

Paper prepared for GLU Conference on Sept. 15, 2010

Collective Actions Push Trade Union Reform in China¹

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September 2010

Abstract: During the late May of 2010, a strike broke out in the Guangdong factory of Honda Auto Parts Manufacturing (CHAM Guangdong). To understand what impacts it will bring to the trade union and the industrial relations in China, the author visited CHAM Guangdong and other related enterprises in Guangdong province in early August. The research showed that some distinct features can be found in the strike in May, and even active and positive responses from local government and trade union. Currently, the trade unions in China have been undergoing some inconspicuous, and somewhat compelling reforms which focus on the responses to worker's collective actions. At the same time, worker's collective actions also triggered great debates on the problems faced by the trade unions in China. However, it is necessary to point out that the reform of the trade union is closely linked with the reform of the whole political framework in China.

¹ We thank Mr. Ming Xi, Ms. Gunda Boeker and Ms. Lan Xiao for their precious helps. Although Friedrich-Ebert-Stiftung Beijing provides financial support, the authors will take all responsibility for contents of the paper.

Keywords: worker, collective actions, trade union reform

1. Backgrounds of CHAM Guangdong strike and its features

A series of worker's strike and protest broke out in China during late May of 2010. Different from the suicides of Shenzhen Foxconn workers, the strike of CHAM Guangdong on May 17 stands out mostly because of its features of rationality, solidarity and strength showed by the organised workers. After the mediation of the third party and collective bargaining, these features finally helped to reach an agreement between Employers and employees. The workers got a new increase in wage by 500 RMB from 1544 to 2044 RMB monthly, almost a 33% growth. The new increase include additional monthly wage (300 RMB), subsidy (66 RMB), and year-end bonus (134 RMB).

Some distinctive features can be found behind the worker's collective actions.

1.1 The strike took place in the automobile industry. Generally, this kind of strikes always play a greater part and bring about more profound impacts

This is because the automobile industry has such a long manufacturing chain that one core factory often has more than 2 or 3 hundred supply factories which maintain no stock. Although this modern production mode highlights the production efficiency, it also tends to incur high risks: the failure of any one parts factory will ruin the whole industry. Take the CHAM Guangdong for example, as the main supplier of automobile transmission for Guangqi Honda Automobile Co.,Ltd and Dongfeng Honda Automobile Co.,Ltd, the 9.5 day-strike led to the halt of Guangqi Honda and Dongfeng Honda, and the loss amounted to RMB 230 million and over 100 million respectively. It was also pointed out that 7 to 100 thousand workers in the automobile industry in China suffered in the halt.²

1.2 The current low wage level in the automobile industry becomes the core dispute between employers and employees

Some experts insist that CHAM Guangdong's wage police did not violate China's minimum wage legislation. So, the workers' aim of the strike is not to safeguard their bottom line of legal interests, but to struggle actively for better situations.³ It is well

² These data were given by Liu Huilian, the Chairman of Guangzhou Automobile Trade Union, during the August 4 visit on CHAM Guangdong. Liu's another position is the Trade Union Representative of China's 15th Congress, and he participated in the whole mediation and bargaining.

³ Anita Chan : Labor unrest and role of unions , China Daily , Updated: 2010-06-18 , http://www.chinadaily.com.cn/opinion/2010-06/18/content_9987347.htm

known that employees' direct goal is to get pay for their work and employer should pay for employees to get them work. It is the core conflict that employees and employers often cannot reach an agreement on the pay level-wage. The general situation in CHAM Guangdong is that the workers must work 10 to 12 hours per day, 28 days per month, only to get the wage equal to the local minimum wage level. Their earnings greatly depend on their overtime work. Curiously, CHAM Guangdong's wage level is not among the bottom, and in fact it provided workers with better working conditions. The macroeconomic statistics show that China's Gini coefficient reached to 0.47 in 2006, which is higher than the safe level of 0.4, and the proportion of labor income in GDP dropped from 57% in 1983 to 37% in 2005. Another research also shows that 23.4% workers never got any wage increase in recent 5 years, and 75.2% workers complained about the unfair income distribution and the low labour income was thought to be greatly unfair by 61% workers.

