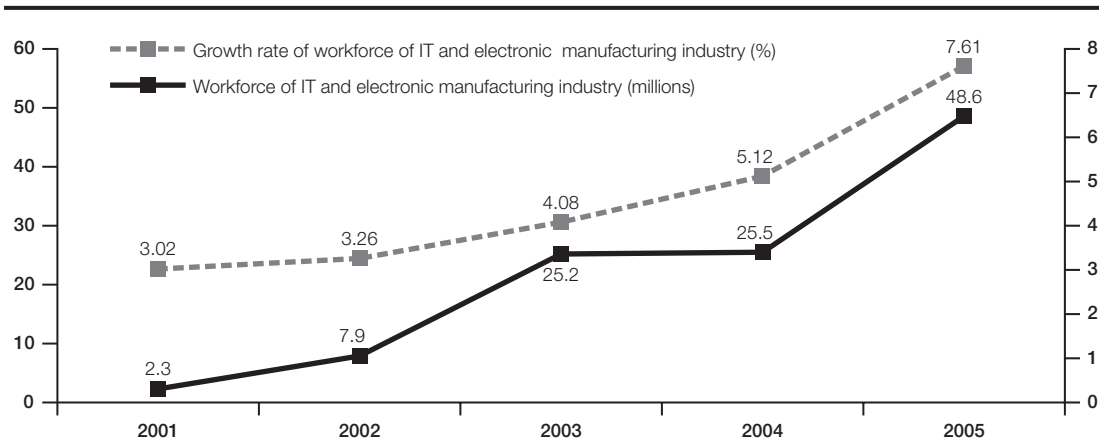
Industry Development

The ICT and electronics manufacturing industry has grown to be the most important secondary industry in China.⁵ From 2001 to 2005 the industry grew rapidly, at an average rate of 28.8 per cent - 18 points higher than the average for China's secondary industries (10.9 per cent). Its share of GDP increased from three per cent in 2002 to almost five per cent in 2005.

Real sales revenue has also increased dramatically, from 989 billion RMB in 2000 to 3,450 billion RMB in 2005 – an average annual growth rate of 28.9 per cent. From 2001 to 2005, the export value of the ICT and electronics manufacturing industry increased from US\$65 billion to US\$268.2 billion. ICT and electronics exports grew at 37.8 per cent annually, compared to 25 per cent growth in national exports overall.

Graph 2.1 shows the significant expansion of the workforce in this industry between 2001 and 2005, from 3 million workers in 2001 to 7.6 million in 2005.

Graph 2.1: Workforce of ICT and Electronics Manufacturing Industry and its Growth, 2001-2005



Source: CID Report, 321

⁴ SCID Report, 400

⁵ CID Report, 308

The industry is mainly clustered in three coastal regions, namely the Pearl River Delta, Yangtze River Delta and the Bohai Bay areas. In 2005, the total output, sales and profit of these three regions account for 86.7 per cent, 89.3 per cent and 88.7 per cent of the entire Chinese ICT and electronics manufacturing industry. It shows that these three regions have developed to be a comprehensive production chain and the production chain will be further consolidated in the 11th FYP.

Future Development

In the beginning of 2006, the Information Industry Department announced that during the 11th FYP the industry should be able to achieve 15 per cent annual growth on average. By 2010, the total sales revenue of the industry should reach RMB 6.5 trillion while the industrial growth value should be 1.4 trillion RMB (equivalent to seven per cent of GDP). In order to reach the target, the state will allocate more resources to support the industry. Since it is the priority of the national development, the booming of the industry is expected to continue in the 11th FYP.

In spite of the satisfactory growth in 2005, some hidden problems of ICT and electronics manufacturing industry have already become visible. First of all, although the growth rate of the industry was 0.15 per cent at 2005, profit of many sub-sectors has dropped. It is believed that the profit margin will shrink due to the escalating energy costs and intense price competition. Besides, the industry in China is mainly concentrated at packaging and testing in the production chain. In 2005, the processing trade was 89.2 per cent of the total export and general trade was only 7.8 per cent. Local enterprises could only compete with selling low profit products at the international market. With more intense competition, profits will be even smaller in the coming years.⁶

Although the industry showed signs of slow down in 2005, many people in the sector are anticipating another boom brought on by the 3G generation. It is expected that as soon as the government manages to finalise the relevant 3G policies such as technology requirements, standard size of businesses, capital costs, monitoring systems and channel assignments, etc, the industry will immediately enter into the 3G competition at full speed.

With China's accession to the WTO, more foreign investors are choosing to invest in their own wholly owned enterprises. In 1997, foreign wholly owned enterprises accounted for 34.6 per cent of foreign investment. By 2005, the proportion increased to 64.5 per cent. It is believed that this trend will become more widespread in the coming years.⁷

Computer Manufacturing

The computer manufacturing industry remained at a very low level before the mid-1980s. In 1986, annual computer output was 42,100 sets. After ten years, the annual output reached 1.3883 million sets. Entering the new millennium, the industry took-off and created remarkable growth. Graph 2.2 shows that the total output value of the computer manufacturing increased every year from 2001 to 2004. The total output value reached 411.39 billion RMB in 2004 (a 46.16 per cent increase). The industry employed 210,600 workers. It increased substantially by 54.54 per cent compared to 2003 (130,630 workers).⁸ In 2005, the sales revenues from

⁶ CID Report, 311

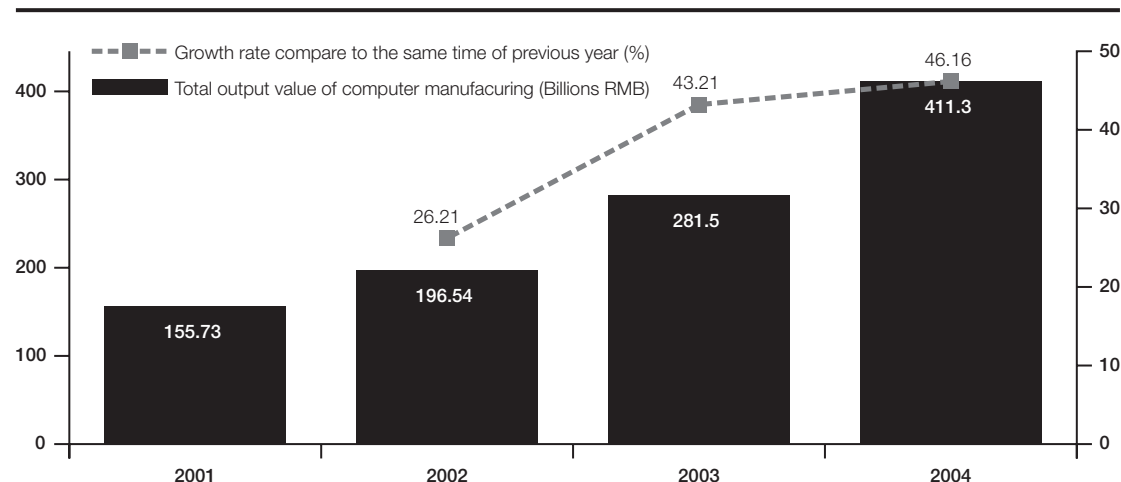
⁷ CID Report, 313

⁸ CID Report, 313

computer manufacturing accounted for 42.8 per cent of the entire ICT and electronic manufacturing industry. The sales profit was 28.2 per cent of the ICT and electronic computer manufacturing industry. It showed the importance of computer manufacturing in the entire ICT and electronic industry.

However the growth of computer manufacturing slowed down in 2005 due to market adjustment. The realized sales revenue of computer manufacturing was 1,004.75 million RMB, which marked a 21.6 per cent increase compared to the same time as the previous year. The growth dropped 24 points compared to the 45.6 per cent increase in 2005. Nevertheless, the computer manufacturing industry was still booming. The realized total profit was 22.76 billion RMB in 2005. It actually increased 27.6 per cent while the growth of 2004 was only 24.1 per cent. So the realized profit of 2005 still scored 3.5 points higher than the same time in the previous year.⁹

Graph 2.2: Total Output Value and Growth Rate of Computer Manufacturing in China, 2001-2004



Source: Industrial Map, 20

Recently, the industry focused more on notebook production. By the third quarter of 2005, accumulated notebook production reached 33.597 million sets, or 56.5 per cent of total computer production (57.498 million sets). It increased 11 percentage points compared to the notebook production in 2004.

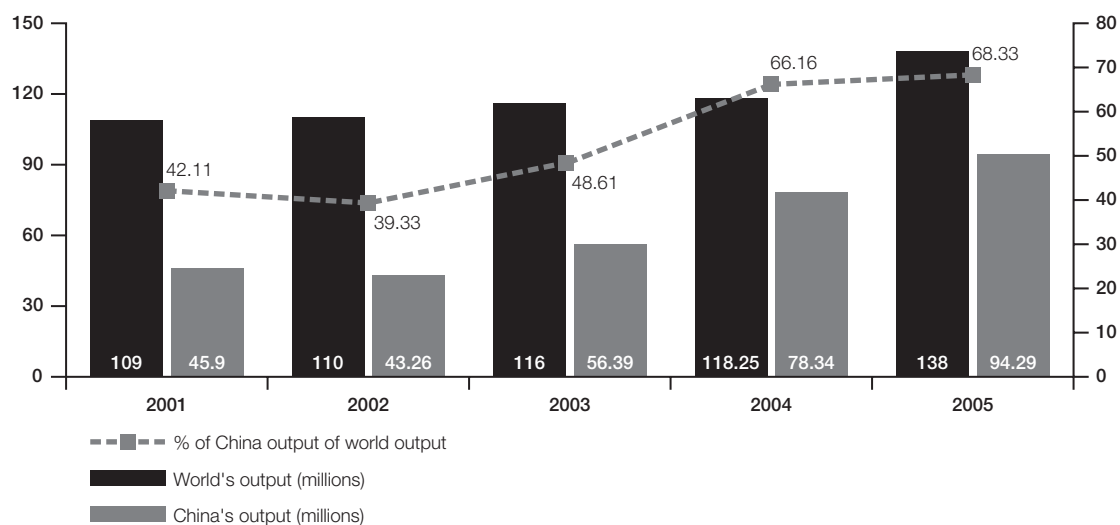
Computer Screens/ Monitors

China's production of computer monitors is increasing rapidly. In 2004, total output reached 68.33 per cent of world total. The output of cathode-ray tube (CRT) monitors reached its peak level of 13.027 million sets in 2004, but gradually decreased in 2005. On the contrary, the output of liquid crystal display (LCD) monitors increased sharply in 2005. Production of LCD monitors is mainly for export. In 2005, China exported 74.59 million LCD monitors – 61.2 per cent more than in 2004, marking rapid growth in this industry. Their export value was US\$14.54 billion in 2005 – 22.6 per cent higher than the same time as the previous year. The production of LCD monitor is mainly clustered in Guangdong and Jiangsu provinces.¹⁰

⁹ Development Study Centre of State Council, (2006) China's Industrial Development Report, Beijing: Hua Xia Publishing House, 185-188 (DCID Report)

¹⁰ DCID Report, 187

Graph 2.3: China's Share of World Monitor Output (million sets) 2000–2005

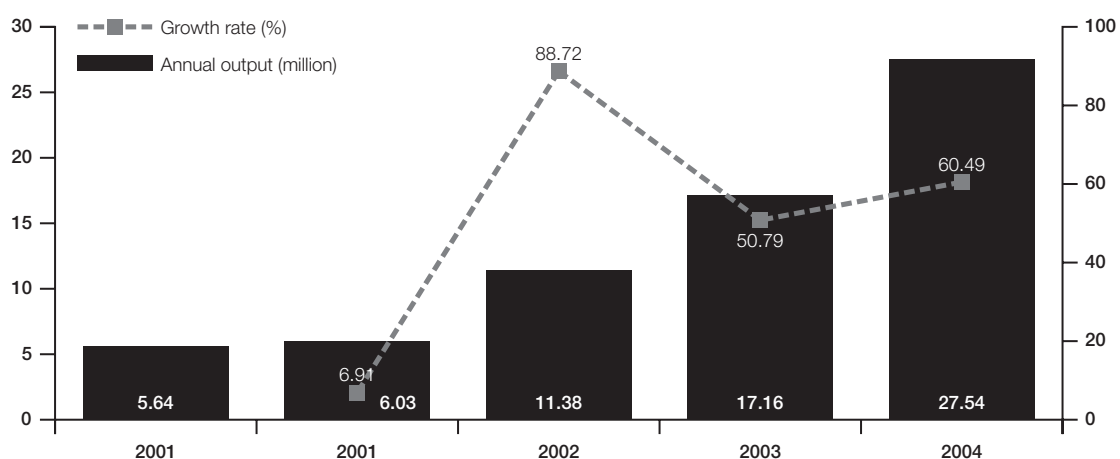


Source: Industrial Map, 21

Printers

Graph 2.4 shows that printer production continuously increasing from 2000 to 2004. Production of ink-jet printers is declining as demand for laser printers increases. Printer manufacturers are also developing printers to synchronize with other digital products. Thus the production of multi-function printers is also increasing.

Graph 2.4: China's Annual Output of Printers, 2000-2004



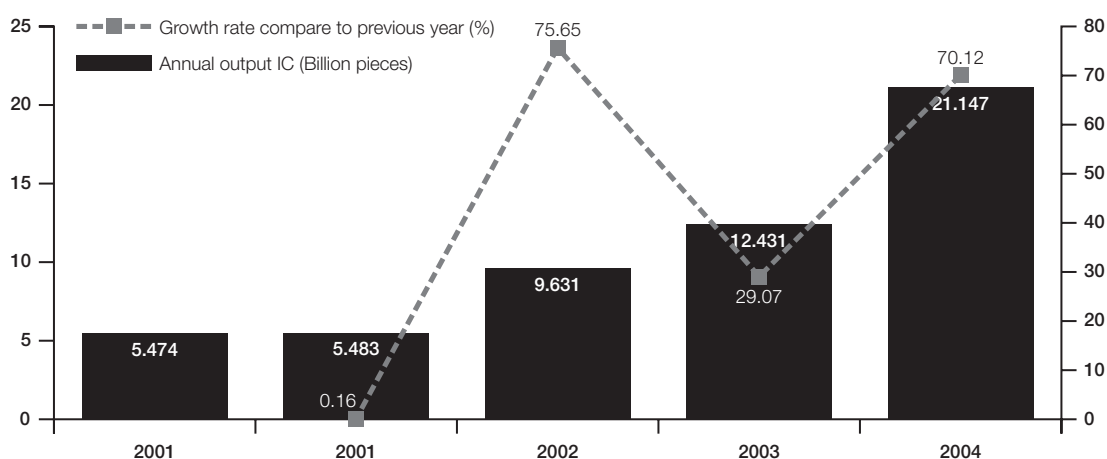
Source: Industrial Map, 21

Integrated Circuits

As with other computer components, integrated circuit (IC) production is steadily increasing (see Graph 2.5). In 2002, the output of ICs increased sharply to 9.31 billion pieces – 75.65% more than 2001 – and the industry has been expanding ever since. IC export value was US\$4.11 billion in 2005, 30.9 per cent more than 2004.¹¹

Previously, the IC industry in China was mainly focused on packaging and testing, which made up 70 per cent of the total output of IC industry. Since 2004, the proportion has changed. The IC design sector increased to 15 per cent while IC manufacturing increased to 33 per cent of the entire IC industry in China. The number of IC design enterprises also increased from 100 to 500 between 2000 and 2005, collectively employing over 20,000 workers.¹²

Graph 2.5: China's Annual IC Output, 2000-2004



Source: Industrial Map, 29

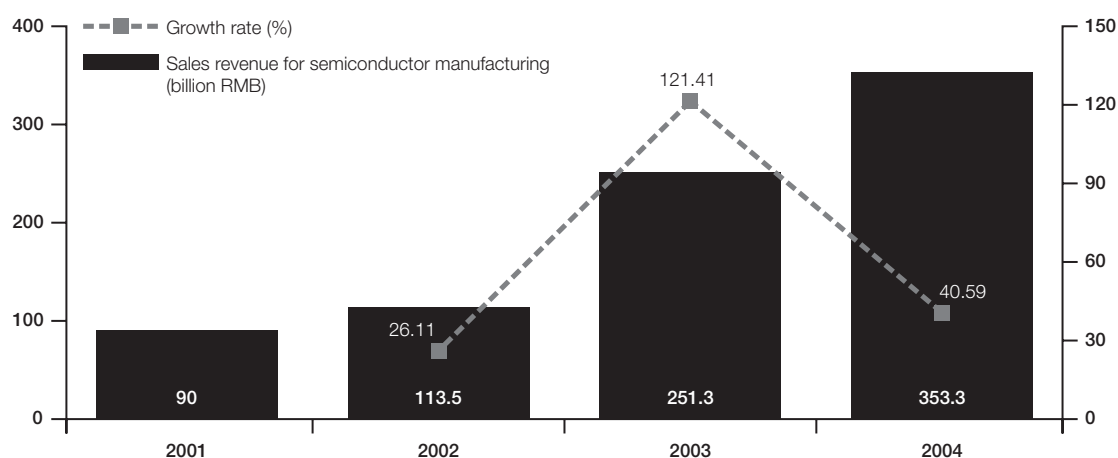
Semiconductors

Because the production of down-stream products slowed in 2004, demand for semi-conductors dropped drastically in 2005. Graph 2.6 shows that the rate of sales revenue growth for semiconductors dropped to 40.59 per cent in 2004, compared to 121.41 per cent in 2003. According to 2005 statistics, the world demand for semi-conductors should have increased back to previous levels in 2006.

¹¹ DCID Report, 187

¹² CID Report, 321.

Graph 2.6: Sales Revenue from Semiconductors, 2000-2004



Source: Industrial Map, 31

In the past 20 years, the booming of the IC market attracted many international semiconductor enterprises to set up factories in China. For instance, many Taiwanese sub-contractors moved into Yangtze River Delta at the very beginning of IC industrial development. Intel also set up a big factory for IC processing in the 1990s. With other big enterprises like Semiconductor International and Hua Hong NEC, a complete production chain was formed. Similar development also happened in the Pearl River Delta and Bo Hai Bay.

Mobile Phones and Other Telecommunication Products

Mobile phone communication became available for public subscription in 1987. In that early stage, foreign companies, such as Motorola, Nokia, and Ericsson dominated the mobile phone market. In 1998, the Chinese government set up an Information Industry Department to support the development of the industry and local enterprises. In 1999, the government implemented a mobile phone manufacturing licensing regime to regulate the industry. In the same year, the annual industrial output of local Chinese brands of mobile phones reached 1.13 million RMB, accounting for 4.98 per cent of the mobile phone market share. Starting from 2000, a group of local manufacturers, such as Ningbo Bird, TCL, and Konka successfully developed comprehensive production schemes, which helped the Chinese mobile phone manufacturing sector to expand.¹³

Table 2.1: Number of New Mobile Phone Subscribers, and Annual Output of Phones, 1999 - 2002

Year	1999	2000	2001	2002
Number of new subscribers	17.96	41.97	59.54	61.39
Annual output of mobile phone sets (million)	22.68	83.51	106.22	131.55

Source: SCID Report, 449

¹³ SCID Report, 441-444.

Industrial Data

The annual output of mobile phones has been continuously increasing. In 2004, annual output reached 200 million mobile phones. The finished product sales revenue was 410 billion RMB and tax submission 70 billion RMB. The export value reached US\$5.3 billion. Since then, mobile phones have become one of the top export items.

In 2005, 300 million mobile phones were sold both locally and internationally - a 32 per cent increase compared to 2004. Chinese manufacturers exported 230 million mobile phones, valued at US\$20.64 billion.

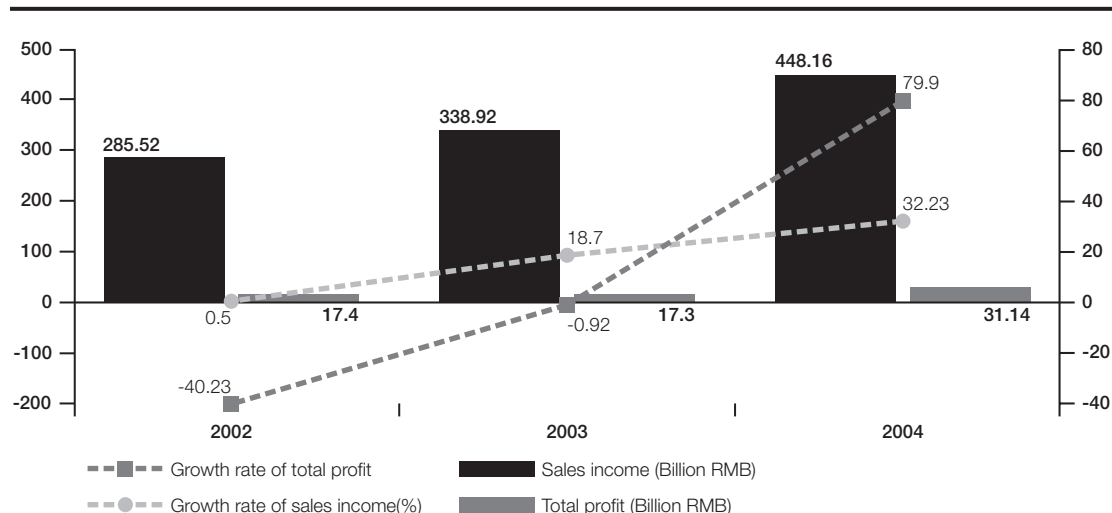
According to statistics, this mass-scale export was mainly driven by over production and saturation of the local market.¹⁴ In 2004, domestic mobile phone sales only reached 60 million handsets, while the total output reached 250 million. In addition, the cellular subscribers fell from six million to 4.755 million. Producers have turned to export in an attempt to solve the problem.¹⁵

In 2005, sales revenue grew by 30.9 per cent but total profit actually dropped by 13 per cent, because the market is experiencing product upgrading. The industry was not able to adjust to the new market conditions.

Telecommunication Equipment Manufacturing Industry

In 2005, the telecommunication equipment manufacturing industry still registered high growth of 60.4 per cent as it was pushed up mainly by mobile phone and modem production. Graph 2.7 shows that sales revenue and profit from telecommunication equipment manufacturing both increased steadily in 2004. The production of other telecommunication products dropped significantly, such as Private Branch Exchange (PBX) dropped by 6.5 per cent and digital PBX dropped by nine per cent.

Graph 2.7: Sales Income, Total Profit, Growth Rate of Sales Income and Growth Rate of Total Profit of Telecommunication Equipments from 2002-2004



Source: China Industrial Map Editorial Committee & China Economic Indicator Monitoring Centre (2005), China industrial map 2004-2005, Beijing: Social Sciences Academic Press, 43.

¹⁴ DCID Report, 199

¹⁵ SCID Report, 447

There were only five mobile phone manufacturers in China in 1997. At that time, local manufacturers had not yet started production. The number of manufacturers increased to 37 enterprises in 2004, including foreign firms. Among the 37, there were nine local manufactures producing GSM phones, and 19 manufacturers producing CDMA phones. By October 2004, the total output of local enterprises was 32.43 million mobile phones while the foreign enterprises produced 98.93 million pieces. Motorola, Nokia and Siemens each produced over ten million sets, while there were nine local enterprises that produced over one million sets.¹⁶

Future Development

By 2006, mobile phone subscribers in China will increase to 58 million; the annual growth of new subscribers will be at 20 million. In the coming years, the annual demand for mobile phones in the domestic market will easily reach 100 million sets. It is a huge market. However, with WTO agreements, all the policies of internal market regulating and import quota will be abolished soon, giving foreign enterprises full market access. Nonetheless, up-and-coming Chinese manufacturers, like Malata Group and Skyworth Digital, have already accessed the mobile phone market, beginning in 2003. This suggests that competition in the mobile phone manufacturing industry will be more intense in the coming years.

Besides mobile phone manufacturing, there is a big potential market for beeper manufacturing in China. By first quarter of 2005, 1.5 million beepers were sold. The beeper network will be expanded to nation-wide capacity very soon. Many low market mobile phone manufacturers are considering shifting to beeper manufacturing.

TNCs are using new strategies to operate in China. For example, Nokia constructed the Starnet Industrial Park in Beijing in 2002. The park had attracted 15 big enterprises, such as, Japan Sanyo Energy and Taiwan Foxconn to set up factories inside. Nokia developed the park as a comprehensive production chain where any materials and components from all over the world can be available within a few minutes, allowing for “just in time” production. No warehouse is needed. Nokia contracts out middle-stream production to other companies so the enterprises can shift more capital for upper-stream research and development. Nokia achieved huge success through its “just in time” strategy and hi-tech research, and hence other enterprises might follow these strategies.¹⁷

Electronic and Electrical Appliance Manufacturing Industry

History

The development of this industry can be dated back 35 years when the first colour television (TV) was produced in 1971. During the first ten years, the industry was still in its infant stage. There were only a few enterprises, each with low output. In 1978, there were ten TV manufacturers. Meanwhile, the output of air conditioner (AC) was only 223 sets.

