

# China's garment industry and its workers

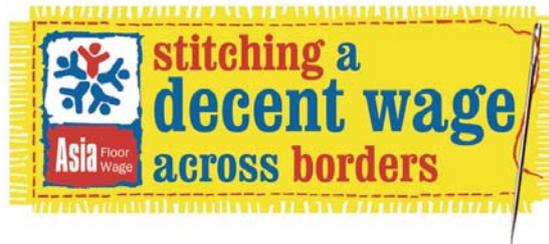
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## Wage research report 2013

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Translated by Eva To



## **Introduction**

The logic underpinning the prevailing global garment production model can be boiled down essentially to one that is driven by a mad chase of profit maximisation – a trademark of capitalism. Just as the buyers from the affluent countries found a low-cost source of production, they wouldn't waste one minute before they started hunting for an even cheaper source and would continue this quest perpetually for an even lower cost production base. To bolster their price competitiveness, various global big-name brands have set their eyes on the industrially less developed countries such as Bangladesh, Sri Lanka, Vietnam, Cambodia and even Burma/Myanmar, turning them one after the other since 2009 into the latest new darling garment producer of the world. They reckoned that the labour cost in China today is getting too pricey and that it would soon lose its competitive edge.

With the further expansion of global trade, the world's major garment manufacturing interests have been on an over-drive in sending developing nations to a race to the bottom, compelling them to seek to outbid one another in their own regions and beyond and squeezing their workers' pay packets further in this process. As those in-the-know in this industry are aware, labour cost constitutes only a tiny fraction of the overall costs in garment manufacturing (perhaps about 1% of a garment's final price tag has gone to pay for the workers who produced it, many would say). While the wages of workers in China do surpass that of their counterparts in neighbouring developing countries, China's overall costs of living such as for food, education and health care are higher as well, with the garment workers at the coalface having to resort to drawn out overtime toil and intensive stressful work stints to produce as much as they could just to stay afloat. To minimise the vicious race for the worse among developing country workers and for the sake of a dignified living for them, it makes every sense for developing nations to promulgate a standard living wage for their workforce.

## **Objectives and methods of the survey**

This report comprises two parts, with the first, on literature review, being an analysis of the changes in China's garment industry and an outline of the basic plight of Chinese workers. Through questionnaires and in-depth interviews, the second part covers a survey of the labour side of the garment industry, getting to grips with these workers' laboring conditions and their difficulties in making ends meet. The interviews were sourced from the workers in four sizeable garment plants as well as from the domestic outworkers in the Chen Dian town of Shantou city [in Guangdong province], with most of them willing to take part except those from one particular plant who weren't forthcoming with details even when they were reached by our interviewers. Details of these interviews are listed under the "Case analysis" heading in Part 2.

## **Part 1: The evolution and changes of China's garment industry**

### **A. Where did China's garment industry come from and where is it at**

Compared to other Southeast Asian developing countries, China's garment industry has a very long history, with three stages standing out. The first was the period before the "reform-and-open-door" policy was embarked upon, followed – in the second period -- by the onset of the reform period to up till 2000, and the third covers the changes since China became a member of the World Trade Organisation (WTO).

### **1949-1979**

The origin of China's modern textile and clothing industry could be traced back to the 1870s. When New China was founded, its textile industry was still very much at a budding stage, with the textile and clothing industry's gross products in 1949 at a mere 4 billion yuan, or equivalent to 38%<sup>1</sup> of the country's gross industrial product. There were 179,000 factories from all over the country at that time, which employed about 745,000 workers mostly in privately owned establishments and were located along the coast. They were heavily dependent on imports for their productive inputs and machineries.

In an effort to gear up its production to catch up with domestic demand, China put in a substantial amount of resources to design and construct a big number of light industrial plants ever since its first 5-year plan (1950-1955). Many of these were big establishments and churned out a substantial quantity. For example, three cotton spinning plants in Beijing alone were fitted with 230,000 spindles and more than 7000 looms.<sup>2</sup> A feature of the plants built in this period was that they were mostly state-owned, controlled by either the state or a collective and produced under their directives. In 1978, for example, China's textile and garment products struck up an export value of US\$2.431 billion which accounted for about a quarter of the country's export earnings in that year.<sup>3</sup>

### **1979-2000**

When China embarked upon its reform and open door policy in 1979, the Beijing government made clear its will to make the textile and garment industry a key anchor of the nation's economy. Its arguments was that, first of all, China was well endowed with garment facilities and experiences, and, secondly, this industry is labour intensive, which complement the country's huge population and substantial workforce well and thus would help it to turn its enormous population endowment into an advantage. Prompted by this policy boost and supportive foreign investments, the production scale of this industry soon took off, achieving an average annual production growth of 13.2% from 1979 through to 1982. As detailed in Table 1, the export volume of China's textile and garment products shot through the roof

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<sup>1</sup> Larry D. Qiu, *China Textile and Clothing Industry*, HKUST, 2005

<sup>2</sup> Li Fuchun, A report concerning the 1st Five-Year Plan that deals with the national economy, *Essential Documents Since the Founding of New China*, Volume 6, 1995, <http://cpc.people.com.cn/GB/64184/64186/66660/4493007.html>

<sup>3</sup> Textile Production and Sales Monitor, December 2008, Information Service for Boosting the Export Competitiveness of Textile Products, January 1, 2009, <http://monitor.textiles.org.tw/result/9712.doc>

ever since 1982 as that industry experienced a rapid growth domestically. The relative weight of these products in China's overall export mix had been on the rise, with garment alone accounting for some 30% of China's total exports during the late 1980s and early 1990s.

### Since 2000

Ever since 2000, the global textile and garment industry has undergone tumultuous changes. China officially joined the WTO on November 11, 2001. Then on December 21, 2004, the Multi-Fibre Agreement (MFA), which had until then been around for three decades, was officially scrapped. Logically it would imply that the export quotas that China's exports had long been subjected to should from then on be a thing of the past. In fact, it wasn't the case. According to US Customs figures, US import of Chinese non-sweaters in the first three months of 2005 alone exploded by 197% to a value of US\$96.2 million.<sup>4</sup> This huge influx of Chinese products had triggered a backlash from the US and many European Union (EU) countries which started banning the import of Chinese textile and garment products. China and the EU eventually struck a new export deal which capped the export growth rate of 10 categories of Chinese textile and garment products for the 2005-08 period to 8-12.5% per annum.<sup>5</sup> The product groups affected included: woollen sweaters, male trousers, female blouses, T-shirts, dresses, bras, flax yarn, cotton linens, beddings as well as dining and kitchen linens. Similarly, the US also capped China's rayon thread and undergarment exports to its shores to a growth rate of 7.5% per annum. In other words, the export quotas for major exporting countries didn't end for China in 2005. That unbanning was delayed till 2008 when China was to start accessing real import and export freedom for its textile and garment products.<sup>6</sup>

Came 2008 when the quotas on Chinese exports were to be lifted at long last, its garment exports should logically experience a rapid growth. But it wasn't going to be, due to the global financial crisis which slashed US and EU demands. Added to this was the problem of overcapacity in China's garment manufacturing industry, which led to a slide in China's garment export in the first five months of 2009. To offset this shrinking export trend, China started cranking up its domestic demands such that while its export dropped 11% in the first five months of 2009 relative to the same period in the previous year, the domestic market grew to the extent that it accounted for 78% of the total sales of the country's biggest firms – whose scale exceeded a designated benchmark set by the government.<sup>7</sup>

The sluggish growth of China's garment exports dragged on in 2012, with the export value of its textile and garment products crawling to a total of US\$257.81 billion

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<sup>4</sup> Globalisation Monitor, The fallout on China's textile and garment industry in the wake of the end of Multi-Fibre Agreement, February 2010, [http://www.globalmon.org.hk/sites/default/files/attachment/postmfareport\\_finalcn19022010.pdf](http://www.globalmon.org.hk/sites/default/files/attachment/postmfareport_finalcn19022010.pdf)

<sup>5</sup> *Ibid.*

<sup>6</sup> *Ibid.*

<sup>7</sup> *ibid.*

only<sup>8</sup>, or a mere 3% more than the previous year. For some six months of the year, these exports even went backwards and their measly annual growth was the lowest in the last decade. It was a far cry from 2011 when a 20.1% growth was registered for China's textile and garment products, to the tune of US\$251.25 billion, 61% of which comprised garment and apparel that carried a worth of US\$153.24 billion.<sup>9</sup>

### Data for China's textile exports in recent years

Table 1: Data for China's textile and garment imports and exports

China's textile and garment trade statistics (unit: US\$100 million)						
Year	Exports			Imports		
	Total (A+B)	Textile products (A)	Garments (B)	Total (C+D)	Textile products (C)	Garments (D)
1978	*24.31	17.23	7.08	1.89	1.88	0.02
1980	41.65	25.4	16.25	11.47	11	0.47
1985	61.3	36.8	24.5	20.54	20.4	0.14
1990	168.88	72.19	96.69	53.4	52.92	0.48
1995	379.67	139.18	240.49	118.83	109.14	9.69
2000	522.06	161.35	360.71	140.24	128.32	11.92
2005	1,152.13	410.50	741.63	171.32	155.03	16.29
2006	1,440.71	486.83	953.88	180.82	163.58	17.24
2007	1,712.06	559.68	1,152.38	186.21	166.45	19.76
2008	1,896.24	698.34	119.90	186.46	163.71	22.75
2009	1,670.24	599.73	1070.51	Nil	149.70	Nil
2010	2,120.01	825.23	1294.78	202.20	178.05	25.15
2011	2,512.50	980.10	1532.40	230.40	190.30	40.10
2012	2,549.80	958.00	1591.80	244.60	199.40	45.20
2013 (Jan-Feb)	411.70	150.67	260.98	35.70	28.14	7.53

