

Guangdong Provincial Trade Union suspends collective wage negotiations

Saturday 20 December 2008, by [IHLO](#) (Date first published: 30 November 2008).

In the past month or so there has been a rise in the number of factory closures in the Pearl River Delta. Although the area has seen thousands of low-end, low profit enterprises leave in the past six to 12 months, the financial crisis has stepped up momentum. Many workers - generally rural migrants - are being sacked and many find themselves without jobs and back pay.

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Businesses throughout the region - including Hong Kong - have been seeking extensive government support in the form of tax breaks, special loans and controversially the suspension of the labour contract law. [[1](#)]

The central authorities have issued several measures to support small and medium enterprises especially in the export sector, for example an increase in the tax rebate for exports and a huge economic stimulus plan. The authorities have also urged enterprises not to lay off workers and some regulations to that effect have been amended.

However at the same time as protecting core jobs, the government has also issued regulations suspending the increase of minimum wages and on 22 November, the Guangdong Federation of Trade Unions (GFTU) announced that they would be suspending collective wage negotiations [see below for full translation]. Not only are they suspending this important work but, in addition to focusing on paying for the train tickets of migrants back home, the head of the Guangdong federation holds up as a 'good example' of a 'humane' employer, a factory putting its workers on unpaid leave - shouldn't workers be able to expect something more from their local 'union'?

Worker activists report that many factories are making workers to go home for an extended holiday and to come back after Chinese New Year. Their documents and permits are taken away along with any staff ID cards - leaving the workers open to an abuse of this trust. It is not clear just how many companies will re-hire their former workers and if they do, if they will continue to pay the same wages or rehire them as 'junior' workers at a lower wage level. Indeed if the companies don't re-hire them then the workers, with no local residency have little bargaining power - and the companies just got away with effectively laying off workers without compensation.

The local union, at a time when the workers need them most is effectively disengaging from recent moves towards acting like a real trade union and once again working with management to ensure 'harmony'. It is unlikely this will work in the long term however and reports of worker dissatisfaction

are increasing.

Support for workers or failing enterprises?

The economic development of the Pearl River Delta has been a boom town for the type of enterprise built on low cost, low end production, making good use of China's cheap and plentiful labour. For a long time it has been a symbiotic relationship – especially for small and medium, enterprises owned by Hong Kong and other Asian companies. In truth the situation was already turning for these enterprises as the central government sought to move towards higher end production and away from the labour intensive and heavily water-reliant polluting enterprises that typified the Pearl River Delta. Now the global financial crisis is being used by local businesses to call for a return to the psotivi3e climate they were used to. This last year or so has seen a reduction in tax rebates, increased environmental standards, higher prices for raw materials and fuel and stricter labour laws (at least on paper). Many businesses have left, relocated or been forced to close. Now though they see a lifeline as countries around the globe pour money into supporting companies in order to maintain employment levels and consumer spending. [2]

Much of this is welcomed in economic terms but in reality how much of this money – built up by workers – will reach the workers themselves. While the government locally spends billions on supporting sometimes un-sustainable low end manufacturing plants, what is being done for the workers? Labour costs generally make up only around 5 – 15 percent of most of these types of products and yet wage increases are one of the first things the government stops. The ACFTU has been relatively quiet so far, concentrating on urging workers and enterprises to stand together – fair enough in times of crisis, but at the end of the day, a trade union must support the workers and not always side with business, even if, in the case of the ACFTU, they make up the vast majority of union chairs.

Collective contracts: A reality check

According to ACFTU statistics for 2006, the number of collective contracts signed across the country reached 862,000, up 108,000, or 14.3%, on the figures for 2005. Most are negotiated' by management led trade unions and do not even contain the basic legal minimum amount of information. Collective contracts are being championed by some groups who see their use as a way of involving and organising workers. As of now however most new rules on collective consultation explicitly stress – and in some cases reassert – the guiding role of the ACFTU and the need for upper level approval from upper levels of the ACFTU. Hopes that contracts could be negotiated by workers and elected worker representatives are therefore quite slim.