The industry only managed to produce en-masse from the mid-1980s. In 1988, the state abolished the standard pricing system for colour TVs, the industry began to be regulated by the market. In order to avoid duplication of production, the state closed down a group of minor-sized refrigerator manufacturers. Thus the industry started to develop in a systematic manner.

¹⁶ SCID Report, 449-450

¹⁷ DCID Report, 199

From the late 1980s to late 1990s, the industry had already developed into a mature stage. The output volume of most of the products had exceeded the domestic market demand, and exports peaked. Since then, the industry has been able to allocate more resources for technology advancement. A recent development focus has been on either green innovation or durability extension of the products. Colour TV manufacturers have been less depended on import components than other producers, as many of those components were available from domestic Chinese producers. In 1999, the output of colour TVs reached 35.38 million sets, and exports reached 4.14 million sets. By then, China had become one of the world's top colour TV producers.

In the last 10th FYP, a process of market diversification began. Urban dwellers started to demand modern consumer products, while the rural market still needed products for daily use. Therefore enterprises diversified their production to meet market needs. Besides, the industry was trying to further consolidate in order to be strong enough to enter into the international market - particularly after China officially became a member of the WTO.

Industrial Data

Under the 10th FYP, production has increased continuously. Chinese production made up a significant share of the world's total output of these goods. In 2004, China produced 40 per cent of the world's refrigerators, 30 per cent of washing machines, and more than 80 per cent of air conditioners and microwave ovens.

Table 2.2: Growth of Production 2000-2005

Year	Refrigerators (000)	Washing machines (000)	Air conditioners (000)	Colour TVs (000)
2000	12,790	14,429.8	18,266.7	39,360
2001	13,512.6	13,416.1	23,336.4	40,937
2002	15,988.7	15,957.6	31,351.1	51,550
2003	22,425.6	19,644.6	48,208.6	65,414
2004	27,973.6	22,114.1	56,905.2	77,590.7
2005	31,055.8	29,526.2	74,691	87,785.1
Average growth in 10th FYP (%)	19.40	15.40	32.5	17.4

Source: <http://www.stats.gov.cn>, CID Report, 338

The export also constantly expanded under the 10th FYP. The average growth rate of export of refrigerators, washing machines and air conditioners during the 10th FYP was 31.9 per cent, 47.9 per cent and 50.5 percent from 2000 to 2005. In addition, the export of vacuum cleaners, electric irons and hair dryers account for 60 per cent of world exports, while the export of coffee makers and toasters account for 70 to 80 per cent.

By November 2005, China secured forty-two US\$10 million export partners. Although the export was still concentrated at processing and assembly trade, some Chinese brands managed to export large volumes of brand name products. For example, the sale of Haier brand products overseas generated US\$2.8 billion in 2005. Chinese enterprises have reached markets in Asia, Eastern Europe, Middle East and Africa.

Although this industry achieved continuous increase in output and sales, the profit margin of the industry maintained at a very low level.

In the domestic Chinese market, foreign brands still dominate the high-end market. Building an international reputation for Chinese brands seems to be an effective strategy to begin to break this domination.

Foreign investment is no longer using China as a mere packaging base. Many foreign investments are beginning to move their upstream production and research department sites to China too. Therefore more foreign investment is interested to take over local enterprises with high potential for further development. For example, Whirlpool (USA) took over Beijing Xuehua refrigerator, GE Tianjin took over Kenai, Samsung Suzhou took over Xiangxuehai, and Siemens Yangzi Electronics took over Chengsha Chongyi.¹⁸

Future Development

Several strategies have been employed to break foreign brands' market dominance. Many enterprises are trying for international expansion, beginning to invest more on image building and advertising. Another strategy is directly investing overseas. For example, the Haier Group has already set-up production stations all over the world. With intense competition in the domestic Chinese market, investment in the overseas market could be another potential strategy for China's electronic appliance industry.

In terms of the domestic market, the industry will continue to explore the potential rural market. With economic improvement, rural families will increase their demand for electronic appliances. Meanwhile the products for urban dwellers will be upgraded to higher quality, more environmentally friendly and healthier products.

Iron and Steel Industry

History

When Communist China was found, the new government identified the iron and steel industry as a crucial part of its development plan. According to the principles of the planned economy, all industrial investment, production and distribution had to follow highly centralised government instructions. Thus, the industry was mainly invested by state capital and closely followed national policy. In 1968, the Cultural Revolution broke out, and the development of the industry was interrupted for ten years.

Starting from 1978, the planned economy began a transition to a new market-based system. Since then, a certain level of autonomy was given to local authorities for regional economic development. The state reduced direct investment in the steel and iron industry. Instead, the government announced a tax rebate policy to encourage privately-funded industrial development. Enterprises began to obtain investment from various sources, such as bank loans, local capital and foreign investment. Since the mid-1980s, a large number of iron and steel enterprises have set up along the Yangtze River.¹⁹

¹⁸ CID Report, 341.

¹⁹ SCID Report, 39-43.

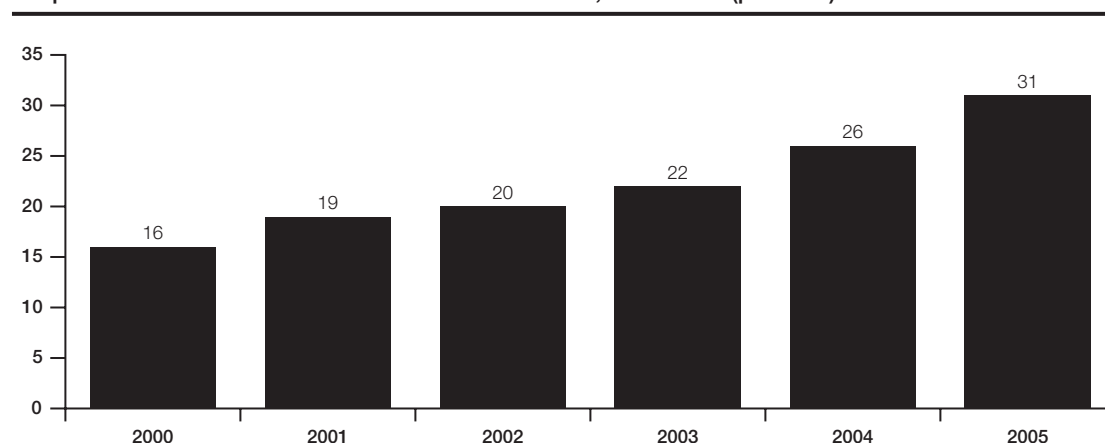
Throughout the last 20 years, the industry achieved outstanding development. In 2003, fixed asset investment in medium to large enterprises amounted to 91.152 billion RMB. Graph 2.9 shows that 75.31 per cent of the investment was raised by the enterprises themselves.

After experiencing high growth during the 10th FYP, the growth rate of the iron and steel industry began to slow down in 2005. The decreased growth rate was caused by the impact of macro regulating policies. The government had tightened the approval of iron and steel projects in order to avoid unnecessary duplication of development projects. As a result, poorly designed and ineffective projects were delayed or even stopped after official assessment. Furthermore, in the 10th FYP, the high growth rate of iron and steel production was mainly pushed up by high demand from other industries, such as automobiles, electronic appliances, and construction. As other industries slowed down, it affected iron and steel as well. Furthermore, the prices of high quality products from overseas fell due to global market fluctuations and the appreciation of the RMB. Consequently China's iron and steel industry has lost its comparative price advantage, and the import of foreign steel has increased – particularly in the market for high value-added steel products.

Industrial data

Due to the booming economy, iron and steel was in high demand during the last FYP from 2000 to 2005. The iron and steel industry's share of GDP increased from 1.5 per cent at the beginning of the 10th FYP, to 2.5 per cent by the end of the 10th FYP. Graph 2.8 reflects how China's share of world iron and steel output increased dramatically from 2000 to 2005.

Graph 2.8: China's Share of World's Steel Production, 2000-2005 (per cent)



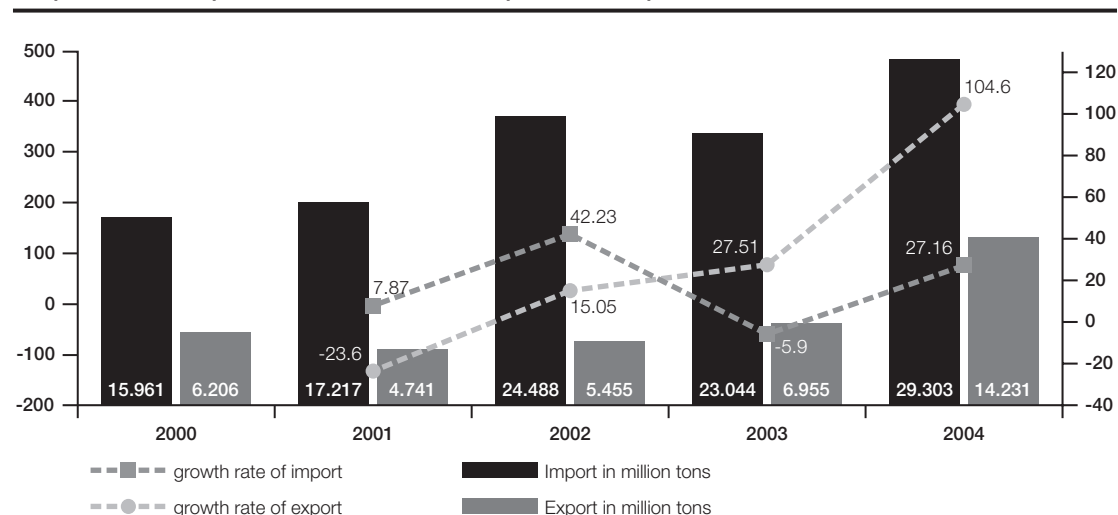
Source: CID Report, 211.

In recent years, this industry has enjoyed phenomenal growth but at the same time has recorded a decline in profits.

Graph 2.9 shows how imports dropped to 23.44 million tonnes in 2003 then increased to 29.303 million tonnes again in 2004. The increase of imports was mainly caused by the price drop in the international market. As the price of higher quality overseas import dropped, Chinese producers looked to the overseas market to sell their produce. Export quantities from 2000 to 2004 continuously increased, from 6.21 million tonnes to 14.23 million tonnes. The average growth rate was 23 per cent. The growth rate of exports was faster than that of imports.

In July 2005, the central Chinese government announced the *Iron and Steel Industry Development Policy*. The policy stated that the iron and steel industry should regard the domestic market as their priority. The industry could no longer enjoy high export tax rebates due to new restrictions imposed by WTO agreements. Therefore the growth of exports slowed down in 2005.

Graph 2.9: Development of Iron and Steel Imports and Exports, 2001-2004



Source: Industrial Map, 72.

There has been large expansion in the number of enterprises between 2000 and 2005. In 2000, there were 2,927 iron and steel enterprises in the whole country. Four enterprises had reached an annual output of five million tonnes: Baoshan (Shanghai), Anshan (Jilin province), Capital (Beijing) and Wuhan (Hubei province). These four enterprises account for 32 per cent of national iron and steel annual output. In 2005, there were 4,947 iron and steel enterprise in China, 18 of which had achieved annual output of five million tonnes. They account for 46.4 per cent of the national annual output. Eight of the 4,947 have reached production capacity of ten million tonnes.

From 2000 to 2005, a process of consolidation took place in order to avoid irrational price competition and unnecessary duplication. For example, the merger of Capital and Tangshan created Capital Tangshan Iron and Steel Company. Hunan Hualing group is a consolidation of several enterprises in Hunan province.

As with other industries, the state was expecting that foreign investment could bring capital and technology to China. Therefore, the government tried to attract TNCs to collaborate with local enterprises. For example, in 2005 Mittal, the world's largest iron and steel company invested 2.6 billion RMB to obtain a 36.67 per cent share in Hualing and is currently in the process of obtaining a 49 per cent share in Baoshan Iron and Steel Company. In addition, Arcelor, the second largest company to Mittal (which has since merged with Mittal), invested 2.086 billion RMB to get a 38.41 per cent share in Lai Iron and Steel Company.²⁰

²⁰ CID Report, 214.

Future Development

According to experts' projections, the steel output could have reached an output of 408.49 million tonnes in 2006, but the demand was likely to have been only 339.06 million tonnes. Over production was likely to have been in the range of 39.44 million tonnes. As a result, the price of the steel is likely to be decreasing. At this time of development, the impact in China can be both positive and negative. On the positive side, the excessive overproduction can guarantee steel supply for other industries. Therefore production costs in other industries, such as automobile, electronic/electrical appliance and shipbuilding industries, will be fairly stable.

However, on the negative side, the price drop will undermine the profit making capacity of iron and steel enterprises. In 2005, there were already 14 enterprises losing money in the business, and the loss rate of all enterprises reached 21 per cent. Besides, excessive iron and steel production will create unnecessary pressure on other areas – contributing to energy shortages and price fluctuations for raw material. Thus, one can predict that the government will certainly monitor iron and steel projects very closely in the future.²¹

The fluctuating price of raw materials is another challenge for the iron and steel industry. According to the statistics, China imported 92.39 million tonnes of raw iron ore in 2001, and 275 million tonnes in 2004. In that time the price of raw iron ore increased by 71.5 per cent, which pushed up the cost of steel production in China by 47 per cent. In 2005, these costs increased another 15 per cent still. Enterprises in this industry are looking hard for ways to bring down production costs. This will bring pressure on other costs, such as labour and land.²²

Another challenge to the industry is a lack of independent innovation. The Chinese government's Iron and Steel Development Policy issued in July 2005 has outlined important directions for the industry. First of all, the policy sets certain industry standards. For example, enterprise capital should be maintained at or above 40 per cent of total assets. Enterprises should reach annual output at or above five million tonnes for a local plant, and ten million tonnes for foreign invested plants. Furthermore, foreign investment has to bring independent innovation technology.

The policy also introduced the concept of energy recycling to the industry.

Shipbuilding Industry

History

Starting in the 1950s, China tried to revitalize the industry for economic development and national defence.

Before the 1980s, the Chinese shipbuilding industry only exported regular cargo ships and oil tanks. In 1977, Deng Xiaoping declared that the Chinese shipbuilding industry had to further develop and capture the international market. Since then, the shipbuilding industry has been a top priority of the national industrial development. As most shipping companies were state owned enterprises, financing was easier than in other industries.

²¹ CID Report, 216.

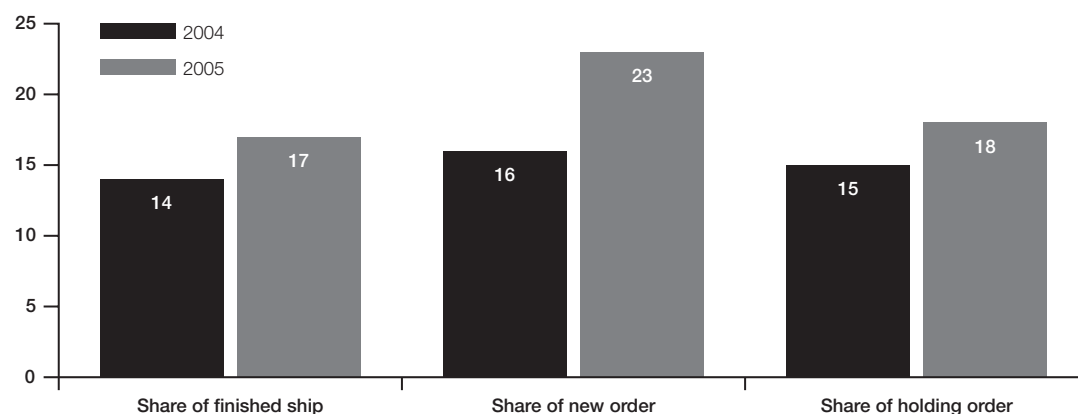
²² CID Report, 218

The total supply capability of the industry was strengthened due to massive infrastructure construction throughout the 1990s. China's share of the world's shipbuilding industry increased to 18 per cent in 2005, from six per cent in 2000. The output of domestically produced ships ranked the second in the world in 2005.²³

Industrial Data

The shipbuilding industry in China is currently booming. Meanwhile, Graph 2.10 shows that the industry's output value increased steadily from 2002 to 2004.²⁴

Graph 2.10: China's Share of the World's Shipbuilding Market in 2004 and 2005



Source: Industrial Map, 127.

Currently, 62 per cent of shipbuilding in China is done for export. In 2005 Chinese exported 752 million tonnes of finished ships - a 34 per cent increase compared to the same time as the previous year. 2005 exports were worth 4.66 billion US dollars - 48 per cent more than the previous year. Export destinations included the U.S., UK, Germany, Japan and Norway.

China's shipbuilding industry produced various kinds of ships and ship-related products.

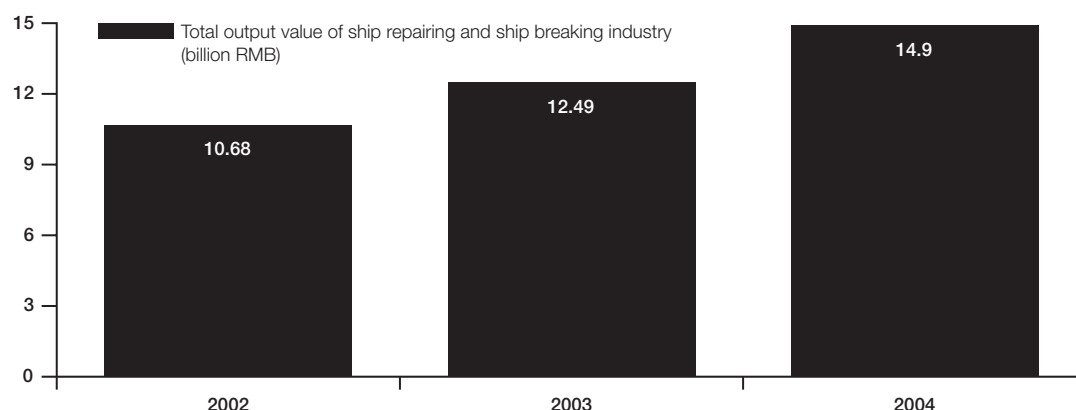
Different sectors in the shipbuilding industry all experienced substantial growth last year. In 2005, the ship manufacturing sector realised a profit of 2.34 billion RMB – 1.48 billion more than in 2004. This sector accounted for 51 per cent of the profit of the entire shipbuilding industry. Ship equipment manufacturing realized profit of 910 million RMB in 2005 – 440 million RMB more than 2004.

Graph 2.11 shows the steady increase in the output value of the ship repairing and ship breaking sectors. In 2005, the realized profit in these sectors reached 1.43 billion RMB, which was 560 million RMB more than the same time as the previous year.²⁵

²³ September 05, 2006. People's Daily Online. Retrieved from October 10, 2006, http://english.people.com.cn/200609/05/eng20060905_299769.html

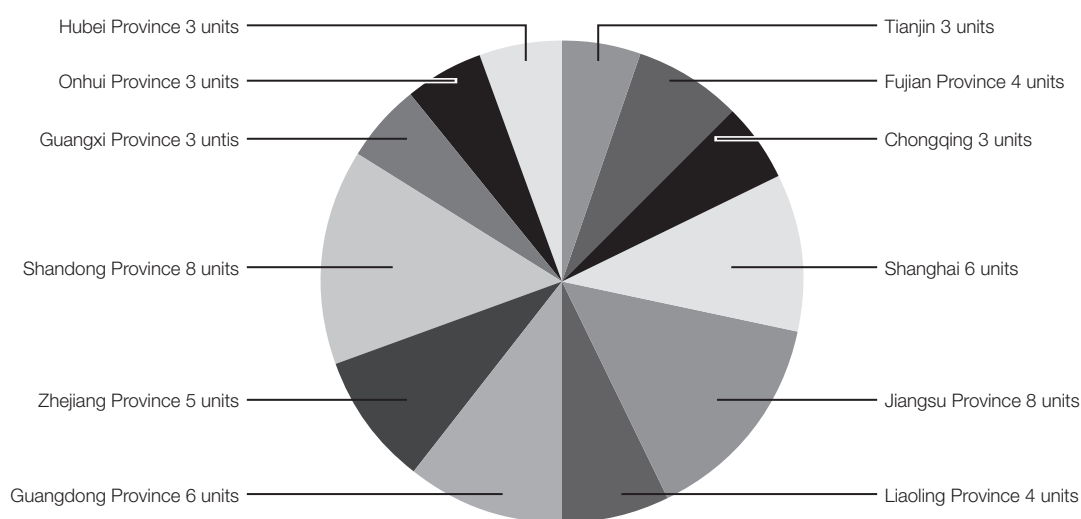
²⁴ DCID Report, 175

²⁵ CID Report, 175

Graph 2.11: Total Output Value of Ship Repairing and Ship Breaking Industry, 2002-2004

Source: Industrial Map, 127.

Graph 2.12 shows the geographic distribution of China's shipbuilding industry. The largest enterprises are centralised in coastal areas, but there have been some enterprises established along the major rivers. The five major shipbuilding areas are Shanghai, Zhejiang province, Jiangsu province, Guangdong province and Liaoning province. There is a big shipbuilding base currently under construction in Shanghai. Shipbuilding in Liaoning province is also well supported by China's northeastern development policy.

Graph 2.12: Geographical Distribution of China's Shipbuilding Industry by Province, 2004

Source: Industrial Map, 127.

Future Development

It is projected that the world's harbour construction industry will experience a boom in the next few years and output will continue to increase for at least the next ten years given steady demand from the international market.

Although the output and export volume of China's shipbuilding industry is increasing at a considerable rate, the profit level is not following accordingly. One main reason for this is that local

Chinese supporting industries are not developed enough to provide the necessary components and materials. Up to 60 per cent of components are still imported from abroad. Thus, shipbuilding enterprises are already expanding to cover production of shipping equipments.

Meanwhile, it is predicted that shipbuilding costs will continue to increase due to the slow down of economic growth and an increase in the price of steel. However, Chinese enterprises are optimistic because the over-production of steel in China will guarantee a stable supply in the coming years.

Another challenge for this industry is that the production cycle of shipbuilding is very long, and it takes a long time to get financial returns. Most orders are long-term contracts with foreign companies. Payment is in US dollars, and thus any changes in currency exchange will affect profit levels. Last year, the RMB was appreciated by two per cent.

As mentioned previously, there are many private shipyards set up along China's main rivers. A lot of those smaller enterprises have found it hard to access loan finance. This will hinder the development of the industry, since financial leasing is an important means of ship financing.

There is a projection that the shipbreaking industry will also take off in China. This is because the environmental cost of shipbreaking is very high, and these activities are controversial in more developed countries. As a result, most of the ship corpses will be sent to countries where laws on environmental protection are loose and labour is cheap. For this reason, the shipbreaking industry is likely to develop in China.

Automobile Industry

History

The first car in China was produced in 1953 by the First Auto Works at Changchun in Jilin province. The model of the car was called "liberation". Since then, a system of "One Big, Five Small" auto works emerged with an annual capacity of nearly 60,000 vehicles across nine models. The industry grew from 1966 to 1980, but the emphasis was on national defence. Auto factories mainly produced medium-sized, heavy-duty trucks and off-road tipper trucks for mineral loading. It was only in the late 1970s that the auto industry developed to a commercial production scale.²⁶

In 1978, the total industry output was only 150,000 vehicles, including 2,600 saloon cars. Starting in 1978 new technology and funds were introduced to develop saloon production, and enterprises began reforming their management and operational systems. In 1992, local Chinese auto output exceeded one million vehicles.

The auto TNCs, such as Daimler-Chrysler, Toyota, Ford, GM and Volkswagen, started to invest in China in the mid-1980s. Most invested as joint ventures with local auto enterprises. After 20 years of development, nearly all local motor factories have developed some relationship with auto TNCs.

From 1994 to 1998, the auto industry entered an adjustment stage. The industry's direction was laid out by China's auto industry policy, issued in 1994 and revised in 2004.

