

ARE TRADE UNIONS AT GRASSROOTS' LEVEL FUNCTIONING?

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**Report of the 8th Round of Labour
Inspection in China for**

STORMBERG

by **CHEN WEI**¹

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¹ Mr. Chen Wei is currently working for the Norwegian Confederation of Trade Unions (LO-Norway) as senior advisor and economist. He undertook this assignment for Stormberg on a private basis. The opinions and conclusions presented in this report are solely his own, without any reference to the opinions and policies of the Norwegian Confederation of Trade Unions (LO-Norway).

1. THE INSPECTION ²

The 8th round of unannounced labour inspection was carried out on 12th and 13th of November 2012.

Table 1-1: The 8th round of labour inspection – participating factories

Factory	Belonging Export Company	Inspected before ?
De Yu Manufacturing Garments Co., Ltd		No
Taida Plastic Manufacturing Garments Co., Ltd	Shijiazhuang V- Sheng Trading Co., Ltd	No
Long Teng Manufacturing Garments Co., Ltd		No
Shunxinyuan Manufacturing Garments Co., Ltd		No

The general results from this round of inspection are presented in Chapter 2.

The Chapter 3 is dedicated to a topic in focus, namely how to make the trade unions at grassroots' level actually functioning:

- What is the status of the trade unions at grassroots' level (in the enterprises), especially in the SMEs.
- Do they play a role?
- What are the challenges, unsolved problems or unanswered questions

² Special thanks to Mr. Wang Jiao from Shijiazhuang V-Sheng Trading Co., Ltd for his kind assistance and contribution to this inspection round.

2. The general results from this round of inspection

2.1 General information

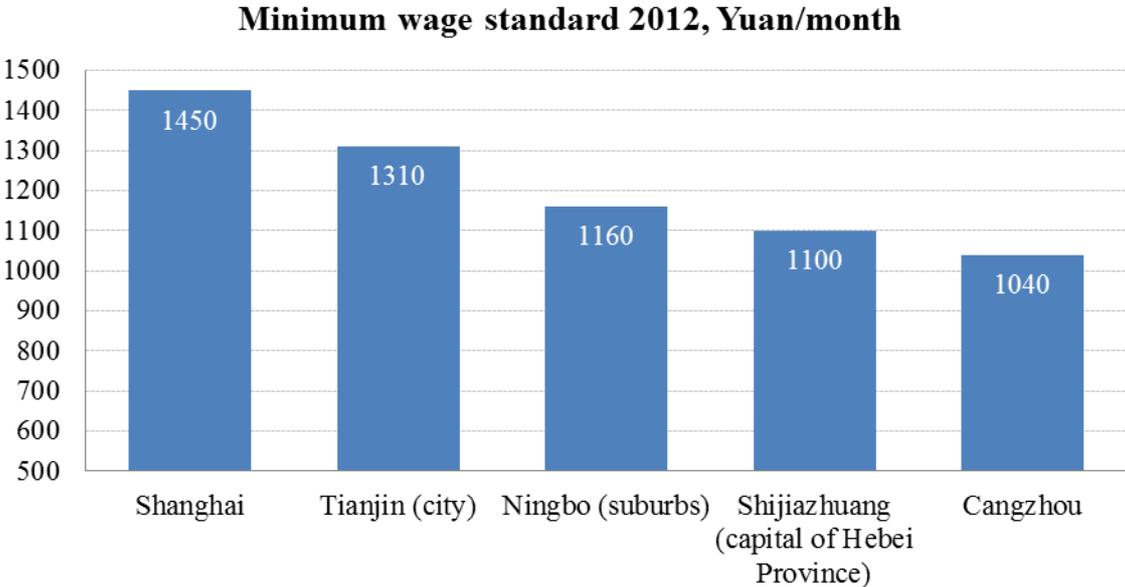
Three of those four inspected factories are located in Qing County of Cangzhou Citry, Hebei Province. The forth is located in Jinghai County of Tianjin City. Qing County and Jinghai County are neighbour counties although they administratively belong to two different cities.

Tianjin is an important harbour city in the Northern part of the Chinese coast line. There are a number of export-oriented garment factories in the suburban area of Tianjin and Cangzhou, but the concentration of export-oriented garment factories in this area is far from the level of that in the Southern part of the coast line (for example in Guangdong or Fujian Province) or that in the middle part (for example Zhejiang Province).

Logistically set Cangzhou enjoys very much its geographic position: near Tianjin harbour (shipping), directly on the Beijing-Shanghai High-Speed Train Line (passenger) and on the route of the Beijing-Shanghai Highway (goods).

Manufacturing in the Cangzhou area enjoys at least two other benefits than other southern coastal areas like Guangdong, Fujian and Zhejiang:

- Less dependence on the migrant workers. The main supply of labour force is from the local residents. The problem of recruitment of workers seems less severe here than the southern parts of the coastal area.



