

**China's dominance of shipping container
manufacturing:**

the cost to workers' health

Globalization Monitor

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Introduction

As of 2008, almost 97 in every 100 shipping containers in the world were manufactured in China. Chinese container manufacturers have made the most of their proximity to massive export production zones and abundant supply of cheap labor, and combined these with ongoing product innovation to comprehensively out-compete their rivals and dominate the industry over the course of the last 15 years. At the peak of global shipping volumes before the 2008 financial crisis, China's manufactured over 4 million twenty-foot equivalent units (TEU) in standard dry cargo containers in a single year.¹ The Global Financial Crisis more or less halted new container construction from October 2008 to late 2009, but production has been picking up sharply in 2010. Towards the end of the year, factories could not keep up with demand from shipping liners and container leasing companies.

Yet behind the impressive commercial performance of Chinese container manufacturers is a workforce of tens of thousands of workers who make these containers. China's competitive box prices are enabled not only by geographic advantage and product innovation, but by how little money is invested in ensuring safe factory facilities in an industry where production processes are inherently hazardous. Occupational injuries and diseases are widespread, most commonly dust-induced lung diseases, chemical poisoning and hearing loss.

This report will first outline how container production has become concentrated in China over the past 15 years, and introduce the largest container manufacturing companies. We will then consider the costs of container manufacturing – not in terms of dollars or Yuan, but in terms of the health and safety of Chinese production line workers. The report will conclude with accounts of workers who have acquired occupational injuries and diseases, and how employers have thwarted their diagnosis, treatment and compensation.

Chinese dominance

Container shipping became widespread in the 1970s and 1980s. Container manufacturing was first concentrated in the US. Then Japan emerged as the dominant player until Korea took its turn in the 1980's, when more than 70 percent of the world's containers were produced by Korean companies, with an annual output of 600,000 TUE. In China the container manufacturing industry had just barely begun in

¹ Twenty-foot equivalent units or TEU is the standard unit of measurement for shipping container production.

the early 1980s and up until 1988 the four Chinese companies were only able to produce 40,000-50,000 TUE a year.

In early 1990 the tide began to change again when Korean companies, facing a continuous rise in operation costs, began to lose market to Chinese companies. At around the same time most South East Asian countries began to invest in container manufacturing to take advantage of the increase in international trade, but soon they too lost their market share to China. In 1991 the number of Chinese container manufacturing companies increased to more than thirty and they were able to outcompete Korean companies in terms of output volume to become the biggest producer in the world in 1993, a position that China has kept since then and probably will keep for a long time to come.²

There are few other industries in which China is as dominant as it is in container manufacturing industry. Chinese-based manufacturers already occupied the lion's share of the industry by early 2000, accounting for 86 percent of the world's standard dry-freight container production. By 2008, this had increased to 96.5% (World Cargo News, October 2009). In China, one company alone supplies 60 percent of the world's refrigerated containers (or 'reefers') (COSCO, 2010). The success of the container manufacturing industry in China is just another example of China's rise as the world's workshop, even though in high tech terms China is still lagging behind the West and Japan.

The main reason that China container manufacturers were able to drive out other countries as host for the production of containers was because it undercut its competitors by 50 percent of the price. Even though the gap in quotation may have narrowed because of rising wages in China, China's advantages still prevails. There are several factors behind Chinese manufacturers' success. First, is the greater and greater volume of trade between China and the world, which implies geographical advantages in setting up a manufacturing base in China. For countries which do not benefit from a huge trade volume as China does, container manufacturers which target overseas buyers will have to pay an extra 15-20 percent of the manufacturing cost to cover transport expenses. In addition to this is the increasingly imbalanced way in which China trade with the world has been conducted, namely a far greater volume of goods is exported out of China than is imported into it. The result is that containers leave China full but often return empty or under-loaded. For example, Drewry Shipping consultants estimated that in 2005, 60 percent of containers that crossed the Pacific to North America returned to China empty. Likewise, 41 percent of containers on European routes returned to Asia empty (New York Times, 20 January 2006). Customers are offered discount rates on the return trip to China in an effort to fill these empty boxes. Drewry calculated that in early 2006 shipping liners charged an average \$1,400 to transport a 20-foot container from China to the US, but only \$400 or \$500 to transport it back the other way. This imbalance grows year by year, and has been reflected in a concentration of container manufacturing in China, as customers shipping Chinese goods seek to minimize the cost of shipping empty boxes around before they are loaded. Some companies opt to simply destroy boxes and

² *Jizhuangxiang zhishi: Jizhuangxiang de fazhan* (Knowledge about Containers and its Development) 《集装箱知识：集装箱的发展-世贸人才网》 http://class.wtojob.com/class95_8017.shtml

order newly manufactured ones, rather than return empty boxes to China for reloading, again giving further impetus to the growth of container manufacturing in China.

A second factor is the ample supply of cheap labor. Container manufacturing in China is labor intensive. Until recently China could easily satisfy this demand with its 200 million rural migrant workers. Their wages have been very cheap not only because of abundance in supply but also because of their status as second class citizens -- under the household registration system, they are denied permanent urban residential rights, and along with this also the welfare rights enjoyed by urban households. Hence they are more vulnerable than urban workers in relation to their employers. This leads us to a third factor - harsh labor discipline, which helps to promote productivity. Rural migrant workers, because of their vulnerability, tend to endure harsh treatment from management more than urban workers might do, as employers make use of their vulnerability to impose a harsh labor discipline on them. In Maersk Dongguan, workers could be penalized or even dismissed simply for not putting back utensils after meals. (See section 2: case studies).

Fourthly, the low cost of raw materials (namely steel) reduced the price of Chinese box units substantially compared to producers in other countries. China-based companies first made in-roads into the market with low-tech dry freight containers, and then moved into building refrigerated boxes and other more specialized containers.

Lastly, several early pioneers in Chinese box building were state-owned companies, which enjoyed commercial priority for contracts with other state companies (IMF, 2010). Chinese state-owned shipbuilders have benefited from the same preferential market access.

Figure 1: World dry freight container production, 2000 – 2009 (TEU)

Year	Annual Production	% produced in China
2000	1,815,000	86.0
2001	1,175,000	84.0
2002	1,615,000	90.0
2003	2,255,000	93.0
2004	2,800,000	94.3
2005	2,415,000	93.0
2006	2,910,000	94.2
2007	4,005,000	95.6
2008	2,960,000	96.5
2009*	200,000	97.0

* estimated, based on manufacturers' data where available (World Cargo News, October 2009)

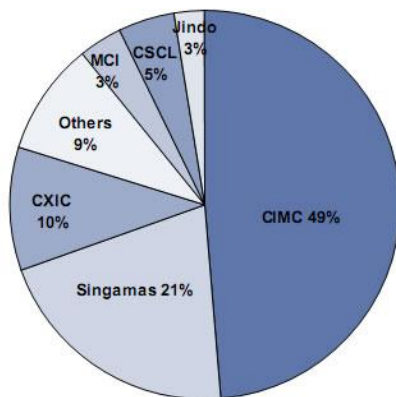
There was a fierce price war in the 1990s between new Chinese-based manufacturers and established producers in Europe, the Americas, and South Africa, and the Chinese manufacturers that survived out-competed their counterparts (World Cargo News, October 2009). Around the world, those companies that remained viable after this price war are almost exclusively located in China. In 1999, there were 250,000 TEU

manufactured outside China. In 2008, it was only 100,000, accounting for less than 5 percent of the global market (World Cargo News, October 2009). Since the 1990s, many companies have dropped out of the market completely, and the remaining players have had to isolate themselves to specialized products (such as containers for military use or hazardous materials), or expand their operations to achieve the economy of scale necessary to compete with other Chinese-based giants. The average size of box building factories has increased significantly, creating competitive economies of scale. Before the year 2000, most factories around the world had annual capacity well below 50,000 TEU. Now new facilities are generally being built with a minimum annual two-shift capacity of 150,000 TEU (World Cargo News, October 2009). Until late 2008, overall global container production capacity has risen rapidly to meet booming freight volumes. The global installed dry-freight capacity, for example, rose from 2 million TEU in 1999, to more than 5.5 million TEU at the industry's peak in late 2008.

There are some sections of the container market in which European producers have been able to survive. It is too expensive to manufacture standard dry-freight boxes or reefers in Europe any longer, but some companies continue to produce light-weight road and rail containers, containers with regional specifications, or customized units for the military or for hazardous materials. The biggest remaining European producers are SICOM (Italy), FB Krone and Wecon GmbH (Germany), Equimodal and Sical (Spain) as well as several in Southern Europe.

The fierce competition within the industry has not been limited to Chinese and foreign companies, it also exists between Chinese companies. For the past 20 years, more than 20 Chinese container manufacturing companies across the country have gone under. Some of them were taken over by the biggest company, CIMC.