²⁶ Chang D O & Shepherd E. 2004. Automobile Workers and Industry in Globalising Asia, Hong Kong: Asia Monitor Resource Centre, p. 51

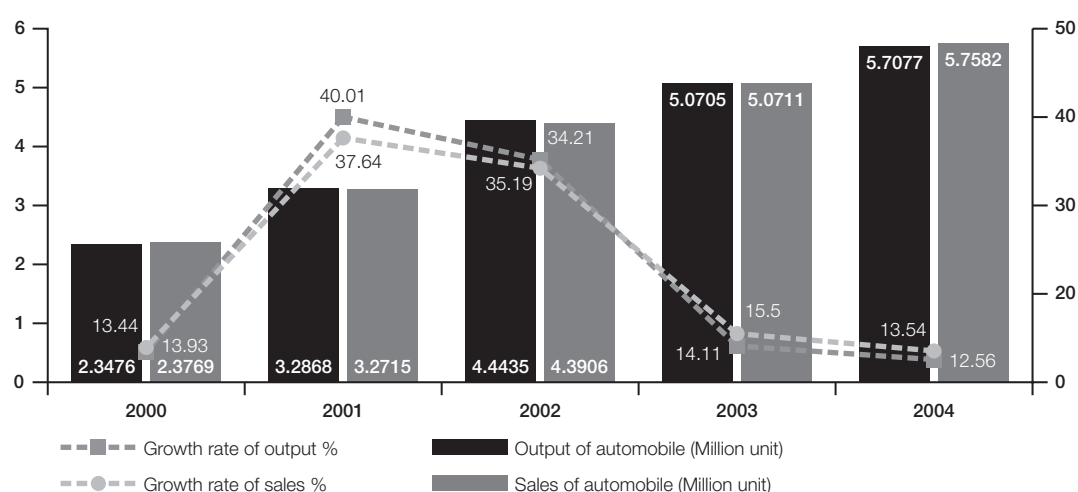
Industrial Data

The industry has experienced continuous growth. From 1994 to 1998, the accumulated output was 9.487 million vehicles. By then, the industry was not only able to meet basic domestic demand, but had also developed to produce six categories of 120 auto products.

In 2005, the total output value of the automobile industry was over one trillion RMB. The industry's profit tax submission has become a pillar of the national economy, valued at over 200 billion RMB in 2005.

Graph 2.13 shows the growth in this industry under the 10th FYP. Total sales in 2005 were 13.54 per cent higher than in 2004. Between 2000 and 2005 there was a 276 per cent increase in total automobile output. However, as the impact of macro regulation took effect in 2004, the market slowed down slightly. According to the statistics, the market went up again at the end of 2005. The outlook for the automobile market was positive going into 2006.²⁷

Graph 2.13: Auto Industry Output, Sales, Growth Rate of Output, and Growth Rate of Sales, 2001-2005



Source: Industrial Map, 162

China's automobile exports have increased sharply in recent years. The export growth rate decreased in 2005, but only because 2004 was an exceptionally strong year for export growth. Nonetheless, 2005 was the first year that auto exports exceeded imports.

Contrary to the computer manufacturing industry, the auto industry has a higher proportion of the whole vehicle export amounting to 84.7 per cent of the entire vehicle export value. At present, China's auto products are exported to Africa, the Middle East, Central Asia, South-East Asia and Latin America.

The growth rate dropped slightly for both sales revenue and profit. Likewise, losses increased slightly between 2003 and 2004. It was projected that the profit levels would likely head upwards again in 2006. Expected sales revenue should have reached 136 million RMB - an increase of 14.5 per cent, compared to 2005. The profit rate is expected to stay at 4.1 per cent.

²⁷ CID Report, 290 and DCID Report, 151

Since the 1980s, the auto industry in China has developed a lot. Many local enterprises have expanded enormously. Since the last FYP, many enterprises have consolidated their operations. The dominance of the “Big Three” has been confirmed: First Auto Works Group (FAW), Second Auto Works Group, and Shanghai Automotive Industry Corporation (SAIC). In 2005, FAW produced 983,100 vehicles, and SAIC 917,500. Other big producers include the Dongfeng Auto Corporation with 729,000 vehicles, Changan Automobile Liability Co. with 631,100 vehicles and Beijing Automotive Industry Group with 597,300 vehicles. Together the top ten local auto enterprises sold 4.8 million vehicles in 2005, accounting for 83.71 per cent of total auto sales.²⁸

In the auto industry, the automobile accessory sector has been continuously expanding. In 2001, there were 1,558 accessory plants. In 2005, there were 5,000. Among the 5,000 plants, 3,570 achieved with sales revenue of over ten million RMB, 727 plants reached over 100 million RMB, and 28 plants generated over one billion RMB. The Wenfang group even brought over UAI from the U.S.

Besides local enterprises’ expansion, foreign investments have also expanded rapidly. Currently, there are 15 top automobile TNCs, and 100 top automobile accessory TNCs invested in China. The six world big auto TNCs and the local Chinese “Big Three” have formed the “6 plus 3” competition network which control 90 per cent of the saloon car market in China. These TNCs are: GM, Ford, Daimler-Chrysler, Toyota, Volkswagen, and Renault–Nissan. In the last FYP, there was a series of business integrations between foreign investors and local enterprises.

Future Development

The market for automobile products is still growing, with different products developing at different paces. For example, the export market for small trucks, low-end economy saloon cars and passenger vehicles are all growing. But the saloon car market has stabilised as result of a price-cutting war in 2004. Competition is still intense, and so the price level will still continue to decline. It would seem that the auto industry had passed its high profit era, and earnings will be further suppressed by the intense competition.

Apart from the dominance of foreign investment, the industry had suffered from lack of innovation capacity, particularly in the area of accessory and component manufacturing. Although this sector has already expanded significantly, local brands only have 22 per cent of relevant patent ownership. The remaining 78 per cent is owned by TNCs. The technological innovation capacity of local Chinese enterprises is too weak to meet the needs of the industry. As a result, enterprises have to import accessories and components, which puts pressure on the industry’s profit margins.

Thus, observers anticipate more resources will be allocated to research and development. Foreign investors themselves have also extended investment in an effort to localize accessories and component manufacturing in China, in order to bring down production costs. Currently, the company research and development budgets of the local “Big Three” are one to three per cent of the total investment, while the TNCs are much higher at five to six per cent. Local enterprises will have to increase this resource allocation to build up their capacity to compete with the TNCs.

²⁸ CID Report, 295, and Chang D O & Shepherd E. 2004. Automobile Workers and Industry in Globalising Asia, Hong Kong: Asia Monitor Resource Centre, 52.

3 Factory Case Studies

Introduction to Fieldwork Research

In January 2006, AMRC was commissioned by the International Metalworkers' Federation (IMF) to conduct a study of IMF-related metal and electronic/electrical industries and major trans-national companies (TNCs) operating inside China.

IMF's draft study framework included the automobile, electrical and electronics, aerospace, iron and steel, and shipbuilding sectors. IMF proposed that the study compiled information on: employment, production and sales, imports and exports, production capacity, major products, the major companies involved, the importance of TNCs, regional variation within China, the amount of foreign-direct investment in these industries, enterprise and industry restructuring, companies' ownership structure, the environment, and future development prospects.

This study not only focused on industry-level analysis but on enterprise-level research. Nineteen TNCs were chosen for field study. The draft proposal included enterprise specific information relating to:

- ownership structures, management and human resources (HR) systems, recruitment problems;
- the state of industrial relations and collective bargaining; the level of trade union organisation; the scope of trade union activities; industrial disputes and how they are handled;
- wages and benefits, working hours, occupational safety and health (OSH), violations of workers' rights, gender issues; and
- the relationship between local, city, provincial and national organisations.

After extensive discussions, AMRC solicited the support of several experienced Hong Kong and Chinese partners who indicated interest in the project. Enterprise-level empirical data was gathered by local Chinese partners. Hong Kong partners were Labour Action China (LAC), ICFTU/GUF/HKCTU/HKTUC Hong Kong Liaison Office (IHLO). The Chinese partners were the People's University in Beijing (Renda), Soochow University in Suzhou, and other organisations and individuals who prefer not to disclose their identities. Regrettably, some partners from Shanghai and Nanjing were not able to join in later stages of the project for one reason or another.

A six-person Hong Kong-based steering team coordinated the field work and liaised with IMF headquarters.

The research framework, names and locations of TNCs were negotiated between Geneva, Hong Kong and local Chinese partner organisations.

Project Timeframe

The project questionnaire was designed in Geneva, and then revised by the Hong-based steering team. Field research was carried out in June and July 2006. A meeting of all the Hong Kong and Chinese stakeholders was held in Guangzhou on June 30, 2006. Participants met to revise and endorse the drafted questionnaire, to harmonise the methodology, and to exchange background

data and the details of each enterprise case study. A concluding key investigators' meeting was held in Beijing on September 1, 2006 to share comments on the draft study results.

Table 3.1: Project Timeframe

Time	Project Stage
January – April 2006	Background information gathering
May 2006	Pilot investigations in the field
June 2006	Field research Working group meeting in Guangzhou
July 2006	Field research
August 2006	Two Renda student researchers working with the steering team in HK
September 2006	Key investigators' meeting in Beijing Draft report and IMF briefing in Geneva
October 2006	Briefing session with Chinese researchers in Suzhou
November 2006	Findings reported to IMF
March 2007	"Preliminary Report on Industrial Relations and Working Conditions in IMF-related TNCs in China" completed
May 2007	Report submitted to the Exco of IMF

Research Methods

There are discrepancies in the field research results because of different research methods employed. The project included academics, trade unions, and NGOs (some more mainstream or formal than others, and therefore able to carry out research more openly). Some investigators had easy access to trade union officials, others to management, some to ordinary workers, and some to government officials. Some interviews were conducted formally inside factories, while others were carried out secretly on the outside. More importantly, some researchers relied on the testimonies of factory management, or trade union officials, while others reported from workers' perspectives or relied on secondary information. As a result, the case study findings emphasise different aspects of factory management and working conditions.

Data from Beijing and Shanghai was gathered largely through interviews with company management and trade union officials, and hence these reports have a strong focus on management structures, but perhaps overlook problems that worker interviews might have exposed. Surveys in Zhejiang province drew on interviews with both factory management and workers. In Guangdong and Suzhou interviews were solely with production levels workers, carried out covertly. For this reason, Guangdong, Suzhou and Zhejiang case studies generally contain more practical information about working conditions than the Beijing or Shanghai cases.

Challenges for the Research Team

Due to time and resource limitations, the research team was only able to cover the automobile, electrical/electronics and chemical sectors, including enterprises in five regions of China (see Table 3.2 and Appendix 2 for a map of the study areas).

One of the greatest challenges for this research team was team members' diverse backgrounds, which influenced the survey results. On the upside, this gives an overall spectrum of the insights from various actors in the field of industrial relations. On the other hand, the inconsistency between research methods makes the case studies difficult to analyse comparatively.

The English-Chinese language barrier was another hurdle that had to be overcome. Chinese to English translation is not only time consuming but also not easily done.

Lastly, political sensitivity and confidentiality are also matters of great concern for researchers because of China's restrictions on civil society, freedom of information and the independent labour movement.

Table 3.2: List of Surveyed Factories, Industries, Locations and Ownership

Company Name	Industry	Location	Ownership
1. Benz-Daimler-Chrysler Auto	Automobile	Beijing	Sino-German-US joint-venture
2. Hyundai Motor	Automobile	Beijing	Sino-Korean joint-venture
3. Volkswagen Auto	Automobile	Shanghai	Sino-German joint-venture
4. Nokia Shouxin Telecommunication	Electronics	Suzhou, Jiangsu	Sino-Finnish joint-venture
5. Delphi Electronics Systems	Electronics	Suzhou, Jiangsu	Foreign-owned (US)
6. Bosch Automotive Products	Automobile	Suzhou, Jiangsu	Sino-German-Japanese joint-venture
7. General Electric Hydro Asia	Electrical	Hangzhou, Zhejiang	Sino-US joint-venture
8. Panasonic Home Appliances	Electronics	Hangzhou, Zhejiang	Foreign-owned (Japanese)
9. Electrolux Household Appliances	Electronics	Hangzhou, Zhejiang	Foreign-owned (Sweden)
10. Bosch Electromotion Instruments	Electronics	Hangzhou, Zhejiang	Foreign-owned (German)
11. Jinggong Steel Structure	Steel	Shaoxing, Zhejiang	Sino-German joint-venture
12. Haiyan Power System Resources	Electronics	Haiyan, Zhejiang	Sino-US joint-venture
13. LG Yongxing Latex	Chemicals	Ningbo, Zhejiang	Sino-Korean joint-venture
14. General Bearing	Bearings	Ningbo, Zhejiang	Sino-US joint-venture
15. Nokia Mobile Phones	Electronics	Dongguan, Guangdong	Sino-Finnish joint-venture
16. Guangqi/Guangzhou Toyota	Automobile	Guangzhou, Guangdong	Sino-Japan joint-venture
17. Panasonic Battery	Electronics/ chemical	Zhuhai, Guangdong	Foreign-owned (Japan)
18. Panasonic Motor	Electrical	Zhuhai, Guangdong	Foreign-owned (Japan)
19. Bosch Heating Systems	Electrical	Shunde, Guangdong	Sino-Germany Joint-venture
20. Bosch Security System	Electronics	Zhuhai, Guangdong	Foreign-owned (Germany)
21. Flextronics International	Electronics	Shenzhen, Guangdong	Foreign-owned (Singapore/US)

Case study synthesis

From June to August 2006, we conducted investigations in five regions of China, covering 27 factories under 12 TNCs. Industries include 18 electronics and electrical appliance factories, seven automobile factories, and two chemical factories.

A large number of factories studied were in Zhejiang (12) and Guangdong (9) provinces. Zhejiang has been a leading centre for foreign investment, while Guangdong was one of the very early open, export-led economies. Our study also targeted two factories in Beijing, one in Shanghai (both important political centres), and three in Suzhou (relatively open and export-oriented).

In terms of ownership, the study included 13 wholly privately owned factories, and 14 joint ventures - of which nine were joint ventures with SOEs, and five with local private capital.

Overall Assessments

The labour standards in the studied factories are much better than the Chinese norm.

Having said that, however, we have been able to discern strong regional differences - especially in terms of industrial relations. Being close to the country's political centres, industrial relations in the Beijing and Shanghai factories were much better than those in Zhejiang or Suzhou. Zhejiang and Suzhou factories were, in turn, better than Guangdong factories. Industrial development in Guangdong province has been almost entirely driven by private investment, and has barely any legacy of SOEs, which adhered more closely to government regulations regarding working conditions and industrial relations than the private sector.

Contrary to styles of self-organizing trade unionism practiced in other countries, collective industrial relations in these factories has very strong Chinese characteristics, which shall be discussed in the following section on Collective Industrial Relations in Surveyed Factories.

The Beijing, Shanghai and Zhejiang reports include much more detail about industrial relations than the Suzhou or Guangdong reports because of the availability and accessibility of reliable sources.

Labour Contracts

The surveyed factories sign contracts with nearly all workers, with some exceptions in Guangdong. Nearly all regular workers sign contracts with their companies. Most of the contracts are short ones, ranging from one to three years. Workers are given a copy of the said contract. Around 26 per cent of the interviewed factories employ labour service workers or dispatch workers - particularly the bigger factories in Shanghai and Beijing where these dispatch workers do not have direct contracts with management. This is a recent development, which is worth further study.

Wages

Comparatively speaking, workers surveyed in this investigation do get better wages than the local average. Table 3.3 demonstrates the regional variation in wage levels, and also reflects how these workers' wages are generally much higher than the local minimum standard. It is important to note, however, that in many cases these higher wages are only earned because of long overtime hours worked.

Our survey uncovered no problems with wage arrears. Holiday pay was usually in line with the government regulations.

In every case there was equal pay for equal work for men and women workers, and for local and migrant workers. In a majority of cases, wage increases are determined by the management, without workers' participation.

Table 3.3: Wages in Surveyed Factories Compared to the Local Government Standard

Company Name	Location	Average Blue Collar Monthly Wage (RMB)	Local minimum wage for roughly a 40 hour week ⁴⁴ (RMB)	Average working hours per week
1. Benz-Daimler-Chrysler Auto	Beijing	2,000	640	40
2. Hyundai Motor	Beijing	2,000	640	N/A
3. Volkswagen Auto	Shanghai	N/A	750	N/A
4. Nokia Shouxin Telecommunication	Suzhou	1,500	750	40 + 12 overtime
5. Delphi Electronics Systems	Suzhou	N/A	750	N/A
6. Bosch Automotive Products	Suzhou	1,000	750	40 + > 8 overtime
7. General Electric Hydro Asia	Hangzhou, Zhejiang	2,500	670	40 + overtime
8. Panasonic Home Appliances	Hangzhou, Zhejiang	900 (1,100 if there is overtime work)	750	40
9. Electrolux Household Appliances	Hangzhou, Zhejiang	1,000	750	40
10. Bosch Electromotion Instruments	Hangzhou, Zhejiang	1,400	750	40 + occasional overtime
11. Jinggong Steel Structure	Shaoxing, Zhejiang	2,500	610	40 + occasional overtime
12. Haiyan Power System Resources	Haiyan, Zhejiang	2,000 (5,000 technicians)	560	40
13. LG Yongxing Latex	Ningbo, Zhejiang	N/A	N/A	N/A
14. General Bearing	Ningbo, Zhejiang	1,500	610	43
15. Nokia Mobile Phones	Dongguan, Guangdong	800	690	about 40
16. Guangqi/Guangzhou Toyota	Guangdong Guangzhou	1,000-1,200	780	40
17. Panasonic Battery	Zhuhai, Guangdong	1,000	690	40
18. Panasonic Motor	Zhuhai, Guangdong	1,000-1,300	690	43 + overtime
19. Bosch Heating System	Shunde, Guangdong	700-900	690	43 + occasional overtime
20. Bosch Security Ssystems	Zhuhai, Guangdong	700-800	690	40
21. Flextronics International	Shenzhen, Guangdong	1,200	700	40

Source: CSR Asia Weekly, vol.3 week 11, our field work research

Working Hours

Excessive overtime is a chronic problem in Chinese factories, yet most of the factories in this survey adhere to government regulations on working hours and payment rates. Some even plan overtime three months ahead, and seek consensus from the relevant trade union for endorsement. However around half of the surveyed factories exceeded the overtime limit, particularly during the busy seasons, making workers work for 100 hours per month, with no rest day. Some factories do not pay overtime premiums in line with relevant minimum wage laws – including Jinggong in Zhejiang, which has an active trade union. Of course there is always the excuse that workers like overtime as they can generate more income. It is true that if they do not work overtime, their total income will drop dramatically, as was the case at Bosch in Zhuhai. Workers' base wage is very low.

Recently many companies surveyed have imposed stricter control on overtime such as lean

⁴⁴ The precise number of hours of "regular" working time vary slightly between regions.

production to reduce overtime hours. At Bosch in Zhuhai, for example, overtime hours dropped dramatically from 119 hours in the month of March 2006 to only 45 hours in the month of June. Workers said that this was in response to a visit from German management, who demanded that local management introduce a new three shift system to limit overtime. As one can see from the Bosch factory report, workers were actually very unhappy with the reduction in overtime because of subsequent reduction in their salaries from 1,751 RMB to 898 RMB in the space of four months. This demonstrates how the issue of overtime cannot be separated from the problem of low wages in China.

Occupational Safety and Health (OSH)

Most of the factories do take OSH seriously, and meet the relevant government standards. There were no serious accidents reported in our investigation. However, OSH committees were only present in exceptional cases.

In some chemical and automobile factories, management prioritises OSH work, with more full automated production lines installed with proper protection measures and equipment. For example, in one automobile factory, there is an 'OSH Brief' which covers important news about OSH meetings in the central to local governments, updated publicity materials on OSH and OSH procedures in operation. There is also one designated OSH personnel wearing an armband at each department, who could only take up this position after proper training. Regular monthly OSH meeting also takes place. Every quarter there is a joint OSH check by management and the union on important days such as National Day (October 1).

Nevertheless, there are companies that do not follow government OSH rules and regulations, and do not provide the necessary Personal Protective Equipment (PPE) to the workers. Minor accidents subsequently do occur.

Social Insurance and Benefits

Nearly 50 per cent of the factories studied have contributed to old age, medical, unemployment, work injury, maternity and housing fund insurance, or to a minimum of superannuation, medical and unemployment. Some have provided workers with commercial insurance (accidents), supplemental medical insurance or supplemental provident fund by the management. Others just pay part of the mandatory insurance items.

Ninety per cent of the surveyed factories provide free meals and transportation to and from work. Dormitories are provided, often for free, usually with a fee levied for water and electricity. Some dormitories are better with AC, colour TV, hot water and self contained bathrooms, but there are worse conditions where workers complain about bathing problems.

Many factories provide cash or other benefits such as festival bonuses (May Day, National Day) or fruit or small gifts. Individual factories provide discount coupons for supermarket purchases, for example, around 500 RMB. Some provide a hot weather bonus (400 RMB per person). Some provide wedding, sickness and/or hospital cash allowances.

Holidays and Leave

Generally speaking, these factories observe the government regulations on holidays and leave, including paid sick leave, maternity leave and time off to nurse small children. Factories also implement their own annual leave systems, rewarding more leave to long-serving employees.

Factory Rules and Discipline

Some individual factories impose unreasonable factory rules or do not follow laws and regulations, particularly those in Guangdong province. At Panasonic Battery, Zhuhai, workers are required to work standing up for 8 – 11 hours, and many women workers were forced to resign because of the exhaustion caused by standing for the whole day.

Our survey uncovered a number of unreasonable factory regulations in Guangdong. This is perhaps because working standards in Guangdong are generally worse than other coastal provinces in China, but it may also be because research in Guangdong was conducted through covert interviews with workers themselves. Again at Panasonic Battery in Zhuhai, workers had to apply for a pass in order to go to the toilet. Three of the surveyed companies in Guangdong require workers to pay a deposit for their uniform when they enter the factory, ranging from 100 RMB at Panasonic Motor in Zhuhai, to 400 RMB at Panasonic Battery in Zhuhai, to 1,000 RMB at Toyota in Guangzhou. Panasonic Motor also considers that any break longer than 10 minutes is not working time and will deduct pay, yet according to Chinese labour law, a rest for less than 30 minutes under the factory arrangement should be considered as working time.

Collective Industrial Relations in Surveyed Factories

Unionisation and Union Activities

One third of the factories surveyed do not have trade unions, or any other form of workers' organizations. The ACFTU had a limited presence in factories surveyed in Guangdong and Suzhou (see Table 3.4). Both of the two factories in Beijing had active trade unions, as did the sole factory surveyed in Shanghai. In Zhejiang seven of eight surveyed factories had trade unions. But in Suzhou, one of the three had a union, and in Guangdong only three of seven. It is also clear from Table 3.4, however, that Chinese unions do not often engage in collective bargaining on behalf of their members, and many trade unions had not negotiated collective contracts for workers.

Around one third of the interviewed factories have set up labour dispute conciliation committees, women workers' committees, fund audit committees, and OSH committees, according to the law or the requirements of the ACFTU.

A universal characteristic of Chinese workplace trade unions is that they must be affiliated with and under the control of the ACFTU. All investigated trade union committees are established in line with the ACFTU regulations. Most of the officers were elected from multiple candidates, but these candidates are usually vetted before-hand by the related authorities. Another well-known characteristic of Chinese trade unions is factory managers or Communist Party members serving as union officials. Indeed factory managers occupied union positions at Nokia Dongguan, Toyota Guangzhou, Ningbo General Bearing, and Panasonic Hangzhou. Likewise at Panasonic Zhuhai, the union chair was a member of the Communist Party and the local People's Congress.

Table 3.4: Trade Unions and Collective Contracts in Surveyed Factories

Company Name	Location	Trade Union	Collective Contract
1. Benz-Daimler-Chrysler Auto	Beijing	Yes	Yes
2. Hyundai Motor	Beijing	Yes	No
3. Volkswagen Auto	Shanghai	Yes	Yes
4. Nokia Shouxin Telecommunication	Suzhou	Yes	No
5. Delphi Electronics Systems	Suzhou	No	No
6. Bosch Automotive Products	Suzhou	No	Yes
7. General Electric Hydro Asia	Zhejiang	Yes	No
8. Panasonic Home Appliances	Zhejiang	Yes	No
9. Electrolux Household Appliances	Zhejiang	No	No
10. Bosch Electromotion Instruments	Zhejiang	Yes	Yes
11. Jinggong Steel Structure	Zhejiang	Yes	No
12. Haiyan Power System Resources	Zhejiang	Yes	No
13. LG Yongxing Latex	Zhejiang	Yes	No
14. General Bearing	Zhejiang	Yes	Yes
15. Nokia Mobile Phones	Guangdong	Yes	No
16. Guangqi/Guangzhou Toyota	Guangdong	Yes	Yes
17. Panasonic Battery	Guangdong	No	No
18. Panasonic Motor	Guangdong	Yes	Not sure
19. Bosch Heating System	Guangdong	No	No
20. Bosch Security Systems	Guangdong	No	No
21. Flextronics International	Guangdong	No	No

This overlap between the union and management has created a false understanding of what a union is among workers, and confusion as to whom these officers really represent. Individual case studies will reflect workers' differing levels of understanding about the role of the union. The case studies also make clear that many unions make their main work co-ordinating staff welfare, and organizing social activities for members.

