

Promoting the concept and practice of collective bargaining in China

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Since its launch in April 2011, the journal Collective Bargaining Research (集体协商研究) has quickly established itself as an important and influential voice in the debate on the current state and future development of labour relations in China. Together with the website China Collective Bargaining Forum (中国集体协商论坛), the journal has brought together news analysis, theoretical discussion, and detailed case studies to show how collective bargaining could and should be the way forward for workers, management and government in China.

In the latest issue, published in March this year, the journal conducted a first-hand investigation into a large-scale strike at the South Korean-owned LG Display factory in the eastern city of Nanjing at the end of December 2011. The strike was triggered by a dispute over the payment of year-end bonuses and ended after three days with a compromise agreement between workers and management brokered by the municipal government. But despite the apparently positive outcome, the dispute was marred by violence and losses on all sides.

The researchers pointed out that several dozen workers had been dismissed as a result of the strike action, the enterprise trade union had been completely ineffective, and the municipal government had expended considerable resources trying to resolve the strike. Most tellingly perhaps, the researchers noted that labour relations at the LG Display plant were generally very good, suggesting the issue could have almost certainly have been resolved peacefully without the need strike action, loss of production and a major deployment of police and government officials.

The LG Display strike neatly encapsulates all that is wrong with the current ad hoc model for resolving labour disputes in China in which an isolated incident leads to employees walking out, management panicking and threatening to sack workers unless they return to work and local government and trade union officials rushing to the scene in an effort to “maintain stability.” CLB has noted hundreds of such cases in our recent research reports on the workers’ movement 2007-08 and 2009-11, as well as more recently on our interactive strike map.

The Collective Bargaining Research team succinctly pointed out the short comings of this approach and raised a series of questions designed to promote discussion of alternative, more productive means of dispute resolution. These questions were then taken up in the magazine by several scholars who proposed various different means and methods of creating and implementing a collective bargaining system in such cases.

The journal article begins with an overview of the trajectory of the dispute as reported in the media, then discusses the key issues that were not raised by the media, and places the dispute in the context of the rising number of strikes and worker protests in the Yangtze River delta region. Finally it poses a series of questions and talking points raised by the dispute. It is translated below by China Labour Bulletin.

Research Report on the LG Display Strike in Nanjing

According to media reports, a strike occurred at LG Display Nanjing Co., Ltd. (LGD) on 26 December, 2011. The strike was touched off by a discrepancy in the year-end bonuses awarded to Korean and Chinese employees. LGD Nanjing is affiliated with the Korean LG Group and is a wholly Korean-owned enterprise. The LG Group currently has three Chinese subsidiaries in Nanjing, Guangzhou, and Yantai. The Nanjing subsidiary was founded in 2002 and began operating in 2003. The factory is located in Nanjing's Xingang Economic & Technical Development Zone, covers an area of 330,000 square meters, and has a total investment over 337 million yuan and about 14,000 employees. Its primary business is the research, development, and production of a range of liquid crystal display (LCD) products and related components; it also provides after-sales service.

The Reasons for the Strike

This strike by workers originated because "year-end bonuses of three months' wages were issued last year, but this year it was only one month's wages, and Chinese and Korean employees were treated differently—Korean employees did not see a reduction in their year-end bonuses." Workers' basic wages in the LCD panel manufacturing industry are generally relatively low (monthly wages at the Nanjing plant are around 1,406 yuan); workers therefore pay special attention to overtime and year-end bonuses. Reducing year-end bonus is likely to touch off employee anger. It was reported that the year-end bonuses for Korean employees were six and half months' wages, and those of LG Chemical's employees were three and half months' but those of ordinary Chinese LGD employees were only one month's wages. This difference in treatment left the Chinese employees feeling that they had been discriminated against.