**Chart one: Six Largest Container Makers
Who Account for over 90% World Market Share.**



Source: CCIA <http://www.container-transportation.com/shipping-container-manufacturer.html>

China International Marine Container Group Co., Ltd. (CIMC)
中国国际海运集装箱股份有限公司

The China International Marine Container Group (CIMC) is by far the world's largest manufacturer of shipping containers. It accounted for 49 percent of world production

in 2007, further rising to 50 percent in 2010. In 2007, it had 100 domestic and international subsidiaries, and employed almost 60,000 people (Joerss and Zhang, 2008). It is a state enterprise, jointly-owned by China Ocean Shipping (Group) Company (COSCO) and China Merchants.³ CIMC was listed on the Hong Kong stock exchange in 1993 – comparatively early for a mainland Chinese company - and it was able to use funds raised from its initial public offering (IPO) to aggressively expand its production capacity and technological know-how through a series of corporate acquisitions.

CIMC’s enormous commercial success came as a result of its aggressive efforts to establish manufacturing bases along the Chinese coast, in close proximity to prolific export industries (Joerss and Zhang, 2008). It began producing dry-freight containers, for which costs are low and there are few barriers to entry, and was very quickly able to undercut its nearest competitors from South Korea by several hundred US dollars per container. Once CIMC established dominance in the market for standard dry freight boxes, it acquired German technology to begin producing refrigerated containers or ‘reefers’, through its first international merger with Graaf of Germany. This is reminiscent of the way Chinese auto companies increased their own product quality by acquiring foreign technologies through joint-ventures, acquisitions, license agreements or (as some allege) theft of intellectual property.

Innovations in CIMC’s manufacturing process allowed them to eclipse the Japanese (who previously produced 95 percent of reefers), when they pioneered the use of steel to make reefers, rather than the most expensive aluminum. The Japanese have since entirely withdrawn from the market. CIMC’s process of technological innovation continued, as it expanded into tankers and specialized containers, eventually coming to dominate those market sectors as well. The company is now branching out and manufacturing road transportation vehicles. The company’s sales revenue skyrocketed in the 2000s, up until the onset of the 2008 global financial crisis (see Figure 2). In 2007, CIMC had accumulated assets worth a total of US\$5.5 billion (Joerss and Zhang, 2008).

The massive impact of the 2008 downturn in shipping freight is clear from the decline in CIMC’s sales revenue. From 2008 to 2009, CIMC’s annual sales revenue dropped from 47.33 billion RMB to 20.48 billion RMB – a decrease of 56.75 percent in a single year (see Figure 2). CIMC’s rate of profit fluctuated from 7.18% in 2007, to 4.07% in 2008, to 7.16% in 2009 – demonstrating that it did not turn an annualized loss during the financial crisis.

Figure 2: CIMC sales revenue, 2004 - 2009

Year	Sales Revenue (US\$million)
2004	3,209
2005	3,765
2006	4,159

³ COSCO is China’s largest shipping and logistics company, while China Merchants is a large transport, finance and real estate conglomerate with assets with RMB201.2 billion (US\$29.5 billion) as of the end of 2008 (China Merchants’ Group).

2007		6,439
Source: Joerss and Zhang, 2008.		
Year	Sales Revenue (RMB million)	Sales Revenue (US\$million)
2007	48,760.83	7,309.37
2008	47,327.28	7,094.48
2009	20,475.51	3,069.33
Source: CIMC Annual Report 2009.		

CIMC's production is now recovering from the virtual halt in dry cargo container production from late 2008 to 2009. During the first 6 months of 2010, CIMC produced a total of 482,800 TEU – 777% more than in the same period the year before (CIMC, 2010). 425,300 were dry cargo containers, 33,000 reefers, and 24,500 special containers.

Singamas Container Holdings Ltd.

胜狮货柜企业有限公司

The second largest manufacturer of shipping containers in China is the Hong Kong based private company Singamas. Singamas' largest shareholder is Pacific International Lines (PIL) (太平船务 (香港) 有限公司) which owned 62.6 percent shares of Singamas in 2003. PIL is a Singapore based company incorporated in 1967, and which has maintained close collaboration with China for decades. This explains why Singamas and PIL have been able to become so successful in its operation in China. Singamas had 5,717 employees as of September 2010, and operates 12 factories in mainland China (Corporate Information, 2010). In addition to container manufacturing, Singamas also sources a small portion of its revenue from operating container terminals and providing logistical services. Like CIMC, it manufactures a wide range of containers.

The disastrous effect of the global financial crisis is clear from Singamas' diminished revenue and production output. In the space of only two years from 2007 to 2009, production dropped a staggering 90 percent, from 838,638 TEUs in 2007 to only 86,600 in 2009 (Singamas, 2009). From 2008 to 2009, the company's revenue dropped from US\$1.38 billion to US\$274 million, equating to an operating loss of US\$49.6 million (see Figure 3).

Figure 3: Singamas production output, 2005 - 2009

Year	Singamas production output (TEUs)
2005	494,282
2006	583,543
2007	838,638
2008	567,400
2009	86,500

Source: Singamas Annual Report 2009.

Figure 4: Singamas sales revenue, 2005 - 2009

Year	Singamas Sales Revenue (US\$million)
2005	842.94
2006	924.01
2007	1,546.04
2008	1,385.27
2009	274.65

Source: Singamas Annual Report 2009.

CXIC Group Containers Co., Ltd.

新华昌集团有限公司

CXIC is a state-owned subsidiary of the China Shipping Group. In 2007, CXIC accounted for approximately 10 percent of the global container market. In addition to manufacturing containers, it also owns its own shipping fleet, and ranks sixth among the top container liners in the world, in terms of volume (CXIC, 2010). According to the latest figures on its website, CXIC employs 7,000 people, and has an annual production capacity of 600,000 TEU of standard dry cargo containers, and 8,000 units of special containers. In recent years, CXIC has strengthened its position by opening up several large container building facilities in China (World Cargo News, October 2009).

Other major producers: China Shipping Container Lines, Maersk and Jindo

CSCL (China Shipping Container Lines) (中海集装箱运输股份有限公司) is the subsidiary of the China Shipping (Group) Company (中国海运 (集团) 总公司), which was founded in 1997 by the Central government and under its guidance. It is chiefly a shipping company with a fleet of 440 vessels. According to its website, CSCL itself has a fleet of 143 vessels, and it also runs its own container producing plants.

Maersk Container Industry is Danish-owned, but manufactures all its containers at its two facilities in China. One is a reefer container facility in Qingdao, Shandong, purchased the Korean Jindo Reefer Container Company in 1998. And the other, a dry-freight container facility in Dongguan, Guangdong, was established through a joint-venture agreement in 2004. MCI's research and development centre is located at its global headquarters in Tinglev, Denmark. According to the company's website, it employs 3,500 people, manufactures 540,000 reefers, 406,000 dry containers and 35,000 special "Star Cool" containers a year (although it is not clear to which year this refers).

The Korean-owned Jindo (进道) is a ship-builder as well as container manufacturer. As a container manufacturer, its production peaked in the late 1990s and it has been losing market share ever since (World Cargo News, October 2009). In 2000, it was manufacturing approximately 160,000 TEU annually, but it has not increased this level of output since. It employs 1,500 people. Jindo is also a major producer of fur,

and the decline in the demand for fur worldwide because of animal rights consciousness affected the business of the conglomerate as a whole. Jindo and other Korean companies were affected heavily by the 1997 Asian Economic Crisis, when their business was strangled by an inability to access credit, and the fall in the price of the South Korean Won increased the price of raw materials. In 1998 it sold off at least one of its Chinese manufacturing facilities – its Qingdao reefer factory – to Maersk.

Impact of the Global Financial Crisis

Shipping volumes fell dramatically with the economic recession beginning in late 2008, resulting in a 10 percent dive in global container volumes (Bonney, J, 2010). The size of the global container fleet contracted 4 percent in 2009, after continual annual expansion of an average 8 percent from 2004 to 2008.

Drewry Shipping Consultants charted container throughput in the world’s ports from 236 million TEU in 2000, 399 million TEU in 2005 (Notteboom and Rodrigue, 2008), 524 million TEU in 2008 and down to 473 million TEU in 2009 (including empties and transshipment) (Baird Maritime, 2010) (see Figure 2). Now freight volumes are increasing again, and Drewry predicts that global container port throughput will reach 718 million TEU by 2015.

Figure 5: Decline in global container port throughput after global financial crisis

YEAR	Global container port throughput (TEU)
2000	236,000,000
2005	399,000,000
2008	524,000,000
2009	473,000,000

Source: Drewry Shipping Consultants, quoted in Notteboom and Rodrigue, 2008, and Baird Maritime, 2010.

As shipping liners struggled to deal with the sudden drop in revenue, orders for new containers virtually stopped completely, and production lines in China sat more or less idle for a year, October 2008 to October 2009. Overall, China’s output of standard dry cargo boxes fell from 3 million TEU in 2008 to 200,000 TEU in 2009, a decline of 93 percent (World Cargo News, June 2010). Singamas confirmed that it received almost no orders at all for new boxes for the first half of 2009 (World Cargo News, January 2010).