These factory unions emphasise a co-operative rather than confrontational relationship with the company management. They emphasise working principles such as “win-win” or “both will benefit” or “both contribute to enterprise development”, or “to increase workers rights and welfare”. Their work can be broadly divided into five major areas:

- (1) Liaising with management; sitting as a member of the board of directors; participating in daily or regular meetings and exchanges with management (especially the HR department); consulting with management before staff dismissals or disciplinary action.
- (2) Running leisure and educational activities for workers such as sports events, games, performances, picnics, outings and birthday parties.
- (3) Running activities such as skills competitions, technical innovation initiatives, or rationalisation campaigns that can enhance productivity and increase efficiency.
- (4) Offering assistance to workers in difficulty; assisting to resolve personal financial and family problems.

(5) Gathering workers' opinions and suggestions and conveying them to management through seminars and workshops.

Generally speaking, workers participate actively in the union's social events, but have a limited understanding of the union's role as a body that can represent workers. A small number of workers did complain about the limited function of their unions.

Interestingly, three of the strongest unions from among surveyed factories were present in enterprises that were previously state-owned enterprises (SOEs), or subsidiaries of previous SOEs – namely Beijing Benz-Daimler-Chrysler, General-Electric Hydro-Asia and LG Yongxing. Other case studies also found that union officials in several companies had previously worked at SOEs. Trade unions were presumably quite well established in these government enterprises, and we therefore posit that industrial relations are likely to be more mature in former SOEs (see the Beijing Benz-Daimler-Chrysler case study below).

Around 95 per cent of contract workers in surveyed factories are union members. But the membership rate amongst service workers or dispatch workers is low or insignificant because they are not considered to have any direct employment relationship with the management.

As a norm, these unions received funding from the companies, equivalent to two per cent of the enterprises' total wage bill. As a rule, 40 per cent of these company funds will be channeled up to higher levels of the ACFTU. Most unions receive dues from ordinary members, usually set at 0.5 per cent of their salaries.

Collective Consultation and Collective Contracts

Only six of the companies investigated (26 per cent) had signed collective contracts with their employees. Furthermore, three of the six collective contracts had been signed when the companies were still SOEs, and then updated after the joint ventures were established. This means that the TNCs have not officially signed any collective contract with the trade union. Workers' Congresses, which are required to be set-up in SOEs, were not present or not functioning properly in any of the surveyed companies.

Out of the three collective agreements, two of them are factories with SOE ownership. One of them was the shining example in the early days, the Beijing Benz-Daimler-Chrysler factory (Case Study 1). It was formerly a joint-venture named Beijing Jeep established in 1984 and by September of that year a collective contract was signed through collective consultation. The primary objective of the consultation is to increase the welfare and wages of the workers under the guarantee of higher profits, and to regulate industrial relations. The said contract lasts three years and right now is in its sixth term. The procedure of reaching an agreement is very much in line with the government (Ministry of Labour and Social Security - MOLSS) instructions. First, the union has to listen to opinions from workers at various levels and to check with national and overseas standards before coming up with a draft on the said agreement. The draft is then under discussion with various working groups such as a labour inspection committee with their counterparts inside the factory. Then, consultation with the management representatives takes place, and the final version needs to be approved by the Workers' Congress, and be filed with the MOLSS and other authorities. The collective contract covers general provisions,

workers' remunerations, working hours and rests, OSH and hygiene, insurance and welfare, special protections for women workers and young people, job training and education, labour contract management, awards and disciplinary actions, renewal, modification and terminations of contracts, enforcement and dispute resolution procedure and liabilities. In sum, they follow mostly the norm as imposed by the government/ACFTU joint guidelines.

Overall Conclusions

General speaking, these TNCs have relatively better standards of industrial relations, and show greater respect for individual workers' rights. There are two main reasons. First, these companies pay great attention to human resource management (HRM), with relatively comprehensive systems in place to cover all aspects from recruitment, training, remuneration, promotion, selection, dismissal, incentives, communication between workers and management, and grievance handling. And second, they tend to observe the relevant Chinese labour laws and regulations and government guidelines.

On the whole, collective industrial relations are rather weak, or to put it another way, industrial relations have not yet fully matured. There is a serious lack of union or workers' initiatives to build up a critical mass to bargain and to proactively defend workers' rights.

Our investigation suggests that there are three major reasons. First, collective agreements largely rearticulate standards enshrined in the labour law, rather than push for better conditions above the legal minimum. If a company adheres to the labour law, then a collective bargaining agreement (CBA) is somewhat repetitive. One expatriate manager denied the need for a CBA by saying that his factory has already paid workers according to the labour law, and some benefits are better than the legal requirement. He asked why the union is hounding him to sign a CBA. Many unionists do not feel the urge or have the enthusiasm to enter into such negotiations.

Second, some companies are resistant to enter into collective bargaining. Some TNCs still stall or ignore collective industrial relations, especially the Korean and Taiwanese companies. Before taking any moves in negotiations with the union, they usually consult their headquarters on this subject and seek their prior endorsement. They are afraid that once this floodgate opens (e.g. union recognition and collective bargaining), the spill-over effect will endanger their prerogative power. Furthermore, companies like Walmart and Motorola have a long history of hostility towards unions.

Third, there is a fundamental problem of union identity, its limitation and status. There are three areas that deserve attention. The first is, unions are 'established' from the top-down model through arrangements between higher levels of the ACFTU, the local government, the CCP and, most importantly, company management. Management often heavily influences Chinese trade unions. In China it is not only legal but very common for company management to serve as union officials and chairpersons.

Second, workplace unions are largely reliant on funding from the company, not their members. Workers – neither members nor non-members - have any control over the company's allocation of two per cent of the payroll to the union. These funds are greater than the amount generated from membership dues, which gives the union a structural and financial interest in cordial relations with management. One could say this is even more important than good relations with members.

Third, union committee members and the chairperson are also employees of the factories, where their personal career prospects are still in the management's hands. There is a common expression among union officers – “who will protect me if I speak out strongly for my members?” In the end, most of the management staff do not see Chinese trade unions as a threat, but an instrument that can be used to maintain industrial peace. One foreign TNC expatriate was very puzzled as to why he had to “supervise” the work of the union in his factory, reflecting how little independence the union has from management when compared with the situation in other countries.

Finally, our survey did not find any indication that companies with active Corporate Social Responsibility (CSR) policies had better systems of industrial relations or working conditions. The same goes for participation in external initiatives like International Framework Agreements. Workers interviewed were completely unaware of what CSR is and what policies their employers have in place.

Case Study 1

Beijing Benz-Daimler-Chrysler Co. Ltd. BEIJING

Beijing Benz-Daimler-Chrysler Auto Co. Ltd. (“BBDC”), is a large joint venture founded in August 2005, jointly held by Chinese, American and German investors.

BBDC employs a total staff of 3,000, including 800 female workers and 800 managers. Almost all the employees hold Beijing *hukou* or registered permanent residence in Beijing.¹ The company also has 200 dispatch migrant workers who work as cleaners or guards.

Union and Collective Agreement

BBDC has a relatively strong and influential trade union. It has six full time union cadres. The chairman is appointed by the Party and the rest are elected by union members. All employees are union members. Nobody is denied the right to join. Once s/he begins to work in the company, s/he is automatically admitted as a union member. The union’s primary role is to coordinate labour relations inside the company. When making rules and regulations, the administration consults with the union. In case there is a dispute, it intervenes immediately and communicates with those involved to solve the problem. The union often organizes various activities for workers and provides safety and legal training sessions to improve workers’ legal awareness.

The union cadre we interviewed reflected the union’s non-confrontational attitude towards management. This cadre told us that the cadres all agree that it is impossible and harmful for an enterprise-level union to only represent workers’ rights. It must at the same time consider the company’s interest and development. Only when we achieve a win-win scenario can the workers’ welfare be ensured.

The company previously existed as the Beijing Jeep Auto Co. Ltd, the first joint-venture in the Chinese auto industry, established in 1984. Ever since its establishment, it has engaged in an “equal consultation process”, which can be seen as collective bargaining in the Chinese context. This involves management and workers’ representatives meeting together to negotiate and decide working conditions and other issues relating to workers’ interests. To date, the union has signed six collective agreements with the company. The director of the union office told us that consultation and negotiation proceeded fairly smooth each time, and that these collective agreements have brought workers many benefits. In addition, BBDC has set up an independent wage consultation procedure according to the law, which has resulted in a special wage agreement. The wage level stipulated by the agreement is 10-20 per cent higher than the minimum wage standard of Beijing (640 RMB).

Labour Relations

On the whole, the relationship between workers and managers is fairly satisfactory. Labour disputes seldom occur. Besides the union, there is another organ dealing with labour issues

¹ Hukou is the Chinese government’s system of residency registration, invented in the Chinese planned economy. People can only access public services in their place of registration. Hukou classifies every Chinese person as either an urban or rural resident, and entitlement to government welfare and services differs accordingly. It effectively segregates rural people from urbanites, contributing to inequality between them.

within the company: the labour relations section under the human resources department. However, this section represents the interest of management, while the union acts mainly for workers' rights. Its main duties include contract and archive management, labour policy formulation, alteration and termination of labour relations, work injury identification, etc. It has assigned a special person in every workshop to handle labour disputes on the spot. It has close relations with the union, ranging from jointly establishing work discipline to solving disputes together. Although disparity exists, they have arrived at the mutual understanding that workers' interests should be tightly bonded with the company's development and that neither interest can be ignored.

Most disputes can be settled within the company by consultation or through the help of the Labour Dispute Mediation Committee (LDMC), which has been set up ever since BBDC's establishment. There has only been two cases in BBDC's history where workers resorted to the local Labour Dispute Arbitration Committee (LDAC). One case was for employment termination compensation when the two parties had a different understanding towards it. The result was that the worker got the rightful compensation he claimed. The other case was for work-related injury compensation. The worker had an accident in the plant and had recovered. Several years later when the company underwent restructuring and started laying-off staff, he then made a claim for injury compensation. In the end, the case was resolved through mediation outside the court. Up to the present, no one has appealed to the court.

Work injuries have not occurred at all in recent years, and BBDC strictly observes the relevant laws and standards.

Wage and Benefits

The average monthly salary for blue-collar workers is 2,000 RMB (overtime excluded) and 4,000 RMB for white-collar workers. Moreover, there are position subsidies and housing allowance payments at several levels. Other welfare benefits include free meals, free regular buses, and free accommodation (provided for migrant workers). Every employee at BBDC is insured. The company not only participates in a social insurance scheme according to law, but also purchases one or two kinds of business insurance for some workers. Meanwhile, it is now starting to operate its own supplementary pension scheme as well.

Employees work for 40 hours every week, in adherence to the Chinese Labour Law. There has been no overtime worked since last year's restructuring of the organization. This could change according to market demand, however.

Conclusion

We can conclude that workers' rights and interests are well protected in BBDC. Legal labour standards and working conditions are adhered to. The union and collective negotiation take a positive role in realizing employees' interests and coordinating labour relations within the company. This can be explained by the following factors:

First, the union has been quite strong ever since the establishment of the company. Its former corporate identity, Beijing Jeep Company, was founded on the base of a big state-owned enterprise, which traditionally has had an influential union, tightly connected to the Party.

This strong combination cannot be ignored by management. The company has set up a sound consultation system in which opinions from both sides are fully taken into account, whether in rule making or in settling disputes.

Second, some of the board members of BBDC are from Germany, and have rich experience in international team cooperation. As we know, Germany has very influential trade unions. They therefore attach much importance to union establishment and actively support its daily work. The German president holds regular meeting with union representatives every month.

It is also worth noting that the situation in Beijing is much better than that in the Pearl River Delta. Beijing is the political centre of China. The central government is more likely to intervene in enterprises. For the government, maintaining labour relations stability is the foundation of ensuring economic and political peace. Enterprises near Beijing are generally law-abiding. Moreover, many of the joint ventures in Beijing have been transformed from SOEs, which have a sound institutional base and have a tradition of providing employees with many benefits.

Case Study 2

Beijing Hyundai Motor Company Ltd. BEIJING

Beijing Hyundai Motor Company Ltd. is a Sino-Korean joint venture, founded in October 2002, with registration capital of 2.71 billion RMB (China 50 per cent, Korea 50 per cent). The stockholders are Beijing Motor Investment Company Ltd. and Korea Hyundai Motor Company. The total number of staff has reached 4,100, including 430 female workers and 626 managers. All formally employed workers (meaning those who sign labour contracts directly with the company) are with Beijing *hukou* or registered as permanent residents. There are about 1,200 dispatch workers (mostly migrants) who mainly engaged in security, cleaning and grounds maintenance.

The Union

Beijing Hyundai has a strong trade union, which is closely linked to the remaining Party organs within the factory. The trade union has seven full-time cadres, who are also the members of the Party Committee of the company. The Party Committee Secretary is the chairman of the union. The Director of the Party Committee office is also the director of the union office. Several sub-committees are set up under the union office, such as the female workers' committee, labour dispute mediation committee, labour protection inspection committee and democratic management committee. All employees are union members. Nobody is denied the right to join in the union.

The union does a lot of work to maintain harmonious labour relations within the company. It actively deals with some labour disputes and also creates many chances to promote communication between workers and management. When making rules and regulations, the factory administration consults with the union to make sure that those rules do not infringe upon workers' rights. Union members pay membership dues each month, ranging from 6 RMB to 40 RMB according to different levels of position.

The union organizes various activities for workers, such as lectures on production safety and occupational health. In addition, the union provides workers with management and skills training. The union also tries to find out and collect valuable suggestions from workers and tries to put them into effect to promote the development of the company. Workers can write down their opinions and suggestions and forward them to regularly held member meetings or the annual Workers' Representative Congress. Besides the union, there is a LDMC set up to deal with labour issues within the company.² The mediation committee is composed of a workers' representative, a company representative and a union representative, with the latter serving as chair person of the committee. In case the consultation process fails, the mediation committee is there to resolve the problem.

The union's role may sound paradoxical here. It should be the workers' representative, so how can it remain neutral as a third party to chair the mediation process? Will it still be

² According to Chinese law, the procedure for settling labour disputes is consultation, mediation, arbitration, and then litigation. The first two are not compulsory.

trusted by its members? This procedural arrangement puts the union in a rather awkward position, and thus the function the mediation committee can play is somewhat limited. Within Hyundai, the committee's main role is to positively resolve problems derived from inhumane or inappropriate treatment of workers by the Korean managers. Dealing with an employee's violations of working regulations is another big issue placed in front of the committee.

The union is engaged in almost all events and policy-making process of the company. The union cadres think that only when management and labour achieve a win-win situation can the workers' welfare be ensured.

Labour Relations

The Federation of Trade Unions of Beijing has been urging the company to sign a collective contract. After continuous negotiation and coordination, hopefully the company will sign the collective contract at the end of this year. There are several reasons why a collective contract has not been signed until now. First, unions in Korea are very powerful, so the Korean management of Beijing Hyundai worries that if the company agrees to collective bargaining, it will be unfavourable to them. Second, the Korean management is worried that a collective contract in Beijing Hyundai might set a precedent for other Korean-invested companies. Currently, not a single Korean-invested company has commenced collective bargaining in China. If Beijing Hyundai signed a collective contract, it would definitely have an important impact and exert pressure on other Korean enterprises in China. Although the Korean General Manager Lu and most other Koreans support the union, there are still some people in the management who do not welcome it.

On the whole, the relationship between workers and management is harmonious. Labour disputes seldom occur. Each month the union holds a meeting with the Korean General Manager to tell him about their recent work and discuss issues of mutual concern. In case of a change in operation or company policy, they consult each other to ensure the change will not cause problems for workers. Then the union would encourage all members to actively support it. The company puts great emphasis on OSH. It has set up an OSH committee. Its director is the Vice President of the company. Every factory workshop has been allocated a special safety inspector, and a safety meeting is held monthly.

Most disputes can be settled within the company. There are only two cases in which workers resorted to the local LDAC. In one case, a worker complained about working overtime and directly brought the issue to the arbitration committee. The worker accepted to company's response, the case was settled out of court. He is still working at the company. In the other case, a worker's contract expired and the company did not renew it because the Korean managers were unsatisfied with his performance (although the Chinese managers did not think there was a problem). The company did not pay the worker's salary. The worker applied for arbitration and the ruling went against the company. To date, no one has ever appealed to the court.

Working Conditions

The average monthly wage for blue-collar workers is 2,000 RMB - two times the local average of 1,000 RMB, and far higher than Beijing's minimum monthly wage of 640 RMB. Including bonuses, many workers receive the equivalent of 17 months salary each year. Besides the

regular twelve months' wages, each employee receives a bonus of one month's salary before each of the three major national holidays: Labour Day, National Day and New Year's Day (provided the company is having a profitable year). If workers exceed their annual production quota, they receive an additional bonus of two months' wages at the end of the Chinese lunar year. Moreover, there are position subsidies and housing allowance, which vary with workers' position in the company.

Other welfare benefits include free meals, a free regular bus service, and free accommodation (provided for newly graduated young workers). The company provides old age, unemployment and medical insurance for workers. It not only participates in public social insurance schemes according to law, but also purchases different kinds of private insurance for certain workers, in particular, special insurance for female workers. The enterprise adopts an 'average hours working system' to legally extend overtime work.

Conclusion

The union has played an important role in safeguarding workers' rights and interests and coordinating industrial relations at Beijing Hyundai. Legal labour standards are well implemented. Many high-level government officials have inspected the company and hope to promote the good experience of the union to the whole country so that more joint ventures can learn from it and accelerate the development of their own unions.

The management of Beijing Hyundai attaches great importance to the work of union. General Manager Lu has developed a two-wheel theory. The enterprise is like a carriage, the management pulls it and workers push it. One wheel is the economic management committee of the company, and the other is the union. Only when two wheels run together at the same pace can the company develop and move forward. The union actively protects workers' interests, and regards this as the union's principal role.

The stability of a joint venture primarily depends on relations between labour and management. But the relationship between Chinese and foreign management is also an important factor. Different approaches towards and understandings of the same problem will cause conflict, and affect the harmony of labour relations in the company.

Political and economic environments as well as regional differences are other factors affecting the company's labour relations.

Case Study 3

Shanghai Volkswagen Auto Co. Ltd.

(German Volkswagen) SHANGHAI

Shanghai Volkswagen Auto Co. Ltd. (Shanghai VW) is one of China's largest modern saloon car manufacturing bases, with a total staff of 15,000. Its annual output exceeds 450,000 and its production line includes Santana, Santana 3000, Passat, Polo and Golf. Established in 1985, Shanghai VW was the first saloon joint venture established after China's reform and opening up, with the Sino and German investment accounting for 50 per cent respectively. The automobile industry led by Shanghai VW is the main manufacturing industry in Shanghai's. Around half of Shanghai's industrial output value is related to the auto industry.

Lacking their own R&D competency is a disadvantage that Chinese carmakers are faced with. Local manufacturers lag far behind TNCs in terms of R&D. Local brand names have rarely made their way into the global market. In March 2004, VW successfully marketed their first self-innovated car model in China – the Santana 3000 “Surpass”. This new model has better air-conditioning and electricity-control systems than the old 2000 model.

Shanghai VW has also built up a concrete sales and after-sales service network all over the country. It is the first in the industry to introduce Customer Relations Management (CRM) to provide all-round services to its customers, building up a trusted reputation. In addition, Shanghai VW always constantly engages in community work and philanthropy. To date, it has already donated 160 million RMB to support and sponsor all kinds of community welfare initiatives in the fields of science, education, culture and health.

The Trade Union

The union's role at Shanghai VW is active in company management, worker training, and encouraging workers to participate in the company. In terms of management, it has built up a platform from which workers can participate in the management of the company, mainly through the Workers' Congress (WC). It has also set up several mechanisms for union involvement in human resources management: a labour contract management procedure, work safety supervision mechanisms, a labour dispute mediation system, and a consultation system with the company administration. Workers' representatives participate in any reform proposal affecting or related to: employees' interests, the formulation and alteration of working rules, and methods of discipline and incentive.

Four months before this survey, the union opened a legal consultancy hotline. It proved very popular and constantly received calls from workers. Some of them called to report new circumstances (11.8 per cent), but most workers call with questions addressed to the union, or to consult the union regarding workplace or industrial relations problems. Callers include contracted workers, and temporary or dispatch union members as well (those who don't sign contracts directly with Shanghai VW but with a labour service centre). It not only shows the union is trusted by its members, but also that workers' consciousness about their legal rights has improved. This poses more challenges for the union.

The union has also created a new system for its temporary or dispatch workers, including them into temporary union membership and providing various services. Last year, 21 dispatch workers from one plant reported to the union that they were paid less than the minimum wage standard during the factory's overhaul in May and June. The union soon got in touch with related departments and discussed the matter with the labour service company. The company promised to compensate for the shortfall.

In terms of the union's educational function, the core aim is to constantly improve workers' qualifications. It has delivered full-scale knowledge and skill training to all employees. It has created a strong atmosphere in which the company and the workers develop together, both benefiting from each other. In addition, the union has successfully organized a series of technical competitions, group-leader trainings and job-rotation trainings, and has recommended particularly talented workers for further training abroad.

The union has also launched a campaign called "everybody becomes the manager". It collected as many rational suggestions as possible from workers, thus inspiring their initiation and enthusiasm.

Labour Relations and Welfare System

The company signs labour contracts with its employees, and has signed a collective agreement with the union.

With competition in the market getting increasingly intense, Shanghai VW has established a comprehensive compensation and welfare system, in view of advancing the company's development and ensuring workers' living standards. A worker's annual salary is composed of basic pay and other welfare benefits. The former part includes:

- pay-by-rank salary adjusted according to the market's average payment level in the car-making industry;
- a transportation subsidy, paid according to distance;
- fixed monthly lunch subsidy; and
- performance related end of year bonus.

The second part is a series of favourable benefits and welfare provided to employees. The company has paid the four social insurances according to local laws and provisions (old-age insurance, medical insurance, unemployment insurance and housing fund). In addition, it has established a complementary insurance system, which is more beneficial to workers, including complementary pension scheme, complementary medical insurance and complementary housing fund. Employees can buy all models of VW cars at a preferential price and receive a fixed driving allowance every month. The company also occasionally hands out clothing subsidies, travelling subsidies and birthday bonuses.

Shanghai VW offers salary promotion opportunities for outstanding workers every year, in an attempt to maximize their working enthusiasm and improve performance.

The company has successfully undertaken a reform of their labour-employment mechanism. In January 2005, the first 63 five-star casual or temporary workers were promoted to formal contract workers, and were granted a special commendation. This is one of the biggest measures Shanghai VW has ever taken for their informal labour force.

Case Study 4

Nokia Shouxin Telecommunication Co. Ltd. SUZHOU

We tried to continue our investigation at Nokia Shouxin Telecommunication Co. Ltd. Suzhou Branch (NST) with the local government's help. Several managers and workers were designated to meet us for interviews.

However, our investigation met with a lot of resistance from NST. Our requests for information were rejected on several occasions, even though this information should be publicly available. We doubt the accuracy of some of their answers, especially on questions about labour relations and working conditions. They had a tendency to exaggerate. For example, one interviewee told us that labour disputes had never occurred in the company. They were unwilling to show us their contracts and pay slips, without any reason for their refusal. Presumably they had been instructed to do so.

NST is a joint venture held by Nokia (70 per cent) and Shanghai United Investment Co. Ltd. (30 per cent). Its main production line manufactures Nokia base station and beehive transmission equipment, including GSM, EDGE and WCDMA. Ever since it was founded in 1998, it has successfully introduced the most advanced technology and products of Nokia mobile telecommunication (Talk, Ultrasite, Edge, ConnectSite, etc.). Now NST is making its way into one of the two manufacturing bases of Nokia 3G network products, saving 70 per cent of its station costs.

NST employs a total of 486 staff, of which migrants account for 60 per cent. Most of the migrants come from north Jiangsu province (which is poorer compared to south Jiangsu). There are a total of 218 female employees. These figures only indicate the regular workers. If all forms of formal and informal employment are taken into account, the company employs about 600 workers.

Nokia lays great emphasis on localization. Ninety-nine per cent of its employees are Chinese. It also localizes the process of purchasing raw materials. It has established relationships with more than 80 local suppliers, 30 of them are from Jiangsu.

The Trade Union

NST has a union. Workers are given the choice to join or not. Each union member must pay 0.1 per cent of their monthly salary as union fee.

The union acts more as a welfare provider than as a workers' representative body. Its primary duty is to provide benefits and organize activities to enrich the workers' lives. Theoretically, union officials should be elected from among union members. However, ordinary workers are generally unwilling to take on these positions. They are afraid that union tasks will be a burden on their time, or that it would be shameful to stand for election and lose. Therefore, official union positions are mostly filled by senior managers of the company.