Source: Business information service of Taiwan Textile Federation (some data came from the web and the Chinese Customs)

<sup>8</sup> Global Information web page, Taiwan Textile Federation, An overview of Mainland China's textile and garment imports and exports in 2012, <http://tff.textiles.org.tw/>

<sup>9</sup> *ibid.*

#### a) The industry's structure

Some reports have postulated that the apportioning of profits in the garment value chain is generally agreed to be at the ratio of 40% to the designers, 50% to operation and sales and 10% to production.<sup>10</sup> The garment industry in China is built overwhelmingly on the basis of Original Equipment Manufacturers (OEMs), making it generally speaking still at the bottom rungs of the global value chain. Some analysis suggested that for, say, a garment valued at 10 Euro when it left its point of production, it would be retailing in Europe at the 50+ Euro mark. In 2005, the worth of China's inputs to the garment manufacturing process – from cotton production, spinning, weaving, printing and dyeing to garment production – accounted for only 17.5% of the total global value chain.<sup>11</sup>

On the other hand, China is a very mighty garment manufacturing machine. According to the "Report on the competitiveness of China's industries, 2012, no. 2" of the Chinese Academy of Social Sciences, the competitive index of China's trade has stood firmly at 0.6, which would place the productivity of its textile and garment industry at nine times that of Italy and 14 times that of the US.<sup>12</sup> However, with rising labour costs in recent years as well as the appreciation of the yuan, the competitiveness of the labour intensive industries have been undermined, triggering foreign investors to balk.

#### b) Geographical distribution

In 2004, there were 39 garment production areas throughout China that mainly congregated in the regions around the Pearl River Delta, the Yangtze River Delta, the Greater Bohai vicinity and the Southeast coastal stretch. These four regions were estimated to be accounting for nearly 70% of the garment production in China.<sup>13</sup> China's top five leading garment producing and exporting provinces – Guangdong, Zhejiang, Jiangsu, Shanghai [technically not a province but a super city] and Shandong – are accounting for more than 70% of the nation's garment exports<sup>14</sup> and more than 60% of its garment production.

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<sup>10</sup> Author unknown, Redemption of the value chain: Codes for the resurrection of China's garment industry, *Wenwei Po* website, January 3, 2012. <http://info.wenweipo.com/index.php?action=viewnews-itemid-51608>

<sup>11</sup> Author unknown, Taiwan Weaving Industry Association, Information Service for Boosting the Export Competitiveness of Textile Products, Mainland China's textile industry's labour competitive edge is waning, <http://training.ttri.org.tw/dailynews/newsview.php?newsnum=7661>

<sup>12</sup> A productivity dynamite: China textile and garment industry's competitiveness is 14 times that of the US, *Hong Kong Commercial Daily*, December 12, 2011, [http://www.hkcd.com.hk/content/2011-12/12/content\\_2862993.htm](http://www.hkcd.com.hk/content/2011-12/12/content_2862993.htm)

<sup>13</sup> China National Textile and Apparel Council, Report on the development of China's textile and apparel industry for 2003/2004, China Textile and Apparel Press.

<sup>14</sup> China National Textile and Apparel Council, Report on the development of China's textile and apparel industry for 2006, China Textile and Apparel Press.

Table 2: Garment production volume, Jan-Dec 2012

	Province	Per 10,000 pieces	Relative weight (%)
1	All China	267.28	
2	Guangdong	53.72	20.10
3	Jiangsu	39.50	14.78
4	Zhejiang	7.34	13.67
5	Shandong	5.33	13.49
6	Other provinces	161.38	37.96

Source: China Market Research Report

## c) Principal garment export products

China's principal garment export items have accounted for 65% of the country's total garment exports. One can tell from the table below that garment exports plunged significantly in 2011, most dramatically with the "Other garments" category. However, garment prices rose noticeably in the same year.

The average unit price of garments in 2012 was US\$4.5, 5% higher than the US\$4.29 quote in 2011. Fur garment prices surged even more significantly, reaching a unit price of US\$149.99, nearly 30% more than in 2011. The increase of the unit price could be a reflection of the rising costs in raw materials and labour expenditure as well as the rising quality of Chinese garments.

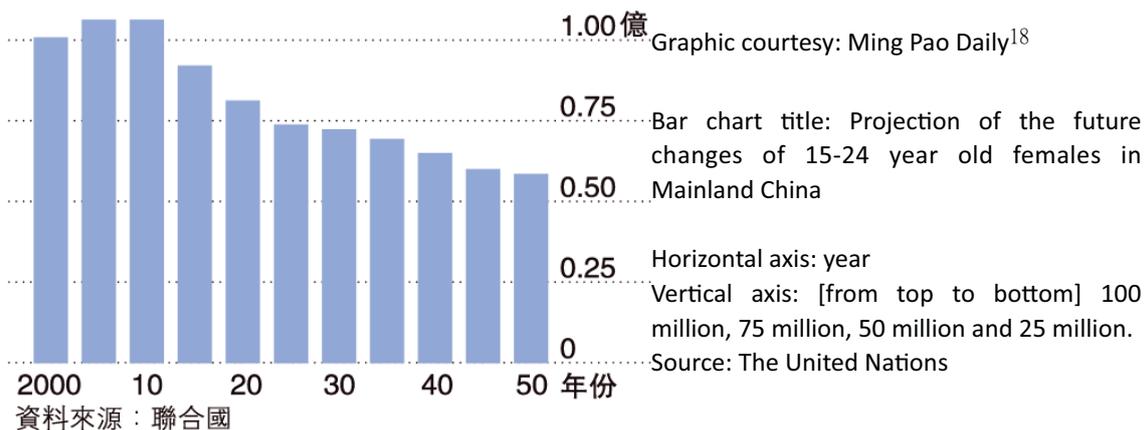
Products	Unit	Export volume				Average unit price			
		2011		2012		2011		2012	
		Volume	Changes in %	Volume	Changes in %	Kg, metre, US\$/piece	Changes in %	Kg, metre, US\$/piece	Changes in %
Garments	million	31731	-12%	31411	-1%	4.29	34%	4.5	5%
of which: knitted	million	20910	-1%	20939	0%	3.42	20%	3.72	9%
woven	million	10122	-4%	9746	-4%	5.93	21%	5.95	0.30%
fur garments	million	17	-23%	15	-12%	115.49	32%	146.99	27%
Other garments	million	682	-84%	710	4%	3.98	697%	4.9	5%

Source: Global Info Net of Taiwan Textile Federation

#### d) The size of China's garment workforce

Due to China's one-child policy, its labour force would start to shrink in 2015. According to United Nations estimates, there were 120.7 million Chinese nationals aged between 15 and 19 in 2005. But the number in that age bracket slid to 105.3 million in 2010 and is expected to fall further to 94.9 million by 2015.<sup>15</sup> On the other hand, the size of working-age female labour force of between 15 and 24 years of age is expected to dwindle gradually from 106 million in 2010 to 92 million in 2015 (see bar chart below).<sup>16</sup> Meanwhile, with less and less willing parties, the once rapid exodus of internal migrant workers from the countryside to city factories is a thing of the past. This is consistent with China Statistics Bureau projections, which were based on surveys among internal migrant workers, which suggested that the growth of their move to other provinces for a factory job would go downhill in the coming years.<sup>17</sup>

### 內地15至24歲女性數目未來變化推算



The structural transformation of China's working population has left its mark on the configuration of the garment workforce as well, leaving behind tumultuous changes in its wake. Once upon a time, the garment industry workforce comprised mainly of young female workers, so selected based on the rationale that women have strong attention to details and are good with their fingers. Male and older workers were thus left behind. This has now quite changed, with a good number of male workers popping up here and there in garment workplaces. Some reports suggested that the

<sup>15</sup> Author unknown, As the Chinese economy slows, its wages wax rather than wane, Human Resources Association of China, July 16, 2012, <http://www.hrac.org.cn/CN/viewnews/20120716/2012716113148.htm>

<sup>16</sup> Xie Dejian, Manufacturers' challenge as China's prime working age female workers decline, February 8, 2012 [http://www.mpfinance.com/htm/finance/20120208/Columnist/edx\\_edx.htm](http://www.mpfinance.com/htm/finance/20120208/Columnist/edx_edx.htm)

<sup>17</sup> Author unknown, As the Chinese economy slows, its wages wax rather than wane, China Review News website, July 16, 2012, [http://www.chinareviewnews.com/doc/1021/6/8/8/102168820\\_2.html?coluid=7&kindid=0&docid=102168820&mdate=0716113549](http://www.chinareviewnews.com/doc/1021/6/8/8/102168820_2.html?coluid=7&kindid=0&docid=102168820&mdate=0716113549)

<sup>18</sup> Note 16, *op. cit.*

male to female ratio in the textile and garment industry is currently about 1 to 4, meaning male workers are accounting for one-fifth of the industry’s work force, with every sign of them on track to shore up their relative weight.<sup>19</sup> Among the women from the generations born in the 1980s and 1990s, not many of them are willing to toil in the textile and garment shop floors because they have plenty of other options such as in the electronic industry or the service sector. That’s why any willing male applicants wouldn’t find it too hard to get a job in a garment factory.

As well, due to recruitment difficulties, factory management couldn’t afford to be too fussed about a worker’s age. In our survey among garment factories, we found that the number of workers older than 40 years of age from both genders were on the rise. Some factories even prioritised recruiting female workers of at least 40 years old based on the belief that their turnover is likely to be modest. This is so because in China, “the higher turnover among the younger ones is shaped by the fact that internal female migrant workers tended to come from the 18-25 age group who would mostly then transit into motherhood and would be tied down by childcare for a year or two.”

