Chinese Workers Become the First Victim of Continuous Foreign Investment Withdrawal

Thursday 23 March 2017, by HKCTU (Date first published: 22 March 2017).

In mid-November 2016, Coca-Cola announced to sell its bottling assets in China to Swire Pacific Ltd and China National Cereals, Oils and Foodstuffs Corporation (COFCO). Under the realignment, Coca-Cola will cease to run bottling operations in mainland China. Workers in its plants in Jilin, Chongqing and Chengdu became worried about if the new employers would alter their labour conditions after the acquisition. Thus, they demand a buy-out offer with full severance payments from Coca-Cola and a guarantee from the new employees to reemploy them with the same terms and conditions (known as retrenchment before reinstatement). Yet, Coca-Cola's silence angered workers leading to a strike on 21 November 2016. Police stepped in and seized the Chongqing plant. Numerous workers were assaulted and seven workers, including an expectant mother, were detained.

As China's economic slowdown deepens and local governments are pushing for industrial upgrade, foreign-invested low-end manufacturers are gradually leaving China and thus, labour conflicts surface. When foreign-owned plants are sold to Chinese enterprises, workers often demand a buy-out offer. Hong Kong workers might find it confusing, as they tend to prioritize job security and would be satisfied if they would be employed by the original terms and conditions and be allowed to keep their seniority under the new ownership. In contrast to that, the "China's Labour Contract Law" guarantees that the change of investors would not affect the implementation of the original labour contracts. In other words, Chinese workers seem to have more job security even a new employer comes in. Why do they have to take it to the street and demand retrenchment before reinstatement?

The Coca-Cola case illustrates the fate of many workers in foreign enterprises in recent years. Change of ownership makes workers anxious, due to many previous examples of new owners forcing workers to resign or cutting the workforce down, making the "Labour Contract Law" a toothless tiger and costing workers to lose the seniority-based severance payments. Moreover, foreign enterprises are often better monitored and employees receive better wages and welfares when compared with their counterparts in Chinese-owned enterprises. When a foreign enterprise employs an employee, it is required to follow the OECD Guidelines and thus, the working hours and occupational safety policies provide better protection to workers. As they invest globally, their corporate conducts are monitored by consumers' campaigns, NGOs and trade unions in the western world. Chinese-invested enterprises are not subjected to OECD Guidelines, which includes guidelines on labour conditions. For example, China Foods Ltd., a subsidiary of COFCO transferred the ownership of Leconte Chocolate to another COFCO's subsidiary COFCO Property (Group) Co.

Ltd. in March 2016. After the ownership transfer, the new employer closed plants, downsized the workforce significantly and sold all assets, except properties. An industrial action broke out in August 2016, but for a state-owned enterprise like COFCO, it can easily commission the local governments and labour authorities to take its side and launch repression against workers. The lack of protection of workers in Chinese-owned enterprises make workers come up with the "retrenchment before reinstatement" strategy, to first get the seniority-based severance payments before they become worth nothing after the ownership transfer.

Labour actions triggered by factory closures, relocations or redundancies have increased continuously in recent years. It is getting more difficult for workers to claim their missing wages and social insurance back and reemployment remains a challenge. At the same time, Chinese Government adopts heavy-handed measures to crack down civil society, increasing workers' risks to fight for their rights; the Chinese trade unions fails to safeguard workers' rights; all these make the future grim for Chinese workers.

Hong Kong Confederation of Trade Unions (HKCTU)

P.S.

*
http://en.hkctu.org.hk/mainland-china/position-and-analysis/chinese-workers-become-the-first-victim