Labour Relations

There is no collective agreement in NST. Instead the company signs a labour contract with every employee. When they sign a contract, workers seem most concerned with their wage level, and ignore other items. If a labour dispute occurs, the first step workers take is to negotiate

directly with the company. If this doesn't work, they then resort to arbitration. They seldom think of going to the union or appealing to the court.

The company has not set up an OSH committee. Not much attention is paid to work accidents and occupational diseases. The company has, however, joined the government's work accident insurance scheme.

Working Conditions and Wages

Blue-collar workers receive an average wage of 1,500 RMB every month (overtime included). This is only just equal to the local minimum wage standard. The legal limit for regular work time is 40 hours per week, but usually workers work an additional 12 hours overtime every week. Working overtime is voluntary. Blue-collar workers are more willing to take overtime than the white-collar workers. Their basic wage is low and working overtime can earn them more money. The managers keep their salary information private, but one can guess it is probably several times higher than ordinary workers.

Other worker benefits include a food subsidy, housing allowance and free factory bus service. The cash payment a worker can receive on major holidays ranges from 50 to 200 RMB. For management staff, the amount is much higher. Employees at NST can enjoy 20 days paid vacation and 20 days sick leave every year. There is no gender or regional discrimination.

Conclusion

Nokia has been in the Chinese market for more than 20 years. It not only brings the most advanced technology to China, but also brings latest management theories/practice and increases job opportunities. On the other hand, cheap labour and the enormous market potential of China all provide Nokia with great business opportunities and a prosperous future. The localizing strategy shows Nokia knows its business well.

But problems still remain. The first is secrecy regarding some of its operations, already outlined above. The second problem is with workers' rights. It turns out that the workers are passive in protecting their own interests. Although there is a union, it does not reflect workers' voices, but merely organises social activities and benefits according to the management's will. If workers are discontent with their job and working conditions, they just quit.

Nokia pays workers according to the state's bare minimum wage standard. The abundant supply of Chinese labour makes it possible for companies to attract workers at a low price. Once workers are settled in a company, they just silently accept the status quo. The only way for them to increase their salary is to work overtime. For them, their salary is a much higher concern than social insurance or workplace safety.

In sum, Nokia is apparently not doing a lot to create harmonious labour relations within the company. But given the situation that Chinese labour is in oversupply, it is natural that Nokia only implements the national minimum labour standard. At least, it is observing the law. There is no organisation in China that entirely represents labour's interests. In China by tradition, everything is government-dominated. Workers look to the government to defend their rights rather than bargain with employers themselves. Labour is in a passive position, and is easily exploited when the government is more or less absent.

Case Study 5

Delphi Electronics Systems (Suzhou) Co., Ltd.

SUZHOU

Company Information

The company is solely funded by Delphi Corporation (U.S.), with the registration capital of US \$9.135 million. Delphi Corporation (U.S.) has invested more than US \$17 million in Suzhou. The total staff of the company numbers more than 600, including approximately 400 female workers.

In December 1995, Delphi Corporation invested in Suzhou Industrial Park and set up Delphi Delco Electronics Systems (Suzhou) Co., Ltd. As one of the earliest enterprises investing in Suzhou Industrial Park, the company has made a lot of progress since 1996. Its sales revenue in 2004 was over US\$112million and the company won many awards such as Best Supplier and Best Quality. It also passed the certification test including QS9000, VDA6.1, ISO14001 and ISO/TS16949. In September 2003, the Delphi Corporation made an additional investment of US\$90 million and established Delphi Electronics Systems (Suzhou) Co., Ltd. ("Suzhou Delphi").

At Suzhou Delphi, six departments manufacture automobile parts, such as electrical systems, electronics, air bags and interior decorations. Delphi now produces more than 40 kinds of auto parts in China and supplies almost all Chinese auto companies.

Labour Relations

There is no union or other workers' organizations in Suzhou Delphi. But workers do not seem concerned about this. When asked what methods have been adopted to safeguard workers' rights if labour disputes occur, workers simply said that they could resort to the government if need be. They also said that labour disputes could not occur if workers behaved well - unless the company defaulted on wage payments to workers.

Workers all sign labour contracts with the company but there is no collective contract in Delphi Suzhou. Some interviewees know the meaning of collective contract but do not know how to initiate one. When they sign contracts, workers usually only care about the wages and their responsibilities if the agreement is violated, and do pay much attention to other items.

Working Conditions

The interviewees were unwilling to disclose their salaries, but did express that their rate of pay was reasonable compare to what other companies pay in Suzhou. Workers work five days per week, eight hours per day, and any additional work is viewed as overtime. Overtime wages are paid according to the government regulations. The company never defaults on wage payments.

Usually, the company pays a 100-500 RMB bonus at Spring Festival and Mid-Autumn Festival each year. Other benefits include a free meal per day and free regular buses to and from work. The company also organizes a physical examination for workers each year. There is no gender or regional discrimination, but there was evidence that those infected by Hepatitis B are discriminated against in the company.

Conclusion

To date, Delphi has set up ten enterprises; four call centres, a technology service centre and also the Delphi-Tsinghua Auto Research Institute through cooperation with Tsinghua University. However, compared with Bosch, a powerful competitor in China, it seems Delphi has no advantages.

Labour relations and working conditions are worse at Suzhou Delphi than at other TNCs surveyed in Suzhou. Because there is no union or collective contract to safeguard their rights, we can assume that workers are passive when labour disputes occur (we were not able to collect any cases of labour disputes). In sum, we conclude that the welfare of workers in Suzhou Delphi is unsatisfactory.

Case Study 6

Bosch Automotive Products (Suzhou) Co. Ltd.

SUZHOU

Established in 1999 as a joint venture between Robert Bosch GmbH, Bosch (China) Investment Ltd. and Bosch Automotive Systems (Japan) Corp., this enterprise is the centre of Bosch Chassis systems in China, with registration capital of more than US\$80 million. Bosch Automotive Products (Suzhou) Co. Ltd. (“Bosch Suzhou”) company employs more than 900 staff, with 280 female workers.

Robert Bosch GmbH, headquartered in Stuttgart, Germany, is one of the world’s Fortune 500 Companies. It has more than 143,600 employees in its Automotive Business Unit, with business operations in 130 countries and regions across the world. Bosch is one of the biggest automotive parts manufacturers in the world.

From the beginning of its entry into the Chinese market, with its advanced design and environmental concepts, Bosch has won broad recognition from leading Chinese manufacturers. Bosch has brought to China its Chassis System, Electronic and Body System, Car Media System, Automotive Electronic System, and ATMO Equipment Project. These business units began operation at Bosch Suzhou, which is expected to become Bosch’s manufacturing and application centre of automotive parts.

Labour Relations

There is no union but they have already set up an Internal Employee Relationship Section in the Personnel Employee Relation (PER) department. The function of the PER department is to supervise the company’s provision of employee welfare and benefits, as well as represent workers to sign a collective contract with the company. Workers trust the PER department and think it has more impact than a union because they regard it as an international organisation. But the interviewees do not know how the staff of the PER department is elected, nor the source of funds.

Besides individual labour contracts, the company also signs a collective contract with workers. The contract is drafted by the company, including articles on working hours, wages, holidays, etc. The PER department collects different opinions and then consults with the company about articles in the contract.

There is no occupational health and safety committee. Some workers do not know what “occupational diseases” are. Some managers know about it but are not very concerned about preventive measures. The company offers industrial injury insurance to workers with no deduction of wages.

Working Conditions

The interviewees were not likely to disclose their wage levels in detail but told us they can receive 1,000 RMB per month, including overtime pay. The company never defaults on wage payment. Workers work five days per week, eight hours per day. Each week there is at least one day of overtime work, and overtime is paid to workers in line with government regulations.

Usually, the company pays a 100-500 RMB bonus for workers' birthdays, marriages and when female workers have babies. Other benefits include a free meal per day and a free regular bus service. Workers are satisfied with the quality of the meals provided by the company. There is no gender and regional discrimination, but female workers are not employed for some particular posts.

Conclusion

Worldwide, Bosch has taken a leading role in R&D and manufacturing of various automotive parts. It has achieved one milestone after another in the automotive industry, and it is celebrated for its professional technology and consistent innovation spirit. At present, Bosch has set up 11 solely funded enterprises, nine joint ventures and several trading companies in Suzhou/China.

In general, it is our belief that the welfare of workers in Suzhou Bosch is satisfactory. Some measures the company has taken demonstrate the company's concern for workers. In addition, from the point view of protecting workers' rights, the PER department has a greater impact than most trade unions in China.

Case Study 7

General Electric Hydro Asia Co., Ltd. (“GEHA”) HANGZHOU

The shares of General Electric Hydro Asia Co., Ltd (GEHA) are held by General Electric (GE) (90 per cent) and Hangzhou Industrial Asset Management Co., Ltd. (ten per cent) respectively³. The newly founded GEHA is subordinate to the Hydro-Electric Department of GE.

The new factory of GEHA occupies an area of about 43,000 m², and lies 15 kilometers away from the city of Hangzhou. Fifty-eight staff and most equipment were moved to the new factory as of May 2005. The old factory of GEHA was situated at the centre of Xiaoshan District of Hangzhou, which is 180 kilometers away from Shanghai. The new factory of GEHA implements the principles of efficient production and “Zero Storage”.

Currently, GEHA has begun to implement some important contracts and orders, including providing three units of 550,000 kilowatts mixed-flow water turbine radial-axial flow turbines for the Pubugou Dam Project.

On February 14, 2004, GE Power Systems (“GEPS” (General Electric Power Systems⁴) declared it would purchase the majority of stocks of KVHF — a top hydroelectric appliances manufacturer in China. It was the first merger and acquisition project of GEPS in China. KVHF was founded in 1995. It was a joint venture established by Aker Kvaerner Group (Norway; 61 per cent) and Hangzhou Electric Equipment Works Co., Ltd. (China; 39 per cent). KVHF is a worldwide hydroelectric equipments manufacturer, which produces a whole range of hydro equipment, with capacity amounting to 15 million kilowatts.

GEPS, with its headquarters in Atlanta, Georgia, USA, does business in all areas of the energy industry including coal, oil, natural gas and nuclear energy, as well as with renewable resources such as hydro and wind energy. GEPS’ total global sales were estimated at US\$23 billion in 2002. The GEPS has more than 90 years of history in China. GEPS has provided 56 steam turbines, more than 160 gas turbines and about 80 hydraulic turbines to China. Furthermore, GEPS also provides all-around project resolve schemes for Chinese clients and helps its clients to promote the reliability and efficiency of production, transportation and supply of energy sources. GEPS will continue to participate in the main infrastructure construction projects in China, including the bidding to supply the Right-bank Generator Units and pumped storage power station of Three Gorges Project, as well as the Gas Turbine Power Plant, “Western Natural Gas to East (WNGE)” project and 2008 Olympic Games.

GE was founded by Thomas Edison a century ago. GE employs 300,000 staff in more than 100 countries. In 2002, its total sales reached US\$131 billion. All the operations groups of GE have developed their business in China. GE employs about 9,000 employees in China and has established more than 20 offices and 30 wholly owned or joint venture enterprises in China.

³ Hangzhou Industrial Asset Management Co., Ltd. is the parent company of Hangzhou Electric Equipment Works.

⁴ See website: www.gepower.com

Its total investment has exceeded US\$1.5 billion in China.⁵

GEHA has over 600 employees, among which there are 140 female employees and about 30 managers. Eighty per cent are local Hangzhou residents.

Within the management, the American partners are in charge of company management. The general manager is a Taiwanese-American who speaks fluent Chinese, and leads according to the Chinese characteristics of management, human resources and labour relations. During the negotiation of the joint venture, both parties (American and Chinese) have made clear provisions concerning the trade union in China. For example, GEHA must have a trade union and trade union committee members shall be treated according to the law.

The Trade Union

GEHA established a trade union upon its foundation. The trade union is subject to the authority of the All-China Federation of Trade Unions (ACFTU). The trade union has one full-time chairperson, one full-time clerk and three part-time committee members. None of them are middle level management. The chairperson, 45 years old, was also a chairperson of former trade union before the joint venture. He is a very capable man.

All employees think that the trade union is an organisation to help employees. The leaders of the trade union are chosen through competitive election.

The trade union participates in GEHA management, especially concerning human resources. GEHA must secure agreement from the trade union when terminating employees' labour contracts. GEHA pays attention to the opinion of the trade union. If an employee wants to leave GEHA, GEHA will solicit the opinions of the trade union to see whether there is something wrong with management that has affected employees' morale. The trade union and human resources department draft the text of labour contracts together. The trade union helps and guides employees to sign labour contracts with GEHA.

The chairperson of the trade union attends board meetings as a non-voting delegate and discusses important routine matters of GEHA. The union chairperson communicates with the general manager at least once a month to exchange opinions and negotiate.

The trade union organizes meetings between workers' representatives and factory management once a month. At this meeting the trade union organises 25 employees to communicate with the General Manager. During the communication, the employees raise their opinions and suggestions, and the General Manager is supposed to respond to them.

The trade union holds a Workers' Representatives Congress twice a year. The trade union also holds activities to encourage employees to raise good suggestions about production, such as ways to reduce production costs.

The trade union holds all kinds of entertainment and sports activities, such as ball games and performances. The trade union also invites employees' families to GEHA to take part in activities such as performances, lotteries and workshop visiting. Through developing cultural activities,

⁵ See websites: www.ge-china.com and www.ge.com.

the trade union has established cohesiveness and a teamwork spirit among the employees. The trade union holds working contests as well, which include technical competitions among soldering and cold modelling working labourers to promote the technical skills and quality of employees. The trade union also plans holiday trips and excursions for its members. Twenty per cent of the members enjoy the two-day tour in turn every year.

About 98 per cent of employees have become trade union members. Some non-local temporary workers prefer not to join in the trade union. All the members join in the trade union voluntarily. Virtually all the members take active part in activities held by the trade union.

GEHA management contributes the equivalent of two per cent of total wages to the trade union, 60 per cent of which is used for the members. The employees themselves pay membership dues of 0.5 per cent of their own wages, and all of these dues are used for members.

GEHA has no other employees' organization.

Labour Relations

The aim of the trade union and employees is to secure higher wages and better welfare for workers. The employees and company do not differ in their views on this issue.

GEHA does not sign collective agreements with its employees. However, the employees are satisfied with the labour relationship, and have no explicit complaints. GEHA has had no labour disputes taken to the LDAC, nor have they been sued in court.

GEHA and the employees have not set up any specific organization in charge of OSH. The trade union assigns a delegate who is in charge of OSH. GEHA pays attention to OSH and employs professionals to manage OSH. The display screen at the gate of GEHA displays the length of time that has passed with no work-related accidents.

GEHA has established mechanisms for receiving and dealing with employees' grievances and complaints. At monthly routine meetings, employees can express their complaints to the General Manager. The General Manager directly answers and tries to resolve complaints. GEHA also has set up a "Suggestions Box". The employees may report their problems to the trade union or administrative staff; and the trade union will convey the problems to the administrative staff that will respond or resolve them immediately.

GEHA will pay more severance pay than legal provisions required for the termination of the labour contract. Last year two employees lost their jobs because GEHA dissolved their positions, and the two employees did not find alternative posts within GEHA. However, their contracts had not yet expired. After consultation, the two employees agreed to leave with an additional three months of severance pay from GEHA.

Wages and Labour Conditions

The average monthly wage amounts to about RMB 2,500. The local minimum wage is 670 RMB. GEHA increases wages every year. The rate of increase in 2004, 2005 and 2006 were eight per cent, 15 per cent and nine per cent respectively. Regular working hours are 40 hours per week. Overtime work may not exceed 36 hours per month. Overtime wages are paid according to government regulations.

GEHA signs a labour contract with each employee. The term of each contract is two years. Each employee has their own copy of the labour contract.

GEHA pays social insurance for its employees based on the employee's wages, and according to Hangzhou Municipal regulations. For retirement pension, GEHA pays 20 per cent, and the employee pays eight per cent. For medical insurance, GEHA pays 9.5 per cent, and the employee pays two per cent, plus an additional four RMB per month. For work-related injury insurance, GEHA pays 0.6 per cent, and the employees need not pay. For maternity insurance, GEHA pays 0.6 per cent, and the employees need not pay. For unemployment insurance, GEHA pays two per cent, the employee pays one per cent. For the housing fund, GEHA pays 12 per cent, and the employee pays 12 per cent. GEHA also buys life insurance for its employees from China Pingan Insurance Co., Ltd., which reimburses 100 per cent of the expense of serious disease and 90 per cent of the expense of outpatient services.

The employees are entitled to pay sick leave according to the legal regulations. The employees are entitled to high temperature compensation amounting to about 400 RMB each person on very hot days. There are no other cash benefits.

The employees are entitled to a free lunch and a free bus ride to and from work. The employees receive some non-wage benefits, namely a supermarket voucher issued by the trade union, which amounts to about RMB 500 RMB per person. GEHA provides a free three-day travel excursion for all employees every year.

GEHA employees enjoy equal pay for equal work regardless of their gender or *hukou* registration.

There is maternity leave of 90 days for female employees and paternity leave for male employees. The employees are entitled to all holidays provided by laws. The employees are entitled to paid leave, calculated according to the number of year's service at the company. New employees have three days of leave in their first year, then every service year after that will accrue another day of paid leave with a maximum of 15 days.

Conclusion

Working conditions and benefits at GEHA are very good. GEHA is a joint venture between a state-owned enterprise and a U.S. multinational corporation, so the labour relationship is basically in compliance with the law. As stated by the chairperson of the trade union, GEHA does whatever the laws stipulates.

The style of industrial relations and human resources management in GEHA is localized and full of Chinese characteristics, as clearly demonstrated in the orientation and function of the trade union. The trade union has successfully become a cooperative one in harmony with the company's management.

Case Study 8

Panasonic Home Appliances Rice Cooker (Hangzhou), Panasonic Home Appliances & System (Hangzhou) Co., Ltd., Panasonic Home Appliances & Machine (Hangzhou) Co., Ltd.,

This study encompassed three independent companies in Hangzhou. They are all in the same location, but are three independent legal entities. Panasonic Home Appliances & Machine (Hangzhou) Co., Ltd. is responsible for management of the other two, and therefore we have investigated this as a sample.

Panasonic Home Appliances & Machine (Hangzhou) Co., Ltd. (“PHAM”) was founded on September 29, 2004. It is located in the Hangzhou Economic Technical Development Zone. PHAM is engaged in the research, design, manufacture, process, technology advice and technology transfer of household appliances and residential equipment as well as their components. PHAM also sells to stores and provides after-sales-service for products manufactured by Panasonic Business Corporation (Japan) and its holding companies. Its main products include compressors, cleaners, roller washers, dishwashers and driers.

Panasonic Home Appliances & System (Hangzhou) Co., Ltd. (“PHAS”) lies by the bank of Qiantang River in Hangzhou Economic Technical Development Zone, invested in by Panasonic Business Corporation (Japan). PHAS was founded on December 7, 1995. Its former name is Hangzhou Panasonic Fuel Gas Appliances Co., Ltd. The name was changed on August 7, 2003. The facilities at PHAS cover an area of 37,941 m². The total investment amounts to JPY 2.222 billion. PHAS became a wholly owned foreign enterprise in February 2003.

PHAS began producing gas appliances on December 18, 1996. The estimated production capacity is a million units. After June 2003, PHAS prepared to engage in developing and manufacturing cleaners, hygienic toilet seats, water heaters, cooking utensils and the corresponding supporting components, as well as sales and after-sales-service.

Every time PHAS products have been inspected by the State Bureau and the local authority of Technical Supervision, they have achieved the national advanced level certification. In January 1997, PHAS acquired the “Reciprocal Certificate of Product Quality among Collaborating Cities”. In September 1997, a gas water heater manufactured by PHAS was granted the title of “Recommended Brand” by the China National Hardware Association (CNHA).

PHAS has established and effectively operates the ISO14001 Environmental Engineering System. In November 1998, it passed the spot examination conducted by the Environmental Engineering System Centre subject to the State Environmental Protection Administration of China. In December, PHAS achieved ISO4001, ISO9002:94, and ISO9001: 2000 certification.

Panasonic Home Appliances Rice Cooker (Hangzhou) (PHARC) was founded in 1998.

Both PHARC and PHAS are overseen by PHAM. PHAM is a wholly owned Japanese enterprise.

The Japanese investors are in charge of manufacturing, sales, product quality, and finance. The Chinese party is in charge of the human resources (HR) department.

PHAM has a total of over 2,000 employees, 600 of whom are female. There are 60 managers ranked above head of production line. Production line employees are all migrants from Sichuan, Hubei and other provinces.

The Trade Union

The trade union of PHAM was founded in 2005 under the ACFTU. One hundred per cent of contracted employees are union members. But 50 per cent of the staff are dispatch workers, accounting for most of the production line. Workers on a service agreement are not part of the union. Instead they are members of the labour dispatch company union. Therefore, the total rate of unionization in PHAM is 50 per cent.

The trade union mainly organizes activities and carries out welfare work including entertainment, basketball games, football games, as well as implementing occupational safety and health (OSH) guidelines, visiting sick employees, and cooperating with management.

The incumbent chairperson is also the company manager in charge of HR and OSH. She used to be manager of the state-owned enterprise with about 20 years of service. The chairperson and other committee members are chosen through competitive election. Nonetheless, the fact that the HR manager is also the union chair is quite different to Japan. According to Japanese labour regulation, HR managers are strictly forbidden to join the trade union. Although the leaders of the trade union know the situation in Japan, they proceed in their own way and Japanese managers have accepted this.

Employees perceive that the responsibility for the trade union is to organize activities for workers' benefit. Members take active part in activities organized by the trade union. The PHAM pays two per cent of the total wage bill to fund the trade union. Members pay monthly dues of either three, or five or eight RMB according to their position and rank. Sixty per cent of funds are kept within the trade union, and 40 per cent is turned over to the higher levels of the ACFTU. All the membership dues are kept within PHAM.

There is no other labour organization in the company.

Labour Relations

PHAM has not signed a collective agreement with its employees, but a template agreement is currently under preparation.

The employees are satisfied with labour relations. There is no major conflict in labour relations.

PHAM has set up employee complaint and appeal mechanisms to deal with employee dissatisfaction. There are appeal forms that employees can fill in and submit to the HR department. The HR department investigates and passes opinions to the trade union. The trade union submits its opinions and then consults with the HR department. It is important to remember that the HR manager is also the union chair, and so the separation of the HR department and the union in this process is slightly ambiguous. Employees can also appeal to section directors, general managers and the trade union committee.

There have been no labour disputes taken to external arbitration or to court. There was once a case where an employee disagreed with the company's decision to terminate his/her contract. The issue was dealt with by the HR department and the trade union, and the employee was satisfied in the end.

PHAM pays special attention to OSH. Specific people are assigned to be in charge of OSH and labour safety inspections. Routine meetings about OSH are held every month, which the chairman of the board of directors and all general managers attend. The company's OSH measures are in compliance with the relevant laws. PHAM provides strict training for employees about OSH, including regulations for workstation operations, and OSH processes. Discipline in this area is very strict.

There is, however, no special safety committee consisting of persons from the trade union and PHAM. Nonetheless, the trade union has members to take responsibility to supervise and inspect OSH. Again, it is important to remember that the union chair is the company's HR and OSH manager, so there is a degree of overlap in this respect.

Wages and Working Conditions

We received quite a few complaints from production line workers at PHAM. They complained of a heavy workload, low wages and too few benefits from the company. They say that as a result of these poor conditions, PHAM is now only able to recruit from rural migrant workers.

The average wage at PHAM is 900 RMB per month, but may reach 1,100 RMB including overtime and nightshift work. Employees work 40 regular hours a week, and have a two-day weekend rest. Overtime wages are paid according to legal regulations. Overtime work has to be approved. The employees enjoy equal pay for equal work regardless of their gender or permanent residency (*hukou*). PHAM adopts piece rates and hourly rates for different workers.

There are no cash benefits at PHAM, but there are other benefits such as free lunch (worth 5 RMB) and regular buses to and from work. Each year employees are given a free physical examination and a travel excursion, worth 300 RMB. The company provides marriage bonuses and medical care hospital subsidies.

PHAM signs a labour contract with each employee. The term is generally one year, except for management who sign for three years. Each employee has a copy of their labour contract. PHAM also signs contracts with service staff.

The company pays social insurance for its employees in line with Hangzhou Municipal Government regulations. For superannuation, PHAM pays 20 per cent of an employee's wage, and the employee pays eight per cent; for medical insurance, PHAM pays 9.5 per cent, and the employee pays two per cent plus four RMB; for work-related injury insurance, PHAM pays 0.6 per cent, and the employee does not pay anything; for birth insurance, PHAM pays 0.6 per cent, and the employee pays nothing; for unemployment insurance, PHAM pays two per cent, and the employee pays one per cent; for the housing fund (only for management and the employees with permanent residency of city and town), PHAM pays ten per cent, and the employee pays ten per cent.