According to China Economic Net data, the garment industry workforce currently numbers in the order of 3-4 million, which include rank-and-file production workers, management personnel as well as sales staff. As Table 2 reveals, the size of the garment workforce could change dramatically – in the order of more than 100,000 – from one quarter to the next. Especially from the 3<sup>rd</sup> quarter of 2011 onwards, the garment workforce plunged.

Another observation from this table is that while the garment production volume has been on the rise, its workforce has not and had in fact been on a constant decline. This could indicate that workers had to strain to pump up their productivity in order to meet the production target that they had to fulfil.

Table 4: Garment production volume and the industry’s workforce

	2010				2011				2012				2013
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Garment production volume (100 million pieces)	62.3	68.5	72.3	80.4	88.1	43.0	66.78	69.6	71.8	52.2	71.9	72.4	90.8
Workforce (million)	3.85	4.02	4.1	4.24	4.14	4.38	3.7	NA	3.17	3.29	3.29	3.35	3.15

Source: China Economy website. <http://big5.ce.cn/gate/big5/www.ce.cn/cyssc/ztpd/zszl/index.shtml>

<sup>19</sup> Author unknown, More positions than workers in garment industry as its male vs female ratio goes awry, Hexun News, March 4, 2013, <http://news.hexun.com.tw/2013-03-04/151676090.html>

#### e) Top 10 foreign owned enterprises

According to China's Ministry of Commerce, it had given a green light to 24,925 foreign owned enterprises to establish a foothold in China during January to December 2012, which represented a 10.1% drop from the previous year. These foreign firms had collectively invested US\$111.72 billion in China, which was 3.7% less than a year earlier. The investments in China from 10 Asian economies, which accounted for 82% of the country's overall incoming foreign investment, dropped 4.8% in 2012. Of them, most capital came from the Hong Kong Special Administrative Region.<sup>20</sup>

On garment production in particular, a Capital Business Credit report in 2012 claims that 40% of transnational corporations are considering closing down their manufacturing facilities in China.<sup>21</sup> Take Uniqlo as an example, the biggest top-end garment chain in Asia which has 70% of its garment production currently located in China, it is planning to reduce its market weight in this country to two-thirds of what it was in a bid to minimise costs.<sup>22</sup> Nike's annual reports also reveals that 40% of its runners were produced in China in 2001, making it Nike's most important production base in the world at the time while Vietnam only accounted for 13% of its production. China's share then slid to 36% in 2005 while Vietnam's weight rose to 26%, making it Nike's second biggest runner producer in the world. Vietnam's share soared further in 2009 to 36%, putting it on par with China's and making them Nike's twin top runner producers that year. Vietnam's share climbed further in 2010 to 37%, leapfrogging China whose share had then dropped to 34%.<sup>23</sup> Leatherwear chain Coach is also planning to set up new manufacturing facilities in countries other than China. Adidas, another transnational brand name, also decided to close down the only manufacturing facility in China of which it has a direct control in October 2012 and have it relocated to Burma. Most media reports have been pointing to the same message – transnationals are pulling out of China because of its rising labour costs.

It's a different picture on the retail front, with the global big brand names being way more active in trying to penetrate China – interested in it as a market. LV (Vuitton), H&M and Zara, for example, have already established a huge number of retail outlets in more than 30 Chinese cities. Interestingly, Zara is selling in China products made principally in Bangladesh, India, Morocco, Portugal and Spain, with the share of products that it sold in China that was actually made in China down to less than 10%.

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<sup>20</sup> Author unknown, A decline in foreign capital being deployed in 2012: a refraction of manufacturers' strife, China Textile and Apparel (CTA), January 17, 2013. <http://www.adsalecta.com/Publicity/Mobile/MarketNews/lang-trad/article-67002231/Article.aspx>

<sup>21</sup> Author unknown, 40% of luxury brands to shift manufacturing away from China, *Want China Times*, October 11, 2012, <http://www.wantchinatimes.com/news-subclass-cnt.aspx?cid=1202&id=20121011000085>

<sup>22</sup> Ho Huian, Shifting base: Manufacturers exodus to neighbouring countries, *United Daily News* website, May 2, 2013, <http://udn.com/NEWS/MAINLAND/MAI3/7869572.shtml#ixzz2SfRwOqU7Power%20By%20udn.com>

<sup>23</sup> Author unknown, Soaring labour costs at home: foreign orders migrated to Southeast Asia in droves, Sina Hong Kong, June 1, 2012, <http://finance.sina.com.hk/news/-29-4916763/1.html>

The reason why it sold in China such a minimal share of Chinese made goods was apparently because of Chinese consumers' resistance towards products made in their own country.

After Adidas, Nike and other similar firms have closed down the plants that they have direct control of in China (Nike did so in 2005), most of these transnational firms continued to source Chinese made products by way of OEMs which became these firms' suppliers. One big OEM in the knitwear business is Shenzhou International Group Holdings Limited, which has good working relationships with many big-name fashion brands such as Uniqlo, Itochu, Itokin and Ito-Yokado, and with top sports brands such as Nike, Adidas, Puma, Fila and Mizuno. It's obvious that any well established subcontracting producer would generally be manufacturing for multiple brand names.

#### f) The strengths and weaknesses of China's garment industry

##### The positive endowments of China's garment industry

- Being principally export-oriented and having been around for more than three decades, China's garment trade has established a considerable industrial base, with well connected related infrastructures such as transport logistics and the associated supply chain. It can source various accessory material inputs and parts, value adding processing work providers and other services from within China, thus reducing its logistical overhead to a competitive level.
- Chinese manufacturers have built up considerable experiences from their long years of operation, in areas ranging from production management, quality control to operational insights, giving them an edge in coping with changes head and shoulder above the Southeast Asian countries.
- With more than three decades of practice under its belt, this industry has brought into being a whole convoy of talents such as those in technical matters, designs, management as well as plenty of skilled garment workers.
- China's legal system is more advanced than that of other Southeast Asian countries, especially in relation to labour laws and production safety issues, all of which are well covered by Chinese legislations.

##### The Chinese garment industry's vulnerabilities

- The labour cost in China is not only about three times<sup>24</sup> that of its Southeast Asian neighbours, it is also on a rapid ascent. This has left China with very few edges over its competitors in relation to standardised production in bulk, of such items as T-shirts, western style trousers and shirts because little variegated skills are involved in producing them. The exodus of such productions out of China seems just a matter of time.
- Unless China overhauls its population policy, its labour force will be on a gradual decline over the coming decades and that would make factory recruitment drives harder and harder to fulfil.

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<sup>24</sup> Winz, The end of the road for garment producers' low-value export strategy, *The New Express*, May 2, 2013, [http://big5.ycwb.com/money/2013-05/02/content\\_4435174.htm](http://big5.ycwb.com/money/2013-05/02/content_4435174.htm)

## An analysis of the wage situation in China’s garment industry

### A. Minimum wage

After being put in the statute book on December 30, 2003, China’s “Minimum Wage Law” was enforced from March 1, 2004 onwards, with the exact levels of minimum wage varying from one location or province to the other. The 2013 minimum wage in Shanghai, [at 1620 yuan a month] which was the highest in the country, is 790 yuan more than Hainan Island’s 830 yuan.

The actual minimum wages can vary even within the same province. In the case of Guangdong province, for example, four grades of minimum wage existed. Guangzhou, which is leading the pack within Guangdong, has a minimum wage of 1550 yuan, whereas that in grade 4 city Heyuan is only 1010 yuan, meaning there is a 540 yuan a month difference across the two cities.

### B. The adjustment mechanism and computation formula for minimum wage

The government authority of each locality sets the minimum wage in its respective jurisdiction based on such factors as the average wage and prices in its patch. In addition, some localities or regions further spell out the standard hourly wage expected of employers in their turf.

Table 5: The minimum wage levels in some Chinese cities

Cities	Year										10-year accumulated growth (%)
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	
Beijing	545	580	640	730	800	800	960	1160	1260	1400	156.88%
Shanghai	635	690	750	840	960	960	1120	1280	1450	1620	155.12%
Chongqing	400	400	580	580	680	680	680	870	1050	1050	162.50%
Shenzhen	610	690	810	850	1000	1000	1100	1320	1500	1600	162.30%
Guangdong	510	684	780	780	860	860	1030	1300	1300	1550	203.92%
Fujian	450	470	650	750	750	750	900	1100	1200	1200	166.67%
Zhejiang	620	670	750	850	960	960	1100	1310	1310	1470	137.10%
Jiangsu	620	690	750	750	850	850	960	1140	1320	1320	112.90%
Shandong	410	530	590	610	760	760	920	1100	1240	1380	236.59%

From the table above, it’s evident that minimum wages in China have risen markedly over the last decade, with the increase in most regions exceeding 100%. Price hikes in general were a big factor underpinning the increase in wages. In the 32 years between 1980 and 2011, there were only four years – 1998, 1999, 2002 and 2009 –

when the Consumer Price Index (CPI) was in the negative zone. The four years happened to coincide with the years of global financial turmoil. So if the external factors were to be set aside, prices in China would have been waxing all along throughout the past 30 years. The CPI between 2001 and 2011, in fact, surged by a whopping 33%, which revealed the often-observed truth that real wages would never match the extent of inflation. The rank-and-file workers are particularly vulnerable to price hikes, which prompted them to seek a comparable redress through wage demands. Added to the fact that there has been an actual contraction of the working population, many industries have experienced difficulties in recruitment since 2003, which all the more compelled the local authorities to adjust minimum wages so as to keep it attractive for the internal migrant workers from the rural areas to fill the job vacancies in the cities.

Moreover, wage hike pressure along the coastal regions was more intense than in the inland provinces. As indicated in the table above, the minimum wages of the top five garment exporting provinces all exceeded that in the less developed provinces. The minimum wages in Guangdong and Shandong provinces had soared more than 200% in the last 10 years or so while the corresponding surges in Zhejiang and Jiangsu were more than 100%. The minimum wage in Guangdong already exceeds that of Zhejiang and Jiangsu.