Whole factories virtually shut down from late 2008 until late 2009, and the majority of production line workers were laid off at companies across the industry. With an estimated six million TEU of shipping containers sitting idle in China, there was almost no demand for new boxes (World Cargo News, June 2010). The biggest producers were not spared. Most CIMC production lines sat more or less idle (World Cargo News, January 2010), and Singamas went as far as to shut its Indonesian factory entirely in 2009 (World Cargo News, August 2010). Factory closures in 2008 and 2009 wiped an estimated 1 million TEU capacity from the sector, but this has

since been recovered by expansion at other established sites (World Cargo News, October 2009).

The global financial crisis which began in 2008 cut China's exports sharply, and in Guangdong province tens of thousands of migrant workers were sacked and returned to their home villages. Nationally the tide of migrant workers returning home was around twenty million or more. These migrant workers were treated as if they were a disposable labor force, sent back to their home villages with little or no compensation when business turned bad. It is unclear precisely how many workers in the container manufacturing industry were laid off, but judging by these companies' own statistics the number must have been significant. In 2007, CIMC alone employed 53,700 people (including the vehicle branch of its business). This dropped to 47,000 in 2008.⁴ This was a misleading figure for assessing the numbers of laid off or workers affected, since most companies did not officially lay off workers but made them take no pay or very low paid leave. It was reported in December 2008 that the CIMC alone suspended production for two months and put 20,000 workers – accounting for nearly 40 percent of its workforce – on leave with very low pay.⁵ Many migrant workers could not get by with this small sum of money and had to return to their home village. This practice is common in the industry, including where foreign capital is concerned, for instance Maersk China.

In 2010 the great recession was contained after rescue packages were promoted all over the world. Now trade volumes are increasing again, and container trade volumes are approaching pre-crisis levels. While in 2008 the total numbers of containers traded dropped from the highest point of 137 million to 124 million, in 2010 it jumped to the record high level of 140 million.⁶ By mid to late-2010 there was a shortage of containers as manufacturers have struggled to re-open plants and hire new workers fast enough to meet demand. In the short term, this has given a breath of life to manufacturers outside China, who picked up some of the slack as Chinese companies hired new staff and recovered capacity (World Cargo News, July 2010). While some debt-laden shipping liners have not the funds to restock their container supply, 70 percent of box orders were coming from lesser companies, which are making substantial profits from the high prices created by the container shortage (Bonney, J., 2010).

By mid to late-2010, prices for newly manufactured containers were at their highest level in almost 20 years, due to the shortage of boxes and an increase in the price of corten steel.⁷ The price of a standard 20ft steel box for August 2010 was up to US\$2,700 – 40 percent more than at the start of the year (World Cargo News, June 2010). Shipping lines have increased their shipping rates and refused cargo because of the shortage (Bloomberg, 2010).

The industry now operates in full capacity, but finds it hard to recruit enough workers. The workers, once again, are made to work overtime far exceeding the permitted level. According to the Maersk Dongguan workers we interviewed, the management has to

⁴ <http://www.cimc.com/about/csr/>

⁵ *Zhongji tingchan liangyue, liangwan yuangong xiujia*, Ming Pao, December 12, 2008, Hong Kong.

⁶ *Jizhuangxiang Guangfu Huafei Ye Shouji Qiangshi*, Ming Pao, January 17, 2011, Hong Kong.

⁷ COR-TEN or corten steel is relatively resistant to atmospheric corrosion.

provide material incentive – 200 RMB – to reward any employee who introduces his/her home villagers to be recruited to the company. In CIMC, those who stayed and worked during the 2011 Chinese New Year holiday were rewarded with a subsidy of 3500 RMB. Still not all vacancies are filled. The employers now complain that young workers – the industry requires intensive labor, therefore older workers will find it hard to cope with – of the post eighties and nineties tend to resign quickly after working for the first few weeks because of the intensiveness of hard labor and low wages.

Occupational Health and Safety (OHS) in China's state sector

Two of the largest manufacturers are state-owned enterprises (SOEs) – CIMC and CSCL. This is typical for strategic industries in China, including transport and logistics; the SOEs that remain in China today tend to be large and capital intensive.

SOEs (including joint-ventures) have their own distinctive employment and operational practices and not much has been written about them in English. As Chan and Chen (2010) describe, SOEs tend to have better health and safety records than enterprises owned by private Chinese or foreign companies. Chan and Chen write:

“Based on our visits to other Chinese factories during the past 15 years, we can assert with some confidence that the state-run sector is definitely much better in its OHS practices than are small private enterprises or foreign-owned export factories. This is in part because the state-owned and formerly state-owned joint venture companies pay greater attention to Chinese laws and regulations. It is also because institutional mechanisms for monitoring exist: the workplace union and the staff and workers representative congress (SWRC).”

They quote a 2002 survey of 20,000 enterprises nation-wide in which 57 percent of state-owned factories provided medical examinations for employees exposed to occupational hazards, as opposed to only 2 percent of foreign-owned enterprises in China.

Legal compliance with OHS and other legislation is, in general, more deeply ingrained in SOEs, which receive directives from their relevant state department. Some retain common practices from the Maoist period, such as annual health checks for employees, a policy of not firing employees with occupational injuries and disease, and compensation in the case of a worker's death.

It must also be noted, however, that for SOEs there is a rupture between the pre-reform period and thereafter. The result of enterprise reform in the last 20 years have turned old SOEs into business entities with profit making as their main mission, hence they, like any other private company, are under the same market pressures to cut costs, including the cost of OHS and occupational diseases and work injuries. Even if it is true that state-owned factories provided medical examinations for employees more often than private companies, it does not necessarily imply that when workers suffer from certified or suspected occupational diseases the companies would be forthcoming enough in providing them necessary treatment and/or compensation as stipulated by law. After all, the expenses arising from the latter are much higher than those incurred by medical examinations. Hence there always exists the incentive for

employers to evade responsibility more so than when sending workers for medical examination. It is more probable that the performance of SOEs concerning workers' rights and welfare varies from sector to sector. For labor intensive SOEs the need to cut these costs is especially tempting. In addition the embedded practices of treating OHS and occupational diseases and work injuries more seriously in old SOEs might not necessarily apply to new branches of industries founded after the reform was started in 1979, and especially so after 1989. The container manufacturing industry is an example of one of these newer industries. CSCL was not established until 1997, CIMC in 1980. CIMC may seem old enough but one must also be aware of the fact that most of their plants were built much later, and as such it is questionable as to whether these plants comply with the laws in full. Another factor that needs to be taken into account is that labor intensive industries, such as container manufacturing, generally employ rural migrant workers even if they are SOEs (in the past SOEs generally only employed urban residents whenever labor was abundant), and these SOEs will not pay migrant workers higher than what the 'market' may dictate. As our investigation into CIMC shows, some of these relatively new SOEs can be as irresponsible as any private company when it comes to cost cutting. To sum up, a reliable balance sheet on the performance of post-reform-SOEs' compliance with labor rights is yet to be drawn, especially when Chinese workers still do not enjoy civil liberties and basic freedom of association and hence can in no way challenge official propaganda. Our investigation shows that at least in the container manufacturing industry the situation is far from satisfactory.

As for SWRCs, the same kind of prudence is required. SWRCs, if active, have broader powers than their union counterparts. By law, SWRCs have the capacity to elect representatives to sit on their company's board, participate in decisions on anything concerning workers' wages, benefits, and welfare, and make recommendations to higher level authorities regarding the dismissal of company managers. A word of caution is needed here, however. While the laws on German Work Council rule out the management personnel from running elections to the councils, article 12 of the Chinese law on the SWRC not only entitles management personnel the rights to run for election to the SWRC, but also guarantee them 20 percent of seats in the SWRC. In reality, it is not uncommon to see that their seats account for much more than what the law entitles them to. A report (August 17, 2009) from the Oriental Morning Post states that:

In the actual running of the SWRCs, rank and file workers are under-represented. In practice most of the representatives are from middle level management or those further up. Those coming from the rank and file are rare. And it was these middle level management people who benefited from most of the acquisition and restructuring of SOEs.... This explains why in most of the SOEs restructuring plans common workers have not seen their interests being protected.

In fact, in a 2003 essay Chan and Zhu had a more moderate impression of SWRCs. They wrote that

Observers and workers generally see SWRCs as just a kind of formality playing a decorative function. According to a 2000 interview and investigation, (we) found out that in one (of the three) cases the SWRC was simply ornamental; most of the representatives were high level management. The other two cases were more successful (as workers' representative organs). One of them, to a certain degree, was

*a consultative organ between the workers and the management, while the other was comparatively more democratically elected.*⁸ (Original in Chinese, translated by Globalization Monitor)

Working Conditions on the Production Line

Work on the production line in container manufacturing plants is generally physically demanding and hazardous. The production process for dry cargo typically involves metal fabrication processes such as pressing metal into large steel plates, sanding and painting them, using heavy equipment to move them into place before welding them into place and painting them again. Production of refrigerated containers also involves handling refrigerants, which if not properly contained can cause damage to flesh, asphyxiation, heart attacks or reproductive problems (depending on the precise refrigerant used). Container assembly plants are typically very hot. Much of the work is very physically demanding, and performed almost entirely by men.