Employees enjoy paid leave according to the number of years of service. All staff members have a minimum of ten days of leave per year. Employees are entitled to two days of paid sick leave per month. Female employees are entitled to 90 days paid maternity leave. New mothers are also entitled to a one-hour nursing period per day.

Case Study 9

Electrolux Household Appliances (Hangzhou) Co., Ltd. HANGZHOU

Electrolux Household Appliances (Hangzhou) Co., Ltd. (Electrolux Hangzhou) is the production base set up by Electrolux Group (Sweden) in Hangzhou. Electrolux is committed to manufacturing electronic appliances and kitchenware such as cooking utensils and smoke extractors.

Electrolux Hangzhou is a wholly owned foreign invested company. On April 8, 2004, Electrolux declared that it would invest another US\$10 million to establish its production base for kitchen electronic appliances. Electrolux had invested 55 million RMB to construct the infrastructure of its production base. The production base has a capacity of 600,000 units every year. The base will be put into production in the second half of 2006 and then Electrolux will launch more than 15 types of new products to the market.

The Trade Union and Labour Relations

Electrolux Hangzhou has not established a trade union yet, nor is there any other workers' organisation. Higher-levels of the ACFTU are currently engaged in efforts to set up the trade union for Electrolux Hangzhou.

Electrolux Hangzhou has not signed a collective agreement with its employees. It has, however, signed labour contracts with each employee. Most employees' contracts have a one-year term.

Wages and Labour Conditions

Electrolux Hangzhou participates in five kinds of social insurance schemes for its employees, including old age insurance, unemployment insurance, work-related injury insurance, medical insurance and birth insurance according to the regulations of the Hangzhou government.

The average wage at Electrolux Hangzhou is about 1,000 RMB per month. Employees seldom work overtime, and the overtime hours basically comply with state regulations. Overtime wages are paid according to legal regulations. The employees enjoy equal wages for equal work regardless of their gender and permanent residency (*hukou*).

Electrolux provides free lunch for the employees.

Conclusion

The individual labour relationship is basically in compliance with laws and regulations. However, a collective labour relationship has not yet been established.

Case Study 10

Bosch Electromotion Instruments (China) Ltd. Co. HANGZHOU

Bosch Electromotion Instruments (China) Ltd Co (Bosch China), which was founded in 1995, is a wholly owned manufacturing enterprise affiliated with the Bosch Group (Germany). Bosch China manufactures electromotion instruments and accessories for professional and domestic use. This facility is expected to be one of the largest electromotion instruments manufacturing and R&D bases of Bosch Group in the world. At present, the facility covers an area of approximately 35,000 square meters.

As a German wholly owned foreign enterprise, the company's finance, management, quality and marketing are managed by the German executives and staff. However, most human resources (HR) related work is managed by Chinese executives and staff (except decision-making issues).

Bosch China has more than 2,600 employees, 50 per cent of whom are women. There are 60 people employed in management. About 65 per cent of employees are migrant workers.

The Trade Union

The trade union at Bosch China was founded in 1997, and is naturally a member of the ACFTU. The incumbent chairperson is 45 years old. He was previously an employee of a state-owned enterprise for almost 30 years.

The trade union committee has five members. All of them are workshop or department staff (such as leader of production line, quality inspector and financial staff.) The chairperson and committee members are chosen through voluntary application and then competitive election.

There is no restriction on employees joining the trade union and 99 per cent of the employees have become members.

The employees believe the trade union's role should be to organize activities and benefits for workers, as well as to speak for them.

At present, the trade union is mainly in charge of collective bargaining, signing collective agreements, carrying out welfare policies such as providing vouchers (about 300 RMB for each worker), visiting employees who are ill or facing other troubles, and organising leisure activities, sports meetings and excursions. Excursions are held once a year and all employees may participate. The cost of activities is paid equally by the trade union and Bosch China. Trade union members actively take part in these activities.

Bosch China funds the union with the equivalent of two per cent of the total wages bill. Workers' membership dues are charged according to three positions of rank: cleaning workers pay 3.5 RMB per month; ordinary workers pay 5 RMB per month; office clerks pay 9 RMB per month. Sixty per cent of trade union funds are kept for use within Bosch China, and 40 per cent is turned over to the ACFTU leadership. All the membership dues are used for the trade union in the company.

There is no other organisation of employees in Bosch China.

Labour Relations

The collective agreement at Bosch China was concluded in 1997. The agreement is adopted from a template so it is quite comprehensive, covering working remuneration, working hours, welfare, etc. The provisions of the agreement basically comply with the Labour Law.

The employees are satisfied with the existing labour relations. There are no urgent issues, which need to be solved. The relationship between employees and the management is stable because Bosch China follows the provisions of the Labour Law.

Management pays special attention to occupational safety and health (OSH), so no work-related injury accidents occur. The company and the trade union have not established a Safety Committee. However, the trade union has its own OSH staff member who is in charge of supervising and checking labour safety and health.

The Company has set up an opinion collection channel, and a Suggestion Box. Employees may offer their opinions to the HR department, department managers and the general manager.

No labour disputes have been taken to the arbitration committee, nor has Bosch China been sued in court.

Wages and Working Conditions

Bosch China signs a three-year labour contract with every employee. Each employee has a copy of the labour contract.

Workers are paid according to an hourly wage system. The average wage is about 1,300 RMB per month – 1,400 RMB including overtime. Working hours are usually 40 hours per week, and employees enjoy two-day weekends. Overtime is quite rare in Bosch China, and must be approved by the managers. The approval process is quite strict, and overtime is forbidden under normal conditions. Overtime is paid according to labour provisions. Employees enjoy equal pay for equal work regardless of their gender or permanent residency (*hukou*).

Workers receive no cash bonuses. Employees do, however, enjoy welfare benefits in the form of goods (about 300 RMB worth of supermarket vouchers issued by the trade union once a year). Employees are entitled to a free lunch (worth 6 RMB) and a free bus ride to and from work.

Bosch China buys social insurance for its employees based on individual wages. For superannuation, the company pays 20 per cent and the employee pays eight per cent; for medical insurance, the company pays 9.5 per cent and the employee pays two per cent plus four RMB; for work-related injury insurance, the company pays 0.6 per cent, and the employee need not pay at all; for birth insurance, the company pays 0.6 per cent and the employee need not pay; for unemployment insurance, the company pays two per cent and the employee pays one per cent; and for the housing fund, the company pays ten per cent and the employee pays ten per cent.

Employees are entitled to two days paid sick leave every month and 90 days paid maternity leave. The child-nursing period is in compliance with government regulations, which is one hour per day. Employees are entitled to paid annual leave, which is calculated based on their

length of service. During the first three years, they are allowed ten days per year; after four to six years, they are allowed 12 days per year; after seven to nine years, they have take 15 days paid leave per year; after ten years service employees can take 20 days per year.

Conclusion:

Bosch China is a wholly-owned foreign company and its finance, quality management, marketing and purchasing are managed by foreign managers. Only HR and labour relationships are managed by Chinese staff. This “localisation of labour relations” seems to be a typical characteristic of foreign-invested enterprises in China. Since labour relations concerns three parties - employees, government and management - and there may be great differences in social culture, politics, history and law, smooth operation depends on a high degree of localisation.

However, the localisation of HR management and labour relations does not mean industrial relations wholly follow the Chinese pattern. Labour relations in this company are the product of combination of Chinese and Western factors. The precise combination is decided according to the requirements of enterprise efficiency. For example, the wages and evaluation systems do not follow a Chinese style, but the trade union system does.

Case Study 11

Zhejiang Jinggong Steel Structure Limited Company (a Joint Venture with German Daimler-Chrysler Group) SHAOXING, ZHEJIANG

Zhejiang Jinggong Steel Structure Limited Company (“Zhejiang Jinggong”) was founded in March 1999 as a joint venture between the German Daimler-Chrysler Group and Jinggong Construction Industry Group. So far, the company has five major stockholders, including Anhui Changjiang Agricultural Equipment Co., Ltd.⁶, German Calbe Steel Structure Corporation, Sino Swiss Partnership Fund (SSPF), the Architectural Design & Research Institute of Tongji University, and Shanghai Tonglei Civil Engineering Tech Co. Ltd.

Zhejiang Jinggong mainly produces and sells light steel structures for industrial construction and storage building, high-rise steel construction system for business building, long-span space structures, truss systems for public architecture such as aerodromes, exhibition centres and gymnasiums, and light gauge structure systems for new types of architecture such as roofing and metope rails. Zhejiang Jinggong has the capacity to manufacture and install 150,000 tonnes of various architectural steel constructions, and 5.5 million m² of steel panels. The Company has become one of the largest enterprises for designing, manufacturing and installing steel construction.

The major manufacture base of Zhejiang Jinggong is located in the Keqiao Economic Development Zone, in Shaoxing County, which is a provincial economic development zone of Zhejiang Province. Zhejiang Jinggong was invested with US\$15 million in its first phase. So far, its manufacturing facilities cover 200,000 m² and its construction area reaches up to 120,000 m². At present, Zhejiang Jinggong’s assets are worth 800 million RMB.

The company has 1,300 employees, more than 46 per cent of whom have graduated from technical secondary school or junior college. Furthermore, Zhejiang Jinggong has five employees who hold PhDs, 25 employees with master’s degrees, and about ten employees with advanced professional qualifications in construction and architecture.

Zhejiang Jinggong has received many commendations and qualifications. It was the first company in its industry to pass the ISO9001 Quality Attestation System in the field of designing, manufacturing, constructing, installing and providing after-service. It was one of the earliest 42 companies to manufacture and install steel construction structures for the China Architecture Metal Structure Association. It is ranked as a high-tech enterprise and a new wall material manufacturer of Zhejiang Province. The Company was honoured by the Agricultural Bank of China, China Construction Bank and Bank of Communication as an AAA grade enterprise for its good credit record. Furthermore, the Company has achieved the title of “Good Faith” enterprise and “Golden Client” for several years. Meanwhile, it is one of the standing committee members of the following organisations: China Construction Metal Structure Association of the Ministry of Construction, Shanghai Steel Structure Association,

⁶ Equity Capital Code: 600496.

China Steel Construction Society (CSCS) and the Space Construction Branch of CSCS. The Company is also a member of the China Heat & Sound Insulation Material Association. In September of 2002, the Ministry of Foreign Trade granted the Company the qualification of “Overseas Constructing, Designing Consult and Supervision”.

The Company has introduced 26 product lines for manufacturing different steel constructions, and 22 lines for producing coloured steel panels. In 2000, the Company established the “Tongji Steel Construction Technique Research & Developing Centre” in partnership with Tongji University. This institution focuses on researching and developing fine steel construction systems. The Company has set up eight branch companies around the country: the Northeast China Branch, North China Branch, East China Branch, Shanghai Branch, Central China Branch, Southeast Branch and South China Branch. The above branches and their offices cover more than 90 per cent of the provinces and cities in China.

The Company has 30 highly qualified project managers and 38 teams with rich experience in constructing and installing steel constructions. Among the above managers, 24 are qualified as the top project managers. Furthermore, the Company employs about 400 professional staff in charge of installation.

The company employs about 1,300 employees. The employees working in the field of production and construction are migrant workers who come from the provinces of Sichuan, Henan and Anhui. All of the workers in the field of production and construction are male. There are some women in the field of logistics and management. Among the employees, over 40 per cent of the total employees are management or technicians.

Jinggong Group started out as a private enterprise. The Zhejiang Jinggong Group has invested 70 per cent of the capital for Zhejiang Jinggong, and the German partner has invested the remaining 30 per cent. The German party, however, does not involve itself in the management. Zhejiang Jinggong adopts a Chinese style of HR management.

The Trade Union

The Company has established a trade union, which is subject to the authority of the ACFTU. All employees are the members of the union.

In accordance with ACFTU’s rules, the trade union committee is recommended by representatives of trade union members and chosen by competitive election. The incumbent chairperson of the union is an early-retired worker from a state-owned enterprise who has worked for over 30 years. At present he is a workshop supervisor in Zhejiang Jinggong.

The trade union funds amount to two per cent of the total salaries, paid by the company. The annual membership dues are 10 RMB for each member, collected at the end of each year. 40 per cent of the total funds are handed over to the higher-level trade union leadership, while the remainder is all kept within Zhejiang Jinggong.

The trade union mainly organises collective bargaining, entertainment and sport activities, as well as tours for the company’s model workers. In the summertime, the union helps the employees to prevent sunstroke. The trade union also helps employees in difficulty. For example,

if a member's family member is ill, and is too poor to afford medical care, the trade union will solicit contributions for him/her. Once, when an old worker from Anhui was knocked down by a speeding car, the trade union organised a collection for him.

The union members have some understanding of the trade union. They think the trade union helps employees. The members take active part in the trade union activities. Some employees expressed very deep sentimental views about the union.

There is no other worker organization within the Company.

The trade union of Zhejiang Jinggong is subordinate to the trade union of the larger entity, the Jinggong Group. Therefore, trade union activities are usually organised by the trade union of Jinggong Group, not by the Zhejiang Jinggong union itself. The Jinggong Group union is also responsible for public relations. The trade union of Jinggong Group once received an award from the Federation of Trade Unions of Zhejiang Province.

Labour Relations

Zhejiang Jinggong doesn't sign a collective agreement, or collective wage agreement. However, the Jinggong Group does have a collective agreement, which is based on a template provided by the high levels of the ACFTU. The collective agreement covers the rules of the Labour Law regarding matters such as wages, working hours, labour protection and so on, making it relatively comprehensive.

The union has achieved some success through collective bargaining, for example, persuading Zhejiang Jinggong to cancel the regulation requiring workers to pay a deposit for his/her works clothes and tools.

Zhejiang Jinggong has been chosen by the ACFTU as an experimental unit for collective wage bargaining. There are standard formulas in place, such as organizing bargaining teams, electing bargaining representatives, and soliciting employees' opinions, consulting, forming draft agreements and discussing and approving them at the Workers' Congress, and reporting to the labour authority for approval.

The employees are satisfied with existing relations with the company.

The employees are mainly concerned with wage and labour protection. Considering the fact that work-related injury happens easily in the steel construction industry, through accidents both at production sites and construction sites, OSH becomes a key issue as soon as workers are recruited. OSH training usually includes the following components: first, there is training for new recruits provided by the company, workshop and team; then personal OSH training; safety supervision by special workers; regular OSH meetings every month; and, the establishment of an OSH groups. The Company's OSH work is jointly run by the company and trade union members. Some employees have two positions, both as company's OSH managers and as the trade union's OSH supervisors. Zhejiang Jinggong entered a state contest and won the "An Kang Cup" for safe working conditions.

Zhejiang Jinggong has never had a labour dispute, or been sued in court.

This company has failed to set up Chinese traditional institution of employees' democratic management, but has set up a Suggestion Box system. The company assigns a specific person to manage the box in order to gauge workers' opinions. Alternatively, the workers may also go to the trade union directly, or ask the administration to solve problems they encounter.

Wages and Working Conditions

Zhejiang Jinggong Corporation pays workers by piece rates. Wages are paid on the 15th of every month, and there is never any delay in wage payment. Because the manufacture of steel construction needs professional skills, the average wage at Zhejiang Jinggong is quite high – 2,500 RMB per month. The local minimum wage is RMB 610.

The employees enjoy festival bonuses of about 700 RMB per year. Workers also enjoy non-cash benefits such as food and fruit, which amount to about 300 RMB per year. The employees are entitled to free meals during work, and a free regular bus service to and from work. Zhejiang Jinggong arranges dormitory accommodation in new apartments for its employees. Employees of different rank enjoy different living conditions. Three employees share one apartment, with a washroom, air conditioning, quilts and other daily commodities. Employees pay 20-30 RMB monthly for their dormitory, not including expenses for water and electricity. Zhejiang Jinggong also provides its employees with interest-free loans for the purchase of commercial housing. The maximum amount is 80,000 RMB.

The contribution for employees' superannuation, work-related injury and medicine is about 400 RMB for each employee each month - two thirds paid by Zhejiang Jinggong, and the remainder paid by the employees.

According to the legal provisions, the working hours per week are 40 hours. The employee is required to work on second shift in high season thus the overtime will not exceed state regulations. However, the overtime salary and the unit piece wage are not calculated according to state provisions.

Employees of the same rank enjoy the same wage rate regardless of gender or permanent residency (*hukou*). Every employee signs a labour contract with Zhejiang Jinggong. For non-technical workers, contracts usually last for a one year; for technicians, three years; and for managers, five years. Each employee has a copy of their contract.

Company management may take fully paid sick leave. Employees on the piece wages system can take sick leave and get 70 per cent of their regular salary, in line with state regulations. Managers enjoy paid leave each year with a maximum of 15 days per year. The paid leave is calculated according to the employee's service years. If the company has to close down production temporarily for some reason, piece wage employees are compensated with an amount equivalent to the local minimum wage. The maternity leave is only 50 days. Zhejiang Jinggong promises to extend it to 90 days, which is consistent with the legal regulation.

Conclusion

In general, HR management, labour relations and the trade union at Zhejiang Jinggong are quite similar to the other large, privately owned enterprises. This suggests that the influence from foreign partners has been quite limited.

Labour relations are quite stable in large privately owned enterprises in Zhejiang Province. There are many reasons for this, but one important factor is the background of both managers and employees. Many private enterprises are owned by former local farmers, who retain a deep sense of genealogy, family and kinship. They have not lost their honest and simple attitude to work, and have an obedient attitude towards the government. As a result, the labour conditions are comparatively good, aided by a collective agreement, collective wage bargaining system and the trade union. The enterprise treats employees comparatively well. Of the employees, most of them are farmers, who don't have a mature consciousness of the issues facing the working class. They have no awareness of either Marxist struggle nor human rights, and they have very limited experience of working in industrial mass production. Their primary concern is their daily needs, such as wages and OSH. Therefore, they still have not formed an independent autonomous body and are subordinate to the enterprises. Under such conditions, industrial relations based on each individual's rights and obligations (as in a western multinational corporation) cannot be established.

Case Study 12

Sino-US HaiYan Power System Resources, Inc.

HAIYAN, ZHEJIANG

Sino-US HaiYan Power System Resources, Inc. (“PSR”) was founded in 1998, as a joint venture between US Power System Resources (U.S.: 75 per cent) and HaiYan Electric Power Instrument Factory (China: 25 per cent). HaiYan Electric Power Instrument Factory (China) has previously cooperated with the following U.S. corporations: General Electric (GE), Doble Company, Mehta Company and Automatic Filters, Inc.

PSR manufactures, assembles and sells the following apparatus: professional relay protection equipment for electric power systems, the fine processing system of coagulated water of power plants, the Centrifugal Classifier for fly ash of power plants and the Power Harmonics Detection System. PSR manufactures advanced technology that had formerly only been imported into China. Last year, PSR cooperated with GE in the field of electromechanical protectors. Its production value amounted to 200 RMB million. PSR has achieved ISQ9002 certification.

The total number of the employees is not too numerous, many are highly technically-skilled employees. PSR has 62 employees including 22 female employees. Forty-five out of the 62 (73 per cent) are technicians and management. The employees are mainly local people or Shanghai people. Haiyan is only one hour away from Shanghai.

The U.S. party directly participates in the management of HR and labour relations, such as the employees’ recruitment, selection, and promotion, rewards, discipline and contract termination. The U.S. chairman of the board of directors directly participates in the whole management of PSR.

Because of PSR’s small size, there is no middle management, and employees may directly communicate with upper management and the U.S. chairman of the board. HR management is fairly flexible. Leave is not rigidly controlled, for example, employees are allowed to take annual or sick leave when they have finished their workload.

The style of HR management has foreign characteristics. For example, PSR emphasizes the ability of the employee beyond their educational qualifications. Salary levels are kept secret. The law is adhered to and the management style is humane. Since the company provides a long period of after-sales service, business trips are quite frequent. PSR implements an alternate shift system, which guarantees the employee may go home periodically. Further, PSR seldom arranges female employees to go on long business trips.

The Trade Union

The PSR trade union was established in 2001, under the authority of the ACFTU. Ninety-five per cent of employees are members. Employees still in their three-month probationary period usually do not join the trade union.

The incumbent chairperson of the trade union is female. She is an accountant in the finance department. She was chosen by the members through competitive election, according to the rules of the ACFTU.

The trade union mainly organises activities for its members such as helping single members find friends, planning social activities with other companies, organizing get-togethers for building team-spirit in the company, organising members to travel together during holidays (once a year, for three days). All of the members actively join in the trade union activities and feel quite happy. They regard the trade union as an organization that organizes various activities for its members.

PSR management contributes funds equal to two per cent of the total salary bill to the union. Sixty per cent of the funds are used within PSR, and 40 per cent is handed over to the higher-level trade union.

There is no other organisation in PSR besides the trade union.

Labour Relations

PSR has not concluded a collective contract with its employees yet, but is in the process of preparing to do so. Employees have not requested one, perhaps because conditions at PSR exceed the relevant legal standards. But recently the ACFTU has required PSR to sign a collective contract, and so the company has begun preparations.

The employees basically accept the current labour relations at PSR. They think that the American employers respect human rights and conduct humane management. For example, once an employee's mother was sick when the employee went on business trip, and the manager assigned someone to take care of the employee's mother in hospital. When an employee spends a long time on a business trip, especially for a female employee, the manager will assign another employee to replace him/her in order to guarantee the employee can go back and take care of his/her family.

The employees on the production line are more concerned with their salaries than other aspects of labour relations. The salaries at PSR are much higher than the local average standard. Management pays a lot of attention to training and skills improvement.

Employees' opinions are dealt with mainly through face-to-face communication between workers and management. Since the number of employees is quite small and most of them are technicians, PSR has adopted the pattern of flat management, in which management and employees may directly communicate through face-to-face conversation, telephone or emails to deal with problems.

There have been no labour disputes between employees and the company. There are no issues being taken to the labour dispute arbitration committee or being sued at court.

PSR has not set up an OSH committee; however, the trade union has assigned a specific person to be in charge of OSH.

Wages and Working Conditions

PSR signs labour contracts with all employees, mostly with two terms. Some special technicians sign additional articles, for example regarding training compensation. Each employee keeps a copy of their labour contract.

PSR implements an hourly salary and a monthly salary system. The average salary for non-technical employees is about 2,000 RMB. The average salary for technical employees is 5,000 RMB. The local minimum wage is 560 RMB per month. Individual salaries are kept confidential. The employees get equal pay for equal work regardless of gender or permanent residency (*hukou*). The employer strongly insists on paying salaries in full and on time.

Working hours at PSR comply with legal regulations. Employees have a two-day weekend, and rarely work overtime. If the employer requires that employees work overtime, two conditions are required to be satisfied: first, the employer must get the agreement from the employee; second, the overtime salary must be paid according to the legal regulation.

The company administration adjusts the salary level every three months according to the employees' capability. The salary level has kept rising until now. Employees may also directly request the general manager to raise his/her salary level. There was a case in which an employee called the manager directly to demand payment of an additional 300 RMB, and after investigation the manager and employer agreed to pay.

There are never instances of salary deduction or delay. PSR does not pay bonuses or other cash welfare benefits.

PSR buys social insurance for all employees, including unemployment insurance, pension insurance, work-related injury insurance, and medical insurance and housing fund, according to legal requirements. The amount PSR spends on social insurance amounts to 28.9 per cent of the total amount of its salary bill.

Employees are entitled to free lunch. Migrant employees are provided with free accommodation. PSR rents apartments, and provide them to its staff for free. Housing conditions are good. Three employees share one apartment, with three separate bedrooms. There are air-conditioning, washing machines and sanitation services.

All the employees are entitled to a free health check-up every two years. Female employees are entitled to a complete gynaecological check-up.

The employees are entitled to the legally stipulated sick leave. In addition on national holidays, PSR staff is given paid leave. After two years service they are entitled to five days leave a year. After five years they can take 15 days. Female employees enjoy maternity leave according to state regulations. There was a case in which a temporary female worker was going to give birth upon expiration of her labour contract term. The managers decided to change her status to that of regular worker in order to entitle her to the legal maternity leave.

PSR provides three sets of work clothes and other legally required OSH gear.

Case Study 13

Ningbo LG Yongxing Latex Ltd. Co. NINGBO

Ningbo LG Yongxing Latex Limited Company (“LG Yongxing”) is a joint venture enterprise between LG (Korea: 75 per cent) and Ningbo Yongxing Chemical Limited Co., Ltd. (China: 25 per cent). LG is one of the world’s Fortune 500 companies. Ningbo Yongxing Chemical Limited Company is one of holding companies of Ningbo Developing & Investment Group Limited Corporation (“NDIG”) which is a state-owned enterprise directly subject to Ningbo municipal government, and a core enterprise in Ningbo. At the end of 2004, NDIG’s net assets reached 2.1 billion RMB, and its total assets reached RMB 5 billion RMB.