Meanwhile, for the sake of stabilising the job market and boosting its population's spending power, the Chinese government has put forward a "Job Promotion Blueprint 2011-2015" in its 12<sup>th</sup> Five-Year Plan in 2012. In outlining the country's wage boosting scheme for the next five years, the document says: "A normal wage increase mechanism is in the making in China. The income levels of wage earners have rightly been climbing at a relatively rapid pace, with the standard minimum wage having risen at an average of more than 13% a year, and the minimum wage benchmarks of the absolute majority of [rural] regions being the equivalent of more than 40% of the average income of their urban and town counterparts."<sup>25</sup>

### **C. A minimum wage that doesn't pay the bills**

Although China's minimum wage has surpassed that of its Southeast Asian developing neighbours in recent years, it is by no means a liveable income. A 2013 research report published by the "Dagongzhe [Battlers] Migrant Workers' Centre" entitled "How can one maintain a dignified living on the minimum wage" points out that "Shenzhen's 2013 minimum wage of 1500 yuan is only 32% of the city's average earnings, which was 4595 yuan in the previous year, meaning it only allowed a

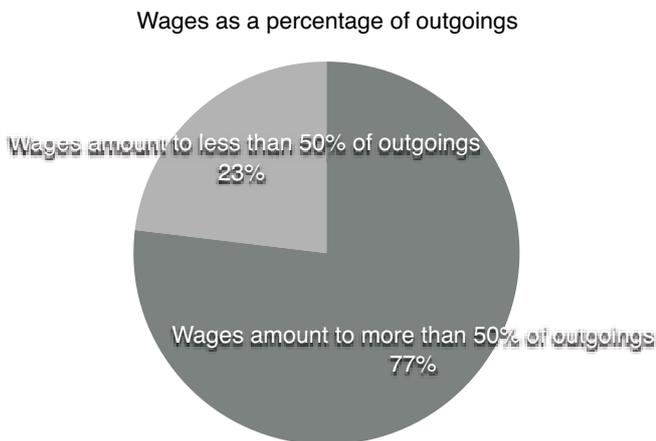
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<sup>25</sup> *Job Promotion Blueprint 2011-2015*, in full, [http://big5.china.com.cn/policy/txt/2012-02/08/content\\_24584303.htm](http://big5.china.com.cn/policy/txt/2012-02/08/content_24584303.htm)

minimum pay earner ‘to stay by just a whisker away from destitution’<sup>26</sup>.<sup>27</sup> “To stay by just a whisker away from destitution” means a minimum wage earner can only keep his/her head above the water and that income is miles from being able to give one a dignified living. The Dagongzhe Migrant Workers’ Centre further pointed out the mere 6% adjustment to Shenzhen’s 2013 minimum wage to 1600 yuan fell considerably short of the 13% annual increase in the minimum wage as projected by the 12<sup>th</sup> Five-Year Plan.<sup>28</sup> ◦ In our interviews in Chen Dian town, some women workers indicated that they need at least 2000-3000 yuan a month to pay the bills for a family of four<sup>29</sup> while others said a similar household couldn’t get by with less than 5000-8000 yuan a month. A two-income family must bring home at least 2500 yuan a month just to pay the bills and that already amounts to 2.2 times over the town’s minimum wage of 1130 yuan.

#### D. Textile workers’ demands with respect to their family outgoings

A finding that stood out based on the questionnaires that were returned was that in more than 70% of the cases a worker’s family outgoings have amounted to more than half of the worker’s average monthly income (see pie chart below). This is fair to conclude that workers’ pay packets, which already included their overtime earnings, were just enough to allow them to scrape by.



<sup>26</sup> This report was extracted from the “Study on the minimum wage in Guangdong Province” section, which categories “those whose earnings amounted to 30% of average earnings as hovering around the ‘bare survival line’ and those on 35% and 40% are flirting the ‘modest survival line’ and ‘survival-with-extras line’ respectively. It suggests that those below the bare survival line are mired in destitution and may be putting their lives at risks while those bordering the modest survival line scrape by, just manage to fill their stomachs and meet elemental needs. Those on the survival-with-extras line are less hand to mouth and are able to sustain their basic day-to-day needs in a humble way.” For details please read the Dagongzhe Migrant Workers’ Centre report.

<sup>27</sup> Dagongzhe Migrant Workers’ Centre › Research report : “How can one maintain a dignified living on the minimum wage”, February 26, 2013. [http://www.chinadevelopmentbrief.org.cn/ngo\\_talkview.php?id=3989](http://www.chinadevelopmentbrief.org.cn/ngo_talkview.php?id=3989)

<sup>28</sup> *ibid.*

<sup>29</sup> See the Chen Dian town case.

## **E. Overtime hours exceeding the legal limit are commonplace (based on national average)**

Our survey revealed that it was commonplace for garment workers to be doing two to three hours overtime every day during the week on top of overtime work on Saturdays. While China's labour law prescribed that an employer can't make a worker toil more than 36 hours of overtime in any month, that limit was generally not adhered to by garment factories.

When challenged by labour organisations on their practice of imposing long overtime grinds on workers and breaching their labour rights, many foreign investors in China would snap back and counter that their workers would just call it quits if they weren't given overtime shifts. The reality is that a pathetically low minimum wage, the lack of unionisation or the backing of organised collective muscles meant that most Chinese workers had no options but to keep their heads down and put up with the scandalously long overtime, which resulted in the ridiculous situation where overtime pay often constituted more than half of their pay packets, and they found themselves in a downward spiral. Luckily, the society hadn't stood still, and the call for fairer wages and work hours have been the core components of international labour organisations' demand for decent jobs.<sup>30</sup> Younger workers who were born in the 1980s and 1990s especially dreaded having a heavy overtime load compared to the earlier generation. Among the younger workers whom we interviewed, many of them resisted doing overtime because they found it exhausting.

## **F. Barriers to unionization**

Strikes have virtually been a daily occurrence in China in recent years. A latest report of the Worldwide Human Rights Movement, which is under the auspices of the International Federation for Human Rights (FIDH), points out that "In 2011, independent researcher Sun Liping from the Tsinghua University estimated that the instances of worker and peasant unrest in China had reached 180,000 for the year 2010".<sup>31</sup> The strikes in China popped up from all sorts of industries and occurred pretty frequently, from the garment to the services industries. The demands were mostly wage related, and especially involved wages in arrears.<sup>32</sup>

We gathered from the workers being interviewed that whenever they wanted to put forward a wage demand, it was standard practice for them to band together and speak to the management as one, and if the management didn't submit to their demands, they would then down tools. In the absence of an effective in-house communication regime within most factories, workers have no other ways to express their grievances or discontent except by spontaneous collective actions.

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<sup>30</sup> ILO, Decent work agenda , ILO Promotion on Decent Work on October 7 every year  
<http://www.ilo.org/global/about-the-ilo/decent-work-agenda/lang--en/index.htm>

<sup>31</sup> FIDH, China's workers are calling for change: What role should brands play?, May 17, 2013, <http://www.fidh.org/article13273-13273>

<sup>32</sup> Note 22, *op. cit.*

Meanwhile, while the All China Federation of Trade Unions (ACFTU) is the only recognised trade union body in China, the electoral mechanism that it chose to adopt is not only cumbersome but is being manipulated through and through, the details of which one can get a better idea from the article “Restructuring of the Honda Auto Parts Union in Guangdong, China: A 2-year Assessment of the 2010 Strike”<sup>33</sup> through the experience of the Honda trade union election. Elections as heavily manipulated as the Honda trade union election was had little to do with democracy. Sure, they produced union representatives of sorts, but it would be a stretch to say they truly represent the interests of workers. The experience of OHMS Electronics (Shenzhen)’s workers is a case in point. More than 1000 of them struck in May 2012 and a new trade union chairperson was elected in its aftermath but workers later had to go as far as recalling that chairperson on the basis that this office bearer had done nothing to fight for their interests.<sup>34</sup>

Furthermore, there are doubts from all around on ACFTU’s proclaimed support for workers. There was this case from our interviews that involved five garment workers who were seeking assistance from the trade unions at their plant as well as the local region after they were arbitrarily dismissed only to have these union bodies passing the buck and pushing the workers around, and they only recovered their rightful compensation eventually with the help of other unofficial organisations. In our considerable number of interviews with workers in the past few years, many of them were adamant that “we would in no way look for help from a trade union”. This sentiment was highly indicative of the union’s real place in the workers’ honest assessment.

To allow the disgruntled Chinese workers to let off some steam, it is important that they enjoy the right to be able to play a part in building a better alternative, one that allows them an effective representation that enables them to strive for better rights and entitlements collectively.