According to media reports, the strike on the morning of 26 December began at 10:00 a.m. and workers from two shifts participated, with 3,000-4,000 from each shift. An employee surnamed Zhang said, "A total of 8,000 people involved is not an exaggeration." Zhang attributed the reduction in year-end bonuses to "the company not performing well." She believed that, although there was a significant increase in production over last year, the LCD panels themselves had quality problems, resulting in poor performance. But she felt that, "The workers do a good job with their own part of the work, so the poor performance should not be on employees' heads" and, "if you want to have employees share the burden, why they are treated unfairly? There is supervisor for every 120 people or so, and the supervisors' year-end bonus level was still three months' wages. Going on strike was the only way to make them pay attention to this discrepancy."

An official from LG claimed the strike was caused by a misunderstanding and said year-end bonuses were adjusted due a decline in the company's overall performance, but that there was no differential treatment of Chinese and Korean personnel.

Data show that, at present the global price for LCD panels is declining, resulting in losses for all panel manufacturers. In the third quarter of 2011, LG Display had an operating loss of about US\$435 million, reportedly "the greatest quarterly loss in its history."

Course of the strike

It can be seen in the videos posted online that the canteen and other public areas in the factory were damaged during the strike, and that a large Christmas tree in front of the factory entrance was overturned. LGD employees said that the company's personnel department office was wrecked and, after an anti-riot squad arrived, a scuffle took place in which a police officer's cap could even be seen flying through the air. In another video, LGD employees cried out, "Four months," "Results" and other slogans. On the 27th, the enterprise and development zone trade unions held talks with the employees in the canteen, but did not make any substantive progress.

On the evening of the 27th, each LGD employee received a text message stating that the company general manager's final decision was that year-end bonuses would be increased from one month's to two months' wages, and those leading the disturbance would be pursued for legal liability. If there was any further trouble, they would shut down the Nanjing factory.

But the employees initially refused to accept the company's decision, saying, "In the interests of the people, we will not compromise, and insist on year-end bonuses of four times the monthly wage."

Coordinating a Resolution

On the afternoon of 28 December, the incident management group that had rushed over from the company's Korean headquarters reached a preliminary agreement with LGD trade union. And the company announced that the middle shift would begin normal production again at 4:00p.m, and supervisors and foremen should inform each employee that when they came to work they would be fingerprinted and sign in at the foreman's office; "They must show up for work unless there are special circumstances. Absenteeism from work will be considered a strike, and workers not at their posts will be dismissed."

The publicity department of Nanjing's Economic and Technological Development Zone Management Committee confirmed to the media that LG headquarters had made a concession to double the year-end bonuses to two months' wages, and planned to resume work on the 28th at 4:00 p.m. The department stressed that the reason the company had reduced the year-end bonuses was the downturn in the entire LCD panel industry and LG Display's lower profits and that, "at present, the company has not laid off any personnel, but has rather used the lower year-end bonuses to maintain employee stability."

The plant resumed production on schedule that day.

Purpose of Research and Group Members

The sudden outbreak and rapid resolution of the strike by 8,000 workers at the Nanjing LGD factory garnered the attention of labour law and labour relations academics. Many aspects of this case, from the outbreak of the dispute to its resolution and the ensuing results, are worthy of continued research and discussion. We have therefore made it a discussion case on the Collective Bargaining Forum.

On 10 March 2012, a research group consisting of Duan Yi, director of the Guangdong Laowei Law Office; He Yuancheng, editor of the Collective Bargaining Forum website; Lu Jun, associate professor and Lei Xiaotian, PhD student at China Renmin University; and Zhu Yuchen, reporter for China Newsweek conducted a four-day investigation to obtain detailed information about the potential lessons to be learned from the LGD Nanjing strike in terms of coordination mechanisms and the management of collective labour relations. During this investigation, the group visited Professor Shi Zhigang, former collective wage consultation advisor for the city of Nanjing; Professor Xu Dongxing and instructor Huang Xinbin of the Jiangsu Provincial Federation of Trade Unions Cadre School; a cadre from the Nanjing Municipal Federation of Trade Unions surnamed Zhang; professors Huang Xiumei and Zhou Changzheng of the Nanjing University School of Law; a senior human resources manager surnamed Yang; as well as two LGD workers who participated in the strike, surnamed Duan and Zhou. The research group also held three small discussion forums.

