



FAIR TRADE CENTER

# STRATEGIES FOR STRENGTHENING HUMAN RIGHTS IN THE CHINESE WORKPLACE

- FOR COMPANIES, TRADE UNIONS AND NGOS



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# Introduction

**F**or over ten years Fair Trade Center (FTC) has worked to promote sustainable trade. FTC is a Swedish non-governmental organisation (NGO) that reviews how Swedish companies that trade with, or operate in, low-wage countries, take responsibility for the working conditions and environmental impact. During this time much has happened. In 1996 no Swedish company had a policy or code of conduct that took responsibility for the working conditions in its supply chain in any thorough way. By 2009 it is, in principle, the custom for companies to have an ethical policy for conditions in their supply chain. The question is no longer whether companies take responsibility but how. At the same time a long series of studies and analyses indicate that very little has changed for workers in low-wage countries, as regards issues such as union freedom, discrimination, empowerment and pay.<sup>1</sup> This is despite the fact that most companies' ethical guidelines include employees' right to freely organise themselves and to negotiate collectively.

Fair Trade Center published in 2008 the report *Social responsibility in the supply chain - problems, solutions and way forward*. The report shows what the basics of supply chain work can look like, and gives examples of how companies can take their ethical work further. In the report one of the sub-headings read "encourage union organising". This study takes up that point and develops it.

When examining companies, when in dialogue with them - and when communicating with consumers - Fair Trade Center always highlights the issue of union rights. Union organising and collective bargaining has established, and maintains, good conditions in the Swedish labour market and in many other places across the world. Voluntary codes of conduct and companies' audits can never replace organisation, but should rather complement them and stress the employees' own right to negotiate for fair conditions. Only through the involvement of employees will it be possible to solve common problems that occur in the production process; for example, wages that are insufficient to live on, illegally long overtime, discrimination, health and safety flaws plus casual employment contracts. FTC recommends that companies enter into global framework agreements and that they introduce, or reinforce, the passages on freedom to organise and collective bargaining in their codes of conduct. Just as important is effective follow up work by the company, so that union activity at the factories it buys from is not prevented or counteracted.

These recommendations show that companies have the potential to lead to great improvements in countries such as, for example, the Philippines and Indonesia, where union organising is allowed by law, but where unions are often halted, threatened and prevented from establishing themselves.

But for companies who operate in - or who buy from suppliers that operate in - China or Vietnam, where free unions are forbidden, the situation is different. The only unions that exist are the state controlled unions, which are not democratic, and which have totally different social roles to democratic unions. Sweden's trade with China is extensive. A large proportion of the toys, electronic items and clothes that Swedish consumers buy are made in China, and over 550 Swedish companies have operations in mainland China.

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1. See, for example, 'Configuring Labour Rights, Labour Conditions in the Production of Computer Parts in the Philippines', Esther de Haan & Irene Schipper, SOMO (2009); 'Syr kläder för småpengar - varför levnadslön måste ersätta minimilön i klädindustrin, Framtiden i våre hender. 'Blir det bättre? Arbetsvillkor i leverantörsleden - 10 år efter debattens uppkomst', Nätverket Rena Kläder (2008); 'The ETI Code of Labour Practice: Do workers really benefit?', Ethical Trading Initiative (2006).

2. See, for example, 'Configuring Labour Rights, Labour Conditions in the Production of Computer Parts in the Philippines,' SOMO (2009), 'Silenced to Deliver: Mobile phone manufacturing in China and the Philippines,' Jenny Chan, Esther de Haan, Sara Nordbrand and Annika Torstensson, SOMO and SwedWatch (2008).

# Purpose and scope

**T**hrough this text, Fair Trade Center hopes to showcase methods that unions, companies and multi-stakeholder initiatives are working with today in order to strengthen employees' rights in China. While FTC has picked out some projects and initiatives that we think show interesting experiences, we do not claim to have made a comprehensive compilation.

First we describe the China Labour Bulletin's (CLB) collected strategies and advice to companies, unions and other overseas organisations. The Hong Kong based China Labour Bulletin<sup>3</sup> works to defend and promote workers' rights in China<sup>4</sup>.