## **G. Collective bargaining agreement**

The Provision on Collective Contracts promulgated by the Ministry of Labour and Social Security in 1994 has spelled out the substance of what collective bargaining should contain and affirms that enterprises and their workers have the right to draw up collective contracts within the parameters of the provision.<sup>35</sup> Article 35 of the Labour Law lays down the prescriptive power of a collective contract such that any contracts between an enterprise and its individual workers must contain rights and conditions no less than that of a collective contract. This provision continues to grace

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<sup>33</sup> Rena Lau, Restructuring of the Honda auto parts union in Guangdong, China: A 2-year assessment of the 2010 strike, Globalisation Monitor , <http://globalmon.pixelactionstudio.com/content/new-publication-restructuring-honda-auto-parts-union-guogdong-china-2-year-assessment-2010>

<sup>34</sup> Author unknown, OHMS Electronics workers: Why did we recall our union chairperson, Chengbiancun website, March 1, 2013, <http://www.chengbiancun.com/2013/0301/28418.html>

<sup>35</sup> Please read the Ministry of Labour and Social Security’s provisions on collective agreement, [http://big5.gov.cn/gate/big5/www.gov.cn/zwgk/2005-08/15/content\\_22926.htm](http://big5.gov.cn/gate/big5/www.gov.cn/zwgk/2005-08/15/content_22926.htm)

the Labour Contract Law that was promulgated in 2008. This indicates that collective bargaining is nothing new in China and this is, in fact, already in practice in a considerable number of factories – according to ACFTU data, 208,000 industry-based collective contracts were signed and dotted in China as at September 2012, covering 970,000 enterprises and 37.618 million workers.<sup>36</sup>

However, the reality is that collective contracts thus far have not been terribly useful in improving labour conditions due to the fact that they were more form than substance and that there were no meaningful involvements of workers in the process. While it is true that collective contracts have been around for nearly 20 years, the mechanism for collective wage bargaining is far from developed. Mr Ju Xiuli, ACFTU branch chairperson in Shenyang city commented: “As it is, there existed important problems such as the shonky quality of collective bargaining achieved so far and the prevalence of ‘rock bottom wage’ in some job positions. The asymmetry of access to information between capital and labour contributed to this, but also playing a part were: worker representatives’ ‘reluctance to engage in the bargaining process; their lack of skills in this task; and the fact that they felt intimidated by the challenge involved in this role’.”<sup>37</sup>

A policy that was seen to be giving the collective bargaining mechanism a useful boost was pronounced in Shenzhen in 2012. This was the proposal of the Shenzhen ACFTU to require the unions in 163 enterprises that have a workforce of more than 1000 each and whose union office bearers’ terms of office was up, to renew the teams through democratic elections in accordance with the Trade Union Law and their union constitutions. The official announcement stipulated that direct union elections will take place at OHMS Electronics, Shenzhen Hailiang Storage Products and Pepsi Cola where labour disputes had taken place. Yet the names of the remaining 160 enterprises had never been revealed nor had they been reported in the press. No timetable has been revealed as to when the provisions for promoting the mechanism of collective bargaining would be implemented.

## **H. Unlawful wage practices**

Wages in arrears are very common among garment factories. While relevant data on this question is hard to come by, it is not hard at all to find media reports on the web on workers’ attempts to pursue their unpaid wages.

We came across with actual examples of this nature during our survey. Workers at Jin Hui Huang [infant apparel producer in Huizhou, Guangdong], which have been producing for Hong Kong-owned enterprises such as Walmart had not been paid for three months, and that situation hadn’t been redressed despite the workers’ repeated complaints. Female workers at Chen Dian town also revealed that the local underwear manufacturing plants have been withholding their workers’ wages for

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<sup>36</sup> Fan Xi, Chu Hang, Collective wage bargaining, give toilers a “voice” over their earnings, Xinhua website, May 1, 2013, [http://big5.xinhuanet.com/gate/big5/news.xinhuanet.com/fortune/2013-05/01/c\\_115600931.htm](http://big5.xinhuanet.com/gate/big5/news.xinhuanet.com/fortune/2013-05/01/c_115600931.htm)

<sup>37</sup> *ibid.*

more than three months. Some of these employers even went as far as having settled their workers' wage account only once a year, in gross violation of the Labour Law clear stipulations that workers should be paid monthly.<sup>38</sup>

## Part 2: Case study on Garment Industry

### Case 1: Underwear factory workers in Chendian

#### About Chendian



Chendian is an important industrial zone of Shantou City, which is located in the southeast of China. It is known as “underwear town of China”. Statistics show that 60% of all Chinese underwear products from Chendian. Nevertheless, Chendian mainly produces low prices underwear. Official data revealed that there were 65 factories which are “enterprises above designated size”<sup>39</sup>, and there were 2,000 home-based workshops in Chendian.<sup>40</sup>

Many residents in Chendian are from other provinces. The population in Chendian is about 100,000. Over 50,000 are migrant workers originated in other provinces. Most of the families engaged in bra production. There are 23 village units in Chendia. The local government encouraged each unit to develop a unique product, one village one product. Therefore, home-based workshops mushroom. The working environment of the home-based workshops is primitive owing to inadequate monitoring. Fire prevention and ventilation are

<sup>38</sup> In both the “Labour Law” and “Temporary Provisions on Wage Payment”, there were requirements that employers should pay their workers at least once a month. Article 50 of the Labour Law stipulates that wages should be issued directly to the workers concerned in monetary form on a monthly basis. Article 7 of the Temporary Provisions on Wage Payment specifies that wages should be issued at least once a month, with those practising wage accounting on a weekly, daily or even hourly basis can pay their workers according to those frequencies.

<sup>39</sup> “Enterprise above designated size” is enterprises with an annual sales over 20 million yuan.

<sup>40</sup> Anonymous, “Shantou Zhi 14 Si Zhonghuo an Beihou: Gongren Zhao Qianxin cheng Diandi Changtai” ( Behind 14 dead in Shantou arson: delaying wages payment became a local norm), *Sina News* [China], 13 Dec 2012, <http://news.sina.com.cn/c/sd/2012-12-13/042925798810.shtml>

not up to standard. Occupational safety is a big threat to workers.

### **Brand of Chendian**

There are several Hong Kong and Tai Wan investment in Chendian. There are some famous local brands, such as Violet-lingerie, Mandieli, ZouMan, Noble Woman.

### **Occupational Health and Safety Problems in Chendian**

24 January 2008, a fire in a home-based work named Zhoudongming in Chaonan District, Chendian Town killed seven and injured one workers.

4 February 2009, a fire in a home-based workshop in Chaonan District, Chendian Town caused 2 person died and 2 injured;

4 December 2012, a fire happened in a underwear factory near the Xixiang County Government building of Chendian. At least 14 people died.

19 December 2012, 4 people were rescued from a fire in an underwear factory in Chaonan District, Chendian Town.

### **Working Conditions in Chendian**

The investigation was conducted on 8 April 2013. Researchers interviewed 5 factory workers, 4 women and a man, who produce underwear in Chendian. The interview was conducted in a group. The interview was mainly about wages, working hours, work environment and living conditions.

Worker A, female, is 40 years old. She is a sewing worker originated in Chongqing. She has worked as an underwear sewing worker in Chendian for 16 years. Her family members all worked in Chendian. Her husband and son work on construction sites, while her daughter is studying in a primary school.

Worker B, female, 23 years old, is from Guangdong Province. She migrated to Da County, Sichuan Province after marriage. Her husband is a construction worker. Her daughter and son are in Sichuan Province. Her mother-in-law helps to take care of them. She is pregnant and wants to have another daughter. She has decided to resign from work and plans to look for another job with lighter work intensity.

Worker C, female, is 40 years old. Like Worker A, she is a sewing worker from Chongqing. She has also spent 16 years in Chendian. Her husband is a small contractor in the construction industry. Her son is studying in a primary school in Chendian while her daughter is studying in a high school in Chongqing.

Worker D, female, is 31 years old. She is from Huilai County, Guangdong Province. He started working since she is 14 years old. She has worked in garment factory in Huilai County. She moved to Chendian a few years ago.

Worker E, male, is 35 years old. He is working in a garment factory.

Chendian mainly produces underwear. The production of every piece of underwear is delicate. The production processes are divided precisely include: **making cups**, **molding cups**, making straps and cutting threads. Different processes have different requirements; the workers stated that molding cups and making cups are the most difficult tasks while cutting threads is the simplest task.

### **Rampant Labour Abuses**

Most of the Chendian workshops do not care about labour protection. First, most of the

factories do not sign labor contracts with workers. Some employers do not even check the I.D. cards of the workers. Secondly, factories do not buy social insurance for workers. Workers are denied of medical insurance, industrial injury insurance and maternity insurance. Thirdly, factories do not pay salary on time. Delay of payment is common. Fourthly, factories ignore the legal provisions on minimum wage. Sometimes in low peak season, the factories require workers to stand but do not give them wages<sup>41</sup>.

### Wages and Benefits

In Chendian, most of the underwear factories pay workers at piece rate. All the interviewees said they were piece rate workers. In the peak season, workers have more work to do. They can earn CNY 3,000-4,000 a month. Meanwhile, the salary is only around CNY 1,500 in the low season. A quarter of a year time is nothing to work. Sometimes, they cannot gain a penny. The 5 interviewees are production workers, but they know about the management salaries. According to them, the managers are paid at time rate, their monthly salaries is about CNY 4,000-5,000. The factory heads can earn about CNY 7,000-8000 a month. Some designers can earn CNY 7,000 to 8,000 a month. Workers do not have any allowances. Their salaries all depend on their productivity. Some factories provide free food and accommodation for workers.

Furthermore, factories do not sign employment contract with workers. And do not buy social insurance for workers. If they suffered from industrial injuries, the victims have to bear all the consequences. Worker B told, "The factory will only pay a small compensation, say CNY 10-ish for the worker who was hurt in the factory. Nothing will be paid for serious injury."

#### Salary of Workers in Chendian

	Sewing worker	Management	Factory head
Wage calculation	Piece rate	Time rate	Time rate
Overall salary per month	1500-3000	4000-5000	7000-8000
Contract	no	no	No information
Welfare	Some factories provide free food and accommodation for workers. Other than that, there is no benefits for workers	Better than production workers	Better than production workers
Social insurance	No	No information	No information

### Wages in Arrears

Chendian factories always withhold workers salaries for a few months in recent years. Some workers only receive salary for 3 times in a year, for example on Dragon Boat Festival, Mid-Autum Festival and Chinese New Year. The interval of these festivals is about 3 months. In between, some factories will pay a small amount of money for workers to support their daily living cost. Some factories even deny workers' wages. Worker D complained to researchers that "I used to work in that factory. Before the Chinese New Year, it did not pay my salary. When I claimed my wages in Ching Ming Festival, the factory said I could not get anything

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because I was no longer a worker there. It was three year ago. Until now, I could not receive any money. It was about CNY 2,000.” Workers revealed that it was a common practice in Chendian. They are sympathetic with Liu Shuangyun whose wages was denied by the factory and subsequently set a fire in his employer’s factory<sup>42</sup>.