In Guangdong's automobile industry, the top three topics among workers are the following, 1) the wage level is too low⁴, and generally the worker's income does not improve along with the industry's rapid expanding and great raise of employer's profit. The workers complained that, in the recent 2.5 years, they only got wage increase 3 times, which was not more than 100 RMB in total; 2) the working time is too long, and they often have to work overtime; 3) the salary structure is unfair, for example, the local and the foreign employees are payed differently even for the same work, and the wage gap between workers and management is too big.⁵

1.3 One of the common features among recent strikes is that the workers are organised not by the trade unions, but by themselves

The fact that trade unions, especially the enterprise trade unions, played no roles in the strikes showed that the trade unions in China are departing with their workers whom they should protect, which, in a more general sense, reflected the trade unions' positioning dilemma.⁶ In fact, workers of CHAM Guangdong complained to their trade union about the low wage before they took any actions, but the enterprise trade union failed to respond. Because of their rapid growing consciousness on rights and

⁴ One employee of CHAM Guangdong put his salary list on webpage, and it showed that his total monthly wage only reaches 1510 RMB, including 675 RMB of base salary, 340 of job subsidies, 100 RMB of attendance bonus, 65 of living allowance, 250 of housing allowance and 80 of commuting allowance, but after the deduction of social security fees, he can only get 1211 in his hand. Taking account in the housing, eating, and other basic living cost, there is only 456 RMB left for him every month. See also *Southern Weekend*, June 3, 2010.

⁵ See also *Banyuetan.com*, July 5, 2010.

⁶ See also *Zaobao.com*, June 3, 2010, <http://www.zaobao.com/special/china/cnpol/pages3/cnpol100603b.shtml>

interests, the newborn generations of migrant workers are not afraid to protect their appropriate rights endowed by the laws, but at the same time, they always find no way to utter their voice, which definitely will lead to labour conflict and force them to take actions.⁷

According to the report, during the CHAM Guangdong's strike, no supportive interventions from the trade unions were observed, but some repressive actions. For example, to keep the strike down, the local superior union, *Shishan Trade Union*, even physically collided with the striking workers. Due to the disappointment about the trade unions, the young workers joined together, took collective actions denouncing the trade union publicly, and even to demanding the dismissal of the enterprise trade union and to re-elect their own union. These workers insisted that the shop-level union should be elected by and from workers within shop-level.⁸ This is an important clue to observe the trade union reform in China.

1.4 The internet played big part during the strike

Internet helped to provide a lot of information to the social communities and workers rapidly and freely, and stimulated and improved the interactive communications between the striking workers and the outside world. Actually, the internet provided a free communication channel system, which helped to gather and exchange opinions, feedbacks from all kinds of participants, including other workers, management, and government.⁹

At the very beginning of the CHAM Guangdong strike, the news was posted on the web page promptly, including information about the strike details, such as the motives, the progress and the outcome. Through website, the workers' expectation, the response from the employer and local trade unions was vividly showed up to the public. Besides the internet, the workers even made great use of SMS to communicate among themselves each other, to organise the strike, and to discuss and decide the date and location of the strike. They also sent the *Open Letter to Social Communities and All Workers from Delegation of Strike workers of CHAM Guangdong* on the website for more help. In a sense, it is because of the internet that made the CHAM Guangdong strike an example and guideline for other strikes in China.

⁷ Prof. Lin Yanling, *Banyuetan.com*, July 5, 2010.

⁸ See "an *Open Letter to Social Communities and All Workers from Delegation of Strike workers of CHAM Guangdong*", June 6, 2010.

⁹ See Lin Yanling, *30 Years of Reform and Opening up: The Evolution and Cultivation of Chinese Workers' Rights Awareness*, Beijing. China Social Sciences Press, 2009.

2. Responses from the local government and the trade unions

Since these strikes went without the leadership of the trade union, the question on what the trade union should do was put forward. In Guangdong, some senior officials from local governments and trade unions insisted that these strikes should be treated seriously and also be responded with actions. These responses can be observed from 3 aspects.

