

Labour Conditions in the Chinese Pearl River Delta

When the big river floods, the little rivers get filled

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China is growing, but do the Chinese that produce our clothes, shoes, mobiles and laptops profit from it? Is it true, in other words, that globalization gives chances to the labouring people in developing countries? In september 2008, just before the onset of crisis, John Vandaele went to the Pearl River Delta, where twenty million migrant workers produce more than a third of the total Chinese export. He saw “little leaps forward”.

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In the province Guangdong, in the uttermost southern part of China just above Hong Kong, the economic reforms and the Chinese opening to the world began in 1978. The area around the fishing village Shenzhen became a Special Economic Zone where foreign investors got all sorts of advantages. Capital poured in from Hong Kong, Taiwan and elsewhere. Thirty years on, the same Shenzhen is a megapolis with at least 12 million inhabitants, of which more than half are migrants. Gradually, almost the whole delta of the Pearl River – the 150 kilometers between Shenzhen, Guangzhou, and Zhuhai – got built over with factories. The labourers in these workshops come from all over China. At least 20 million labourers working in the Pearl River Delta are dagongzai: migrant workers from the countryside.

The region became the production hub of the world and the standard for all who wanted to be competitive in labour intensive products. Globalisation left its mark pre-eminently on this place that is what it is by producing for the rest of the world. For years stories about exploitation, chopped fingers, sweatshops and hunger wages came from the region. We wanted to know whether the situation fared for the better.

The migrants

Everyone I spoke to agreed that the dagonzai in the Pearl River Delta are now more assertive than before. "They are more aware of their rights," says Yukyuk Choi of the Hong Kong NGO Worker Empowerment. "The labourers are prepared to fight for their rights. If things are now better for them, that is the primary cause of it."

Sanjiv Pandita, director of the Asia Monitor Resource Center (AMRC), a Hongkong based ngo studying working conditions all over Asia: 'The Chinese worker is the most conscious and best educated of all Asian developing countries. Nowhere else such a large proportion of workers is literate, has a mobile or surfs on the internet.'

Liu Kaiming, director of the Institute for Contemporary Observations (ICO), an NGO standing up for labourer's rights in Shenzhen for years, sees several reasons for this rise in awareness. "These are migrants of the second generation. Seventy per cent of them are born after 1980, after the introduction of the one-child policy - which means a diminishing labour supply in any case. They never had hunger, went to secondary school and hardly worked on the land. They have an open mind and a mobile phone and they surf on the Internet. They have a far better idea of what is going on. Information goes around quickly indeed."

They know, for example, what the wages are in other factories, *and* that there is work elsewhere. The Pearl River Delta experienced shortages on the labour market since 2004. So many new factories were built, while at the same time Beijing tempted more and more investors to the interior, which meant that fewer employees undertook the far journey to Guangdong.

"I terminated my job in this factory because I didn't like the food here and because my wage of 1500 yuan (150 euros) was too low," Xiang from Huizhou says. He's a young man with a fashionable haircut and a mobile phone in his hand. How does he see his future? He smiles: "I don't really know. I want to educate myself some more so I can work in high tech, which pays more." Since labourers now have the choice between more jobs, they have a bit more power, Liu Kaiming of ICO believes. Of course, it remains to be seen what all this will mean now that the economic crisis has hurt so many exporting companies in the Pearl River Delta.

The laws

The last few years saw a lot of social tension in the region. The government in Beijing reacted with some legislative initiatives, with the so-called Labour Contract Law at centre stage. Professor Chang Kai of Renmin University, Beijing, who co-authored the law: "The employees were the great driving force behind the law. The Communist Party wanted to guarantee social stability with this law."

The new law demands all employees to have a written contract, which means they are standing in a stronger position in cases of accidents and disputes. The law explicitly regulates the payment of overtime and guarantees a contract for an indefinite period and severance pay to anyone who works ten years at the same workplace.

A public debate preceded the adoption of the law. Everyone was invited to share thoughts and make amendments: tens of thousands of reactions poured in. This discussion contributed to the rise in awareness of the employees in the Pearl River Delta, the owner of a supply company of a multinational who wanted to remain anonymous witnesses: "After the adoption of the law in June 2007, my employees were expecting to earn more and immediately asked for a pay rise. If we had

applied the law literally – paying overtime hours at 200 per cent – the wages would have risen 47 per cent. We believed that to be too much. To remain within the boundaries of the law, we lowered the minimum wage, so that the labourers earn, in the end, 17 per cent more. 15 per cent of our employees thought that to be too little and gave their notice.” He assures us that most of the companies in Dongguan applied this kind of ‘trick’.

