

Wages, conditions improve as workers in China form unions

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SHAJING, China — In many ways, Lan Yimin represents the new generation of Chinese factory workers.

She wants fair working conditions. Time off to socialize. And a job that pays enough so she can open a milk tea business one day.

Lan, 22, is one of millions of migrant workers powering the electronics, furniture and toy factories in [China's Pearl River Delta](#). While she's following in her parents' footsteps on the assembly line, unlike them, she's less willing to "eat bitterness" — as the Chinese call it — and toil away for meager pay and benefits. She has more job options and better access to information. And as China's economy booms, her generation is becoming bolder.

"The young generation has a wider social circle; we talk more about factory conditions and we know more about our legal rights," Lan says at a workers' center in this industrial town where she attends seminars on handling late wages and contract termination.

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Workers' growing awareness and their willingness to take action are slowly pushing up wages and improving conditions in the manufacturing industry. The Chinese government already moved to increase salaries and labor standards a few years ago. Now it is trying to maintain a delicate balance of improving income levels for workers while not scaring away foreign corporations with higher labor costs.

As wages and other costs rise here, U.S. companies will have to decide whether to take their production to other Asian manufacturing hubs or increase prices for American consumers.

This year, strikes at [Honda](#) factories and a spate of suicides at Foxconn — a maker of electronics for U.S. companies such as [Apple](#) and [Dell](#) — raised alarm among corporations and the government that the era of the docile worker had ended. Strikes still happen each week in China, labor rights groups say, but the government doesn't allow them to be reported. The labor unrest is even inspiring strikes in Cambodia and [Vietnam](#), whose workers say they're emboldened by their Chinese colleagues' examples.

For now, factory workers in China "are only making economic demands, not political," says Chang Kai, a labor relations expert at People's University in Beijing who has assisted workers with strike negotiations.

But history shows that labor movements don't necessarily follow logical, or peaceful, paths. U.S. railroad and steelworkers staged massive strikes during the late 1800s that led to violence when authorities intervened.

In China, "If the government does not treat the workers' struggle for collective bargaining seriously, if it decides to treat these demands as political, then this will turn into a political struggle," says [Han Dongfang](#), a labor activist deported to Hong Kong for his role in the Tiananmen Square protest of 1989.

To a certain extent, the Chinese government is tolerating worker unrest because it recognizes that higher wages translate into more spending that can stimulate the economy. The government wants all residents to share in the country's economic growth, says Juzhong Zhuang, deputy chief economist of the [Asian Development Bank](#), because "high income inequality can lead to social problems that undermine long-term economic growth."

The challenge is that the government wants to "offer more protection for workers, but it is also exposed to a lot of pressure from companies" resisting change, says Debby Chan, a project officer for Students & Scholars Against Corporate Misbehavior (SACOM), a workers' advocacy group.

Labor unrest on rise

After this year's labor unrest, the government is stepping up efforts to unionize companies, says Lesli Ligorner, a Shanghai-based partner at Paul Hastings law firm who represents multinationals doing business in China. The idea is that if workers join the state-controlled All-China Federation of Trade Unions (ACFTU) — the only union allowed in the country — they'll have an avenue other than strikes to air their grievances.

Yet having more companies establish unions does little good if those unions don't represent workers, says Han, who founded Hong Kong-based worker advocacy group [China Labour Bulletin](#). "If I'm thirsty and you give me another cup with no water in it, I'll still be thirsty."

In Beijing, Liu Rongli is trying to make his employer more responsive to workers.

Inside a vast workshop, where crane operators sort heavy slabs of metal, Liu calls to order a meeting of the company's trade union. A

shout to co-worker Gao Wei, and the full membership is soon sitting down in a grimy room. Both of them.

The trade union was established against the odds in September 2010, thanks to Liu's perseverance.

While the group is still under the umbrella of the ACFTU, the new union better represents workers, according to Gao, because "we have a way to negotiate with management."

The ACFTU didn't respond to requests for an interview. But one trade union representative describes union meetings as straightforward affairs. The employer "guarantees major decisions in advance," according to Liu Ying, a union worker in a large, state-owned energy company in Dalian, eastern China. "The trade union selects delegates from among all the workers, people we can trust, then these representatives always raise their hands in approval."

Because the union is a "state tool, labor rights fall secondary to social stability," acknowledges Qiao Jian, a director at the China Institute of Industrial Relations.

The union does have its strengths, Qiao says. As an offshoot of the Communist Party, the union can implement changes quickly for the benefit of the country's workers.

But until major change occurs, and until workers have viable options to air their complaints, strikes will keep rising, predicts Li Qiang, founder of China Labor Watch, a group with offices in New York and Southern China.