Then we look at a project from Swedish trade unions IF Metall and Unionen, directed at Chinese unions at Swedish-related companies in China. The project aims to create better working conditions and to influence the Chinese union federation. The project is unique, both in Sweden and internationally, and can function as an inspiration for other unions. In the next section we describe what two multi-stakeholder initiatives - the Dutch Fair Wear Foundation and the British Ethical Trade Initiative (ETI) - have done to strengthen the position of employees in China. We have chosen both these initiatives due to the fact that they offer fresh, exciting experiences from China, including information on worker training and on the setting up of committees in Chinese factories.

The last section describes the work that computer company HP and Hong Kong based organisation Students and Scholars (SACOM) Against Corporate Misbehaviour have carried out on worker training, together with two of HP's suppliers in China. Two NGOs, Labour Education & Service Network (LESN) and Chinese Working Women Network (CWWN), were in charge of the training. The design and execution of this project is unique as regards the electronics industry, since it was carried out by buyer, supplier and representatives for civil society working together. In the view of Fair Trade Center, there are lessons to be learnt from this project by other companies and industries - as regards co-operation between multinational buyers, Chinese suppliers and local NGOs - which can lead to changes in a country like China.

Fair Trade Center will continue to seek out positive examples, as well as follow up the projects that are a part of this study, and welcomes comments and suggestions from readers.

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3. <http://www.clb.org.hk/en/node/100001>

4. CLB works to actively help workers in the Chinese equivalent of employment tribunals with representation and advice, as well as by campaigning for imprisoned workers' rights.

# Hong Kong watchdog sees the Chinese workers as the most important driving force for change

CLB gives advice to companies, trade unions and NGOs

*The most populous country in the world has, since the Communist Party began their economic reforms in 1978, emerged as the world's third biggest trading nation. Since that time around 400 million Chinese have been lifted out of poverty<sup>5</sup>. But the workers - those who have contributed to the country's growth, and who nowadays also contribute to the profits of foreign multinational corporations - still pay a high price in the form of unpaid wages, illegally long overtime, casual contracts and poor health. However, things are moving, on the factory floor and on the streets. The Chinese workers are no longer helpless victims, but are demanding their rights, despite the single-party regime, where only one trade union is permitted: the All-China Federation of Trade Union, (ACFTU).*

The Chinese regime prioritises economic growth, and has set as its goal increasing the country's GDP fourfold from 2000 to 2020. This target was already half completed by 2008.<sup>6</sup> In recent years China's growth has been strongest within the export sector. Above all it has been manufacturing that has grown, and which today makes up approximately half of the country's economy. Important businesses include the manufacture of consumer goods, the garment trade, electronics, vehicles and

machines, but also the sale of raw materials and the chemical industry.<sup>7</sup> China is the world's largest manufacturer of textiles. Of all clothing imported to the EU, 45 per cent comes from China (July 2008 figures).<sup>8</sup> And China dominates within electronics as well. In 2007 half of all mobile telephones were manufactured there.<sup>9</sup>

Sweden's trade with China has also increased considerably during recent decades. In 2007 it made up three per cent of total Swedish foreign trade. Today China is Sweden's most important partner in Asia, both as regards imports and exports.<sup>10</sup> Swedish exports to China are dominated by traditional Swedish goods, within areas such as engineering, telecommunications and transport. Other commodities that have increased rapidly during recent years are iron and steel, plus chemistry.<sup>11</sup> The number of Swedish companies in China is also increasing. In 2008 there were 550 Swedish companies in mainland China and 130 in Hong Kong, according to an estimate by the Swedish embassy in China.<sup>12</sup>

However, the benefits of economic growth have not been distributed evenly, and large differences have appeared between regions and between people. A study performed

5. The UNDP China Report, 2005.

6. 'Kinas handelsutveckling med världen och Sverige,' Kommerskollegium, 2008.

7. 'Kinas handelsutveckling med världen och Sverige,' Kommerskollegium, 2008.

8. Weathering the Storm, A guide for FWF member companies sourcing from China during the global financial crisis, Fair Wear Foundation, 2009

9. 'China Mobile Phone Industry Report, 2007-2008,' Beijing RIC Information Consulting Co. Ltd, February 2008.

10. 'Kinas handelsutveckling med världen och Sverige,' Kommerskollegium, 2008.

11. 'Kinas handelsutveckling med världen och Sverige,' Kommerskollegium, 2008.