LG Yongxing mainly produces styrene butadiene latex (SBL). LG Yongxing was founded in June 2004, but it first had to build its manufacturing facilities. Its first run of construction was completed in March 2005, creating a production capacity of 35,000 tonnes per year. The second run of construction was finished in December 2005, with an annual production capacity of 70,000 tonnes.

As a joint venture between a big Korean corporation and a Chinese state-owned company, LG Yongxing’s operation and management are basically in compliance with the relevant laws. LG Yongxing is directly managed by the Korean partners, so its human resources and labour relations adopt the management style of large Korean corporations.⁷

LG Yongxing employs 40 employees, including 10 management and technicians, and only one woman. The ratio between local and migrant employees is half and half.

The Trade Union

Since LG Yongxing has few employees and the management structure is completely the same as Ningbo LG Yongxing Chemical Company, so the trade union of LG Yongxing is the same as that of Ningbo LG Yongxing Chemical Company and the chairperson and committee members are all the same.

The trade union is subject to the authority of the ACFTU. Ninety-five per cent of employees are members. Employees in their one-month probationary period do not join in the trade union.

The activities organised by the trade union include:

- (1) Communicating with management and reflecting employees’ requests, such as organising conversations, conducting surveys to learn the opinions of employees, conveying employees’ opinions to the administration for action;
- (2) Supervising OSH, such as by reporting to the trade union after OSH inspection by the enterprise administration, and supervising implementation and action of OSH procedures by the administration;

⁷ “LG Yongxing” and another company Ningbo LG Yongxing Chemical Limited Company have the same investors and management system, and similar industrial relations structures. The labour standards in these two companies are more or less the same.

- (3) Taking care of employees, such as by distributing materials to protect against sunstroke in the summer, holding activities with other companies, advising employees on their personal affairs, organising fall sports meetings, organising clubs and social groups such as fishing, ping-pong, mountain climbing, singing and so on;
- (4) Distributing benefits in cash or in goods (last year employees received benefits worth 500 RMB).

All the union members take active part in the activities. The trade union committee is directly elected.

LG Yongxing pays the union two per cent of the organization's total wage bill. Forty per cent of the funds are turned over to higher-levels of the ACFTU. Members themselves pay dues equal to 0.5 per cent of their wages. With members consent, the department of finance deducts the membership dues before paying wages. All of the membership dues are used within LG Yongxing.

There is no other worker organisation in the company besides the trade union.

Labour Relations

The Company has not signed any collective agreement with its employees. The employees are satisfied with labour relations in the company.

Employees pay extra attention to OSH. LG Yongxing also emphasises such issues, so there are no differences or labour disputes between them. The trade union and the management have established a labour safety committee. The company holds a physical examination and distributes labour protection articles according to legal requirements every year.

The opinions of employees are mainly communicated, exchanged and resolved through the following methods: direct communication between managers and employees; dialogue and investigation meetings held twice a year in different departments; a Suggestion Box System; direct appeals to management by employees; and, appeals to the trade union by employees.

Wage and Labour Conditions

The company signs labour contracts with its employees. The term of contracts varies from one, three to five years.

The company adopts an hourly wage system. A new employee's monthly wage is usually 1,800 RMB. A senior employee's monthly wage is about 4,000 RMB. Depending on the results of evaluations, management raises the wage level in March of every year. Last year, the average wage increase was 300-400 RMB.

LG Yongxing implements a policy of 40 working hours per week. The company has adopted a three-shift system, so the employees rarely work overtime. Workers are paid overtime wages in accordance with legal regulations for overtime on working days and holidays.

Cash benefits are about 1,000 RMB per year. For example, the company distributes 200 RMB for LG Yongxing's anniversary every year. Employees are provided with free lunch and supper. There is also a regular bus service at night for the employees living downtown or in the Zhenhai district of Ningbo.

LG Yongxing pays for superannuation, unemployment insurance, work-related injury insurance, medical insurance and housing fund contributions for all employees. The Company provides maternity leave, medical leave and special protection for female employees according to government regulations. Employees are entitled to paid leave. The minimum is 12 days per year and workers accrue another day of paid leave for each additional year of service to the company.

Before leaving LG Yongxing, we encountered a Korean manager (the head of a department). He lowered down his car window and said hello to the union chairperson. Then the chairperson introduced us to him. He was quite friendly to us. This detail also indicated to us that the trade union plays an important role in the company.

Case Study 14

Ningbo General Bearing Co. Ltd. NINGBO, ZHEJIANG

Ningbo General Bearing Company Ltd. (“NGB”) is a joint venture between a privately-owned enterprise in Yuyao City (China) and the General Bearing Corporation (USA). NGB was founded in October 1997, which is jointly invested by Ningbo Great Group (China: 66.3 per cent) and the General Bearing Corporation (U.S.: 33.7 per cent). The total investment is up to US\$ 6,500,000.

NGB mainly manufactures ball bearing and taper roller bearings. Production value last year amounted to 260 million RMB. The products of NGB are mainly provided to General Motors, General Bearing Corporation and Ford Motor Company (USA). NGB currently has 340 employees, including 154 women and 60 management and technicians. Fifty per cent are migrant workers.

NGB was created in 1997 when the Ningbo Great Group merged with the General Bearing Corporation. Ningbo Great Group was established in 1992, and had amassed assets of 80 million RMB and developed 30 production lines. After the merger in 1997, 20 million RMB was spent of upgrading production facilities, making this the most advanced bearings facility in China. Later, NGB extensively rebuilt office blocks, warehouses, canteens and dormitories and improved all kinds of facilities. NGB spends an average of 20 million RMB million every year to improve equipment. It has also recruited expert staff from universities and research institutes. Bearing production capacity has reached about two million sets per month. NGB’s registered capital has increased from US\$ three million dollars to US\$ 6.6 million through three rounds of reinvestment.

NGB has also introduced the advanced management methods of companies such as FAG (Germany), NTN (Japan), GBC (U.S.), Ford Motors Company (U.S.) and has established its own management system. After achieving certification of ISO9002 in 1996, NGB acquired the certification of QS9000 in June 1999.

At present, Ningbo Great Group Company Limited enjoys cooperation with Ford Motors Company and Bosch Corporation (Germany).

The U.S. investor does not involve itself in HR management and labour relations at NGB, and thus labour relations in this company have strong local Chinese characteristics. For example, relations are characterised by management based on the company’s paternal care for its staff, rather than relying on legal provisions. Collective contracts and an workers’ representative congress are in place, but they are mainly there to meet political requirements.

The General Bearing Corporation (USA) set up “General Bearing Corporation Quality Assurance Centre of Ningbo” in NGB, which is the sole organization authorized by General Bearing Corporation (USA) in China. General Bearing Corporation (USA) dispatches its senior inspector resident in China in charge of checking and testing bearings.

The Trade Union

The trade union was founded in 1998, and is subject to the authority of the ACFTU. Ninety-five per cent of employees are union members. Employees still within their two-month probationary period do not join in the trade union.

The union's role is multi-faceted. The main goal of the trade union is to ensure payment of wages and increase of salary every year. It conducts collective bargaining, and has signed a collective contract with the company. Its role includes helping employees solve problems both at work and in life. The trade union meets with workers to solicit their opinions, and then conveys them to management. The union also helps employees in difficulty. 40,000 RMB is spent on a program called "Delivering Warmth" to employees in difficulties. There are also leisure activities, such as birthday cakes, sport activities, basketball matches and trivia contests.

All members take active part in the trade union activities. The members regard the trade union as an organization that speaks for the workers.

The trade union chair, who is female, also holds a management position. The trade union's method of direct elections is an experiment of higher-levels of the ACFTU. The chairperson of the trade union is elected among all members without nomination. The candidates are supposed to deliver an election speech one by one, and the members vote to select a chairman.

NGB pays union funds equivalent to two per cent of total salaries. Sixty per cent of that amount remains within NGB, while the rest is passed upwards to higher-levels of the ACFTU.

NGB has established the Workers' Representative Congress (a basic vehicle for Chinese employees to join in the democratic management of the enterprise, presided over by the trade union).

NGB has no other employees' organisation.

Labour Relations

The trade union has signed a collective contract every three years with NGB since 1998. The contract text is the template drafted by the ACFTU. It consists of nine chapters: general principles, labour contract, working remuneration, working hours, rest and leave, labour safety and health, social insurance and welfare, rights and obligations, and the implementation and supervision of contracts; and an appendix.

The procedure of collective bargaining completely complies with the Provisions on Collective Contract promulgated by the MOLSS. The provisions cover the following proceedings: electing bargaining representatives and trade union representatives, soliciting employees' opinions, putting forward letters of intent, holding bargaining meetings, drafting a collective contract, submitting to the Employee' Representatives Congress for discussion and approval, and reporting to the labour authorities for examination, approval and promulgation.

Employees seem satisfied with current labour relations, so few employees leave NGB, and tend to stay at NGB for a long time. The proportion of non-local employees is over 55 per cent. They usually come from areas such as Anhui, Yunnan, and Henan. The union chairperson is not local.

There are various grievance procedures in place. On the 28th of each, the NGB facilitates a Manager Reception Day. There is also a suggestions box maintained by the union. If a suggestion is valuable, then management will reward the employee directly.

The “Cooperative Administrative Office” established by the trade union and the NGB is in charge of the work of OSH.

There have been no labour disputes, nor cases taken to the arbitration committee or court.

Wages and Working Conditions

NGB signs a labour contract with each employee. The terms of contracts are either two, three or five years. The text of the contract adopts the template provided by the local labour authority. Each employee has a copy of their labour contract.

For most employees, NGB adopts a piece wage system. The average wage level 1,500 RMB per month. The local minimum wage is 610 RMB per month. The piece rate rises every year. Employees enjoy equal pay for equal work regardless of gender or permanent residency (*hukou*).

Employees work 7.25 hours a day, six days a week, amounting to a total of 43 hours. Work is divided into two shifts, so employees rarely work overtime. Overtime during holidays is decided in consultation with employees and paid according to legal requirements.

The main bonus is 500 RMB issued at the end of the year. Other benefits include fruit and food at festivals, cold drinks in the summer, and an annual two-day excursion. NGB also provides a chance to win free trips to Hainan or Hong Kong for model employees.

NGB provides accommodation in three bedroom apartments about 20 square meters in size. Employees pay a fee of 50 RMB including water and electricity.

NGB pays for work-related injury insurance for all employees and pays unemployment insurance and superannuation (according to the local legal regulations) for 50 per cent of the employees. NGB provides its employees with labour protection articles in accordance with legal requirements.

Employees are entitled to maternity leave, and sick leave is granted according to legal requirements. Middle management can take seven days paid leave each year.

Case Study 15

Dongguan Nokia Mobile Phones Co. Ltd.

DONGGUAN, GUANGDONG

Twenty-two workers were interviewed and they came from various sections and represent various grades in the production lines inside the factory.

Dongguan Nokia Mobile Phones Co., Ltd. (“Dongguan Nokia”) was established with registration capital of US\$49 million in 1995. It is a joint venture between Nokia and Dongguan Nanxin Industrial Development Co., Ltd. It produces various types of digital mobile phones, and provides relevant after-sales services.

Dongguan Nokia is a branch company of a larger enterprise: the Nokia Capital Telecommunications Limited Company (NCT), created in January 2005 when Nokia China merged with four other companies, including Dongguan Nokia.

In July 1996, Dongguan Nokia was awarded the ISO9002 Certificate of DNV, and then ISO14001 Certificate of DNV in 2000. In April 1997 it received the “BABT” Certificate, issued by British Approvals Board for Telecommunications. The company is aimed at serving the China market.

Dongguan Nokia has four departments and more than 20 production lines. Its products include GSM 5110°A6110°A8810°AGSM/PCS 3210°A3310 and WAP 7110 and 6210. All Dongguan Nokia's products have passed tests of the Ministry of Information Industry and the State Bureau of Import and Export Commodities Inspection. They have network access licenses and quality safety licenses. Besides meeting the requirements of the domestic market, the company has entered the international market, with its products sold to Europe and the Asia-Pacific region.

Dongguan Nokia employs 4,000 staff, including 2,000 dispatch workers from a company called Nanxin. Production line workers are virtually all migrant workers, as is characteristic of Guangdong province. Thirty per cent of employees come from inside Guangdong province and others from Hunan, Hubei, Sichuan, Jiangxi, Henan and Heilongjiang provinces. Some managers are from Dongguan city. There are an equal number of men and women, and interviewees reported no gender restrictions on recruitment.

There is a ratio of one manager to every production worker. Managers' salaries are usually 150 per cent higher.

Employees are mostly very young. The average age is 22. Dongguan Nokia recruits workers aged 18-25. It does not recruit married women workers but does not fire women workers who get married after they are hired. We found no sign of child workers.

Trade Union

Interviewees knew almost nothing about the function of the union. Interviewees who have worked in the factory for two to three years said that they have never heard about the election of the union, nor did they know that anyone can participate. Nevertheless, all Nokia employees must be union members. Yet all the workers we spoke to know that employees are supposed to pay membership dues of five RMB each month and that everyone can get 200 RMB for sunstroke prevention in summer, paid for by the union. The workers we interviewed are satisfied with this. Dongguan Nokia pays funds to the union.

The trade union chair is the chairman of Dongguan Nanxin Industrial Development Co., Ltd., and the union committee members are all managers.

There is no collective contract at Dongguan Nokia. All employees sign labour contracts with the company one week after training. Usually the term of the labour contract is one year. The contracts of management and technicians have more articles and conditions than production line workers.

Wages and Working Conditions

At Dongguan Nokia, employees work for 11 hours and 15 minutes each day, from 7:30 to 7:30pm, with a 45 minute break for lunch. They usually work 14 to 16 days each month. There is not much overtime work unless there are extra orders. Overtime usually is imposed for three to four days, but not more than 10 days continuously.

Production line workers receive 800 RMB per month for 14 to 16 days work. If they work less than 14 days, then they will be required to work more the next month to make up for it. Production line workers received 10 RMB per hour for overtime work (higher for managers). With overtime work, employees can make 1,200 RMB per month. There is equal pay for equal work for men and women, and for local and non-local workers.

The company seldom fires workers unless they come late, leave work early (more than twice), fight or steal. For this they do not get severance pay.

The factory does not require that workers pay a deposit.⁸ Workers know that it is illegal to ask for a deposit, but one interviewee said that even if Nokia asked him for a deposit, he would still be willing to take the job.

Employees receive a variety of bonuses and subsidies. They are paid an extra 225 RMB per person per month to cover housing and food expenses. Accommodation is provided, including air conditioning, colour television, hot water, and independent bathrooms for each room. They are provided with dormitory accommodation, but must pay for water and electricity. Employees are given an end of year bonus of 700 RMB at the end of the year. The company provides 80 – 400 RMB welfare benefits, but there is no assessment standard for welfare, and our interviewees were not satisfied with this.

⁸ Some enterprises require workers to put down a cash deposit when they enter the company, which they lose if they resign without approval.

Buses are provided for employees living near Dongguan to go to and from work. Buses are provided for employees living near Guangzhou on weekends.

Workers are given paid leave for three days at May Day, three days for National Day, one day for New Year's Day, and 12 days for Chinese New Year. 90 days paid leave are offered for maternity leave, three days to get married.

Dongguan Nokia pays for superannuation, medical insurance and occupational injury insurance for some of its employees. It is unclear whether they unemployment insurance or medical support for child birth are provided.

Dongguan Nokia does not recruit staff directly, but goes through Nanxin or an employment agency. They hire workers between 18 and 25 years of age. They must be able to provide a graduation certificate, ID and a health check certificate.

After workers are recruited they get 15 days training from factory managers on factory regulations. Senior workers teach new workers about some security issues and basic factory operations.

Case Study 16

Guangqi Toyota Engine Co. Ltd.

Guangzhou Toyota Motor Co. Ltd. GUANGZHOU

Company Information

The Toyota Motor Corporation has seven wholly invested companies in China: Toyota Motor (China) Investment Co. Ltd., Toyota Motor Finance (China) Co., Ltd (TMF), Toyota Technical Centre (China) Co. Ltd. (TTC), Toyota Motor Warehousing Trading (Shanghai) Co. Ltd., Toyota Technical Research and Development Center (Shanghai) Co. Ltd., Toyota Motor Technical Research and Service (Guangzhou) Co. Ltd., and Tianjin Toyota Forging Co. Ltd. For more information see http://www.toyota.com.cn/InChina/toyotainchina_zzhgddzgs_005.htm.

The Toyota Motor Corporation established these two factories as joint-ventures in 2004 between the Toyota Motor (China) Investment Co. Ltd. and the Guangzhou Automobile Group.

GTE, GTMC and Guangzhou Toyota Transportation Co., Ltd (GTT) share the same industrial park. GTE is mostly engaged in car assembly. Its component suppliers include GTM and other car component branches attached to the Guangdong Automobile Group.

Our Investigation covers four aspects below: a) the background of the two companies; b) wages, working conditions and employment requirements; c) labour-capital relations; d) employee representatives.

GuangQi Toyota Engine Co. Ltd. (GTE)

Founding Date: February 24, 2004
Contract Year: 30
Registered Capital: About US\$133 million
Investment Ratio: Toyota Motor Corporation, 50.5%; Toyota Motor (China) Investment Co., Ltd, 19.5% ; Guangzhou Automobile Group Co., Ltd 30%
Staff: 490
Floor space: 300,000 m ²
Key Products: 1AZ-FE2.0L & 2AZ-FE2.4L Engines
Production capacity: 300,000 units/year (200,000 for overseas. The launched production capacity will be 500,000 units/year in the next year)
Launch Date: for components (crankshafts and camshafts for Japan market), January, 2005; for complete machines: October, 2005

Guangzhou Toyota Motor Co. Ltd. (GTMC)

Founding Date: September 1, 2004
Contract Year: 30
Registered Capital: About US\$157 million
Investment Ratio: Toyota Motor Corporation, 50%
Total Amount Invested: 38.21 billion RMB
Staff: 758
Floor space: 1.9 million m ²
Key Product: CAMRY car
Production capacity: 100,000 units per year
Launch Date: midyear of 2006

The following material was collected in our interviews with production line workers.

Trade Union

The companies have established a trade union, but most committee members are Chinese company managers. The union committees came into being without competitive elections. The membership dues are charged according to the relevant legal provisions.

We heard of no other workers' organisations in the companies.

There is no report of labour dispute in the two companies.

Labour Relations

GTE, GTMC and GTT ("The Companies") combined have more than 3,000 employees. Ninety per cent of the employees are Cantonese. There are fewer women workers than men, with a ratio of 30:35.

These three companies mainly recruit workers from the graduates of vocational schools in Guangdong. Cantonese graduates are preferred. Sometimes The companies post job applications online, and applicants apply online. Migrant workers, however, have to pay an extra fee in order to get recruited.

During their initial phase of production, The companies recruited several thousand Japanese employees who were in charge of technical work. Now in GTE and GTMC, there are still about 1,000 Japanese technicians. Five per cent of the management is also Japanese.

Recently, more and more applicants (most of them are graduates) have arrived to seek jobs because they heard that GTMC would extend its product line. However, there are also many workers quitting their jobs. Being short of workers, The companies often refuse to approve employees' resignations. In order to deter workers from quitting without permission, the companies have increased the deposit on work uniforms from 400 to 1,000 RMB. If workers leave without permission, they lose their deposit. The 1,000 RMB deposit has been implemented since July 10, 2006. The deposit is deducted from workers' wages. Workers' resignations are usually approved if submitted more than a month in advance.

The companies sign individual labour contracts with each employee, but usually only after a three-month trial period. Employees have a copy of their contract.

Wages and Working Conditions

The wages in these three companies were higher than the local minimum wage of 648 RMB per month, but still not high given the numerous fees that are deducted for dormitories, utilities, meals, transport and uniform deposit (see below). New employees' at GTMC generally receive 800-1,200 RMB per month. The wage level is quite low in GTE. Some workers have resigned because they could not afford all these expenses.

The companies pay wages on the 15th of each month directly into employees' bank accounts. Contract labourers are paid by labour services around the 20th of the month.

The average wage for production line workers across the three companies is about 1,000-1,200 RMB, before deducting the above-mentioned expenses. Shift chiefs receive 3,000 RMB.

Section chiefs receive 20,000 RMB per months, as well as a free company car.

The Companies adopt a two-shift system for determining working hours. The day shift begins at 8:30 am to 5:00pm, and the night shift from 4:30pm to midnight. Each shift has a half an hour meal break, but they seldom take it because there's not enough time.

Overtime wages are high, but workers seldom work overtime.

The Guangdong Automobile Group has built dormitories known as the Toyota Dormitory Quarters, with 15 – 17 buildings. The rent for each dormitory apartment is 450 RMB per month, which is equally shared among roommates. Workers are charged for the full cost of water and electricity.

These dormitories are about 7-8 kilometres away from workshop, in a remote area with no public bus routes. The Companies provide a regular bus to and from work. But the bus is not free. Workers have to pay 6 RMB for transport each shift, as well as an 80 RMB transport fee per month. During their spare time workers take motorcycle taxis for two RMB a ride.

The dormitories are modern, built in apartment style. Each apartment is equipped with air conditioning, a heater, and bathroom. Employees can choose to share a room with two, three or five people as they like. There are 3,000 residents from GTMC, GTE, GTT and other companies. Some of higher-level managers (above section chief level) live in their own houses outside. Others live in rented apartments in Guangzhou.

The companies have opened several canteens. Employees are entitled to a nine RMB meal subsidy each day when he/she is on duty. The rest of the time, the employee has to pay for meals by himself/herself.

All of contracted employees have purchased social insurance and pay contributions to a housing fund.

Case Study 17

Panasonic Battery (Zhuhai) Co. Ltd.

ZHUHAI, GUANGDONG

Research Methods

Information was gathered from interviews with 12 production line workers.

Company Information

Panasonic Battery (Zhuhai) Co. Ltd. ("PBZ") is wholly-owned by Matsushita, Japan. Since 1987 Matsushita has established 59 joint-venture or wholly-owned companies in China, with total investments amounting to US\$1.5 billion. Matsushita has companies in Beijing, Guangzhou, Jiangmen, Shunde, Zhuhai and Shenzhen.

PBZ was founded in 1995. PBZ is the main manufacturer of batteries, chargers and other accessories for Nokia, Pentax and IBM PC.

PBZ employs about 1,600 staff. Employees are mostly migrants from Sichuan and Hunan. Production line workers are aged between 18 and 25, with an average age of about 20. Ninety per cent of employees are female. Most high-level managers are Japanese.

Trade Union

The workers have no clear idea of what a trade union is. Experienced workers told us that they never heard that PBZ has a trade union. They reported us that there was a rumour that PBZ is going to open a library, however we found no evidence of this.

Some workers think that some aspects of the factory are not running smoothly because of the recent relocation.

Labour Relations

PBZ signs a labour agreement with each employee upon recruitment. The term of contract is one year, including a three-month trial period. Each worker has a copy of their contract.

The age of production line employees is between 18 and 22. No child workers are recruited. PBZ entrusts recruitment to vocational schools in inland China.

New employees usually receive three-days training in which they cover general knowledge related to factory discipline, fire fighting etc.

Worker's resignations can get easy approval if workers apply seven day in advance.

Wages and Working Conditions

In any production cycle there are slack seasons and peak seasons. In the slack seasons workers do about 30 hours overtime. In peak season they do about 100. One recently resigned worker who had worked at PBZ for three years told us that her highest amount of overtime was 110 hours in one month, and her normal amount of overtime in the slack season was 30 hours. Our investigation was carried out in the slack season. We saw that workers don't have as much work as they want, and seldom work overtime.

PBZ adopts a double-shift system. The shift schedule is flexible, and wholly dependent on client orders. In the peak season when there are plenty of orders, working hours stretch to 12 hours per day. In the low seasons, employees work for eight hours per day. A standard day shift is 8am to midday, a one and a half hour break for lunch, 1:30pm to 5:30pm, and then overtime from 6pm to 10pm if necessary. The night shifts begins at 10pm and finishes at 8am. During the day shift, there is a ten-minute break every two hours. During night shifts, ten-minute breaks are given every three hours. Break time is deducted from working hours.

According to the relevant provisions, pay day is the 7th of the month. However PBZ usually postpones payoff until the 12th of the month. As a result, the pay day ranges from the 7th to the 12th of the month.

PBZ doesn't purchase superannuation for employees. However, PBZ deducts 80 RMB from workers' pay as superannuation, which it will return to the worker when they leave this job. We found no evidence that the company buys industrial injury insurance for its workers. The company definitely does not buy medical insurance.

Workers are provided with free meals in the PBZ canteen. PBZ also provides free dormitory accommodation. Workers who choose not to live there are entitled to a 80 RMB housing subsidy per month and four RMB transport subsidy per work day.