No official numbers are available on strikes. But labor cases heard by arbitration committees more than doubled from 2000 through 2007 to 350,182, according to Chinese government data. In 2008, arbitrated cases surged to 693,000 after laws took effect making it cheaper for workers to pursue arbitration and requiring employers to provide written contracts.

Young factory workers are frustrated because they're generally not sharing in the country's economic boom, says Eli Friedman, a Ph.D. candidate at the [University of California-Berkeley](#), who spent a year and a half in China studying labor disputes. "They want to make a life in the city," Friedman says. "But if you're making 1,000 yuan a month, it's not going to cut it."

As workers demand higher living standards, companies will have to adapt, says Jeremy Prepscius, Asia managing director for BSR, which advises members on sustainable business strategies.

"The old way of managing labor is looking at workers as a plentiful resource," Prepscius says. "The new way is looking at workers as a scarce resource."

Higher price tags in U.S.

In the Pearl River Delta — known as the factory of the world — a labor shortage is giving migrant workers leverage to negotiate better wages and benefits. Evidence of this can be found along Southern China's dusty streets.

In Dongguan city, where three of every four residents are migrant workers, for-hire signs taped to telephone poles compete for people's attention. Brightly colored banners hang from factory gates; one offers 1,300 yuan a month, about \$200 U.S., for eight-hour workdays, 26 days a month.

Inside a factory of TAL Group, thousands of workers churn out as many as 33,600 shirts and 7,200 pairs of pants daily, sometimes to Chinese pop music bellowing overhead. Many work 10 hours a day.

Orderly chaos reigns on the factory floor, a blur of flying hands and whirring sewing machines. Every 35 to 45 seconds, a dress shirt is sown for clients such as Brooks Bros. and [J.C. Penney](#). An electronic panel hangs from the ceiling, counting down how much clothing remains to be completed during the shift.

While TAL has added employees to its busy production lines, it's been harder to recruit them because of the labor shortage, admits Roger Lee, the company's chief operating officer.

Labor costs have surged 25% this year due to rising wages and benefits, forcing the company to become more efficient.

Yet even with productivity improvements, higher costs mean "we ultimately have to pass along" certain expenses to clients, Lee says. U.S. retailers then have to decide whether to raise prices for consumers.

In the textile industry, labor accounts for as much as a third of production expenses, according to the [Economist Intelligence Unit](#), meaning that U.S. consumers are likely to see higher price tags when costs in China rise. In other industries, where labor represents a small percentage of total costs, U.S. companies may be willing to bear one-time hikes.

While higher wages may crimp the profits of U.S. companies making goods in China, they also boost the bottom line of those that sell products here. As Chinese consumers' household income rises, there will be a "stronger market for U.S. goods and services," says Sandra Polaski, U.S. deputy undersecretary of Labor.

Unsafe working conditions

As workers scramble to meet production quotas, accidents and injuries can occur. Ruan Libing worked at Elec-Tech's appliance factory in Zhuhai, Southern China, for a month when a molding machine mangled his left hand. It had to be amputated.

Ruan, 22, is one of about 60 workers who lost fingers or hands or had other accidents at Elec-Tech's Zhuhai factory from July 2009

through June 2010, according to an August report by SACOM, the workers' advocacy group. The group blames the accidents on the pressure to work faster, unsafe machines and insufficient employee training.

Eva Chan, vice president of sales and marketing for Elec-Tech, says the company recently upgraded all machines in its Zhuhai factory so they require two hands to operate. No accidents have occurred since then, and the supplier — whose toasters and blenders sell at U.S. retailers such as [Walmart](#), [Bloomingdale's](#) and [Williams-Sonoma](#) — hasn't lost any clients, according to Chan.

Walmart is "actively monitoring" conditions at the supplier's factories and has asked an independent group to evaluate the machines' safety, says the retailer's spokesman, Kevin Gardner.

Unsafe working environments and inadequate pay are common, according to Li, of China Labor Watch. U.S. companies share responsibility, he says, because "they're encouraging the exploitation of Chinese laborers by hiring factories based on the lowest price and the fastest production."

This criticism, however, ignores the fact that U.S. companies are investing more money and resources to monitor their suppliers, says Drew Thompson, director of China studies at the [Nixon Center](#), a conservative Washington, D.C., think tank. "By and large, American companies are doing it right."

Still, labor experts generally agree that China has a long way to go in improving working conditions. And the surge in job-related strikes and lawsuits may signal that workers are no longer willing to stand idly by.

The developments are "incredibly hopeful," says Charles Kernaghan, director of the National Labor Committee, a workers' advocacy group. "You're talking about the biggest working class in the world rising up. Change will come through these people."

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