12. 'Landfakta', Sveriges ambassad i Peking, 31-10-2008.



between May and September 2008 by the Chinese Academy of Social Sciences shows that the gap between rich and poor in China is growing.<sup>13</sup> The unequal economic development has led to young Chinese being forced to leave their homes in the hunt for work. They belong to the group of around 130 million migrant workers that has been called China's 'floating population', and this group risks being hit hardest by the economic crisis. For example, unemployment increased conspicuously in 2008, and the migrant workers are the first to go.<sup>14</sup>

The growing social divisions, combined with the lack of a functioning labour market with secure employment and true unions, has led to extensive protests, strikes and petitions to the authorities during the last ten years. This has made the government stress strongly that the divides in society must be taken into account. The government says that they want to create a 'harmonious socialist society' where what the regime calls the 'five imbalances' are dealt with: between humans and nature; economic versus social development; between city and countryside; between different regions, and in China's relationship to the wider world.<sup>15</sup>

In 2007 three important laws for Chinese employees were adopted. They came into force in 2008: the Labour Contract Law, the Employment Promotions Law and the Law on Mediations and Arbitration of Labour Disputes Act. The laws build on the previous Chinese labour law from 1994, but contain clarifications and reinforcement, with the aim of making sure that the law

is actually followed. The Labour Contract Law,<sup>16</sup> says that all employees in China have the right to a written contract. Unlike the previous laws these now contain statutes on stern punishments for companies that do not follow them. For example, a company must pay double wages for every month that a person has been employed without a written contract.<sup>17</sup> The law also regulates issues including how employment can be terminated, and it also places a strong importance on the employee's right to collective bargaining.<sup>18</sup> Such negotiations have to occur via the ACFTU, but at workplaces where there is no union presence it does open the possibility for selected employees to represent their colleagues. The Employment Promotions Law has the aim of creating a more open and equal labour market, and to work against discrimination. The Law on the Mediation and Arbitration of Employment Disputes makes it easier for workers to report their employer, and seek justice in the country's legal system. Among other developments, the verdicts given by workplace arbitration committees are now binding, and taking part in the process is free of charge for workers.<sup>19</sup>

According to the China Labour Bulletin, the timing of the laws was a direct consequence of increased pressure from the country's labour force.<sup>20</sup> What the government did not do, though, was to create a system for solving conflicts in the workplaces: with unions that really represent the employees. This has meant that the strikes, protests and appeals to the authorities have continued. Perry Leung is the chair of Students & Scholars Against

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13. Going it Alone, the workers movement in China (2007-2008), China Labour Bulletin, 2009, sidan 6.

14. Ibid. sidan 5.

15. 'Landfakta', Sveriges ambassad i Peking, 31-10-2008

16. Article 82. For more information on interpretations of the law see 'Weathering the Storm, A guide for FWF member companies sourcing from China during the global financial crisis,' Fair Wear Foundation, 2009, pp8-10.

17. In particular paragraphs 51-56, [http://www.bjreview.com.cn/document/txt/2007-10/16/content\\_80896.htm](http://www.bjreview.com.cn/document/txt/2007-10/16/content_80896.htm), accessed 15-09-2009.

18. 'Going it Alone, the workers movement in China (2007-2008),' China Labour Bulletin, pp11-12, 2009.

19. 'The state of the labour movement in China,' CLB website, 4 December 2008,

20. <http://www.clb.org.hk/en/node/100349>.

21. 'Weathering the Storm, A guide for FWF member companies sourcing from China during the global financial crisis, Fair Wear Foundation, 2009, p8.

22. 'Chinese government says labour disputes doubled in 2008', CLB website, 11-05-2009, <http://www.china-labour.org.hk/en/node/100461>.