Long Working hours

It is common in the industry that workers work long hours which exceeds what the law allows. In Maersk Dongguan, at least until the end of 2008 when the global financial crisis broke out, the working hours were 11 hours a day, six days a week. For a month with 26 working days, this meant a total of 286 working hours, including around 100 hours overtime. This far exceeded the 212 monthly working hours (44 hours per week plus a maximum of 36 hours of overtime a month) permitted by the Labor Law. It is a gross violation of law.

Our investigation of CIMC Xinhui in January 2011 found that overtime also far exceeded what the laws allowed.

Super harsh labor discipline

As noted earlier in this report, one of the reasons for China's success in dominating the container manufacturing industry is high productivity. For instance, Maersk Dongguan produced 80 containers in 2006 when it first started to operate. In 2008 the production target was raised to 150 and then again to 180. This was made possible by imposing very harsh labor discipline on workers: jumping a queue during lunch hours was punishable by dismissal, and the rule was enforced by a team of fierce and brutal security guards who were ready to beat up workers for the smallest offense. This barrack like regime triggered off two violent strikes in 2008 and after this the factory increased the penalty clauses in the employee handbook from 52 to 73.

Wages

The pay in these factories tends to be higher than in other export-processing industries such as furniture, garments or toys. For example, a 2008 Globalization Monitor survey of a CIMC dry cargo container plant in Guangdong found that wages were

⁸ *Zhigong Daibiao Dahui: Zhigong liyi de zhiduhua biaoda qudao?* (Is the Staffs and Workers Representative Congress an institutional Channel for the Expression of Workers' Interest?) 《职工代表大会：职工利益的制度化表达渠道?》，陈佩华和朱晓明，开放时代，2003年第2期。

between 3,000 to 4,000 RMB per month (US\$435-580⁹) depending on workers' length of service, their team's output, and whether or not their team met production quotas.

A very different picture emerged at a foreign-owned reefer manufacturer in North China in mid-2009 – after production had dropped dramatically due to the global financial crisis, and workers hours were cut back. A Globalization Monitor survey of 19 workers found that workers regular wages were between 800 and 1200 RMB per month (US\$116-174), with an additional monthly bonus of between 300 and 1,000 (US\$43.5-145)RMB depending on output, and a 17.5 RMB daily food allowance. But at the time of the survey, workers were not receiving any production bonuses because of the lack of orders, and only the basic 800 to 1,200 RMB. For that reason many workers were quitting the factory. Workers at that factory also got an annual bonus of approximately 10 percent of their annual wage.

Occupational health and safety

The key industrial hazards that exist in the container manufacturing process are outlined in Figure 5:

Figure 5: Main industrial hazards in the container manufacturing industry

Hazards	Effect on health
Dust	Lung diseases, such as pneumoconiosis
Chemical toxins in metalworking fluids, used to cool and lubricate the metal working process	Skin rashes; lung diseases such as asthma and bronchitis; cancers
Chemical toxins in paint (including benzene)	Blood diseases, such as leukemia, leucopenia; lung diseases such as asthma and bronchitis; cancers
Loud noise	Hearing loss
Welding	Electric ophthalmia
Metal plates slipping or falling	Limbs cut or crushed; amputations
High temperature (regularly reaching 38 to 40 degrees Celsius in surveyed factory)	Heat stress; strain on heart and circulation; increase of errors due to loss of concentration

The occupational hazards in this industry are cause for great concern, and there is evidence of widespread disease and injury in Chinese container manufacturing plants. It is extremely hard to find information concerning the seriousness of occupational diseases in the industry nation-wide. There are research reports on individual factories or district level investigation in cities though. In 2001 the Baoshan district Sanitation Bureau conducted an investigation into the district's five container manufacturing plants which included the Shanghai CIMC Baowell Industries Co.,Ltd(宝伟公司), Shanghai Jindo Container Co. Ltd.,(进道公司) Shanghai Hyundai Container Manufacturing Co. Ltd.,(现代公司) Baorong container Co., Ltd.,(宝荣公司) Shanghai CIMC. (上海中集公司)It reported that all five companies exceeded

⁹ In 2008 one RMB was equivalent to 0.145 US\$.

permitted levels of at least one of the items: benzene, toluene, xylene, noise and dust in the air. For CIMC Baowell, the xylene concentration was on average 42.5 times the permitted level. In one of the workshops it was as high as 80.5 times the permitted level. Its noise level was as high as 102dB(A), which exceeded the permitted level of 85dB(A). For Hyundai in terms of dust and noise they all exceeded permitted levels. For Baorong toluene concentration was 6.5 times the permitted level, for xylene it was as high as 42.5 times. Among the workforce of these five companies 545 workers had contact with occupational hazards, although only 41.5 percent of them had a medical check. CIMC Baowell and Baorong did not send any worker for a medical check. Some of these companies only distributed cotton masks, which were inefficient, to protect workers from dust.

Similar reports on the industry in Guangdong, Qingdao city and Nantong city have similar findings.

Collusion between companies and local governments and public agencies

It is of major national concern that a disproportionately low level of occupational diseases has been reported, considering the high level of workers who come into contact with occupational hazards. A December 2009 report from Nanfang Daily (Southern Metropolitan Daily) reports that

*According to a report by the Xinhua News Agency, in 2008 there were 13,744 reported cases of occupational diseases, but this was disputed by experts as too low, because the report also said that in 2008 there a total of more than 110,000 enterprises were found with occupational hazards like dust, asbestos, and organic solvents.*¹⁰

Huizhou is typical in this respect. In November 2006, the journal *China Tropical Medicine* published an article written by a researcher from the Huizhou Centre for Disease Control and Prevention which criticized Huizhou City Government's failure to implement the laws concerning occupational health:

Huizhou has more than 20,000 industrial companies and 1.3 million industrial workers. Among these companies there are at least 4,000 with recognized occupational hazards. However, since 1998 we have only received eight cases of occupational diseases, a figure entirely disproportional to the numbers of factories and workers. There exists a vacuum in the management [of occupational diseases].

Some lower levels of local government administration have been far from neutral in their efforts to attract foreign investment. They allow factories banned by the central or provincial government, due to safety and environmental concerns, to operate here: factories in sectors such as footwear, gems, batteries, electroplate manufacturing, leather etc. Individual government departments fail to work in accordance with the laws and give operating licenses to companies that have been denied permission elsewhere. Companies frequently omit key information when submitting reports to the government. The health department is often unaware of the

¹⁰ <http://news.sohu.com/20091202/n268615319.shtml>

*types of occupational hazards factories pose, and this weakens its ability to prevent occupational diseases as well as monitor occupational health.*¹¹

The aforementioned Nanfang Daily report also reported on one case of naked collusion between the Jiangmen local government, Guangdong province, and a local container manufacturing company. According to the report this SOE pays bribes to individuals working in government departments or public agencies in charge of assessing occupational injury and disease claims. This demonstrates that the company is willing to pay bribes to sway the diagnosis of workers' conditions. This explains why the numbers of occupational diseases have been disproportionately low.

We were able to get a copy of the document which shows the company paid monetary gifts of 500-2000 RMB to leading cadres of hospitals and nearly all levels of government departments in charge of assessing occupational injury and disease claims. The list is a record of routine gifts given during festivals, not directly related to any exchange of favor. To seek for such favors one will be required to pay much more. The list includes the heads or responsible persons of the following government departments or public agencies:

- 1 Guangdong Provincial Hospital for Prevention and Treatment of Occupational Diseases
- 2 Department of Health of Guangdong Province
- 3 Health Monitoring Bureau of Guangdong Province
- 4 Municipal Department of Health
- 5 District Department of Health
- 6 Municipal Department for Prevention and Treatment of Occupational Diseases
- 7 District Bureau for Prevention of Epidemics
- 8 District Bureau for Health Monitoring

Appendix: The Table for Sending Monetary Gifts from Different Departments to Outside Contacts in the 2006 New Year Holiday (Supplementary report)

南方日报, “职业病患者维权取证艰难 举报鉴定部门收礼确诊”
¹¹http://www.shouxi.net/literature/200611/3117_103083.aspx

2006年春节各部门对外关系赠送礼品汇总表（补报）

部门：总经办

单位名称	姓名	职务	联系电话、手机	宴请		礼品		礼金/元（购物卡）
				人数	金额（元）	数量/份	金额（元）	
省职防院	邹剑明	评价所所长	020-89021107, 13802921023			1	150	800×1张
省职防院	陈建雄	评价所副所长	13725213510			1	150	800×1张
省职防院	温医生等2人	劳动卫生评价主管	13068874743			2	150×2	400×2张
省卫生厅	叶处长	处长	不详			1	150	1000元×1张
省卫监所	魏方瑜	所长	不详			1	150	1000元×1张
省卫监所	袁海明	科长	13501512859			1	150	1000元×1张
市卫生局	徐学斌等2人	局长级	13702580507					1000元×2张
市卫生局	陈国良等2人	科长级	13702270639					1000元×2张
区卫生局	周印明等2人	局长级	6660304(32)					1000元×2张
区卫生局	王继刚	业务股股长	6660643					500×1张
市职防所	左章安	质管科科长	13025830450					500×1张
市职防所	黄健	劳动卫生科主任	13702582808					500×1张
区防疫站	范广琼	检验科科长	13302580831					500×1张
区卫监所	张建华等2人	副所长	13827005050					500×2张
合计	19人				(/)元	(/)份	(/)	(14400)元