### Working Hours

Chendian workers have long working hours, but workers feel they are less restricted. Usually, the work shift is 8:00am - 12:00 noon in the morning, 1:00pm – 6:00pm in the afternoon, and 7:00pm – 10:00pm at night. Workers are paid at piece rate. The more they produce the higher salary they earn. Some workers work till 2:00am in order to earn more money. The factories do not require workers to punch work cards or record their working hours. As such, workers feel they have more autonomy. They can work at any time they like.

Apart from statutory holidays, workers almost work every day. Even on Saturday and Sunday, workers do not take rest. Workers can take leave on weekends, but they will not have salary. During the peak season, when there are many orders, the factory foreman will keep calling workers and request them to go to work. Worker C said, "I was sick 2 days ago. When I was taking rest, my boss kept calling me. I replied that I could not work as I was ill. My boss told me that the factory was extremely busy. I responded that I could only give him my life."

Working hours in Chendian factories:

Working hours	Morning: 8:00-12:00 (4 hours) Afternoon: 1:00-6:00 (5 hours) Night (if necessary): 7:00-10:00 or even later (3 hours up)
Rules	No need to punch time card, workers can leave at any time, loose rules
Holidays	Statutory holidays
Rest days	Workers work every day. Some factories have a day off in a month
Taking leave	If the factory is busy, the factories will keep calling workers to work.

### Working Environment

Chendian has more than 2,000 small home-based workshops. Working environment is poor. Most of the workshops are buildings with four to five floors. The ground floor is usually warehouse, the shop floor is situated on the second and third floor. Small workshops always have fire safety problem. Doors and windows of the factories are always sealed with iron bars. If fire occurs, workers can hardly escape. Worker C said: "If a fire occurs, workers would definitely run to the stairs. When there was a fire on 4 December, the smoke assended through the stairs. Lots of workers were suffocated by the smoke." Apparently, workers do not have training on fire safety.

Workers pointed out that the factories were full of cotton dust. Some fabrics are dark and they coloured workers’ palms to black. Yet, workers do not wear masks or gloves.

<sup>42</sup> QiBing, “Zhi 14 Wei Wugu Shaoniu Shanming, ShanTou Zhonghuoan Xianyiren Liu ShuangYun Qiren” (Liu Shangyu is suspected to cause 14 young female workers dead in ShanTou), ChinaNews[China], Dec 8 2012, <http://www.chinanews.com/fz/2012/12-08/4393216.shtml>

In addition, Small workshops do not have sufficient lighting. In order to cut down the production cost, some small workshops do not have sufficient lighting. Worker D said, "I have used a small lamp attached on a sewing machine for a year, I feel vertigo. I did not go to work last year, my eyesight turns better. However, I still cannot thread a needle."



Interior of a factory in Chendian. (The wall is smoky in color. It may cause by the high temperature of machines and chemical gas.)

Shop floor of a factory in Chendian. (Production materials were placed randomly. If fire occurs, it is very danger.)



Exterior of a home-based workshop. (Doors and windows of the factories are sealed with iron bars.)



A relatively well-established factory. (The windows are all sealed with iron bars.)

Summary:

1. Inadequate fire safety measures, no evacuate plan.
2. Insufficient lighting in some factories.
3. Poor ventilation and full of cotton dust.
4. High temperature in summer.

### **Occupational Health and Safety**

Workers said that the factory did not provide any training on occupational health and safety for them nor to remind them to take care of work safety. Sewing workers always get hurt. For example, have their fingers punch by sewing machine needles or pressed by machines. Worker A recalled that, "In one occasion, I take out the needle with a pincers. Some people even have their fingers crossed by a needle. Good bosses would take you to the doctor. Otherwise, they would only take out the needle for you." There is no first aid kit in the factory. Some workers have to continue their work without unsterilized the wound. Small injuries are often caused by exhaustion and insufficient lighting.

Furthermore, workers often suffer from lumbar disc pain, cervical vertebra pain and eye pain. Worker A stated, "When I sit for a while, I suffer from occupational diseases. My cervical vertebra and lumbar disc also have problem. For those workers who have worked for some years like me usually have problem of bone spurs. Some workers are poor. They do not dare to take rest. The problem becomes worse."

Summary:

1. A lack of occupational safety training
2. Minor injuries always occurred, like finger injuries
3. Workers have lumbar, cervical vertebra pain

### **Use of Child Labor is Widespread**

The use of child labour in Chendian is widespread. Child labour could be as young as 7 years old. Worker A pointed out; "Every plant is using child labour." Worker D also said she has met child labor in the factory. "I went to a factory for temporary work last night, there were 3 child labor. They were 7, 9 and 12 years old respectively. All of them were responsible for

cutting threads."

Tasks for child labour are relatively simple. They help to do some trivial tasks like cutting excessive threads. Most of the child labor are the local kids. Some of them are from other provinces. The young kids usually go to school in the day time. They work in the factories at night or on holidays. They can earn about CNY 200-300 a month. Some children are about 14 years old; they are tall enough to operate a sewing machine. They may work as a full time staff in the factory. The labour law in China prohibits employers to hire underage workers younger than 16 years old. Obviously, many factories in Chendian has violate the labour law.

The fire has drawn the public attention in the city. The authorities have conducted inspection on child labour. Worker A told, "A factory will be fined for CNY 200,000 for using a child labour. Last year, a big factory in Nanzhongtian was fined for a more a million when the government found 5 child labor in it." As time passed, the government does not strictly enforce the laws, the factories continue to use child labour. They also use various means to evade inspections. Worker D stated, "I have made a phone call to the labour department and reported the use of child labour to them. The wife of my boss has a spacious toilet in her room. When there are inspections from the authorities, she would order the underaged workers to hide in the toilet. I have told this to the labour department, but nothing changed." The use of child labour is a serious. The work safety of child labour is a big concern.

Summary:

1. The use of child labour is prevalent .
2. A worker witnesses a child labour is as young as 7 years old.
3. Most of the child labour are local kids. They work in the factory after school.
4. Weak law enforcement by the authorities. The factories can easily deceive the inspectors.

### **Opinion on Asia Floor Wage**

Interviewees are all married. The household income is quite high but they also have heavy family burden. Please see the following table.

Interviewee	Worker A	Worker B	Worker C	Worker D
Personal income (CNY)	1500 or less	2000	1500-4000	1500-4000
Household income (CNY)	11000	4000-5000	8000	7000
Family expenditure (CNY)	5000-8000	2000-3000	8000	6500

The Chinese standard of the Asia Floor Wage is CNY 2332.8 per month. Interviewees have diverse opinions on it. Worker A said that if she could earn CNY 2,800 per month after having 36-hour overtime, it would be a stable income for her family. The couple can get more than CNY 5,000 a month which is enough for living. Worker D responded that even if she could earn CNY 2,800, after working 36-hour overtime a month, she still wants to have more overtime. "This money is not enough. I have to support my kids. I can earn more than CNY 4000 in this factory," Worker D added. Migrant workers' children have to study in private schools. The annual tuition fee is about CNY 4,000 in Chendian.

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## Case 2: H&M supplier

### Hop Lun Fashion Factory (Dongguan)

#### Location



Hop Lun Fashion Factory (Dongguan) is situated in Hexi Industrial Zone, Changan Town, Dongguan City, Guangdong Province, China. Dongguan is known as one of the Four Guangdong Tigers which is a prominent processing zone worldwide. Humen Town of Dongguan a well-known garment wholesale market internationally. Business Weekly reported that China has over 70% of clothing produced from Dongguan.<sup>43</sup>

#### Factory Profile

H&M revealed that Hop Lun Fashion Factory (Dongguan) (hereinafter Hop Lun) is its first tier supplier. Meanwhile, the factory also produces underwear and swimwear under its own brand named 6ix8ight. Hop Lun is a subsidiary of the Swedish Sterling Group. Founded in 1993, Sterling set up a Hong Kong based Hop Lung International Fashion Co., Ltd. in 2002. Since then, Sterling extended its business in Shenzhen, Dongguan and Heyuan of Guangdong Province and Ganzhou, Jiangxi Province.

There are about 2000-3000 factory workers, the average age of workers in about 30 years old. Over 90% of the workforce is female workers. And most of the workers are from Guangxi Province and Sichuan Province.

#### Working Conditions in Hop Lun

The investigation took place in April 2013. Researcher conducted in-depth interviews with eight workers, three men and six women, including a security guard and a cleaner.

#### Background of the interviewees

Worker A, female, is from the sewing department, has worked in the factory for a year.

Worker B, female, like Worker A, has worked in the sewing department for a year.

Worker C, male, has worked in the sewing department for less than two months. He is on probation.

Worker D, male, has worked in the sewing department for 2-3 months.

Worker E, female, is from the packing department. She has worked in the factory for 3 years.

Worker F, female, is from the packing department. She was accompanying a compatriot from her province to apply job in the factory. Researcher has chatted with her for a while.

Worker G, female, a job applicant who joined the factory through the recommendation from Worker F. Researcher has chatted with her for a while.

Worker H is a security guard. Researcher has inquired him about the basic information of the

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<sup>43</sup> ZhaoWei Wu "yazhou wufengpu dongguang humen, yinian maiqu shanyi jian yifu (Asian WuFengPu in FuMen, DongGuang, Yearly sell 300 million apparels)", 11 August 2008, *Business Weekly* [TaiWan], issue 1082, <http://www.businessweekly.com.tw/webfineprint.php?id=34075>

factory.