Corporate Misbehavior (SACOM), a Hong Kong organisation that analyses the Chinese labour market and campaigns for human rights in the workplace. His analysis is similar: that the strikes and demonstrations are a direct consequence of the gap between the letter of the law and how it is observed. His view is that the Chinese workers are inspired by the law, and will either take to the streets in spontaneous demonstrations, or try to seek redress through the judicial system.<sup>21</sup> And this picture is confirmed by the statistics. On the 8th of May, China's Ministry of Human Resources and Social Security announced that the number of petitions taken up by China's labour dispute arbitration committees had increased by 98 per cent in 2008 compared with 2007 - 693,000 cases that concerned 1.2 million workers.<sup>22</sup> The lack of a real union presence has meant that in many cases strikes and protests have caused local government and authorities to be forced to step in as mediators between companies and their employees. This is backed up by sources including an analysis that the China Labour Bulletin has performed of 100 protests carried out by Chinese workers in 2007-2008.<sup>23</sup>

At the same time, the government has also instructed the All China Federation of Trade Unions (ACFTU) - the only legal union - to increase organisation at multinational and privately owned firms. The ACFTU says that it has achieved this task. The federation reported at the end of 2008 that it had increased its membership to 212 million, and that the number of factory-level unions, which in China are called 'grassroots unions', had grown to 1,725 000. Regarding overseas firms, the ACFTU began a campaign to start unions at the biggest multinational companies in China, and stated after four months that there

were unions at 80 per cent of the 375 biggest multinationals.<sup>24</sup>

But the problem is that most of these 'unions' are unions by name only. In the majority of cases the ACFTU has not worked by approaching workers, but rather gone straight to management and demanded that a union be established at the firm, which has led to many of the new unions being controlled by the bosses. Many workers do not even know that there is a union at their workplace - or that they are members of it.<sup>25</sup>

"The ACFTU is still aiming for what they call 'harmonious industrial relations', and every time there is a conflict between workers and management, when workers strike, the unions advise the workers not to make trouble, or offer themselves as mediators, but the arbitration is not fair, and so workers end up feeling powerless and angry," says Jenny Chan, Chief Coordinator of Students & Scholars Against Corporate Misbehavior, SACOM.<sup>26</sup>

At the same time, there have been a number of positive changes within the ACFTU. There are examples of representatives displaying a more pragmatic attitude towards strikes, and advocating collective bargaining as a way to solve conflicts in the workplace<sup>27</sup>. In addition, the Chinese government, plus the representatives of the state authorities and the ACFTU, have shown an increased interest in the Scandinavian union model.<sup>28</sup>

All the signs indicate that it is the Chinese workers who are the force behind progress in this area, forcing the government to take measures, of which the new laws play an important role. The social responsibility rules and strategies of overseas companies are also playing a positive role: both th-

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23. China Labour Bulletin, 'Going it Alone, the workers movement in China (2007-2008)', 2009.

24. China Labour Bulletin, 'Going it Alone, the workers movement in China (2007-2008)', 2009, p32.

25. China Labour Bulletin, 'Going it Alone, the workers movement in China (2007-2008)', 2009, p 42.

26. Skype interview, 8-09 2009.

27. The Case of China: The Challenge of Labour Unrest in a Communist-run Capitalist Economy, China Labour Bulletin, 2008, <http://www.clb.org.hk/en/node/100349>

28. Including interviews with Mats Svensson and Erland Lindkvist at IF-Metall.

29. 'Silenced to Deliver: Mobile phone manufacturing in China and the Philippines,' Jenny Chan, Esther de Haan, Sara Nordbrand and Annika Torstensson, SOMO and SwedWatch, 2008; 'Playing with Labour Rights: Music player and game console manufacturing in China,' Chun Kit Ho, Päivi Pöyhönen and Eeva Simola, FinnWatch, SACOM and SOMO, 2009; 'The Case of China: The Challenge of Labour Unrest in a Communist-run Capitalist Economy,' China Labour Bulletin, 2008, <http://www.clb.org.hk/en/node/100349>.



rough raising awareness of the problems that exist in the Chinese labour market among consumers in other parts of the world, and by contributing to better observation of higher requirements, particularly as regards the environment, health and safety. However, the view of the China Labour Bulletin, and other observers (including the makeITfair network, which Fair Trade Center is a part of) is that voluntary codes of conduct have, so far, had less of an impact on several of the greatest problems that the Chinese workers face: low pay, long overtime, discrimination and casual contracts.<sup>29</sup> With altered strategies companies can play a more important role in these areas as well.

### **CHINA LABOUR BULLETIN'S ADVICE TO OVERSEAS CORPORATIONS**

The CLB has summarised the strategies that it thinks companies, overseas unions and international organisations can pursue in China. Certain of the suggestions are specific to one group of actors alone, while others invite co-operation between them.<sup>30</sup> We present here a somewhat shortened version of the CLB's suggestions.