2.1 The first is from the speech of the local supreme officials

For example, in a video conference on economic transition in Guangdong held on June 12, 2010, Wang Yang, Party Secretary of Guangdong Province, Member of the CPC Central Committee Political Bureau, pointed out that the economic transition should not only include industrial structure adjustments, technology upgrade, reduction of resources consumption, protection of environment, but also the change of attitudes on people, especially in enterprises. Wang emphasized that the government should take quick actions to set up conflict coordination mechanism for private enterprises and play an active role as mediator between the employees and employers, pay attention to the legal rights of both and seriously and quickly respond to the requests of workers and employers. Wang also insisted that a *Democratic Management Act in Enterprises*, *Collective Wage Negotiation Act* should be laid down as soon as possible and local Party Committee and trade unions should speed up to build up their organisations in private enterprises. Wang finally pointed out that enterprise trade unions and its superior trade unions should really serve the workers, and protect their legal rights and interests.¹⁰

2.2 The second is from the amendment of *Democratic Management Act in Enterprises in Guangdong (revised draft)*, which showed a more active and positive response to the workers' collective actions

On July 21, Guangdong Standing Committee of the National People's Congress held a meeting to deliberate on *Democratic Management Act in Enterprises in Guangdong (revised draft)*, which appended a new entry on collective wage bargaining and conflict mediation to help to build up harmonious industrial relations. For example, the draft provides that the trade union should call up a democratic meeting among workers to choose the delegates and then bargain with the employer for collective

¹⁰ See Wang's speech in the video conference on the economic transition in Guangdong held on June 12, 2010, http://www.sz.gov.cn/cn/sz/sz/xq/jqhd/201006/t20100613_1546822.htm

wage agreements so long until one-fifth workers of the enterprise put forward the requests. For those enterprises without trade unions, local federation of trade unions should take the responsibility to guide the workers choosing their delegates democratically.¹¹ Experts pointed out that workers were never given the rights to negotiate for a collective wage agreement in previous laws, such as Trade Union Law (1992), Labor Law (1994), and Labor Contract Law (2007), which only handed the rights to the trade unions. If successfully legislated, the revised draft would have 2 significant roles. One is that it will provide a regular mechanism, not the previous collective action mechanism, for the workers to demand a collective wage agreement and maintain their rights and interests. Another is that it will give back to workers the right to collective negotiation, to choose their delegates under the guidance of the trade unions, which will help workers play a principal role in the future collective negotiations.¹²

Of course, other highlights also can be seen in *Democratic Management Act in Enterprises in Guangdong (revised draft)*. For examples, the draft provides that the collective negotiation should be held in the enterprises, and the government only play a mediating role in the new type of mechanism to adjust labour relations.

In short the new local draft shows that the Guangdong government tries to encourage the workers to use the more peaceful collective negotiations, instead of more destructive collective actions, to maintain their rights. These new legislative attempts in China also indicate that the government needs to build up a collective-negotiation-oriented coordination mechanism, after the transition to market-oriented industrial relations, to iron the increasingly intensified conflicts between the employees and the employers.¹³

2.3 The third is from the re-positioning of the trade unions

When asked by a journalist from Yangchengwanbo, Chen Weiguang, the Chairman of Guangzhou Federation of Trade Unions, said that the union always did not have a clear idea on what role the union should play in the labour relation coordination, and some officials of the trade unions even unconsciously played a mediation role between employers and employees. The recent CHAM Guangdong and Foxconn

¹¹ Lin XiaoZhao, "the Legislation to Regulate Collective Wage Negotiation in Guangdong," *Firs Financial Daily*, June 22, 2010.

¹² China Labour Bulletin, "Review on the *Democratic Management Act in Enterprises in Guangdong (revised draft)*", <http://www.clb.org.hk/schi/node/1301271>

¹³ China Labour Bulletin, "Review on the *Democratic Management Act in Enterprises in Guangdong (revised draft)*", <http://www.clb.org.hk/schi/node/1301271>

Shenzhen cases had raised a serious issue: Which side are the trade unions on?