制表人：戴宏辉

审批：

Workers' resistance to inhuman working conditions

China is well known for its low wages and the absence of basic civil liberties for citizens and labor rights for workers. This deprives them of an important tool in defending their own interests. Nevertheless, workers' resistance to this inhuman regime continues to break out. Due to censorship only a tiny numbers of strikes and other actions have ever been reported in the press, in general and also in the container manufacturing industry. According to our interviews with workers at Maersk Dongguan and Qingdao and CIMC Xinhui, these three companies all experienced workers' strikes or other protest actions. Cases of workers taking the companies to the court is also common, although due to collusion between local governments (the courts are just a part of the administration in China) and business, it is rare to see local courts rule in favor of the workers. Among the three companies, only Maersk Dongguan's two violent strikes in January and May 2008 were reported in the press. The first strike was triggered off by an incident where security guards beat up a worker who was allegedly jumping the queue during lunch time. When more security guards were sent in the workers set fire to cars and destroyed the offices of the plant. In May, the workers initiated another strike to protest against the way the management was continually increasing the intensity of work. 29 workers were fired by the management in order to suppress the strike.

Case studies

The information we have at hand about working conditions on shipping container production lines is based on interviews carried out with workers at three container manufacturing sites in 2008: two dry-cargo box manufacturing plants in South

China – one CIMC owned and the other foreign-owned - and the other a foreign-owned reefer manufacturer in north China.

Case study 1: CIMC dry cargo container plant in Xinhui, Jiangmen City, Guangdong

One of the few surveys done with shipping container workers was done in September 2008 and then again in January 2011 at a CIMC factory of 6,000 employees in Xinhui District, Jiangmen City, Guangdong province (before the massive lay-offs that came with the global financial crisis). CIMC Xinhui was founded in 1996, and produces dry containers and timber flooring, with an output of 150,000 TEUs a year. Production line workers were virtually all men.

At the container assembly plant, according to production line workers, they were receiving wages between 3,000 to 4,000 RMB per month (US\$435-580) depending on length of service, their team's output, and whether or not their team met production quotas. The factory appeared to have a problem with social security payments, namely that workers reported that the company did purchase health insurance, occupational injury insurance, retirement pension and unemployment insurance for them - but only to the value of their base salary, of between a meager 290 to 460 RMB (US\$42.1-66.7) before overtime, bonuses and allowances. When it comes to occupational injury and disease compensation, the result of this is that their insurance pay-outs will be far less than they ought to be in the case of disability.

Working hours were long. The factory implements a two-shift system, each shift lasting 12 hours. For each shift workers also work 3.5 hours of overtime. With a six day working week this means that the workers work 84 hours overtime a month, which greatly exceeds the permitted level of 36 hours. Sometimes workers may only get two days off a month in the high season, meaning they may work as much as 108 hours of overtime (84+24). According to some of the workers sometimes they might work as much as 123 hours of overtime. Workers also complained that it was very hard to get leave. The work is very physically demanding, in very high temperatures, hence the wages are relatively high by regional factory standards. Workers reported that jobs at this plant used to be highly sought after, and potential recruits had to be 'introduced' to the company by existing employees if they were to be considered. In recent years, that has changed. By 2008 there was high turnover and it was getting harder to find workers willing to do the work.

No wonder that OHS represents the most serious issue at this factory. Workers interviewed claimed that in 2006 alone, there were 5 deaths and 500 injuries at the factory. The figures have declined to 200-300 work injuries in recent years. Accidents and injuries were caused by steel plates slipping or falling as they were moved into place, thus causing cuts, broken bones, amputations or even death. Ongoing hazards to workers' health included exposure to dense dust in the welding department, toxic chemicals in the paint and metalwork fluids, and loud noise of approximately 120 decibels. OHS guidelines released by the Canadian Auto Workers Union suggest that permanent hearing loss begins with exposure to 80 decibels (CAW). According to workers, they were not issued any personal protective equipment (PPE) prior to 2001. Since 2002 they have been issued earplugs and face masks, but they believe that no

new systems have been installed to reduce or eliminate the hazards. The workers surveyed had received no training in OHS.

According to the workers, in 2004, a routine health check arranged by the company uncovered many cases of occupational disease. Doctors found that 120 workers had either lung diseases (most of whom were welders), damage to eye sight from welding, hearing loss, or blood irregularities from benzene exposure in the paint.

Between 2005 – 2008, a further 200 people initiated their own health checks, because they suspected they had occupational diseases. During this time 13 welders were diagnosed with pneumoconiosis, four workers with chemical poisoning from paint, and one with occupational asthma, also caused by chemical exposure. Many workers were not diagnosed as having occupational diseases, but still continued to experience symptoms such as shortness of breath, tightness in their chest, ringing in their ears, dizziness and insomnia. They were frustrated because, they were not shown the results of their health tests.

In May 2005, a metal presser from the factory was diagnosed with acute promyelocytic leukemia, caused by exposure to benzene at work. His leukemia already diagnosed from another hospital, the OSH hospital he went to in Jiangmen refused to properly assess him for recognition of his occupational disease. Later on, five more workers fell sick. They all experienced great difficulties in getting proper medical check or treatment; both the management and the local governments and the hospitals made things difficult for them.

Another issue which workers resented was the lack of transparency regarding the calculation of wages. According to the workers, the wage slip only discloses the number of days worked, but not the number of hours of overtime or the wage scale, making it impossible to check if the calculation is correct. The workers suspected that this may be a deliberate act to facilitate the middle management in pocketing part of their wages. Indeed the practice is quite common in Mainland China, and that may be one of the reasons that many companies forbid workers to disclose information concerning their wages and penalize anyone who does. Maersk Dongguan and Maersk Qingdao were two of these companies.

We have made some tentative conclusions about the enterprise union at CIMC Xinhui, based on an interview with one worker. He was very dismissive of the union, which provides no assistance or services. Absurdly, the union chair (appointed, not elected) is the company's legal consultant, who represents *CIMC* in labor disputes *against* employees. Union committee members are all managers, starting at the level of group leader upwards. Approximately 80 percent of workers are members, and pay fees worth 2 percent of their wages.

CIMC Xinhui's workers were also active in complaining about the management on the internet. The following is a summary of these complaints:

- complaints about the wide-range of diseases and injuries suffered by workers there¹²

¹² <http://bbs.uc.sina.com.cn/tableforum/App/view.php?bbsid=3&subid=1&fid=58013>

- a missing person notice from 2008, seeking a CIMC Xinhui worker who was dismissed from hospital and went missing after the relevant department of the company did not pay his medical fees – interestingly enough, with the company manager listed as the contact person.¹³
- an appeal for help from a worker who was diagnosed with industrial asthma, coronary heart problems and high blood pressure¹⁴
- a warning “Whoever doesn’t want to die, don’t come to CIMC Xinhui!”) from a worker angry that five workers were injured in a explosion at CIMC Xinhui, but after the accident there was no news of them.¹⁵

CIMC workers across China express complains via blogs

Evidence shows that the appalling working conditions in CIMC Jiangmen may also exist in other CIMC subsidiaries across the country. Browsing internet blog postings, we came across many complaints from employees at CIMC factories across China, in 2007 to 2008. These cannot be verified, but still elude to widespread dissatisfaction amongst CIMC employees. Given workers’ restricted ability to speak out about work problems in China, and NGOs’ difficulty accessing them for interviews, these blogs are useful sources of information. There are too many posts to summarize here, and quite a number of them carry swearing against the management for alleged corruption and incompetence. Other complaints include:

- claims that workers at CIMC Beiyang in Tianjin where forced to resign without compensation when the factory moved location. Another blogger supported this allegation, saying that that CIMC did not dare hold its 2007-2008 annual general meeting for fear that workers would stage a protest¹⁶
- claims that the CIMC plant in Shekou, Shenzhen did not properly compensate workers when it relocated¹⁷
- claims that workers at Tianda CIMC in Shenzhen are not paid for overtime¹⁸
- claims that at Huajun in Guangdong, workers get only 8 to 10 days off per year, and more than 10 hours a day.¹⁹
- an appeal for the relevant government department to investigate underpayment of overtime, and fines in the case of occupational accidents at CIMC in Zhangzhou, Fujian.²⁰
- complaints that a 2,000 RMB “introduction fee” needs to be paid to get a job at CIMC in Ningbo²¹ and Qingdao.²² This blogger alleges that at Qingdao, a worker was fired for not paying a bribe to a manager, and that Qingdao also implements a harsh system of fines and punishments.
- allegations of low pay and occupational diseases at CIMC Dalian²³