#### **OVERSEAS CORPORATIONS:**

Above and beyond respecting China's current labour laws and standards, multinationals and other foreign buyers could:

- ▶ Establish company-supported collective "legal defence funds" to support labour rights litigation/dispute arbitration. It would be made available to deserving workers, to enable them to hire lawyers and pay court/arbitration hearing charges. This would boost both the rule of law in China, and also the company's brand.

- ▶ Support or create effective and legitimate internal grievance mechanisms, at the company and factory level. Buyers should specify in their codes of conduct that prospective suppliers must have effective, worker-participated, dispute mediation committees within their

factories. Multi-stakeholder initiatives should also incorporate this key principle. Assistance from local workers' rights NGOs in resolving labour disputes is also important.

- ▶ Be proactive: accept the ACFTU drive to establish factory-level unions in their own or their supplier companies' workplaces, but make acceptance of such union-building conditional upon a policy that only genuine workers, or their elected representatives, hold senior union office or serve on the union committee.

- ▶ Similarly, if factory union or workers' representatives wish to enter into collective bargaining with management: say yes. Or, if the foreign company is the buyer, urge the domestic supplier firm to do so.

- ▶ Keep a clear focus on the potential labour rights violations issues that multinationals, as buyers, are most likely to be responsible for - the issues they are really in a position to systematically and effectively address. Wider philanthropy initiatives are laudable in principle, but not necessarily the best use of limited time and resources.

#### **INTERNATIONAL TRADE UNIONS:**

Trade union centres from developed countries wishing to engage constructively with Chinese workers and/or the ACFTU could:

- ▶ Not expect to achieve much of real utility to Chinese workers through high-level discussions with the top ACFTU leadership. Outreach efforts would be better directed to local, and especially city-level ACFTU offices; this is where the real reforms are taking place.

- ▶ Pressure their own countries' multinationals who operate in China, and whose home-country workers the unions represent, to cooperate and interact constructively with factory-level unions in the Chinese supplier firms, and also to encourage local management to respond positively to Chinese workers' requests for collective bargaining.

- ▶ Mobilize their members to support Chinese

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30. These recommendations were published in a summary of the ongoing struggle for human rights in the Chinese workplace, presented at a conference organised for the 60th anniversary of the Universal Declaration of Human Rights, December 2008, <http://www.clb.org.hk/en/node/100349>

workers in cases where their labour rights have been violated by home country-based multinationals operating in China. Overseas unions should seek a fair resolution directly with senior executives of the company concerned.

▶ Provide training to Chinese workers and union activists in how to effectively operate a union branch, and how to conduct effective collective negotiations with management. This could be accomplished either by inviting Chinese workers and their representatives to visit the home-country union training centres, or by sending union training officials to the factories concerned in China.

▶ Overseas unions could also contribute greatly to the labour rights cause in China by directly supporting mainland workers' rights NGOs, both by partially providing their core operating costs and also by covering lawyers' fees in specific pro-worker litigation cases.

▶ Eventually overseas unions can start collaborating with factory-level unions set up by workers themselves (as opposed to those created in a pro forma fashion by higher-level union offices).

## NGOS

In addition to their existing wide range of initiatives in support of Chinese workers, international NGOs could:

▶ Provide training to mainland workers' NGOs, and others in the key areas of organizational, financial and project management, plus carry out joint field research and conduct advocacy efforts with the home-country companies.

▶ Provide resources and support directly to workers who seek remedies and solutions to violations of their labour rights; especially important in China, where legislation is generally good, but worker's resources are

generally scant. Such financial assistance can sometimes be channelled to workers via local labour rights NGOs.

▶ Help overseas companies to observe Chinese labour law, encourage good labour practices by supplier firms, and set up fair and effective grievance mechanisms. For more on the latter, see second point under item 1 above.

▶ Educate and encourage worker activists to explore the collective bargaining route, in order to set up workers' councils or health and safety committees. This usually means involving the local ACFTU and so can strengthen factory-based NGO initiatives in the eyes of management.