Undoubtedly, Guangzhou Federation of Trade Unions have already took the lessons. On June 21, DENSO Guangzhou, a leading supplier of advanced automotive technology, systems and components for all the world's major automakers, saw a breakout of labour conflict. Because the enterprise trade union lost the workers' trusts, the union can do nothing. When the superior trade union, Nansha Trade Union, was asked by the government to mediate and coordinate the negotiation, Chen clearly indicated that, if the trade union accepted the request to be coordinator, it would lose its qualification on behalf of the workers. Chen refused and suggested that the local Labor Bureau of Nansha District should take the responsibility. Chen said that the trade unions must be on the workers' side, and it is the government, not the trade unions, should play the mediation role. However, he also confessed that, under the current political framework, the position of the trade union was decided by the Party, not by the trade union itself.¹⁴ Because of their clear positioning in the conflict, the local government and the trade union played active roles to successfully calm down the conflict. On June 25, the employees and the employer held a collective negotiation, and they finally reached an agreement in a friendly atmosphere until 17:00. Both of the sides expressed that they should strengthen mutual communications and keep good cooperations in the future. The local Labor Bureau of Nansha District eventually advised that the employees and the employer should hold a collective negotiation on wage increase in April every year.¹⁵

Along with the rapid economic development, the labour relations in China become complicated increasingly, and the enterprise trade unions face a lot of new situations and challenges. In order to strengthen the role of enterprise trade unions in the future, the All-China Federation of Trade Unions (ACFTU) laid down a new resolution on July 26, in response to the urgent difficulties faced by the enterprise trade unions. The new resolution aims to push the building of grassroots trade unions, to strengthen trade unions' responsibilities to maintain workers' rights, and to invest more fund to enterprise trade unions, to strengthen guidance for enterprise trade unions. The new measures are very practical and appropriate. For example, the new resolution insists that the chairman of trade unions should really represent the workers, speak for

¹⁴ Zhangwei, "Workers in 80% enterprises will be able to bargain equally with their employers within 3 years", *Yangchengwanbo*, August 14, 2010.

¹⁵ Xiao sisi, "DENSO Nansha conflict satisfactorily resolved and wage raised by 800 RMB", *Xinhua.net* (Guangzhou), June 27, 2010.

workers, and maintain workers' rights.¹⁶

3. The inconspicuous on-going trade union's reform in China

Generally speaking, the trade union's reform is more referred to the reform of itself. However, in China, trade union's reform is linked with the attitude of the Party and the Government -just as Chen Guangwei confessed, under the current political framework, the position of the trade union was decided by the Party, not by the trade union itself. Some researchers also pointed out that the role of local trade union in CHAM case brought further considerations on what kind of trade unions we actually need in market economy, which position they should hold in the conflicts, and which role trade unions should play.¹⁷ According to the responses to worker's collective actions from local governments, local trade unions and ACFTU, it can be judged that the trade union has been already undergoing inconspicuous reforms in China, and the reforms were pushed forward, or the trade unions were compelled to move forward. The reform also responds to the worker's collective actions.

3.1 The responses clarified the respective roles and responsibilities of governments and trade unions in the conflicts or the workers' collective actions

As the representative on behalf of workers, the trade unions should always stand on the workers' side. It is the government who should set up the platform to promote the dialogue between employee and employer, and mediate the conflicts. This new mode of responsibility division had already been laid down in the ACFTU's new resolution which clearly stated: "When collective actions break out, the enterprise trade unions should visit the workers at the first time to gather information, report and express their demands to local and superior Party committee, and try to prevent intensification of conflict. The trade unions should be under the leadership and coordination of the Government and the Party committee to maintain the workers' rights through the collective negotiation mechanism."¹⁸ In a sense, the Party, the Government, and the Trade Union all come to a common idea that without clear job division, they could do nothing when facing conflicts.

3.2 The responses also showed another common awareness among the Party, the Government, and the Trade Union, that they must pay great efforts to deal with

¹⁶ Zheng Lili, "A review on ACFTU's resolution on strengthening trade unions' role", *Worker's Daily*, July 29, 2010.

¹⁷ Zheng Meng, "Face rationally, treat legally", *caijing.com.cn*, June 4, 2010.

¹⁸ ACFTU, "ACFTU's resolution on strengthening trade unions' role", July 26, 2010.

the problem of alienation between workers and their trade unions

To prevent the similar strikes like CHAM Guangdong, the trade unions must completely voice and stand for the workers' rights and interests, which means trade unions must take their roots deeply among workers, and the officials of trade unions must be chosen freely by workers, and workers should be encouraged to build up their trade unions in a bottom-to-top way. Previously, the trade unions were built in a top-to-bottom way, which means the trade unions were not built by workers, but by themselves. Since the workers' demands and expectations were seldom taken into account by the trade unions, the unions could not win the workers' trust. It is no doubt that this kind of trade unions have lost the credibility to stand for workers, and they can do nothing when conflicts break out. Fortunately, the ACFTU's new resolution paid great attention on this issue, and pointed out that the enterprise trade unions must be built by workers, stand for workers and maintain workers' rights.