For example, in the well-publicised publicised case of Wal-mart, championed as the shining example of ACFTU organising, the collective contract 'negotiated' only managed an eight percent wage increase, just slightly above minimum wage increases. While there is little surprise in the ACFTU not fighting for worker rights, what is interesting is the increased activism of some of the enterprise level unions. In one Wal-Mart branch union it was reported that an elected union official, Guo Haitao, resigned after the failure of his enterprise union to negotiate a proper collective contract after the pro forma contract was imposed on his branch by the higher level ACFTU officials.

Indeed Wal-Mart again scored a win-win situation with the ACFTU: "We support these efforts because of the valuable, mutually beneficial partnership the government-run union offers and because of their commitment to assisting businesses in our growth and development in China," said

Kevin Gardner, a Wal-Mart spokesman. [3]

In most cases, workers remain unaware that they may have an agreed collective contract. The report below highlights what may become a common occurrence throughout China, but in this case, as the Guangdong Provincial ACFTU is one of the more active provincial branches of the ACFTU the workers may actually notice. In many other places, a suspension of negotiations will make no difference whatsoever to the daily lives of the workers. Most workers are failed miserably by the ACFTU who appear to have little determination in negotiating effective wage rises. In fact while wages have been increasing in the past few years, they have in reality been barely covering rocketing inflation.

Lack of real wage increases

For most migrant workers, the minimum wage is the maximum wage – especially if working a regular week. Additionally, many workers report that they receive wages lower than the legal minimum wages. Many migrants in the area are paid according to a piece-rate system while others work for employers who simply ignore the legal minimum wage. Workers' pay is highly affected by orders and company contracts - at peak season and with long hours of overtime, they may earn around about 1,000 Yuan but during low season they can earn much lower, around 700 Yuan. Workers affected by the economic downturn in the south can expect therefore to only get the absolute minimum if production is slow.

The low level of minimum wage has come under increasing criticism as inflation continues to rise. Although the myth that wage levels are rising rapidly continues to spread, workers still find themselves unable to afford the basic necessities. While some increases – in the past five years – seem dramatic they are off set by the dramatic rise in the price of basic foodstuffs, rent and general expenses. Wages which have remained stagnant for many years are increasing simply to keep up with massive inflation and food costs. In downtown Shenzhen, the minimum wage reached a symbolic 1,000 Yuan per month in July 2008 but the average wage for urban workers in Shenzhen was over 3,000 per month in 2007. Wage levels for migrants have in fact gone up extremely slowly compared to the rise in the average wage in the past few years. According to official media, "Sound corporate performances and raised lowest salary levels lifted the average salary of China's employees working in cities and towns approach 25,000 Yuan (3,561.3 U.S. dollars) in 2007, up 18.72 percent over the previous year, the biggest rise in the past six years" [4]

In many cases it is the workers and not the government unions who are fighting for – and getting – increased wages. Many workers are forced to resort to strikes and protests in order to claim their increases.

In 2007, IHLO reported on a worker led lobbying campaign in Shenzhen which forced the local government to implement legally required wage increases. The initiative provides a good example of the growing number of well organized, pro-active and spontaneous movements formed by the workers themselves in response to legislative developments or related decision-making by the authorities. [5]

One worker drafted a petition letter entitled "An increase in the minimum wages is the workers' urgent demand", signed by "a group of migrant workers". The letter was then sent to several news agencies in Shenzhen. Workers voluntarily signed their names and wrote down the wages they received next to their names on the back of the letter. In the space of a few days, they collected over 100 signatures. Between July and August, in groups of five, workers involved travelled around Shenzhen to lobby the various city departments - the municipal National People's Congress, the

labour bureau and the ACFTU. Finally, in October, the Shenzhen municipal government finally announced a new rise in the legal minimum wage. The workers' action also forced the city government to be more transparent in deciding the legal minimum wages. The government disclosed this year for the first time some background on how it had set the rise – it stated that it had interviewed some 2,100 factories and some 30,974 workers.