▶ Engage in campaigns that inflict "reputational costs" on companies that do not take due care and diligence with regard to the human rights and labour rights impact of their activities upon workplaces and local communities; especially companies that have been confronted with evidence of corporate wrongdoing.

▶ Naming and shaming culpable multinationals is often essential, but collaboration with mainland NGOs regarding bad labour practices by China employers or supplier firms is also vital, since foreign companies involved in labour abuse cases in China usually have no legal liability or competence in such cases under domestic law.

In this report we give examples of campaigns by unions, companies, NGOs and multi-stakeholder initiatives that work for the strengthening of human rights in the Chinese workplace. Several match the advice and analysis from CLB. Both the CLB advice, and the examples that follow, are intended as sources of inspiration and as a basis for all actors' continued work in the Chinese context.

# Swedish unions want to be the water that wears away the stone

IF Metall and Unionen helps achieve good conditions at Swedish companies operations in China

*Isolate, or engage with and attempt to influence? As mentioned earlier in the report, the only legal union in China is something completely different to what we in Sweden call a union. The issue of how democratic unions should relate to the All-China Federation of Trade Unions, (ACFTU) has long divided both the international labour movement, and other groups within civil society. The Swedish unions IF Metall (representing industrial workers) and Unionen (representing white-collar workers) have chosen to engage in a dialogue with the ACFTU, both locally and at the central level. Through education and exchange they attempt to influence the local partners at Swedish-related companies in China, in order to strengthen the employees' influence and create good working conditions. This makes them unique in the Swedish and international trade union movement. IF Metall and Unionen would like to see more Swedish unions follow their example, and say that interest from China has grown recently.*

”Get involved in China if you have a natural way in. We have one, because Swedish companies are establishing themselves in China - and due to the fact that Chinese companies are in competition with us, in the same product areas,” says Mats Svensson, International Secretary of IF Metall.

The head of Metall’s international section, Erland Lindkvist, adds that the current situation in China - with more and more overseas multinationals operating in the country, with strikes, protests and also widespread corruption - has increased interest on the part of the state to try to find new models for the labour market. ”There is an extremely high interest about how Scandinavia works. We have received I don’t know how many delegations in the last few years. The Chinese are interested in our systems of collective bargaining, health insurance, unemployment insurance and so on,” he says, and states that the Communist Party, in a report to the Central Committee, highlighted parts of the Scandinavian Model as models for emulation within certain areas.

When Swedish investment in China began to rise at the beginning of the 90s IF Metall saw that it was necessary to increase and deepen their contacts with the Chinese union. An important reason for their decision was the need to get better information about the conditions at the Swedish companies that were setting up over there. ”We are convinced that contact and dialogue is a basic precondition to be able to bring about change. Burying your head in the sand, and pretending that China doesn’t exist, and refusing to have contact with a union that is controlled by the Communist Party, is not useful. Every day there are infringements of fundamental rights, both in the labour market and in society, and if we want to contribute to a change it is necessary to have contact and dialogue with the Chinese union,” says Mats Svensson.

## **SIMILAR PROJECTS IN OTHER COUNTRIES**

In 1995/1996 the unions IF Metall and SIF (now part of Unionen) began a collaboration, with the aim of informing the ACFTU about how Swedish union work, in areas including

the working environment and collective agreements, in order to thus create a hopefully stronger and more democratic union organisation within the industrial sector for Swedish-related multinational companies in China.

The project is a kind of three-cornered initiative, since the Swedish union federations' first gets on board Swedish firms operating in China, plus the ACFTU's federation for the Chinese industrial sector. It then brings in the Swedish company management of its China subsidiary. Bert Zetterberg, the International Secretary for Unionen, says that this model, of working with Swedish companies' subsidiaries, has been very successful in countries including Poland, where Unionen has co-operated with Ikea's subsidiary Swedwood,<sup>31</sup> and in India. However, unlike the situation in Poland and India, in China only one union is permitted to operate. The project has, therefore, been harder to carry out, and it is harder to measure the changes, but the Swedish unions still believe in this model. "We must try to make sure that the employees in, at least, the Swedish companies, have fair conditions. And I think that unions in other businesses should try to do this. Water wears away the stone," says Mats Svensson.