Worker I is a cleaner. She has worked in the factory for 3 years. She knows the factory very well.

### Working Hours

Hop Lun's working hours is relatively stable. Workers have a 6-day workweek. On Saturdays, workers do not have overtime work at night. Workers have overtime work for 2 hours per day. There is no distinctive peak season and low season in the factory. The following is the time table for workers.

Date of the Week	Session	Time	Working Hour
Weekdays	Morning	7 : 45 - 11 : 45	4
	Afternoon	1 : 15 - 5 : 15	4
	Evening (overtime)	5 : 45 - 7 : 45	2
Saturday (weekend overtime)	Morning Afternoon	7 : 45 - 11 : 45 1 : 15 - 5 : 15	8
Sunday and public holiday	Off		

**The monthly overtime work is 75.5 hour, which is more than a double of the 36-hour legal overtime limit per month. Moreover, workers must work overtime to earn their guarantee wage, CNY 2,600. Otherwise, they are not eligible for the attendance bonus. In addition, workers will also lost overtime premium and housing allowance if they do not stay in the overtime shift as required by the company.**

### Wages and Benefits

Workers have a labour contract. Starting from 11 May, the basic salary at Hop Lun is CNY 1,310. Overtime on weekdays and weekends is CNY 11.29/ hour and CNY 15/ hour respectively. In addition, the factory pays CNY 0.8 per hour to workers for the overtime work. The legal hourly wage should be CNY 7.53 per hour<sup>44</sup>. As such, the overtime premium on weekdays and weekends should be CNY 11.29 and 15.05 respectively. In other words, the overtime wage on weekends at Hop Lun is CNY 0.05 less than the legal standard. It is worth to note that the factory guarantee the monthly salary is not less than CNY 2,600 a month. This implies there is production quota at the factory. If the workers cannot produce more than the production target, they can still earn CNY 2,600.

Hop Lun provides free meals and accommodation for workers. The factory pays CNY 150 per month to workers as housing allowance if they live outside the dormitory. Additionally, the factory pays the social insurance for workers, which includes pension, medical insurance, industrial injury insurance and unemployment insurance. CNY 110 is deducted from each worker's salary a month. Attendance bonus for sewing workers is CNY 50 per month, while the packing workers can only receive CNY 30 a month. Workers said that the salary is paid on

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<sup>44</sup> According to Ministry of Human Resources and Social Security of PRC , the monthly working dasy of China is 21.75 days, calculation of the hourly rate is: hourly wage = monthly wage ÷ 21.75 days ÷ 8 hours

time. Money will be transferred to workers' bank account before 15th of the following month.

How much can workers actually get? Worker A and Worker B revealed that the average monthly salary for sewing workers was CNY 3,000-4,000 a month. If workers cannot meet the production target, they can still earn the guaranteed wage, i.e. CNY 2,600 a month. The guaranteed wage is the minimum amount workers can get in a month if they work everyday including work overtime. The interviewees expressed that the arrangement is better than other factories because CNY 2,600 is not a bad salary.

Given that the basic salary at Hop Lun is CNY 1,300. If workers have overtime work for 2 hours per day on weekdays and overtime work on Saturdays. We found that the guaranteed wage is not much higher. The following is the calculation:

Base payment: CNY 1,310
OT on weekdays: CNY 11.29 x 21.75 days x 2 hours = CNY 491.12
OT on weekends: CNY 15.05 (legal wage) x 4 days x 8 hours = 481.6
OT subsidy: 75.5 hour x CNY 0.8 = CNY 60.4
Attendance bonus: CNY 50
Overall salary: CNY 2396.32
(The guaranteed wage is CNY 203.68 higher)

The guaranteed wage is only CNY 200 higher than the actual wages workers should earn. If workers cannot finish the production target, they have to meet the goal "voluntarily" (without payment). A Hop Lun worker grumbled on internet that the production target in the factory is beyond their capacity. If they could not meet the production target, they had to go back to the factory earlier or stay longer in the overtime shift.<sup>45</sup>

Workers work on a production line-like setting. They must keep up the pace of the workers of the previous tasks. The speed requirement is very stringent. In addition, Worker C said: "The production target of the factory is high, quality requirements are very strict. I could only get the guaranteed wage last month. I am stressed." Hop Lun requires workers to complete 150 centimeter height of product per day. Worker C has worked in other factory before joining Hop Lun. Even so, he can not complete the production target, because it is too much. Obviously, workers must be very diligent and efficient in production to produce more than the production target. Those who can earn CNY 3,000-4,000 are highly efficient workers.

### **Occupational Health and Safety**

Interviewees have never heard of industrial injuries cases in the factory. The workplace environment is satisfactory. There is not much cotton dust. Workers have to wear uniform, working cap. All of the sewing machines are equipped with protective covering. Industrial injury is usual.

### **Workers' Complaints**

As mentioned above, the workers complained the production target was too demanding and the work pressure was higher. Workers also complained that it was difficult to resign. Hop Lun would not approve the resignation of workers. It force the workers to leave the factory on their own. If workers leave without formal resignation, they would lose at least 15-day

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<sup>45</sup> March 10, 2012, a worker made a complaint on the Internet, please refer to Ask Baidu: <http://zhidao.baidu.com/question/392985278.html>

wages. The factory will not pay the wages for workers who quit the company without formal resignation procedures.

Workers reported that management was too strict. Worker C pointed out, "The management staff always scold workers." Worker I stated, "Those who are slow in production will affect the workers who are responsible for the next tasks. The supervisors will yell at workers. Even worse, the supervisors will not assign overtime work to the workers concerned." The management is harsh on workers. Some of them may impose punishment on workers arbitrarily.

### Views on Asia Floor Wage

Most of the interviewees get used to excessive overtime up to 80 hours per month. They do not oppose to overtime work. For example, they think they have nothing to do if there is no overtime work and they also want to earn more money from the overtime shift.

Interviewees believe that the AFW at CNY 2332.8 as basic salary which does not include overtime pay is acceptable for couple without children. If a couple have children the amount is not enough. As such, if they can, they want to work overtime to make more money.

### Conclusion

Hop Lun's basic salary is only at the same level of the local minimum wage. Through working overtime with demanding production target, workers can get a guaranteed wage amounts to CNY 2,600. Most of the interviewees feel satisfied. Yet, it is not fair to say Hop Lun's working situations are better. It only reflects a sad reality that other plants treated even worse.

The following is a summary of Hop Lun's labour rights abuses:

	Legal provisions	Factory rules
1	The employer can prolong work hours due to needs of production or businesses after consultation with its trade union and labourers. The work hours to be prolonged, in general, shall be no longer than one hour a day, or no more than three hours a day if such prolonging is called for due to special reasons and under the condition that the physical health of labourers is guaranteed. The work time to be prolonged shall not exceed, however, 36 hours a month. (Article 41, Labour Law)	From Monday to Friday, workers have overtime work for at least 2 hours a day. On Saturdays, workers have 8 hours overtime work. The overtime hour is over 72 hours a month which exceeded the 36-hour legal limit. Also, the factory underpays the overtime premiums to workers.
2	Employers cannot force workers to work overtime	Workers who take leave will have their overtime premium and attendance bonus deducted. This resembles forced overtime.
3	An employee may dissolve the labor contract if he notifies in writing the employer 30 days in advance. During the probation period, an employee may dissolve the labor contract if he notifies the employer 3 days in advance. (Article 37, Labour Contract Law)	Resignation is not approved by the factory. Workers can only leave the factory on their own and forsake 15-day wages. It is because the factory pays workers on 15th of the following month.

4	Article 2 of the Social Insurance Law states the government has set up social security system, including pension, medical insurance, industrial injury insurance, unemployment insurance and maternity insurance.	The factory has only paid four kinds of insurance for workers instead of covering the whole package of the social insurance.
5	Employer should pay overtime premium, which is higher than the normal hourly wage, to workers for working hours outside the regular shift. (Article 44, Labour Law)	Workers who cannot meet the production target have to work extra time without payment.
6	Absence of trade union at the factory.	
7	Harsh management. Arbitrary punishment imposed, e.g. do not assign overtime work for workers.	

### Case 3: Golden Falcon Babywears Manufacturing Ltd. (Huizhou)

#### Location:

Golden Falcon Babywears Manufacturing Ltd. (hereinafter Golden Falcon) is located in Liwu Industrial Zone, Bolu County, Huizhou City, Guangdong Province. The location is between Dongguan and Huizhou.



#### Company Profile

The full name of the factory is Bolu County Yuanzhou Town Golden Falcon Babywears Manufacturing Ltd. The mother company of the factory is the Hong Kong-based Falcon Babywears Manufacturing Ltd. which was founded in 1980. The company produces baby bibs, baby clothes and baby toys. Golden Falcon was established in 2002. Our investigation revealed that the factory supplies to the following brands:

1. Walmart, USA - 28%
2. John Lewis, UK - 22%
3. Tesco, UK - around 12%
4. Sainsbury, UK
5. Coles, Australia
6. Debenhams, UK
7. Disney, USA

Terms listed on Golden Falcon's job advertisement on internet. The working conditions seem to be good.

Food and dormitory are free of charge. All workers can enjoy housing allowance, social insurance, overtime payment, bonuses, allowances and other generous benefits.

Golden Falcon hires workers from kids clothing department, baby bib department, embroidery department, graphic printing department.

**A. Kids Clothing/Baby Bid Departments**

1. Experienced sewing workers at Kids Clothing Department (many vacancies)
2. Experienced sewing workers at Baby Bids Department (many vacancies)
3. Cloth cutting at Kids Clothing Department (many vacancies)
4. Thread-cutting and quality check (many vacancies)
5. Packing (many vacancies)

**B. Embroidery Department / Graphic Printing Department**

1. Embroidery worker (many vacancies)
2. Graphic printing workers (many vacancies)
3. Quality check at Graphic Printing Department (many vacancies)
4. Production workers (many vacancies)

Sewing workers can earn CNY 3,000-5,000 a month. The above positions are paid at piece rate and there is production bonus. Baby Bib Department and Embroidery Department are air-conditioned.