The research group learned that:

- The direct cause of the strike was consistent with media reports.

- The times that the strike began and that the workers returned to work were consistent with media reports.
- Workers disseminated information about the strike using tools including mobile phones and QQ.
- The company's promise to add one month's wages to the year-end bonuses was honoured after the Chinese New Year.
- Police were initially deployed on the 26th. On the 28th, when the employees returned to work, police were still deployed outside the plant.
- The local labour dispute arbitration authority did not receive any arbitration applications from dismissed workers.
- The police are not investigating any workers for violating public order for the strike or for acts of aggression.
- The incident was not publicised in the official Chinese media.
- Most of the factory workers were born between 1985 and 1992; 70 percent came from nearby provinces such as Henan, Anhui, Shandong, or Jiangxi; and 30 percent came from northern Jiangsu.

Our research focused on several aspects not covered by the media:

1. Some employees were dismissed due to the strike

On the question of whether employees were dismissed due to the strike, respondents said that at least 21 workers (one said 100) were fired by the company after the Chinese New Year for "violating the internal company management system." The dismissed employees' destructive behaviour during the strike was recorded by on-site monitoring (including video and photos taken and posted by LGD employees themselves) and this was used as evidence against them. These employees were subsequently taken to the local police station for investigation. In spite of our repeated efforts, we were unable to interview the dismissed workers. This the greatest regret of the research group members.

2. The enterprise union was in an awkward position

The full-time chairman of the LGD trade union, surnamed Lu, is a senior manager with the status of vice president. During the strike he talked with the workers but was not accepted by them. They believed he made no demands to the bosses on their behalf regarding the year-end bonus issue. On the 26th, an official from the Xingang Development Zone's trade union, surnamed Song, worked with the government group to persuade the workers to return to work but the discussions failed to touch on the actual problem. However, under the direction of the Nanjing Party Secretary and the chairman of the Nanjing Federation of Trade Unions (who is also deputy secretary of the People's Congress Standing Committee Party Group), officials from the development zone trade union also made a great effort as part of the government working group during the strike, which led to the company's agreement to add one month's wages to the year-end bonuses.

3: The role of the local government

The Nanjing municipal government prioritized the early resolution of the strike, and the municipal Party secretary and chairman of the Nanjing Federation of Trade Unions gave clear instructions on how it should be handled. Early on, they sent Sun Qiang, Party Group secretary of the municipal

trade union and Standing Committee vice chairman, along with vice chairman Fu Guangzhou and the director of the legal department to LGD to directly guide the work of the district and development zone trade unions, but their core purpose was to achieve the maintenance of stability.

"The Nanjing Party Secretary gave instructions regarding this matter to "give positive guidance, educate the workers, and gain a rational understanding." The municipal Party leadership required all levels of the trade union to "work together to maintain stability."

— Excerpt from official documents

4: Labour-management relations at LGD

We found that the basic wage for workers at the LGD factory was 1,406 yuan per month, 23 percent higher than the 1,140-yuan minimum wage rate in Nanjing (whereas many companies in the Pearl River Delta use the minimum wage as their basic wage). Wages increase by eight to ten percent each year and the company's management is in compliance with labour standards, and it provides benefits like bus transportation. Other than a few worker complaints that the management is too harsh, workers generally have a good view of the company's development prospects and do not think that problems will necessarily lead to disputes.

By working reasonable levels of overtime (about 20 hours per week), LGD employees can earn about 2,500 yuan per month. If they apply for additional overtime, they can earn a bit more. Through an annual evaluation, workers can move up through the grades from ordinary member to skilled worker, technician, master technician, and senior technician, and the company fully links wages to the technical level. One of the workers interviewed was awaiting the results of the 2011 evaluation. After the expiration of the labour contract, the company pays three months' wages in economic compensation if it does not renew the contract.

5: Recent developments

In late March 2012, production-line workers received a wage increase of 14 percent (higher than in previous years), whilst management received a pay rise of 6.8 percent. After the strike, the company's general manager was replaced, and its attitude toward the enterprise trade union seems to have improved.