Right now IF Metall and Unionen are in discussions with a Swedish company on the design of the project's next phase, but cannot name the company until this is finished. The project has had a somewhat variable reach over the years, but the formula has been similar. In China training and seminars for local union delegates have been arranged, on topics including collective bargaining and the working environment. Chinese delegates are then invited to Sweden. In Sweden the subjects have been somewhat broader, and covered also democracy and the Swedish political system. Erland Lindkvist says that the prerequisite for carrying out the project has been a commitment from the unions based in the Swedish companies, who have pushed the idea forwards internally. "Most Swedish companies are very positive, there are very few who say no. Previously we have co-operated with the operations of Atlas-

Copco, Sandvik, SKF, Tetrapak, Volvo and Ericsson in China," says Erland Lindkvist.

The experience of IF Metall is that the unions in the factories in China can be very disparate, and that it is hard to know who represents who. "The Chinese union system is really not at all developed. The ACFTU has chosen the factory representatives, it isn't the employees themselves who have done it," says Erland Lindkvist. For example, often the Chinese collective agreements are just a repetition of the law, and the issue of wages is not generally something that the union gets involved with. For Chinese union representatives it is also a new experience to be working at private companies, where the surplus doesn't go to the state.

This is one of the things that the Swedish unions are trying to change. IF Metall and Unionen hope that, by raising the level of knowledge for local unions, and at the same time keeping the ACFTU informed centrally, they can help contribute to better working conditions at Swedish subsidiaries; while at the same time creating positive examples that inspire reforms in the whole of ACFTU. "For example, at SKF, the workers say that they do have better pay than in other regions, but it is extremely hard to judge whether this is due to our project or to other factors. In general, though, those who were involved are extremely positive about the project, and say that they have got completely new contacts, plus new arguments," says Erland Lindkvist.

SKF, which produces solutions and services within areas such as rolling stock, seals, mechatronics, servicing and lubricants, was the union's latest collaboration partner, and there the project was conceived somewhat differently. SKF, which has signed a global framework agreement with the International Metalworkers' Federation (IMF)<sup>32</sup> has a large number of production facilities in China. Instead of focusing on one factory, the Swedish unions designed a training process for employees at four of SKF's facilities. The purpose of the training was to develop the nature of the co-operation between management and personnel at the factory. Representatives from every facility's management

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31. For more information on the project, read the article 'Facklig framgång med globalt ramavtal,' SIF och Skogs - och träfacket.

32. For more information on SKF's global framework agreement and ethical rules, see 'Uppförandekoder och globala ramavtal', SIF, 2007

took part: middle management and 2-3 worker representatives. They came together on three occasions, with homework in between. There was no union or workers' representation committee at two of the four factories, and therefore certain individuals were chosen as worker representatives. Management and worker representatives were both involved in two of the three training days. During the third day they were divided into two groups. The shared days dealt with co-operation and negotiation, and during the time without management, subjects including negotiating tactics were discussed. The training was carried out during 2008, and the Swedish unions will assess how the course was received. Mats Svensson says that it was even possible to see progress being made during the course itself.

"At the beginning the Chinese participants felt that working and discussing in groups was uncomfortable, but things loosened up and people risked more. After the course a union was established at one of the factories where there had not been one previously. This process has itself been a long one, since the local union section has to be approved by the ACFTU".

The working environment and collective bargaining are subjects that are not so sensitive in China, but could the Swedish union's people also take up issues like representation and legitimacy? "Yes, we could. We spoke about how we do things in Sweden, and how they do them in China, and later we held an open discussion around this," says Mats Svensson.

He relates how IF Metall's contacts at ACFTU central do realise that they have to do something about low pay, unhappiness with poor work conditions, and strikes, which, as we have seen, have increased in recent years. But Mats Svensson says that the ACFTU lacks the ability to solve these problems, since they are still using an outdated approach. An approach that goes with the role that the union had in Communist China before the time of multinational and private companies. "In those days the money came in regularly and the ACFTU fulfilled its politi-

cal and social role, concerning matters such as schools, day-care, housing and so on - just like in the USSR and in all other Communist dictatorships," says Mats Svensson.