The regulation for overtime is also interpreted ‘creatively’. Willy Fung of Topformbras, the world’s biggest producer of brassieres and partner of the Belgian textile company Vandeveld, regrets that the law limits overtime to sixteen hours a week. “It is more difficult for employers to capitalize on peaks and employees cannot work as much as they want to. In Beijing the government told us that they will not change the law because unemployment is too high – ‘but have we ever fined someone because too much work is done?’” Fung inferred that one can work as much overtime as one wants to, as long as these hours are paid as overtime.

Recently the Hong Kong NGO Sacom complained that labourers at Primax, a supplier of cameras for iPhone, had to work more than a hundred overtime hours a month, much more than legally allowed. An employer speaks: “Often the local authorities turn a blind eye in exchange for money. After a little fire the fire brigade demanded alterations to our factory costing more than a million yuan. But for 100,000 yuan they would keep their mouth shut. Corruption prospers but, admittedly, it’s no worse than in other developing countries.”

The Labour Contract Law does have as a consequence a big rise in the number of written contracts. Companies pay overtime because the fines for violations are much clearer. More and more companies have social security. Some fear that the higher labour costs at a moment the world economy is slowing down will lead to a crisis and many factories closing down. But others point out that export running dry – a consequence of the slowdown of the world economy – must be absorbed by a rise in Chinese consumption and, thus, that wages must rise even more.

The law courts

The Chinese government canalizes the dissatisfaction of the employees by giving them more legal possibilities. Beside the Labour Contract Law, a new law was voted on the arbitration of labour conflicts. “That law makes it easier, and free, to file a complaint at a commission for labour complaints,” Geoff Crothall of China Labour Bulletin, an NGO in Hong Kong standing up for labour rights. This has led to a rush on the commission, according to Liu Kaiming of the ICO: “The number of labour related complaints in the province of Guangdong increased in the first half of this year to 39,000 – an increase of 300 per cent compared to last year.”

Guanling works in a factory producing laboratory furniture: “A colleague of mine lost two fingers at work, a few years ago. He couldn’t work anymore and returned to his home in the province of Shaanxi. After negotiations with his boss, he got a 20,000 yuan compensation (2000 euro). That’s outrageously little, I think, and no longer possible. But in those days the legal procedure was far less clear; people didn’t know what they had to do. If I couldn’t get a decent settlement after an accident, I would come to the migrant centre here and file a complaint.”

Guangling is alluding to the centre of dagongzhu migrant workers of Panyu, in the south of the city Guangzhou. It is one of those semilegal NGOs, often registered as companies, that help migrant workers defend their rights. Haipeng, who leads the centre, himself lost a finger years ago. It was reattached, although he can hardly use it: “I signed a cheap settlement.” Haipeng concurs that labourers are far more assertive than they used to be: “There are much more demands for compensations after accidents. Not because there are more accidents – managers used to be more

nonchalant with regard to safety at work – but because labourers are more aware of their rights.”

From 1990 to 2001, Hong, from the city of Huizhou, worked for Lucky, a Hong Kong company cutting gems: “At the time there were practically no health precautions. The air was grey of all the dust; our hair was covered in a thick layer of dust. In 2001 I was diagnosed with silicosis. I stopped working and got 25,000 yuan. I got to know my rights only later, thanks to the NGO Labour Action in China. Colleagues in comparable cases received 200,000 yuan compensations. Now I summon Lucky to court.” Hong’s procedure does not run smoothly, for Lucky changed offices to another city and claims that the court of Huizhou is no longer authorized to judge the case. And on top of that Hong signed a settlement with the company at the time. He knows that labour conditions at Lucky are better now.

The workers in the Pearl River Delta are assisted by an estimated 500 gongmin daili or civil mediators. For the most part these are ex-migrant workers having some juridical experience and now offering their services. The new Labour Contract Law has enlarged their market, among other things because there is more pressure now to actually pay overtime hours as overtime hours. The gongmin daili canvass for costumers at the entrance gates of factories by pointing out to labourers that it is possible “to get paid two years of unpaid overtime, without extra costs.”