Employees are usually entitled to leave according to the Labour Law. PBZ also grants seven days leave without pay each year, plus two weekends, because the company implements an hourly wage system.

Production line workers are entitled to maternity leave without pay. Line chiefs and department chiefs, however, are entitled to 500 RMB as maternity subsidies. Higher-level management are entitled to the paid maternity leave with a basic wage.

There are two different uniforms for men and women. For women, PBZ provides a three-piece suit including a pairs of trousers, a waistcoat and a shirt. The trousers and the waistcoat are blue and the shirt has white strips. Workers (including line chiefs) are entitled to four suits, for which they have to pay a deposit of around 400 RMB deducted from their wage. The worker doesn't get the deposit back until she resigns her post. For men, the suit is quite simple which includes two shirts and two sleeveless shirts.

PBZ provides drinking water in the workshop, and workers can drink water freely. However, if a worker wants to use the toilet, he/she has to apply for a pass in order to go to the bathroom.

Workers on duty have to stand in front of machines for 8-11 hours every day. Some cannot stand the toil and decide to leave. Some interviewees recently resigned.

Workers told us that industrial injuries seldom occurred. What injuries do occur are slight. In 2005, a worker fell down and got hurt when conveying products. PBZ provided the worker with compensation. Other workers don't know the precise amount of the payment.

We investigated attitudes of workers toward the hazards of chemical materials. They told us that they seldom touch chemical materials, because PBZ mainly processes semi-finished

batteries imported from Japan, then exports finished ones abroad. There are no product links for workers to directly deal with chemical materials in PBZ.

Some foreign clients inspect the situation at PBZ twice a year. A recently dismissed worker commented that those inspections have not helped to better workers' situation. Once she was picked by an inspecting client, who asked whether she often worked overtime or not, and whether she was well treated by the management or not. There is another client who asked interviewee's co-worker the following question: if the worker found product substandard, what steps are you supposed to take? The female worker we interviewed concludes that questions asked by inspecting clients are quite similar.

Case Study 18

Panasonic Motor (Zhuhai) Co. Ltd.

ZHUHAI, GUANGDONG

Company Information

Panasonic Motor (Zhuhai) ("PMRZ") is devoted to researching, developing, and designing the following products: new type motor components, precise bearings, computer controlling systems, and on-wait systems with three or more cooperating axes. Moreover PMRZ also manufactures accessories, semi-finished products, precise dies, standard moulds related to above-mentioned products. PMRZ also provides its clients with technical advice and after-sale service. Meanwhile, PMRZ is also engaged in R&D and design projects related to manufacturing equipment.

PMRZ was founded in May 1993 by Matsushita Co. Ltd. (Japan). The factory floor covers 39,740 square metres, which includes 20,140 square metre workshop in Xiangzhou and a newer 19,600 square metre workshop opened in March 2004 in Nanping.

In these two workshops PMRZ employs about 4,000 staff. There are 2,000 employees in the workshop we surveyed, spread over 20 product lines. Ninety per cent are female. The average age on the production line is 21. Most workers are recruited from vocational schools or employments agencies. They are usually between 18 and 22 years of age. The majority are from Hunan, Jiangxi, Sichuan and Henan. About 100 employees are Japanese. There are about 300 Japanese management and clerks are around 300.

The Trade Union

PMRZ has established an enterprise trade union. The chairman is a representative of the local People's Congress Council, whose family name is Zhao. Other official trade union positions are held by PMRZ managers. The trade union holds an election once a year. The management of PMRZ and employee representatives are entitled to join in voting. Workers on the same line are required to elect an employee representative.

The company automatically enrolls 100 per cent of its workers as union members without seeking their consent, and then deducts membership dues from employees' wage. The dues are charged according to employee's wage level, ranging from two to eight RMB per month. Most of the union's funds, however, come from PMRZ.

Several workers told us that the trade union holds four or five activities every year. At the end of the year, the trade union issues each member 30 RMB. The trade union never negotiates any labour disputes for employees, nor takes any steps to better the employees' situations.

Labour Relations

The trade union hasn't negotiated a collective contract with PMRZ on behalf of the members.

PMRZ has signed labour agreement with employees individually. Each employee has a copy of their contract. The term of contract is one year, with a trial period of two months.

Wages and Working Conditions

PMRZ seldom dismisses employees, except for anyone found to be underage, or anyone who steals from the company. These workers are not entitled to compensation when dismissed.

Employees are charged 100 RMB as deposit for their work clothes. The deposit is returned when employees leave the factory.

Workers are divided into two shifts. The day shift begins at 8am and finishes at 5:30pm with a 40-minute break for lunch. There is an afternoon shift from 6:30 to 10pm. And then the night shift starts at 8pm and continues until 8am, with a 30-minute meal break at midnight. Night workers are paid a bonus of 20 RMB each shift. Workers on duty are required to stand in front of product lines. Each shift gets two ten-minute breaks for resting and drinking water. These twenty minutes of rest time aren't included in work hours.

Production line workers usually receive 1,000 to 1,300 RMB a month. For employees in the workshop, PMRZ adopts an hourly wage system. Clerks and technical personnel are paid by a monthly wage system. PMRZ pays employees in workshop 4.09 RMB per hour, and 6.1 RMB per hour for overtime. Weekend work is paid at 8.1 RMB per hour.

PMRZ pays numerous different benefits. There is a 30 RMB bonus awarded for full work attendance; 160 RMB for good performance; 4 RMB as transport subsidy for employees on duty each day. Double-wages are awarded in the last month of the year.

PMRZ provides free dormitories, but employees pay for water and electricity expenses. Six to eight employees share one room equipped with a fan, toilet and hot water heater. PMRZ places a drinking water dispenser on every floor. 165 RMB is paid each month to any employee who rents accommodation outside. Employees are entitled to a free lunch.

Workers take paid leave on all national holidays: three days for International Labour Day; three days for Chinese National Day; one day for Western New Year; and three days for Chinese Spring Festival. Women can take 90 days maternity leave. Three days leave are also available for marriage leave.

Our interviews suggest that workers' understanding of OSH issues is poor. When our investigators asked workers about OSH problems, some worker thought that the problems we mentioned don't exist. Some expressed that they had never heard of any topics like that. Some were puzzled by our questions.

However, new employees do usually receive three or five days training conducted by PMRZ OSH staff, which covers factory rules, knowledge of OSH, and fire fighting exercises.

PMRZ buys medical insurance for all employees and superannuation for all employees once they have served their first three months. Only a portion of the workers has industrial injury insurance. No employees have unemployment insurance. No employees are entitled to maternity insurance, but PMRZ usually shares a section of the related expenses with employees.

Case Study 19

Bosch (Shunde) Heating System Co. Ltd.

SHUNDE, GUANGDONG

Company Information

Bosch Shunde Heating System (BSHS) is a joint-venture company, founded in 1995 by Bosch and the Guangdong Shenzhou Metal Ware Co. Ltd. The two came together to form the Guangdong Shenzhou Gas Appliance Co. Ltd., which in 2003 changed its name to BSHS. It has registered capital of 100 million RMB.⁹

BSHS mainly produces for the Chinese market. Principal products include Bosch hanging furnaces, boilers, heating appliances, gas water heaters, electric heaters, solar water heaters and other heaters. It does engage in Original Equipment Manufacture (OEM), and has five to ten staff engaged in R&D. The company has achieved ISO 9001 certification.

The information below is extracted from our investigation materials collected in BSHS.

Next year BSHS is planning to move its production base from Shunde to Shanghai, and had already begun the process of asset transfers when we conducted our investigation.

Since January of this year, BSHS had set about to dismiss its employees. From January to March, BSHS had made about 300 staff members redundant. BSHS had no intention of moving production line employees to the new base in Shanghai. Some workers told us that only the higher-level management would be moved to Shanghai. Dismissed workers have been compensated according to the relevant legal provisions.

Now there are only about 200 staff left. Eighty per cent of them come from Lecong Town. About 20-25 per cent are women. Management staff also account for 20-25 per cent of remaining staff.

Wages and Working Conditions

Working and rest time basically complies with Labor Law. BSHS implements a standard (40-hour/5-day week) work schedule of 40 hours per week, spread over five days. Although there are about 200 staffs, BSHS still adopts a double-shift system. The employees seldom work on overtime shift.

Day Shift Schedules

Morning	Noon Break	Afternoon	Overtime at Night occasionally
8:00-12:00	12:00-13:30	13:00-17:30	18:30-20:30

Night Shift Schedules

On Duty	Break	Off Duty	Overtime in Night Shift occasionally
18:00	2 hrs	04:00	04:00-06:00

Workers told us that the average monthly wage is around 700-900 RMB. The wage consisted of base salary of 500 RMB, bonuses awarded according to position, full work attendance bonus, and overtime pay. The sum of all these bonuses is considered to be workers wages, from

⁹ During our investigation, we noticed that there is another company near BSHS. Its title is "Guangdong Shenzhou Gas Appliance Co., Ltd" (GSGA), whose former title was "Guangdong Shenzhou Metal Ware Co., Ltd" (GSMW). GSMW is one of shareholders of BSHS. In July of 1997, GSMW changed its title into "Shunde Shenzhou Gas Appliance Co., Ltd (SSGA). On August 4, 1999, SSMW adopted the present title-GSGA.

which are deducted fees for social insurance, and utilities in the dormitories. Bonuses are paid according to the number of years of service.

BSHS provides employees with free boarding, however there are charges for water and electricity expenses. BSHS also purchases pension insurance and industrial injury insurance for employees.

The workers reported that migrant and local employees are treated equally.

Case Study 20

Bosch (Zhuhai) Security Systems Co. Ltd **ZHUHAI, GUANGDONG**

Company Information

Bosch (Zhuhai) Security Systems (BZSS) is a wholly-owned foreign enterprise, founded in 2002. It produces mainly video monitoring technology; interphone systems; conference call services; broadcasting services; integrated monitoring systems; and telephone alarm systems. It has registered capital of 168 million RMB, and an annual business volume worth 100 million RMB. It has been certified by ISO9001 and ISO14000.

BZSS employs about 1,000 staff members, who mostly come from Sichuan, Jiangxi, Hunan, Guangxi and other provinces. There is also a few local employees who are in charge of human resources (HR) and storehouse management. More than 85 per cent of employees are female. Male employees are mostly assigned to heavy manual work related to storing, freighting, loading and unloading.

BZSS never directly recruits employees, but entrusts two local employment agencies (Lanlong and Jiabin) to recruit on its behalf. BZSS specifies an age range of 18 to 28. A female worker from Hunan told us that employees have to pay 110 RMB or more as an introduction fee. These agencies require proof of identification (including age), educational certificate, health certificate, and confirmation of non-married status before they are formally employed. We also met two freshmen from Wuhan University, whose major was English. They told us that they were recently recruited by BZSS through the individual influence of a higher-level manager in the company.

Employees are required to pay a deposit for work clothes, which will be given back when they decide to leave BZSS.

Trade Union

None of workers we interviewed knew of any trade union in BZSS. BSZZ does, however, conduct several activities every year including a barbecue in October and lottery at the end of year.

Labour Relations

BZSS signs labour contracts with each employee, and each employee keeps a copy. The term of contract is one year. There is a one-month trial period for new recruits.

Wages and Working Hours

Overtime policy has been very strict at BZSS since July. Working time is set according to the Standard (40-Hour/5-Day Week) Work Schedules. The total amount of overtime shift cannot exceed 36 hours in a month. The policy was implemented this July because inspectors from Bosch headquarters insisted so. Before July, however, the situation was quite different. A woman worker from Guangxi told us that during March and April, their total monthly overtime hours had amounted to 200 hours. The relevant figure in June is about 45 hours overtime. The result has been a dramatic decline in overall wages.

Workers told us that they miss the time in March and April when their overtime hours had amounted to about 200 hours, and their monthly wage had reached RMB 1700-2000. After the inspector from the Bosch parent company checked BZSS at the end of June, BZSS implemented harsh restrictions on overtime shifts. As a result, BZSS has implemented a three-shift system since July. Currently the employees' overtime hours are under 36 hours per month. Workers worry that their wages will reduce to 50 per cent if the three-shift system won't be abandoned in future. All employees are unhappy with the three-shift system. Some told us that they are planning to resign if the situation doesn't change in future.

We obtained an original copy of a worker's pay slip. The list displays the detailed wage items in March and June.

Month	Basic workdays	Routine overtime	Weekend overtime	Wages Due	Food expense deducted	Social insurance	Individual income tax deducted	Actual Wage Paid
March	20.92 days	54 hrs	65 hrs					
	786.00	592.00	611.00	1989.00	150.00	80.00	7.95	1751.05
June	20.92 days	35.25	10					
	786.00	284.00	94.00	1164.00	150.00	80.00		898.00

In our interview, a worker with one year's service told us that he plans to resign because his income is sharply reduced since BZSS adopted the harsh restriction on overtime shifts. In the past, his wage had reached about RMB 1200 plus 40-hour overtime pay. At present, his wage is reduced to RMB 700-800, which compels him to resign.

Workers' wages are transferred directly to their bank accounts, and workers told us that they had no trouble making sense of how their wages were calculated. In July, the Zhuhai municipality government increased the minimum wage up to 700 RMB. Workers told us that they didn't know whether BZSS would raise their wage or not. In the past, BZSS has usually promoted employees' wage without informing them in advance. The workers didn't learn about the raises until they received their pay slips.

After one year's service, employees' base wage is increased by 50 RMB per month.

Benefits

BZSS provides free dormitory for its employees in two locations. One is a five-storey building located in the factory. There are different kinds of dormitories inside. The first and second floors have rooms with 12 employees. From the third to the fifth floor are smaller dormitories with only three or four employees per room. This building holds about 800 workers. BZSS has also set up recreation facilities in the building.

A second dormitory is 400 metres away from the factory. BZSS has rented the first floor of this building as a women workers' dormitory. This dormitory holds about 150 women workers, who share public WC and bathrooms. Because of a lack of adequate dormitories for employees, BZSS allows its workers to live outside and pays them 60 RMB as a housing subsidy.

BZSS has a canteen, and forcibly deducts a monthly fee of 150 RMB from every worker's pay regardless of how often they eat there. Many workers were unhappy with this arrangement.

BZSS purchases social insurances for the employees after they have passed their trial period. Employees pay a contribution of 80 RMB per month to their own superannuation, and BZSS pays the rest.

The employees are entitled to ten days annual leave. The women workers are entitled to three to five months maternity leave, but only three months of that is paid.

Resignation and Dismissals

Workers can easily leave the factory during their trial period. After the trial is over, resignation is classed into two types: fast and slow resignation. The fast resignation usually is processed within three days. After settling his/her wages, the worker can leave. However BZSS often deducts an amount equal to a week's salary as a penalty for only giving the company short notice. Alternatively, if a worker applies for resignation a month in advance, BZSS will pay him/her their dues without any deductions.

BZSS seldom dismisses employees. Furthermore, BZSS never levies fines for employee's faults. If an employee arrived late or leaves early, he/she would be only warned without a penalty. If the employee is warned three times in the same month, he/she will be dismissed. In this case, BZSS will pay him/her the wages due but will not pay compensation for dismissal.

Although BZSS does not pay any compensation when it dismisses employees, workers seldom pursue compensation because they don't understand their legal rights. An interviewee who had worked at the company for one year told us that he never heard of any labour disputes.

In our interviews, we find that many workers express that they will continue to work for BZSS.

Case Study 21

Flextronics International Ltd SHENZHEN, GUANGDONG

Flextronics International Ltd. (Flextronics) was founded in 1969, and employs a total of 110,000 people. It has seven factories in Shenzhen including:

1. Flextronics Technology Co. Ltd & 2. Flextronics Industries Co. Ltd (wholly-owned subsidiaries of Flextronics International Ltd). The company was established by foreign ownership and was founded on December 13, 1994. The registered capital amounts to 12 million RMB. The company produces computer function cards, interface cards, mouse, communication equipment and circuit boards, among other things.

The work force is a total of about 6,500 workers, 95 per cent are women. The average age of the workers is 21 years and the workers are mostly from Hunan, Guangdong, Guangxi, Henan and Jiangxi.

Everyone has one contract; they make contracts one week after finishing the training. Usually the duration of contracts is one year.

The day shift works from 8:30 to 12:30, 13:30 to 17:30 and 18:30 to 22:00 or 23:00. Night shift runs from 22:00 or 23:00 to 8:00am the next day, and workers can have a rest of half an hour. The normal working hours are 40 hours per work and 167 hours per month in normal conditions. The number of hours over-time are at least tens of hours up to 192 hours per month.

Common employees get about 1,200 RMB per month and they can remit about 300 RMB to home. Leave with pay includes: Labour Day - 3 days; National Day - 3 days; New Year - 1 day. Maternity leave is for 90 days and marriage leave is 3 days, but workers don't know whether with pay or not)

Six to eight people live in each of the 28 dormitory rooms, which are equipped with electric fans, but no water heaters in every floor. What's more, it's difficult for workers to get hot water for bathing.

Managers are fetched from and sent back home by air-conditioned bus. (They don't live in the dormitory.)

If a worker fails to punch in their time card three times, he will be fined 5 RMB per time. If anyone who is late for one second to one minute, he will be fined 2 RMB per time. If a worker loses their IC card, he will be fined 30 RMB; if it is the paper card, they are fined 10 RMB. If a worker resigns urgently, he will be fined 580 RMB.

Pension insurance is purchased three months after a worker commences employment. It is not clear if workers receive medical insurance; the workers interviewed has not heard whether it exists or not. Some workers have injury insurance, however there is no unemployment or maternity insurance.

New employees are trained for one week mainly about the regulations and rules of the factory,

industrial safety and hygiene.

There is no union present at the factory.

2. Flextronics Enclosure Ltd (Shenzhen) (wholly-owned subsidiary of Flextronics International Ltd) was established in 1998 and produces communications equipment, particularly LAN system control centres and NOVA series systems.

A total of 400-500 workers are employed at this site, 80 per cent are men and the average age of the workers is 18-35 years. The workers come from other areas, mainly Hunan, Guangdong, Anhui, Henan, Shanxi and so on. No discrimination or preference of areas was indicated.

There is no union at the site.

The working time consists of three shifts, with the day shift working from 7:30 to 12:30 and 13:30 to 15:30, the noon shift works from 15:30 to 17:30 and 18:30 to 23:30 and the night shift hours are 23:30 to 7:30 the next day. The workers work seven days per week; the normal working time is five days a week with Saturdays and Sundays viewed as extra work.

Basic pay is 690 RMB per month, which is regulated by the labour law of Shenzhen. Common employees get about 1,200 RMB per month and skilled workers can get 1,500 RMB per month because of higher basic pay--800 RMB.

Depending on the performance of workers, they get at least 50 Yuan per month for welfare.

Everyone has one copy of their labour contract; they made contracts when they were employed. Usually the duration of contracts is one year, including the probationary period of 3 months.

Pension insurance is purchased after the three month probationary period for all workers. All workers have medical and injury insurance.

All workers have their meals at Restaurant of Jin De CO. Commonly it will cost 3 RMB per meal and 1 RMB for breakfast, so 7 RMB per day.

Six unskilled workers live in one room (67 RMB per month per one worker), three skilled workers live in one room (200 RMB per month per one worker). Every room has a bathroom. If workers want to rent a room outside, he/she can get a subsidies of 64 RMB (unskilled workers) or 200 RMB (skilled workers).

Usually all statutory holidays, such as Labour Day, are recognised. If a worker has already served one year in the company, he/she can have an extra seven days leave with pay per year. Workers can go home at spring festival.

The workers uniforms are all dark blue and the managers' are bright blue; they are free and workers receive two suits for summer, two suits for winter.

The cleaners are dispatch workers and the cleaning company pays their wages. The wages are very low, only 700 RMB per month, for eight hours work per day and 30 days work per month.

3. Flextronics plasthetics Co. Ltd (Shenzhen) (wholly-owned subsidiary of Flextronics

International Ltd). This company was founded in 2001 and the factory can work with moulds sized up to a 850 tonne press; gear up to AGMA 8, mode manufacturing.

The interviews at this site were conducted during a Severe Accute Respiratory Syndrome (SARS) epidemic. The workers who took the task of disease prevention of were selected from the production workers in the workshops. All workshops are equipped with air-conditioner to control the temperature.

The total number of employees is about 600. The number of production workers is about 500 or 83.3 per cent of the total population. The number of managers is about 100 or 16.7 per cent of the total population. Eighty per cent of the workers are men. The workers come from many provinces in China, but mainly Hunan, Guangxi, Hubei, Henan and Sichuan. There was no evidence of discrimination or preference for workers from particular regions.

There is no union at the site.

Everyone receives a copy of their labour contract which are made when they are employed. . Usually the duration of contracts is six months to one year, including the probationary period of three months. No collective contract exists.

There is no occupational health and safety committee. Up until now there have been no labour disputes about the injuries. There were always some injuries, and workers can have a rest after the treatment.

There are two kinds of new workers: trainee workers and skilled workers. The basic pay of trainee workers is 650 RMB per month, the wages for skilled workers is kept secret. The total pay of skilled workers is from 1,800 RMB per month up to 5,000—6,000 RMB per month.

The company provides meals and dormitories equipped with water heaters, fans and TVs supplied to workers for free. But workers pay the fees of electricity and water. If you want to rent rooms outside, there is no subsidy.

All workers receive pension insurance, which is purchased after the three months probationary period. Every worker has injury insurance, but no other insurances.

Normal working time is five days a week, eight hours a day. Additional hours are viewed as extra work. Workers are paid according to the labour law.

Day shift

Time of starting working	Time of Finishing working	Hours of having a Rest and lunch	Time of starting working	Time of Finishing working	Total hours of working	Hours of overtime work	Normal working time
7:30	12:00	1 hour	13:00	18:30	10	2	8

B. Night shift

Time of starting working	Time of having a intermediate meal	Hours of having a rest	Time of starting working	Time of Finishing working	Total hours of working	Hours of overtime work	Normal working time
19:00	24:00	2 hours	02:00	7:00	10	2	8

Women workers receive maternity leave of 90 days.. Usually workers can take all statutory holidays.

4. Flextronics keyboard manufactory Co. Ltd (Shenzhen) (wholly-owned subsidiary of Flextronics International Ltd)

No further information because no interviews were undertaken.

5. Flextronics research and development Co. Ltd (Shenzhen) (wholly-owned subsidiary of Flextronics International Ltd)

No further information because no interviews were undertaken.

6. Flextronics Enclosure Ltd (Shenzhen) - No.2 (wholly-owned subsidiaries of Flextronics International Ltd)

No further information because no interviews were undertaken.

Summary

In all, employees are satisfied about the basic working condition and pay. These employees are mostly employed through schools in mainland and labour dispatching companies.

Every worker should have a physical examination (mainly checking for hepatitis-B) when he or she is employed. Anyone who fails the examination will not be recruited.

There were two labour disputes in 2005 in Flextronics industries co. Ltd:

1. Case No. (2006) 819, labour dispute. Appellant: Flextronics Industries Co. Ltd Appellee: Liuxiang
2. Case No. (2006) 1275, labour dispute. Appellant: Wang Nianqiang Appellee: Flextronics Industries Co. Ltd

There was one labour dispute in 2004 in Flextronics Technology Co. Ltd:

1. Case No. (2004) 4274, labour dispute. Appellant: Wu Xiaohong Appellee: Flextronics Industries Co. Ltd

Usually the disputes are handled through related departments of the company.

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Appendix 1: List of Abbreviations

ACFTU	All-China Federation of Trade Unions
AMRC	Asian Monitor Resource Centre
CCP	Chinese Communist Party
CDMA	code division multiple access
CRT	Cathode-ray tube
CSR	Corporate Social Responsibility
EU	European Union
FAW	First Auto Works Group
FDI	Foreign Direct Investment
FYP	Five Year Plan
GDP	Gross Domestic Product
GSM	Groupe Spécial Mobile (global system for mobile communication)
HRM	Human Resources Mangement
IC	Integrated circuits
ICT	Information & Communication Technology
IFAs	International Framework Agreements
IHLO	ITUC/GUF/HKCTU/HKTUC Hong Kong Liaison Office
ILO	International Labour Organisation
IMF	International Metalworkers' Federation
LCD	Liquid crystal display
LDAC	Labour Dispute Arbitration Committee
LDMC	Labour Dispute Mediation Committee
MOLSS	Ministry of Labour and Social Security
NGOs	Non-governmental Organsiations
OECD	Organization for Economic Co-operation and Development
OSH	Occupational Safety and Health

PER	Personnel Employee Relations
R & D	Research & Development
RMB	Chinese renminbi
SAIC	Shanghai Automotive Industry Corporation
SCMP	South China Morning Post
SOEs	State-Owned Enterprises
TNCs	Transnational Corporations
UN	United Nations
WTO	World Trade Organisation

Appendix 2: Map of factory locations in China.





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