¹³ <http://tieba.baidu.com/f?kz=362377111>

¹⁴ http://blog.sina.com.cn/s/blog_518e102e01009hut.html

¹⁵ <http://www.tianya.cn/new/publicforum/Content.asp?strItem=free&idArticle=1006615&flag=1>

¹⁶ <http://tieba.baidu.com/f?kz=308675490>

¹⁷ <http://guba.wspost.com/viewthread.php?tid=2210> The URL has expired

¹⁸ <http://tieba.baidu.com/f?kz=409288227>

¹⁹ <http://tieba.baidu.com/f?kz=13348154>

²⁰ <http://bar.sina.com.cn/thread.php?tid=2819825&bid=2354>

²¹ <http://tieba.baidu.com/f?kz=395420652>

²² <http://tieba.baidu.com/f?kz=12901565>

²³ <http://tieba.baidu.com/f?kz=377617746>

Case study 2: Maersk Container Industry Dongguan (Dry Containers)

As mentioned above, Maersk Container Industry is Danish-owned, and operates two manufacturing plants in China: one dry-container factory in Dongguan, South China, and one reefer factory in Qingdao. Globalization Monitor has spent several years monitoring conditions at both factories – in particular, the Dongguan facility where there was a high-profile strike in 2008, and subsequently several workers who spoke out about occupational injuries and diseases.

Maersk Container Industry Dongguan Ltd (MCID) is located in Machong Town, Dongguan City, Guangdong Province. It is a wholly-owned subsidiary of the A. P. Moller-Maersk Group, established in 2005. It has an annual production capacity of 170,000 to 180,000 standard containers, or 320 containers a day, with approximately 2,000 employees. All containers produced by Maersk Dongguan are provided to the Maersk Line of A. P. Moller-Maersk Group.

The recent history of industrial disputes at this facility is complicated. MCID attracted the attention of Chinese media and labor solidarity organizations in January 2008, when workers went on strike, rioted and destroyed factory property following the assault of a worker by a security guard. The assault was sparked by a verbal argument that started when the worker apparently jumped the queue in the canteen. Several workers were dismissed following the strike and riot.

Four months later in May 2008, there was another workers' strike on the production line at MCID, in protest against an increase in the intensity of work. 29 workers were fired for violating the law which bans strikes. However, there is no explicit prohibition on striking in Chinese law.

The workers were revolting against MCID's barrack like regime. It had an employee handbook that contained 73 penalty clauses, many of them seriously violating basic human and labor rights as stipulated by both ILO conventions and Chinese laws. For instance, workers can be dismissed simply for not queuing up properly in the canteen or failing to put back used utensils. (For more please see the Globalization Monitor December 2008 report *The Background to Two Strikes in Maersk Dongguan*)

The GM report led to news coverage in Denmark, and after talking to GM A. P. Moller-Maersk Group agreed to improve the MCID conditions by revising the handbook, improving the working environment to make it more safe etc. However, it refused to re-instate unlawfully dismissed workers, and refused to make a fair review of all dismissal cases although it had promised one. In September 2009, the managing director of MCID, Mr. Hultengren, replied to Globalization Monitor that "lawyers reviewed all the documentation and at the end advised us that they did not find anything incorrect or in violation." This statement carries zero credibility because these workers were dismissed for false charges in the first place -- violating the alleged legal ban on strikes.

Occupational Health and Safety

What is more disappointing is that since then MCID's occupational diseases have been increasing but the company continues to make things difficult for workers to enjoy what they are entitled to according to the Law of Prevention and Control for Occupational Diseases.

Since 2008, workers have been seeking treatment for occupational injuries and diseases caused by exposure to dust, chemicals including benzene, and noise on the production line. MCID has responded by organizing inspections of the factory, certain remedial measures, and diagnosis and treatment for some workers, but there are many workers who are not satisfied with MCID's response. Some even claim that MCID has been thwarting their efforts to obtain proper diagnosis and treatment. Globalization Monitor has maintained a public awareness campaign about occupational diseases and injuries at the plant since 2008.

In July 2008, the Dongguan Municipal Disease Prevention and Control Centre did an assessment of the factory, and recommended that noise levels be reduced, PPE be improved, and workers be given regular health checks and hearing tests (the full report has not been made available to workers, and they cannot be sure to what extent the recommendations have been implemented). Their report concluded that the level of noise exceeded the Design and Health Standard for Industrial Enterprises (GBZ1-2002), which explains the high rate of hearing loss amongst workers. Following the assessment, workers observed a change in the chemicals used in the paint section (presumably to eliminate benzene exposure). But some employees are not satisfied that they have sufficient information about remaining exposure to hazards, or the company's remediation plans.

As of December 20, 2010, we had interviewed 80 workers, and found out that there were at least 6 cases of certified occupational diseases (three cases of hearing loss, two cases of blood disease – one of them later died, and one case of asthma), 15 cases officially placed under medical observation for hearing loss, and 27 cases of complaints about suspected occupational diseases. (For more information see Appendix). Even if we do not take into account the last category, the ratio of certified occupational diseases and officially placed under medical observation is abnormally high among the base of 80 workers – 7.5% for the former and 33.75% for the latter. As of October 2009 MCID had 1050 workers, if we apply the above ratio to the whole workforce the numbers of occupational diseases and those placed under medical observation will be alarmingly high. In order to find out the truth about the exact number in the above categories we emailed our questions to Mr. Hultengren, CEO of MCID, but he refused to answer our questions.

Although according to the Law of Prevention and Control for Occupational Diseases those who are put under medical observation are protected from dismissal by employers, MCID tends to dismiss them in order to evade responsibility. The first two cases of unlawful dismissal were Yuan Daiyong and Wang Dapeng in 2008, both placed under medical observation for hearing loss. After our protest the management had avoided direct dismissal, but has used more sophisticated ways to get rid of the workers by making them 'resign' of their own accord, or by refusing to renew their contracts when they were due --- although this is in breach of the laws. Hence all fifteen of the cases that were placed under medical observation, with the exception of one, were made to leave the company without further medical treatment.

There is also at least one case of occupational asthma. Mr. Hu Changqing spent two years fighting with the management's attempt at obstructing his medical diagnosis, and even when his asthma was finally certified as a work injury in September 2009, every step of treatment proved to be torturous because the management made things difficult for him. (For more information see below)

Another common occupational disease in MCID is benzene poisoning, which may lead to blood diseases like leukemia. According to our sources, there were at least two cases of certified benzene poisoning, and one person might have died from this. Mr. Mo Desong worked for MCID (Maersk Container Industry Dongguan Ltd) for three years since 2006. He died on October 30, 2009, after falling ill nine months earlier. He was diagnosed as having chronic occupational diseases and mild benzene poisoning, and died of multiple organ failure. MCID had delayed Mo's application for occupational disease diagnosis and treatment for five months. His death might have been avoided if MCID had not obstructed both the sending of Mo to the Guangdong Provincial Hospital for Prevention and Treatment of Occupational Disease (Occupational Hospital hereafter) in time, and the providing of necessary documents to this hospital for Mo's diagnosis within the time limit set by this hospital. (For more please read Globalization Monitor report *We Hold Maersk Dongguan Responsible for the Death of Mr. Mo*, March 10, 2010)

The other worker who suffers from occupational benzene poisoning is Li Xin.

For the details of these cases please refer to the section below and to Appendix A and B.

In China, a major hurdle for workers is the step of recognition and qualification of occupational injury / diseases. It requires the cooperation of the employers in providing the occupational disease prevention hospitals with employees' health monitoring files, workshops environmental investigation report, and payment for medical expenses, before the latter can make a diagnosis for the workers. Our investigation shows that up until today the MCID still makes things difficult for workers with suspected occupational diseases or those already placed under medical observation by not providing or delaying in providing the above documents to the hospital. In many cases workers with suspected occupational disease waited for more than six months without being able to be admitted to hospital for proper medical checks and treatment.

Furthermore, there is no genuine, democratic workers' union at MCID. In August 2008, a union was established with the support of MCID management and the local branch of the All China Federation of Trade Unions (ACFTU). Workers claim that elections for union officials were neither fair nor transparent, and official union positions were occupied by company managers.

In addition to occupational diseases, another problem in MCID is the high level of work injuries. We previously complained to MCID, and in response to us MCID released a statement on January 12, 2009, denying the accusation and claiming that in 2008 there were only 34 injuries. This is not true. We have at hand part of a list of work injuries indicating that in August 2008 alone there were at least 30 injuries and

in July there were at least 21 injuries. The sum of these two months alone, therefore, already far exceeds the Maersk yearly figure.

After we released our first report on MCID, the company conducted two social audits in 2009, one carried out by Impactt and the second by CRECEA. Their reports have little credibility simply for the fact that they asked no questions at all concerning the numbers of confirmed or suspected occupational diseases, the procedures for handling these cases, and the practices of the management to cover these cases. Therefore Globalization Monitor wrote to MCID demanding that an independent investigation, involving international trade unions and genuine NGOs, be conducted into and paid for by MCID as soon as possible. Our letter was ignored.