“Often enough these gongmin daili do a good job,” admits a lawyer. “But they aren’t heroes, they are business men. One of them told me that he earned 200,000 yuan last year.” The mediators are very approachable because the labourer only has to pay them part of the “profit” of their case.

But not everyone puts their faith in the legal way. An employee of a container producer in the city of Jiangmen got sick because of his job: “My blood pressure is too high, the authorities have officially recognized that. I feel very weak, and I’m no longer capable of working.” But he does not dare to file a complaint. “The local authorities have a share in that company. If we begin a case, we will never win. NGOs and their lawyers can never compete. And now I still get my wage because I’m officially on temporary sick leave. If I file a complaint, I will lose that immediately.” Accusations that hospitals, pressured by local authorities, sometimes refuse to certify that someone is sick are not exceptional.

The wages

The wages in the Pearl River Delta increased considerably, but prices have risen too. Hence it is unclear if, and to what amount, purchasing power has increased. A Western diplomat is sure that real wages have risen the last three years. “Every year with ten per cent. That’s more than inflation.”

“The government is deliberately driving up wages in Shenzhen and other areas of the Pearl River Delta,” Willie Fung of Topformbras says. “The minimum wages in Shenzhen have risen from 690 yuan in 2005 to 1000 yuan now. The intention is that labour intensive manufacturers will relocate and that the more creative and sophisticated companies will stay here. According to the government 3,000 factories closed down this year; the industry says 10,000.” Topformbras has only a small factory left in Shenzhen with 1,000 employees. “It is becoming increasingly difficult for us to keep our employees: They learn their trade here and get snapped up by other companies. Sometimes recruiters are waiting at our gates. For us, the lack of workers is a bigger problem than the increased wages.”

We talk to the labourers in the factory. The work areas do not make an unpleasant impression: they are light and cooled so that the steaming heat is less oppressive. Wages vary from employee to

employee since Topformbras operates a mixture of a set wage and piece-wages. "Piece-wages are in our blood," Fung claims. "If the government enforces a minimum wage, we look for a compromise."

A 35 year old lady from Guangdong earns 1120 yuan a month, of which 500 yuan go to her flat, because Topformbras does not offer a dormitory. She's not happy about her income. Others make 1500 or 2000 yuan and live with their husband or their parents. A colleague with nine years experience earns 2400 a month on average and is happy with that. Her rent is 500 yuan for a room she shares with colleagues. "I can save thousand yuan a month. That's more than nine years ago, but sometimes I wonder whether I'll be able to buy as much with that sum now as I could then."

The biggest factories of Topformbras are now in Longnan, in the province of Jiangxi. Fung: "The minimum wages have risen there from 330 yuan in 2005 to 480 yuan now. Topformbras opened its factory there eight years ago. It took a ten hours drive to reach Longnan back then. Since three years there is a highway, so now Longnan is only three hours away. Since then so many companies descended on Longnan that the area is already saturated. We are looking for opportunities in other provinces."

A group of labourers at the migrant centre of Panyu voices different opinions on wages. A young man earned 800 yuan three years ago; now his monthly income is between 1600 and 2000 yuan. "It's purely time-wage, no piece-wage. I work for a big company that respects the law, even when it comes to overtime." If I ask if he's satisfied, he says he is at first. "But actually no one should be happy with this kind of wage. I earn more than three years ago. I bought more brand products. Well, the more you earn, the more you spend."

Xinghua and his wife have the same experience. They are a bit older and used to work on the land, but "we earned nothing, just enough to survive." His day-wages have risen in four years time from 18 to 72 yuan. Now he is a foreman and earns 2000 yuan working 29 days a month. His wife makes 1400 yuan. They live and eat for free at their employer. Their baby stays with his parents in Jiangxi.

The NGOs

The last ten years quite some NGOs came into being, standing up for the rights of the *dagongzai*. They also function as meeting and recreation places. The Panyu centre for example does not only run IT and labour law classes; the visitors have also fun together. That's easier here than in the dormitories of the factories where employees generally sleep with eight in a room of 4 to 2 meters big and where only personnel can enter. But the last couple of months, the centre has more difficulties fulfilling its role as meeting place, because it had to 'hide' in a residential flat, away from the shopping street.