Analysis: Resumption of work was the result of compromise by all parties

The two primary characteristics of the LGD strike were a large number of participants (about 8,000 workers) and the quick resolution time (within three days) that was based on the willingness of all sides to compromise.

The workers: At first, the workers demanded a four-month year-end bonus, but they subsequently made a 50-percent concession, which was a sensible compromise. Within three days the workers had doubled their year-end bonus. With 14,000 workers, each earning a basic wage of 1,406 yuan, that increase was worth nearly 20 million yuan. However, the workers also paid a price, with two dozen or more employees being dismissed because of their role in the strike.

The company: Although the company threatened to close the factory after the strike began, it then also made concessions and, three days after the strike the factory resumed production. However, the strike resulted in production losses as well negatively impacting the LG brand.

The government: During the strike, some workers engaged in aggressive actions and, according to public order regulations and the requirement to maintain stability, the police had the right and the

ability pursue them for liability. But the police did not take such action, and this shows that the government also made a compromise. Such a compromise was wise because it reduced the confrontation between the government and workers, and encouraged both labour and management to make concessions within a short time. However the government's action also came at a cost, in terms of the deployment of the hundreds of police officers at the scene.

It should be pointed out here that, although this incident had a "triple win" outcome for labour, management, and the government, each side also paid a noteworthy cost. Further reflection is required concerning how to reduce or even eliminate such costs.

The wider context: Labour conflicts are on the rise in eastern China

Not to be outdone by the frequent labour disputes in the Pearl River Delta, the Yangtze River Delta and eastern coastal region also saw numerous worker protests and strikes in the first two months of 2012 alone:

- 4 January thousands of employees from Wuxi Little Swan Company went on strike due to an unexplained decrease in their wages and no year-end bonuses.
- Workers from Qingdao's Huanghai Rubber Company took to the streets on 5 January to protest the parent company ChemChina Group's failure to pay social insurance premiums.
- From 5 to 7 January, thousands of workers from the Dalian Daxue Brewery Company went on strike to protest a decrease in their benefits after their company was acquired by another company.
- Over 1,000 Foxconn workers in Yantai's Science Park went on strike on 12 January due to dissatisfaction with differences in wage increase levels.
- On 17 January, workers at Xuzhou's Meritor Axle Company engaged in a company-wide strike for higher wages.
- Workers from the Jining Wheel Factory staged a large-scale strike on 19 January in protest against the company transferring its assets and betraying the workers' rights and interests.
- A strike by 1,000 employees from Hong Kong-owned Wong's Electronics Company in Suzhou erupted on 8 February in protest at low wages and poor benefits.
- On 11 February, several thousand workers from Chimei Innolux (affiliated with Foxconn) in Ningbo went on strike to protest low wages.
- Workers from Siemens Switchgear Limited in Shanghai went on strike on 14 February in protest against low wages and company threats to expel workers.
- A strike by workers at Putzmeister's Shanghai factory on 15 February was in protest against an unreasonable acquisition compensation programme.
- While we were in Nanjing in mid-March, a Taiwanese-invested company in Nanjing experienced another strike by several thousand workers. The employees issued a 17-point set of demands that included higher wages, better working conditions etc. The factory management cooled the situation down by giving the entire factory a holiday.

Based on the above information, we would like experts to analyse and comment on the following questions:

1. According to our research, LG's labour conditions were good compared to those of other companies. Why, then, do you think the workers wanted to strike?
2. Looking at LG's management model, it appears to have typical human resources management characteristics. When the strike occurred, therefore, was this management model itself defective, or was it used incorrectly by the management?
3. Labour, management, and the government all paid a price for the incident. Can such costs be avoided? How can they be avoided?
4. Based on your experience, are there any common features between the strikes in recent years in the Pearl River Delta and in the Yangtze River Delta?
5. Based on your experience, following the resolution of this strike is it possible to establish a normal collective bargaining mechanism at this company?

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