- Lower living wage. The regional minimum wage standard is often an indicator for the local living costs. As shown by the chart above, the minimum wage standard in Cangzhou is for instance lower than that in the suburban area of Ningbo (the minimum wage standard for Ningbo city area is even higher). Thus, the pressure on labour cost and average wage level in Cangzhou area is lower than that in Ningbo area. However, the wage difference is somehow marginal.

2.2 Working environment

The working environment in all the inspected factories is fairly good. The workshops are equipped with ventilation, cooling and warming facilities. The fire fighting devices are properly placed according to the law.

2.3 Basic labour rights

Neither child labour nor forced labour was discovered under the inspection. There has been no severe labour conflict reported at these factories. All factories have implemented major requirements from the Chinese Labour Contract Law. Standard written labour contracts are signed between the employers and the employees.

2.4 Labour conditions

Employment

As mentioned above, the main labour supply in the Cangzhou area is from the local residents. Thus, there is less dependence on migrant workers, unlike many other coastal areas where many manufacturing factories are facing a severe problem of recruiting adequate working force. The working staff in all the inspected factories is relatively stable. However, all of them still express a clear concern for employment. Most of the newly-educated young people don't consider working in the manufacturing sector as favourable. Hard work, long working hour, relatively low pay are those characteristics for the manufacturing sector, which attracts fewer younger people today. The new labour supply today has a much higher income expectation than what the industry can afford. In general, the outlook for labour supply to the textile and garment industry is not optimistic.

Wage

The income level has been raised remarkably among all the inspected factories in the past several years. The average monthly income for an average skilled worker is today around 2500 RMB.

A major improvement which was found in this inspection round is regarding **the overtime pay**. As before, the workers worked overtime, and they got only paid according to the piece wage just as the same as in the ordinary working hour. In some cases, the workers got a free meal as the compensation for working overtime and working late.

The inspected factories have introduced **extra pay** for overtime at a rate of 6 yuan per hour. Although in average it is still below the overtime pay required by the Chinese Labour Law, the new practice marks a big step forward with regard to the compliance of the Labour Law and a real compensation for workers' overtime working.

The textile and garment branch has a clear seasonal variation. Use of overtime in many cases is necessary while the distribution of orders is (unavoidably) uneven and process from orders to products or from production to shipping doesn't always go smoothly. To some extent, workers like to work overtime themselves, which gives them more pay. As we have elaborated in the inspection reports from the previous years, an average worker can **not** get a monthly pay much higher than the minimum wage if he/she only works 40 hours (ordinary working time per week) at the current piece wage level. About half part of the monthly income for an average worker comes as a result of working more and longer, and less free days. The introduction of extra pay for overtime will improve workers' income, and is more fair in terms of the working conditions.

Working time

All the inspected factories report less use of overtime. However, it is still common that workers get only 1-2 days free in a month.

The distribution of working time is also quite uneven. There is still extensive use of overtime in the so-called "high seasons". It happens that in some days the factory has no order in production. The workers are dismissed ("permittert") with a minimum compensation (2-300 yuan/month). The workers are obligated to resume work at the first time when the factory calls upon them.

Social security contribution

It is still a common practice that employers pay the social security contribution only for those who have served certain numbers of service years (for example over 10 years). Employers' social security obligation becomes a kind of seniority reward.

This is not a good compliance of the Law. A strict compliance of the Labour Contract Law requires employers to pay social security contribution for

employees from day one, namely when the employment relationship is established.

Taking into consideration of high turnover rate in this branch, the authorities close eyes on this branch practice in order to help the industry facing increasing labour cost burden.

However, this kind of exceptional rules can not last forever. One day, the branch has to face its obligation on social security for the employees in line with all other industries.

2.6 Labour relations

All the inspected factories are unionized. However, there is very little union activity in the factories, and the local unions seem not quite well functioning. This issue will be more elaborated in Chapter 3.

2.5 A special remark – customer relation with Stormberg

It is worth making a special remark concerning the customer relation between Stormberg and its suppliers in China. In this inspection round, all the inspected factories and the trading company express their satisfactory for Stormberg. They appreciate very much the way in which Stormberg does business, develops cooperation and takes care of their suppliers.

It is quite impressive that Stormberg enjoys much trust and confidence among its suppliers. Stormberg is not the only customer for these factories or companies. They put Stormberg on the top of the list for reliable customers, as a contra-example for customers like Walmart from the US or Lidl from Germany.

It shows clearly that the efforts on CSR-work from Stormberg over the past years are definitely not useless. One of the central objectives, with regard to implementing the Codes of Conduct and following-up labour inspections, is to seek to establish a long-term business partnership between Stormberg and its suppliers on the basis of sharing the same commitment to quality and values. The efforts from Stormberg to help its suppliers facing their challenges, solving their problems and developing their business in joint force, to the best for both enterprises and their employees, are seen and much appreciated by the suppliers.