This *dagongzhu* centre exists since 1998, which means it's the oldest of its kind. Still it hasn't acquired a stable position. The centre had to move three times in 2008 because the local government pestered the landlords into terminating the contract. "We feel hunted," says Haipeng, leader of the centre. The workers are angry: "This centre fights against employers but the government chooses their side because what they want is economic growth. That is still more important than the rights of employees." But if I ask whether the situation of the labourers in China is getting better, they answer in a typical fashion: "When the big river floods, the little rivers get filled (*Da he jiang shui, xiao he man*)."

Another centre for migrants in Shenzhen is also being pressured by the local authorities. Huang Q.N. even got molested last year, and the office set upon, so a move was urged on.

Liu Kaiming and his Institute for Contemporary Observations has adapted to the pressure by working closer together with the Western multinationals. He helps them to abide by the law and their own codes of conduct so as to keep their personnel. "Employees can ring us when the company transgresses the rules and agreements. We then act as mediators to clear up the situation. I've got the feeling that in this way I improve the situation of people in a very concrete way. And because I work closely together with multinationals, I enjoy a certain protection, which means I can speak freely." Indeed, Liu does not mince matters: "The Chinese government is the richest in the world now. They can do more for the working people."

The trade union

"Gonghui? Trade union? I do not know these people. If I have a problem, I go to the centre for migrants in Panyu," different workers in Shenzhen say. The one trade union All China Federation of Trade Unions (ACFTU) is not only in Western eyes a very ambiguous affair. At the factory of Topformbras in Shenzhen the chairman of ACFTU is also the manager, a friendly lady who is close to the owners of Topformbras. If we ask one of the sewers about ACFTU, she says: "The trade union, that are the surveillants. We workers cannot be trade union delegates." Somewhere else an owner confides that he sees the trade union rather as a 'recreation club'.

What happens to the two per cent of the wages that go to the trade union? "Half of it is for the provincial branch of ACFTU, the rest is for internal use, for instance for excursions with personnel and to buy cheaper clothes." In a supplier for a European multinational, things work the same way: the trade union delegates are the managers of the different divisions. They check whether a certain application of the Labour Contract Law is more or less acceptable for the employees. Someone who knows the union from the inside speaks: "This is not the trade union as you know it in the West. This is a division of the Communist Party, and thus of the government. The union must keep the situation under control. But that does not mean that some individuals aren't concerned about the labour conditions."

Still, the ACFTU is trying to reorient itself the last couple of years. This enormous administration originated in an environment with only state enterprises. In Guangdong, with more and more private companies, the union has to position itself differently. Yukyuk Choi of the NGO Worker Empowerment: "The trade union is between two fires. The party and the government aren't happy with all the workers' protests. And the workers do not see the trade union as their representative." That explains why the trade union was one of the driving forces behind the new Labour Contract Law. In that law its role is also highly emphasized.

Kong Xianghong, vice-president of ACFTU-Guangdong, recognizes that they are having difficulties to defend the interests of the twenty million migrants in the province. "Half of them are no members of the union. We have to persuade them by standing up for their rights." But there is as yet still a long way to go, Kong admits.

Professor Chang Kai is certain that the ACFTU will not develop in an independent trade union European style in the short term. "But the party does want to strengthen the capacity of the trade union to negotiate collectively. Collective negotiations are crucial to spread prosperity more evenly between labour and capital." That will happen by making the union "more independent from management, but not from the government," Geoff Crothall of China Labour Bulletin argues. That process looks to have started already in Guangdong. Kong: "Since the summer, members of top management can no longer be union delegates." Middle management, foremen, and heads of division still qualify. In addition, Kong points out that the law in China doesn't forbid strikes,

although they are also not allowed. And then he makes a remarkable statement: "It would be good if the government were more transparant in this matter." Kong clearly hints that government should recognize the right to strike. The trade union asking for the right to strike: in China, that is in fact news.

P.S.

* This article has been published in Dutch and English in the Belgian Mo Magazine (www.mo.be).

The content, with new information on the impact of the crisis, will also be used in the book the author is writing (Labour in times of globalisation and crisis).

* Contributed to the success of this coverage: Yuk Yuk Choi, Sally Choi, Frieda De Koninck, Lieven Descamps, Willie Fung, Jan Jonckheere, April Lai, Apo Leong, Dominique Müller, Alessandro Rolandi, Dirk Uyttenhove, Frank Uytterhaegen, Jessie Van Couwenberghe, Herman Vandavelde, Hilde Van Regenmortel, Kan Wang, Feiyang Zeng.