In general, after the workers fought back twice in 2008, and after Globalization Monitor worked with Danish progressive reporters and civil organizations such as the Danwatch and Critical Shareholders to put pressure on MCID, it seemed that the latter did improve its OHS regime and its barrack like labor discipline. We must point out, however, that labor rights in MCID are still far from being fully protected in accordance to the laws and also to basic human rights.

Appendix A: Cases of Certified Occupational Diseases

Name	Employment Situation	Diagnosis	Workers' complains
1Li Xin	On the job	Chronic and mild benzene poisoning	Demand for permanent contract
2 Mo Desong	Passed away	Chronic and mild benzene poisoning	His wife is filing a court case against MCID
3 Hu Changqing	On the job	Occupational asthma	Demand for permanent contract
4 Li Jiming	Not allowed to renew contract	Mild hearing loss	Received compensation
5Song Xiaolong	Not allowed to renew contract	Mild hearing loss	Received compensation
6Wang Hua'an	Not allowed to renew contract	Mild hearing loss	Received compensation

Appendix B: Cases of Placed Under Medical Observation

Name	Employment Situation	Diagnosis	Workers Demand
1.Wang Dapeng	Dismissed 9/10/2008	Suspected Occupational	Re-instatemen

		Hearing Loss	t
2. Yuan Daiyong	Dismissed 9/10/2008	Suspected Occupational Hearing Loss	Re-instatement
3. Huang Xianhui	Contract not renewed	Suspected Occupational Hearing Loss	Re-instatement
4. Zhong Qingwen	Contract not renewed	Suspected Occupational Hearing Loss	Re-instatement
5. Wu Qingshan	Contract not renewed	Suspected Occupational Hearing Loss	Re-instatement
6. Zhou Qunfang	Contract not renewed	Suspected Occupational Hearing Loss	Re-instatement
7. Huangpu Ligu	Contract not renewed	Suspected Occupational Hearing Loss	Re-instatement
8. Huang Zhizhong	Contract not renewed	Suspected Occupational Hearing Loss	Re-instatement
9. Zhang Daoying	Contract not renewed	Suspected Occupational Hearing Loss	Re-instatement
10. Li Zhihai	Contract not renewed	Suspected Occupational Hearing Loss	Re-instatement
11. Wei Guangbo	Contract not renewed	Suspected Occupational Hearing Loss	Re-instatement
12. ZuoQuanbao	Contract not renewed	Suspected Occupational Hearing Loss	Re-instatement
13. Luo Yongli	Contract not renewed	Suspected Occupational Hearing Loss	Re-instatement
14. Ling Puwang	Contract not renewed	Suspected Occupational Hearing Loss	Re-instatement
15. Qi Yuting	On the job	Suspected Occupational Hearing Loss	

Appendix C: MCID's violation of labor-related laws

	Problems	Law requirements
Occupational Health (Law of Prevention and Control for	Did not regularly provide effective personal protective equipment to prevent workers	Article 20 clearly stated that the company should provide such equipment,

Occupational Diseases)	from occupational diseases such as noise stoppers.	and should not provide sub-standard product, otherwise the employer will be fined 50,000 – 200,000 Yuan (article 65).
	Failed to remove all occupational hazards, and stop all operations that may lead to occupational diseases	This also violates article 21, and the employer will be fined 50,000 – 200,000 Yuan (article 65). In the most serious case, the factory will be shut down.
	Failed to arrange medical inspection and treatment for workers who suffered or were suspected to suffer from occupational diseases, and cover the incurred costs.	This also violates article 49, and the employer will be fined 50,000 – 200,000 Yuan (article 65). In the most serious case, the factory will be shut down.
	Did not correctly label the hazardous chemicals with a Chinese-language warning.	This violates article 26, and the employer may be fined 50,000 – 200,000 Yuan (article 66).
	Obstructed people from reporting occupational diseases, and tried to cover them up.	This violates article 43, and the employer may be fined as high as 50,000 Yuan (article 67).
	Illegally terminated the contract when the worker was diagnosed as “placed under medical observation” for suspected occupational disease.	This violates article 49, and the Labor Contract Law states that the contract will continue during medical observation or treatment.
	Failed to provide necessary documents for further diagnosis of occupational disease	This violates article 48, and the employer may be fined 20,000 – 50,000 Yuan. (article 64)
	Failed to install equipment that fulfill the occupational safety requirement	This violates article 13, and the employer may be fined 100,000 – 500,000 Yuan. (article 62)
Working Hours	Over time exceeding the monthly 36 hours overtime limit stipulated by law	This violates article 41 of 1995 Labor Code

Case study 3: Maersk Container Industry Qingdao (Reefer Manufacturing)

This reefer manufacturer in North China employed 2000 people before the 2008 crisis. The foreign owner purchased the plant in 1998 from the Korean Jindo Reefer

Container Company. In late 2009, Globalization Monitor carried out a survey with 25 workers, doing jobs including welding, painting, metal pressing and general machine operation. Almost all were men. Even though the factory was suffering from a lack of orders, still two new workshops were under construction, at a cost of about 200 million RMB (according to one worker).

Before production was idled by the global financial crisis, wages for production line workers were between 800 and 1200 RMB per month (US\$116-174), with an additional monthly bonus of between 300 and 1,000 RMB(US\$43.5-145) depending on output. But at the time of the survey, workers were not receiving any production bonuses because of the lack of orders, and only getting their basic wage of 800 to 1,200 RMB. Many workers were working very short hours, and the company was implementing regular periods of paid leave. Some workers were working one week on, then off the next week. Many complained about the low base wage, and left the company to find new jobs. Another complaint was that night shift workers do not receive any additional allowance. Wages are much lower than the CIMC plant outlined above. MICQ workers also complained that the quality of food in the canteen has deteriorated. MCIQ pays an annual bonus of approximately 10 percent of their annual wage, as well as a 17.5 RMB food allowance per day.

Interestingly, the wages at this Qingdao facility are substantially lower than in Dongguan. Within China, there is significant regional discrepancy between the wage standards and living costs. Qingdao's average wage standard is lower than Dongguan's. But furthermore, workers at Maersk's Qingdao facility observe that management exploits the fact that workers tend to be residents from the surrounding villages where living standards are low, and not long-distance migrants like those in Dongguan who tend to move around in search of higher wages.

Maersk Qingdao has a history of industrial action. In 2005 a two day strike was triggered by the dismissal of a popular team leader. Management declared the strike as illegal (based on their handbook, without any basis in Chinese law) and dismissed seven workers.

Workers reported that new employees were not given labor contracts for the four-months of their initial training period. This means new staff members were not protected under the law if they suffer from any occupational injuries. According to the Labor Contract Law, pre-work training should also be considered work for the employer.

Occupational Safety and Health

At this factory, many workers were aware of several hazards. They talked about strong chemical odors, thick dust and loud noise. They described some of the company's mechanisms to reduce the hazards, but said management mainly relied on personal protective equipment (PPE) rather than hazard-removal methods. Some workers were concerned that PPE has declined in quality and effectiveness after a recent switch from foreign-manufactured masks and ear-plugs to a domestic brand. Reports to team leaders about these quality concerns resulted in no change. Furthermore, the system of distributing PPE had been amended. Previously, PPE was handed out regularly, but at the time of the interviews workers were required to go to

team leaders and make a request when they felt their PPE was too old to be effective. Some workers described this as a disincentive, and prefer the old system.

Hazards are created by the fact that production chemicals are labeled only in English, and workers do not know what substances they are using or what the risks are. This violates the legal requirement that all hazardous chemicals should have Chinese labels and warnings, according to the Law of Prevention and Control for Occupational Diseases.

The temperatures inside parts of the factory are extremely hot – regularly reaching 38 or 40 degrees, according to workers – significantly adding to the risk of accidents, putting strain on workers bodies and causing intense discomfort. Workers described how their anti-dust and anti-chemical face masks, their gloves and their clothes become soaked with sweat, and impeded their ability to work or even breathe. Yet they are not paid a high temperature subsidy, as suggested by the 2007 guideline issued jointly by the Ministry of Health, Ministry of Labor and Social Security, National Safety Supervision Bureau and the All-China Federation of Trade Unions. Management has done nothing to lower the heat; it merely distributes popsicles to help workers cool down.

Workers speculated that many workers have health problems caused by their work, but they were not outspoken in telling interviewers if there were suspected or confirmed cases of occupational diseases, because the management imposes heavy penalties on workers who disclose “company secrets”. (For more see below) Some workers said that they were discouraged by their direct section or group managers from reporting minor injuries. This is because each manager is only permitted a limited number of incidents to occur under their supervision before it affects their bonus.

