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China: Some Steps Forward, but Trade-Related Worker Exploitation Persists

Brussels, 21 May 2008 (ITUC OnLine): A new ITUC report on respect for core labour standards in China released today shows that there remain serious violations of all the core labour standards in the country. The report has been prepared to coincide with China's trade policy review at the WTO on 21 and 23 May

The new Labour Contract Law that came into force on 1 January 2008 has seen a spectacular increase in arbitration cases in parts of the country like Guangzhou, where much manufacturing for export production takes place. Most districts of Guangzhou have registered a three- to five-fold increase in the number of cases, with one district, Haizhu, seeing a 1500% rise. More than 60% of the new arbitration cases in Guangzhou involve non-payment of wages and overtime. Wage arrears in China as a whole between 2005 and 2007 reached an estimated 66 billion yuan. Many of those affected are migrant workers from poorer regions of China, often in the construction sector.

The new law, which was supported by the official trade union centre ACFTU, was prepared to address the current situation whereby the majority of workers continue to work without signed contracts and those that have signed contracts generally do not receive a copy. One recent survey by the National People's Congress found that less than 20 percent of small- and medium-sized private companies had signed contracts with their workers. The law provides for penalties for companies failing to observe labour laws and regulations concerning contracts and also attempts to regulate the fast growing use of contract labour in China.

The law has given rise to highly vocal opposition from employers and multinationals in China, including at the annual session of the National People's Congress in March 2008, and indeed was opposed by the US and EU Chambers of Commerce in China throughout much of the stages of its preparation. A majority of 91 small firms surveyed in one study in February 2008 said the law had added at least 10% to their labour costs. Another sample of 45 Chinese firms, mainly in the manufacturing and services sectors, found that 56.1% disagreed with the new law while 70.73% wanted it to be changed. A significant proportion of respondents stated that they would respond through increased use of subcontracting and use of labour despatch companies. There are clear signs that many companies are continuing to take steps to keep labour costs to an absolute minimum in spite of the new laws. Even prior to the introduction of the new laws in January, many employers were known to be paying sub-minimum wages and engaging in exploitative practices such as compulsory overtime, as documented in the May 2007 report on production of Olympics merchandise by the ITUC and its partners in the PlayFair 2008 Olympics campaign
http://www.ituc-csi.org/IMG/pdf/playfair_2008.EN.pdf

Indeed, since January 2008, it appears that companies are reacting to the new law in a variety of ways including use of more covert ways to reduce employee numbers, especially affecting workers who would enjoy more rights under the law; increased use of subcontracted work; demotions of more senior

workers and so forth. There are reports of low value-added production chains relocating from Guangdong to Inner and West China, or out of China altogether, in order to reduce the costs that employers anticipate will result from the new law.

The report notes that workers are still not able to join trade unions of their choice, with the official trade union deeply concerned with keeping social stability in the country. Attempts to form independent trade unions continue to be repressed, and genuine collective bargaining remains very limited. Strikes are not allowed in China, but do regularly occur, in response to the severe conditions workers are facing. Strikes are however often repressed with police force.

In recent months, child and forced labour have been further increasing, in particular as companies seek to evade labour laws that regulate seasonal work. In one of the worst recent cases, after parents of disappeared children published an appeal on the internet in 2007, government authorities launched an extensive investigation in brick kilns in Shanxi province that resulted in the freeing of around 1,340 workers from forced and often unpaid labour. These included workers with mental disabilities and children, many of whom were kidnapped and internally trafficked.

In April 2008 another major scandal involving forced child labour was uncovered after media coverage brought it to the attention of the authorities. A child labour ring was broken up that was forcing children from poor, inland areas to work in the Pearl River Delta. More than 100 children aged between 13 and 15 (some as young as nine) were rescued from factories in the city of Dongguan, one of the largest manufacturing centres in the south. The children were found to have been working up to 300 hours a month for pay of around \$0.50 an hour. Officials reported that they were investigating reports that hundreds of other rural children had been forced into work in abysmal conditions for minimal pay. Chinese state media reported that some 1,000 school-age workers from the southwestern Liangshan region were employed in manufacturing zones near Hong Kong, and the authorities in Liangshan said they had detained several people for recruiting children and illegally ferrying them to factories.

The report further notes that gender inequality remains significant, with a gender wage gap estimated at 20% and that discrimination against ethnic groups is a problem, especially in the Xinjiang Uighur Autonomous Region and in the Tibetan Autonomous Region, where employment practices favour Han Chinese.

Internal migrant workers continue to be disadvantaged in China. An estimated 120 - 150 million people originally from rural backgrounds are employed in China's cities or in other booming coastal areas far from their hometowns and villages. It is estimated that another 7 to 10 million new migrants head towards the cities every year, and that 60 percent of them take up jobs outside their home province. They face extensive restrictions on freedom of movement brought about by the "hukou" system, a form of household registration whereby each family member is registered according to his or her family residence. This poses grave problems, as residing illegally in an urban area makes one ineligible to receive education, access to medical care, housing and other public services.

Another major problem concerns the widespread use of child labour under the guise of "work-study programmes" whereby children are effectively exploited in factories or on fields under the premise that they are contributing to their educational costs. Some 400,000 children are estimated to be involved

in these programmes. One example cited by Human Rights Watch concerned some 500 children from a middle school in Sichuan working 14-hour shifts in a factory during summer. They slept in overcrowded dormitories, got insufficient food, suffered work-induced health problems and were fined for production mistakes. Reports of children being forced to assist in the annual harvesting of cotton with excessive hours and minimal payment in the Xinjiang Uighur Autonomous Region (XUAR) and in Gansu Province continue to emerge.

Internships are also used to employ children in factories. These can be extended internships where children are employed for several months facing long working hours as in Longzhen Connector Component Factory in Dongguan, or Yonghong Electronics in Shenzhen where a 2006 report indicated that the company recruited 14- and 15-year-old children as "apprentices" to work for low pay and long hours in the electronics factory when they should have been at school.

Under the administrative punishment of "re-education through labour", prisoners are required to work, often for very long hours with little or no remuneration, and sometimes they are contracted out to non-prison enterprises. There is no mechanism to prevent the export of goods made under such conditions.

The ITUC report concludes with a series of 12 recommendations addressed to the government of China and to the WTO. To see the full report click here: http://www.ituc-csi.org/IMG/pdf/China_report_16_May.1330.FINAL.pdf

The ITUC represents 168 million workers in 155 countries and territories and has 311 national affiliates. Website: <<http://www.ituc-csi.org>>

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