When asked by a journalist from *Nanfengchuang*, Li Yonghai, the Legal adviser and the former Member of the Secretariat of ACFTU said that, if the trade union failed to stand for the workers, the workers would find other ways around to maintain their rights and interests. He also said that, if the Party's trade unions failed to stand for workers for a long time, the workers would eventually seek help from those "Second trade unions", which was not controlled by the Party.¹⁹ Obviously, it is very correct to encourage workers to build up their own enterprise trade unions, and this is the only way to have trade unions standing for workers and ensure trade unions to win the trust from workers, which will eventually ensure that the trade unions can really play a role in the critical moments just like in CHAM and Foxconn cases.

3.3 The trade unions' responses showed that they realized that the only way to prevent future workers' collective actions is to set up a regular wage increase mechanism for workers, and to re-position the trade unions in a correct and clear way to strengthen their role.

One of the main tasks of trade unions in some market economy is to be totally on behalf of workers to organise collective negotiations, bargain with employers, and sign collective agreement. In China, the collective contract mechanism already has more than 10 years history, but this kind of contract was built and pushed by the Government in a top-to-bottom way, in which the trade unions lost their role in

¹⁹ Li Yonghai, "Calls for strong trade unions" *Nanfengchuang*, June 26, 2010.

collective bargaining, and at last the collective contract mechanism failed. Another confusing problem in enterprise trade unions is the “role conflict” of its chairmen namely a double role, one as chairman, but the other as a member of the company management.²⁰ In order to clarify the role of trade unions in collective negotiations, on May 25, the Ministry of Human Resources and Social Security (MOHRRS), the All-China Federation of Trade Unions (ACFTU), and the China Enterprise Confederation (CEC) jointly released the *Rainbow Program*, tried to promote collective contract mechanisms within 3 years, which will focus on collective wage bargaining in all kinds of enterprises that have already set up trade unions. Obviously, to get the mechanism to work, the trade unions must really stand for workers to participate in the negotiation, if not, the mechanism will fail again.

Li Yonghai pointed out: “it’s a fact that trade unions have really done much. However, quite a number of workers are not satisfied with trade unions and what they have done, and this is also a fact. So what is the point? If trade unions failed to serve workers and voice their demands, workers would not be satisfied with trade unions, no matter how much they have done.”²¹ However, the collective wage bargaining mechanism will help trade unions, which will ensure that trade unions can really serve and voice their demands, and seek better pay and working conditions for workers, which ensures that the trade unions eventually will win the trusts of workers.

4. Conclusion

The recent collective actions have already triggered great discussions in China, and almost all of the problems faced by trade unions were revealed thoroughly in the public with the help of the internet and media. These discussions not only include the embarrassing dilemmas that trade unions are facing in conflicts, but also rational considerations about the future of trade unions; not only have historical and dust-laden disputes on the role of trade unions, but also observe the successful experiences from the western trade unions. In a sense, the current disputes are a continuation of earlier debates.

Undoubtedly, the trade union reform in China is closely related to the whole political reform. Some researchers pointed out that, in fact, the main issue or focus of trade

²⁰ A telephone survey in 2009 showed it is very common for chairmen of enterprise trade unions to have double roles. See also Liu Xiaogang, Zhang Qinglei, “A survey on the double roles of chairmen of trade unions”, *Chinese Workers’ Movement*, p. 31, 4-2010.

²¹ Li Yonghai, “Calls for strong trade unions” *Nanfengchuang*, June 26, 2010

union's reform is the dispute, transition, and re-positioning of the double roles played by trade union on one hand to fulfill the tasks of the Party and on the other representing the interests of the workers. The current workers' movement has already raised this question on the double role of trade unions. However, the positioning of trade unions in China will eventually be decided by the development of workers, the fundamental social framework, and the economy.²²

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²² Xu Xiaohong, "The double role of trade unions in China", paper for the 60th anniversary of *Trade Union Law*, August, 2010.