Workplace Union

According to the majority of workers we interviewed, the company does not have a genuinely representative workers’ organization. Company leaders established a trade union early in 2009, but most of the workers we interviewed said that the union is useless, and its main function is to distribute free and low value gifts or occasionally arranges recreational activities. Most workers reported that the union committee members were practically appointed by management and are mostly management personnel (one interviewee said only six of the 51 members are rank-and-file workers). By contrast, one team leader interviewed said 98 percent of the union committee members are workers, yet also according to him the union’s chairperson is a manager from the Human Resources Department. If that is true then this explicitly violates the July 2008 regulation released by the ACFTU, prohibiting members of the management personnel from serving as union chairs.

Harsh Labor Discipline

The MCIQ, just as MCID did, imposes very harsh labor discipline on their workforce. In response to our criticism the MCID had revised its employee handbook and much of the former 73 penalty clauses have now been reduced to 44. In July 2009 the MCIQ also released a revised employee handbook, with its previous ban on strikes deleted as well (although it still has not recognized the right to strike). It still contains

clauses that seriously infringe the workers' basic human and labor rights, however, and is in many ways worse than the revised MCID's handbook. The problematic rules are as follows:

(The original is in Chinese language. Translation by Globalization Monitor.)

Written warning will be issued for the following serious misconducts:

7.1.29 Defaming the company in public or in the mass media, or disclosing the company's secrets to the mass media and third parties without the company's written permission, if these actions are not serious enough to lead to grave consequences;

7.1.32 Disclosing the salary or related information of oneself or one's colleagues;

Immediate dismissal will be effective for the following extremely serious misconducts:

7.1.51 Organizing and/or joining a gathering, which leads to social unrest, violation of other people's human rights, or damaging the company's property;

7.1.59 Disclosing the company's secrets to the mass media and external parties or openly defaming the company, leading to defamation or serious economic loss for the company;

The problem concerns how MCIQ defines "company secret". We can find part of the answer in the manual:

8.1.1. Keeping our salary structure secret is one of the basic company policies. Employees are not allowed, in whatever form, to leak information concerning one's own salary, or his/her colleagues', to any third party;

14.7 This employee handbook is owned by the company, and its content is considered a company secret.

If one compares this to the revised handbook of MCID one will immediately be aware that the latter is less harsh and less unreasonable. Whereas MCID's handbook only bans workers from disclosing their colleagues' salary, the MCIQ handbook goes further and bans workers from disclosing the salary or related information of oneself! Neither does the MCID regard its handbook as a company secret, nor does its handbook contain the kind of clauses like the 7.1.29 clause of the MCIQ handbook, banning workers from talking to reporters. The MCID is not well known for treating its workers well, but MCIQ seems to surpass the former in imposing harsh work discipline on its employees.

The ban on workers disclosing their salary to each other or to a third party is both violating human rights and not at all grounded in law. Firstly, this kind of action should be considered a private matter among the employees and the management should in no way intervene, let alone ban it. Secondly, it violates Article Four in the Chinese Labor Contract Law which states that when the employer sets up regulations regarding employees' salary or anything directly related to employees' rights, the

employees should be openly informed²⁴. Only if the salary system is open to the workers, can they compare their salaries with each other to see whether their pay is reasonable and fair. Keeping the salary structure secret equates to depriving workers' of their right to protect themselves. Such a regulation is absolutely unreasonable. The same argument is also valid for keeping the employee handbook secret. The purpose of such penalty clauses is obvious: terrorize workers so that they dare not voice their grievances to the press or NGOs. This is a serious violation of the freedom of speech of workers there.

There are also other clauses which infringe workers' rights:

Appendix I

We respect our employees' right to freedom of association and to join a union as stipulated by laws...Although we respect freedom of speech, we do not accept any propaganda in the workplace.

Appendix II

1.1.3 All employees are obligated to report to the company any illegal act or acts which violate the company's code of conduct.

The clause Appendix I claims to be "respecting trade union", but what follows, however, ("do not accept any propaganda in the workplace") practically nullifies the company's alleged respect of it. If "any propaganda" is banned, then it necessarily bans any attempt by trade union representatives to tell workers that the union works to their advantage. No wonder that the workplace union is hardly mentioned at all in the handbook, although the Labor Contract Law and the Trade Union Law require the employer to consult the trade union for all matters related to labor, from salary, labor discipline to occupational safety.

The only place that the manual acknowledges the union is in article 7.1.34 of chapter seven on labour discipline, where workers are told that they could get a verbal or written warning for any action which "the management or the trade union consider to be violating labour discipline." This not only gives those who have the authority to impose penalties on workers far too great an arbitrary power but, as it also makes the trade union part of this penalizing mechanism, it practically turns the latter into a yellow union. And this is the sole role the union plays as stipulated by the revised manual! This should not surprise us though because the workers complained that the workplace union is management controlled. (For more see below)

²⁴ "When an Employer formulates, revises or decides on rules and regulations or material matters concerning labor compensation, work hours, rest, leave, work safety and hygiene, insurance, benefits, employee training, work discipline or work quota management, etc. that have a direct bearing on the immediate interests of the workers, the same shall be discussed by the employee representative congress or all the employees. The employee representative congress or all the employees, as the case may be, shall put forward a proposal and comments, whereupon the matter shall be determined through consultations with the labor union or employee representatives conducted on a basis of equality. If, during the implementation of an Employer's rule or regulation, the labor union or an employee is of the opinion that the rule or regulation is inappropriate, it or he is entitled to communicate such opinion to the Employer, and the rule or regulation shall be improved by making amendments after consultations. Rules and regulations that have a direct bearing on the immediate interests of workers shall be made public or be communicated to the workers." As translated by Baker & McKenzie.

We do not regard it as the duty of employees to “report to the company any illegal act or acts which violate the company’s code of conduct”. All citizens, including employees, are only obliged to act within the law, but this is different from saying that employees have a duty to report any illegal act to the company. While MCID’s revised employee handbook has already deleted this clause from its older version, it is particularly offending to see that the revised MCIQ handbook still keeps this penalty clause.

The Danish reporter, Peter Rasmussen, after making interviews with Globalization Monitor, reported these outrageous clauses in the newspaper Information on March 29, 2010. Tim Rishøj, CEO of MCIQ, was reported as saying that they were going to revise the manual again to ‘remove any doubt’. We were able to obtain the revised manual for MCIQ, dated January, 2011. We found out that it is basically the same as the 2009 version, and if there is any improvement, it is trivial, and accompanied by revisions which are worse than the 2009 manual:

1 The new manual now only bans workers from disclosing their colleagues’ salary, but we consider that MCIQ (and MCID) should delete this clause altogether.

2 Appendix I of the 2009 version was deleted, but it does not imply any improvement about trade union rights, because the revised version keeps the clause on empowering the union to discipline workers.

3 While the 2009 version ‘only’ carries 59 penalty clauses, in the 2011 version the number of clauses are increased to 62. It added a ban on workers taking private photos in the workshops (6.1.31), obviously a response to workers at MCID who took photos of a poster posted by the management acknowledging that they used benzene.

Also added is 6.1.55, which goes into details about penalizing violence:

“Instant dismissal will be exercised for any violence, intimidation, insults or any action which puts other people in danger, or which causes damage to the company or to the safety or mental well being of other people.(...Even for self defense it should be appropriate; over reacting in self defense may be considered as violating labour discipline or even the law.)

This clause seems to suggest wide spread violence in MCIQ and that it is not uncommon for workers to defend themselves. But the question is: defense from whom? Who are the attackers? We know very well that in MCID the security guards often intimidated workers and which caused a violent strike in 2008. In MCIQ there was also a strike in 2005, although the details of it were far from clear to outsiders, nor do we know any detail of this kind of violence. One thing is sure though, that the 2011 version of the manual imposes the same kind of barrack like regime in MCIQ as it did before. In fact it keeps intact the 14 clauses of ‘dinning discipline’ in appendix three of the 2009 manual, which, for instance, ban workers jumping queues, talking aloud, or arguing with the canteen’s management personnel. At the same time there is no institutionalized channels for genuine workers’ elected representatives to have regular consultation with the management over the quality of food provided, or measures which guarantee that workers have enough time to queue up and eat. We must not

forget that in MCID one of the reasons for triggering a strike was that workers were denied enough time to queue up to get food. In this situation, the 14 clauses of ‘dining discipline’ act as though to treat the workers like prisoners.

Both the workers’ complaints and our investigations justify our demand for an independent investigation of MCIQ. The investigation must involve international trade unions and genuine NGOs working on China labor issues. Unfortunately the company has failed to make any response to our demands.

Conclusion

Shipping containers are an integral part of today’s global economy, but through the process of researching this report it has become clear that little research has been done on working conditions for the people who build them. Now approximately 97 percent of shipping containers are manufactured in China, and so understanding working conditions for Chinese container builders should be a priority. Our initial study shows that the workers are enduring appalling working conditions, their pay is shamefully low and their plight is largely ignored. When they have been driven to occasional rebellion, their rebellion is often quickly repressed.. It is the duty of the international labor movement to come to the aid of the Chinese container manufacturing workers by promoting solidarity with their struggles and putting pressure on the irresponsible employers in this industry to make them improve working conditions.

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