### **Workers' Rights Defending Incidents**

Golden Falcon illegally dismissed 5 workers, including a pregnant worker, on 7 March 2013. Workers accused the company has delayed their wages, refused to pay social insurance and other legal issues. The local labor bureau refused to intervene. The factory hired gangsters to intimidate and disperse workers. Ole Wolff Workers Assistant Centre and Globalization Monitor have reported the case on internet; the brands thus looked into the case. The supplier feels pressure and resolves the disputes.

#### **About the Incident**

Golden Falcon has delayed wages of 600 workers for two months. Workers have been repeatedly requested their wages from the company, but of no avail. On 6 March 2013, they lodged a complaint to the Township Labor Bureau. The complaints involved delayed wages and the factory did not buy social insurance for all workers. Even though some of the workers have participated in the social insurance scheme, it does not include all the essential elements, i.e. pension, work-related insurance, medical insurance, unemployment insurance, maternity insurance and housing provident fund. On 8 March 2013, after the company knew that workers have complained to the authority, the factory dismissed 5 workers, including a worker is about to deliver her baby. In the next few days, workers also complained to a number of government offices, such as Labour Inspection Team, Labour Arbitration Court, federation of trade unions of the county level, and Housing Provident Fund Management Centre. Regrettably, none of the authorities help the workers to resolve the problem and ask them to go to another office instead.

These pictures are provided by the workers. The following are the five workers who dismissed by the factory. The second one from the right is the pregnant worker.



Description from left to right:

Left 1: kids clothing sewing worker, M, 41, paid at time rate

Left 2: kids clothing sewing worker, F, mother of the pregnant women, paid at time rate.

Left 3: kids clothing sewing worker, F, 39, paid by piece rate.

Left 4: clerk at kids clothing department, F, 22, has been pregnant for 7 months, paid by time rate.

Left 5: supervisor of the kids clothing department, M, 23, paid by piece rate.

On 20 March noon time, Golden Falcon asked the authorities to force workers to leave the factory. The women lying on the floor is one of the labour rights defenders.



Golden Falcon has 10 major labour rights abuses in the incidents.

1. Delay on paying wage for 2 months. All the 600 employees can only receive their January's salary on 15 March.
2. Dismiss a pregnant worker illegally<sup>46</sup>. On 14 March, 10 days before the expected date of delivery, the company denied the compensation to workers. This has increased the financial burden of the couple who are expecting the baby.
3. Workers do not get a copy of their labour contract.
4. Most of the workers are not protected by the social insurance scheme. For those who have social insurance, the company has not fully covered the mandatory items, i.e. pension, work-related insurance, medical insurance, unemployment insurance, maternity insurance and housing provident fund.
5. No overtime premium for overtime work, even on public holidays, in the past 8 years.
6. A female worker in her forties suffered from face stroke because of working overtime continuously last year. The factory has only compensated some money to her and ordered her to leave. No one knows her whereabouts now.
7. Hazardous working environment. Workers are exposed to toxic chemical in the printing department. The factory neither buys social insurance for the workers nor provides adequate protective equipment for them.
8. Workers alleged that the factory has not acquired the qualifications for printing, but it has been doing it in the past 10 years. Printing and dyeing result in toxic sewage discharge. The polluted water is directly discharged into farmland. This is hazardous to the environment and farmers! (The environmental protection departments fail to perform their duties!)
9. The factory cannot to protect workers from occupational diseases. The local health and epidemic prevention departments fail to carry out their duties.
10. Use of violence on workers. On 9 March, a female worker was hurt when the company

<sup>46</sup> Article 29 of the Chinese Labour Law prohibits employer to dismiss female worker who are during pregnancy, puerperium, and nursing period.

dispersed workers violently. On 16 March night, when workers gathered in front of the factory entrance, the factory called the gangsters to intimidate the workers. Two days later, the factory uses the same tactics to drive the workers out from the factory area.

Apparently, this supplier of Walmart, Tesco and other brands have violated the laws and exploited workers. The case needs more public attention. For more details, please visit the following link.

[http://blog.sina.com.cn/s/blog\\_6cc630bd0101aeap.html](http://blog.sina.com.cn/s/blog_6cc630bd0101aeap.html) (in Chinese only)

### **Settlement of the Case**

The labour rights defenders eventually sought help from a labour rights NGO in China. And that NGO helped them to liaise with a brand. The brand quickly intervened into the case and went to Golden Falcon for investigation. Finally, Golden Falcon paid CNY 170,000 in cash to the five workers as compensation.

Nevertheless, Golden Falcon requested that NGO to delete all information of the dispute that it posted on the website. It is obviously that Golden Falcon does not want people to know about the case.

### **Further Development (5 April and 28 April 2013)**

Globalization Monitor interviewed Golden Falcon workers on 5 April and 28 April 2013. Researchers talked to 3 workers, 1 female worker and 2 male workers, who are working in the factory. The interview was carried out in a group of the 3 workers. The interview mainly focused on wages, working hours, working conditions, living conditions, etc. Interviewees have confirmed the above case is valid.

### **Wages and Benefits**

Boluo 's minimum wage is CNY 950 per month (or CNY 5.45 per hour). At Golden Falcon, workers are paid at piece rate. Workers do not have basic salary. During the peak season, there are more work to do, sewing workers can earn over CNY 3,000 a month. However, the monthly working hour is 360-370 hours. Wages are only comprised of piece rate work. The factory does not provide any allowance, like housing or food allowances. Food is free at Golden Falcon. If workers do not have a living place, they can live in the dormitory.

Workers said the factory has concluded a labour contract with them, but the workers did not acquire of copy of it. The factory does not buy social insurance for the workers. Without a labour contract or social security record, if there is industrial injury, workers have to bear the consequences alone.

	Sewing worker	Frontline supervisor, clerical worker on shop floor
Wage calculation	Piece rate (no base payment)	Time rate
Monthly overall salary	CNY 2,000-3,000	Over CNY 3,000 plus commission
Employment contract	Worker does not have a copy	Employee does not have a copy
Benefit	Two free meal a day, free accommodation	Paid annual leave
Social insurance	No	no
Production bonus	No	CNY 80-100 a month

The law allows employers to delay wages for not more than 15 days, but the problem of payment delay at Golden Falcon is serious. The company withholds wages of workers for 35 days. Before and after the Chinese New Year, the company worried that workers may leave the factory, it even withheld workers' salary for 2 months.

### Working Hours

Sewing workers' working hour is long. The morning shift starts at 8:00am till 12:00 noon. And workers resumes work from 2:00pm to 6:00pm. If there is lots of work, workers have to work from 7:00pm till 10:30pm, sometimes even later. There are only two to three rest days in a month. The excessively long working hours is a rampant breach of the Chinese law.

#### Work schedule at Golden Falcon

Date of the Week	Session	Time	Working hours
Weekdays	Morning	8:00-12:00	4
	Afternoon	2:00-6:00	4
	Night (OT on weekdays)	7:00-10: 30 or even later	3.5 or above
Saturday (OT on Saturday)	Morning Afternoon	7: 45-11: 45 1: 15-5: 15	8
Holiday	Statutory Holiday		
Rest day	2-3 rest days in a month Starting from 2012, workers can usually take rest on Sundays.)		

### Summary of Labour Abuses at Golden Falcon

1.	Wages is much less than the minimum wage of the local level. Overtime premium is not paid in line with the legal standard.	Minimum wage in Boluo is CNY 950, i.e. CNY 5.45 per hour. At Golden Falcon, sewing workers are paid at piece rate. No basic salary. Sewing workers are not protected by the minimum wage. A sewing worker who has worked 230 hours in a month, included 56 hours overtime work, could only receive CNY 900. The hourly rate was only CNY 3.48. This is much lower than the minimum wage.
2.	No clear record for workers overtime work	Management ordered workers who came to work on Sunday morning not to punch time card. Obviously, the factory attempted to evade monitoring and paid less overtime premium to workers.
3	Workers do not receive a copy of the labour contract.	Workers have signed contract with the factory, but they do not acquire a copy of the contract.
4	No social insurance for workers	Golden Falcon has not paid the social insurance for all workers. On workers' pay slip, there is no record of social insurance.

### Views on Asia Floor Wage

Finally, we asked the interviewees if a overall salary at CNY 2,800, including 36-hour overtime work, is reasonable. Most of them are receptive to it. They expressed that if workes could get CNY 2,800 a month, factories in Boluo would not have difficulties in hiring workers.

## Updated Information (2014)

Table 5(updated): The minimum wage levels in some Chinese cities

Cities	Year										10-year accumulated growth (%)	until Nov 2014
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		
Beijing	545	580	640	730	800	800	960	1160	1260	1400	156.88%	1560
Shanghai	635	690	750	840	960	960	1120	1280	1450	1620	155.12%	1820
Chongqing	400	400	580	580	680	680	680	870	1050	1050	162.50%	1250-1150
Shenzhen	610	690	810	850	1000	1000	1100	1320	1500	1600	162.30%	1808
Guangdong	510	684	780	780	860	860	1030	1300	1300	1550	203.92%	1550-1110
Fujian	450	470	650	750	750	750	900	1100	1200	1200	166.67%	1320-950
Zhejiang	620	670	750	850	960	960	1100	1310	1310	1470	137.10%	1650-1220
Jiangsu	620	690	750	750	850	850	960	1140	1320	1320	112.90%	1320-1100
Shandong	410	530	590	610	760	760	920	1100	1240	1380	236.59%	1500-1200