It also looks promising for Stormberg's further actions to develop sustainable business, taking the start point of already high trust among the suppliers,

3. Topic in focus: Trade unions at grassroots' level

Nowadays when we go to an enterprise, no matter of size or ownership, and ask whether it is organized and whether they have a local labour union inside the enterprise, most probably we will get an answer “yes, we do”.

It is the case for all the inspected factories as well. They are all organised, and they all have a labour union inside the factory, even though they are just some small private-owned enterprises.

- “Of course we have the union”

When you get an answer like this, the first thought will be “oh! What an achievement for the Chinese Trade Union Movement” when unionization has become an “of course”.

Today, All-China Federation of Trade Unions (the only legal trade union organisation in China) has more than 240 million members. ACFTU has a target to organise 80% of all enterprises and institutions in China by the end of 2013. I feel pretty sure that they are able to reach this target after this inspection round.

- “Well, the authorities above require it”

“Why is your factory unionised? Is it because the employees wanted to be organised?” – this is my second question.

“Well, the authorities above require it. So we did it.”

When the authorities help the ACFTU pushing forward their organisation work, it lets me be even more certain about that ACFTU will reach its organisation target. There is nothing wrong that the authorities push forward the organisation work. After all, a better-organised working life is not only what ACFTU wants, but also what the Chinese Government wants.

- “I AM the union chairman”

When I ask a factory director: “ who is your union chairman, and can I meet him/her?”. As usual I will get an answer like “she/he works at the management (accounting office, technical office or personnel office, etc.).

This time in one of the inspected factories, I got an answer from the factory director (and owner as well): “I Am the union chairman”.

I was quite surprised. “Really? Is it true?” - I asked again to make sure. “Yes, it is true!” - the factory director firmly confirmed. I was a little bit shocked.

- “To be frank, they are doing nothing”

During the inspection, I asked both the factory directors and the workers: “Do you know what the union in your factory does? What kind of union activities is carried out in your factory?” I got the following answer: “To be frank, they are doing nothing.” I was disappointed and confused.

It is a big step forward by organising more workers and more enterprises in China. There is nothing wrong if the authorities take it as a necessary requirement for all enterprises. The trade union is somehow institutionalised as a “must” for the enterprises. But a higher organisation degree is not the objective in itself. If there is only an empty office, or just a board (with “Trade Union Office” on it) on the door, and the local union is doing nothing, I am afraid that it wouldn’t help much with the cause, and might be just meaningless.

ACFTU has set up a target – 80% of the organized enterprise should conduct collective wage negotiations and be covered by a collective wage agreement by the end of 2013.

I begin to worry about ACFTU’s ambition after this inspection round. If these inspected factories are representative for the large number of those already organized private-owned small enterprises, the brutal reality is that the trade unions at grassroots’ level are not functioning. If the trade unions at grassroots’ level don’t do their job, how the collective wage negotiations can be carried out, and how the collective wage agreements can be implemented.

Even though ACFTU might eventually reach its target on the paper, the quality and actual meaning of the collective wage negotiations and agreements may still be questionable, if the trade unions at grassroots’ level do nothing. They may turn out to be just more formalities than real negotiations, and the collective agreements are not enforceable.

There seem many questions and many challenges to deal with. To develop a sound labour relation at the enterprise level, the local unions have an essential role to play.

First of all, a true labour relation (“partsforhold”) should be clearly defined and established. The most basic question is “who represents who”. An employer can not represent the employees, and a factory director can definitely not be a labour union chairman. Trade union shop stewards can not be just appointed by their employers. They should be directly elected by the employees.

Secondly, the next important question is “who does what”. Trade union shop stewards represent the employees. They should be involved in the wage

formation. They should keep in communication, dialog and negotiation with the employers, on behalf of the union members, to make sure that the interests of the employees are taken care of. The unions enter into negotiations with the employers, and afterwards make sure that the collective wage agreements are actually implemented and enforced.

The piece wage standards in the inspected factories are usually determined by their technical offices. If the piece wages are setting too low, they will be adjusted according to the complaints from the workers. If the union shop stewards, on behalf of the employees, are actively involved in the formal piece wage determination, one is able to make sure that the employees' interests have been taken care of.

Thirdly, the functioning of the unions at grassroots' level should become a major concern for ACFTU. Without the active contribution from the local unions at the enterprise level, the real objective of protecting workers' rights and interests will never be archived. Training of the union shop stewards at the enterprise level and adequate guidelines and instructions should be provided for the local union shop stewards.

Changes are undergoing. Eight years ago when I started the labour inspections among Stormberg's suppliers in China, there was few of them who were organised. Today, all of them are unionised. I am really looking forward to bigger improvement and more achievements with regard to the labour relations, collective bargainings and collective agreements in China.