Update: *A great deal of criticism was targeted at the Guangdong Federation and they later clarified that not all negotiations would be stopped and any halting of negotiations referred only to enterprises in trouble.*

Translation by IHLO

'Suspend the wage collective negotiations in difficult enterprises'

'Suspend the wage collective negotiations in difficult enterprises' Guangdong Federation of Trade Unions said at the Guangdong association of employers conference held yesterday

Nanfang Daily 22nd Nov 2008

On behalf of the Guangdong federation of enterprises, the Guangdong association of employers Yesterday held a conference in Guangzhou which included 35 provincial-level industrial associations, societies and business associations in Guangdong. They called for regular meetings. At this meeting, they also adopted the "Declaration of the South" and called on all sectors of the Guangdong province to overcome the crisis.

30 percent of Smart Union's workers have been e-employed

Before the meeting, many enterprises have closed in Dongguan, for example Smart Union [a major toy manufacturer]. The owner absconded, and the local government was forced to pay the workers wages. A few days ago, Zhongshan Huakang Enterprises Ltd announced they would close their factory. The factory invited the government officer to supervise the whole procedure, and they offered to pay the workers wages and compensation. This news has become a hot topic for discussion in the media.

Luo Foguan, president of the Federation of Guangdong Enterprises said, 'according to incomplete statistics, Guangdong Province currently has 460,000 enterprises. There are more than 23 million employees including the self-employed'.

The vice chairman of the Guangdong Federation of Trade Unions, Kong Xianghong said in an interview that the GDFTU has urged enterprise owners and employees to work together in these hard times. At the same time, the GDFTU will pay attention to protection of labour rights and the interests of those workers whose factories have already closed down. We will also try to help them find re-employment. The closure of Smart Union in Dongguan made 6,000 workers unemployed one month ago. Presently, 2,000 former Smart Union workers have already been re-employed in Dongguan while 1,000 workers have chosen to leave for their hometowns. GDFTU is now assisting workers with accommodation and train tickets in all cities in Guangdong.

Some enterprises in Guangdong are now practicing 'half-day work with half-day training'

During the interview, Kong Xianghong revealed that some enterprises have genuine business difficulties and that the GDFTU will suspend the implementation of collective wages negotiations.

"In the past, at the beginning and end of each year, we organized workers and enterprise owners to conduct collective negotiations on wages in order to try to increase them. The increase depended on the enterprise profits in the previous year. Due to the current difficult business environment, we will suspend the implementation of collective negotiation on wages. The resumption of collective wage negotiations will certainly depend on the economic situation ."

Kong Xianghong also said, that according to the (their??) research, some companies treat workers humanely. For example, they insist workers take holidays but don't lay them off when production orders decline. The Shenzhen Baoan South Pacific Electronics Co., Ltd is a good example of this as they practice 'half-day work with half-day technical training' . This approach which has a long term vision should be used more in enterprises in the region."

November 2008

ITUC/GUF Hong Kong Liaison Office

P.S.

* From IHLO, the Hong Kong Liaison Office of the international trade union movement. Translation by IHLO:

<http://www.ihlo.org/LRC/W/271108.html>

Footnotes

[1] For more information on the lobbying of business to suspend the new law please see ITUC letter to the Hong Kong SAR government: <http://www.ihlo.org/HKM/271108.html> or, on RSSF: [ITUC letter to the Hong Kong SAR government](#)

[2] For more details on some of the rescue measures supporting local enterprises see 21 November Ministry of Commerce and Customs:

<http://www.mofcom.gov.cn/aarticle/b...>

[3] For more details see China Labour News Translations (CLNT):

<http://www.clntranslations.org/arti...>

or on ESSF: [China: The Emergence of Real Trade Unionism in Wal-Mart Stores](#)

[4] For more details: Minimum wages versus 'average' wages:

<http://www.ihlo.org/LRC/WC/071008b.html>

[5] For more information please see: Worker led wage movement:

<http://www.ihlo.org/LRC/WC/281107.html> and on ESSF: [Give it or we leave it: migrant workers' quest for higher legal minimum wages](#)