## **WORKING ENVIRONMENT PROJECTS - A GOOD WAY IN TO CHINA**

Apart from the co-operation with Unionen, directed towards Swedish companies in China, IF Metall has also undertaken projects on the work environment within the Chinese mining industry. The Chinese mines are infamous: '35 döda, många saknade i gruvolycka' (35 dead, many missing in mine accident), Svenska Dagbladet, 8-09-2009<sup>33</sup>; 'Över 70 döda i kinesisk kolgruva' (Over 70 dead in Chinese coal mine), Privata Affärer, 22-02-2009<sup>34</sup>. These are just two of the headlines that have appeared in the Swedish media during recent years. According to the official statistics more than 3,200 miners died in China in 2008, but unofficial figures suggest a much higher death toll, an unimaginable 20-25,000 deaths. The reason for the large number of unreported deaths is that there are many private, illegal, mines, and that far from all accidents from even the biggest mines are reported.

IF Metall is an active member in the International Federation of Chemical, Energy, Mine and General Workers' Unions (ICEM), and has been in touch with the Chinese mining sector since the beginning of the 90s. At the start of the 2000s the union carried out a project where representatives from the ACFTU's mining section came to Sweden, to study how Swedish unions and companies work with health and safety. Right now the union is planning a new project, working with the Swedish companies LKAB and Atlas Copco. "The idea is that we, together with the companies and the local unions, will be able to do something concrete at the local level in China. We think that the power of a good example can create a big effect," says Erland Lindqvist. The Swedish companies are positive, but the union is still waiting for an answer from the Chinese side.

IF Metall's attitude towards the ACFTU has previously not had the support of the

33. [http://www.svd.se/nyheter/utrikes/artikel\\_3483721.svd](http://www.svd.se/nyheter/utrikes/artikel_3483721.svd)

34. <http://www.privataffarer.se/nyheter/tt/2009/02/22/kinagruvolycka/>

International Metalworkers' Federation (IMF), or of the International Textile, Garment and Leather Workers Federation (ITGLWF). Above all it has been the American members who have pushed the line for a boycott, but now they are beginning to change their position. During this year's IMF Congress, which was held in Gothenburg, the international federation's working group on China urged union officials to increase their contacts with Chinese employees in multinational companies, on issues that concern union and human rights. "Chinese workers

deserve good conditions, Chinese workers deserve democratic trade unions," said the ex-chair of IF Metall, Göran Johnsson, during the congress.<sup>35</sup>

And the change is already noticeable. In April 2009 the IMF organised a seminar in Shanghai to discuss topics such as national collective bargaining and the union response to the economic crisis. IMF member unions from five countries took part in the seminar, plus also local and national union leaders from the ACFTU.

## Multi-stakeholder initiatives let audits and worker training reinforce each other

Dialogue and communication is the choice for FWF and ETI in China

*Make fewer and better audits - audits where the employees' opinions are important. Invest in integrating personnel training with audits and follow ups. This is the advice of the <sup>36</sup> Fair Wear Foundation (FWF) multi-stakeholder initiative to its member companies regarding China. Several multi-stakeholder initiatives have a long experience of working with local organisations, and of trying new methods in China, where free organisation is forbidden by law. In this section we hear some of the Fair Wear Foundation's experiences and also take a look at a new and innovative project run by the British Ethical Trading Initiative (ETI).*

"We miss masses of opportunities in China by relying on audits alone. Audits are expensive, and inspection combined with training can deliver better working conditions, for the same investment," says Ivo Spauwen, the Verification Coordinator for FWF in China.

Fair Wear Foundation's members have agreed that their factories and suppliers must respect the rights of all employees to establish or join a union, and to bargain collectively (ILO conventions 87 and 98).

There is also provision made in the code of conduct for the multi-stakeholder initiative - its code of labour practices - stating that if union freedom is not allowed by local law, as in China, then the member companies will "facilitate parallel means of independent and free association and bargaining" for all workers.<sup>38</sup>

The FWF has produced a guide on how members can live up to the demands of the code.<sup>39</sup> It shows how companies should

35. 'Bulletin för IMF:s 32:a kongress, Göteborg maj 2009', IMF kongressnytt / 'Bulletin for the 32nd IMF World Congress Gothenburg May 2009', IMF Congress New Can be downloaded at: [http://www.imfmetal.org/Congress2009/files/09052617593179/IMF\\_congress\\_newsletter\\_2\\_SV.pdf](http://www.imfmetal.org/Congress2009/files/09052617593179/IMF_congress_newsletter_2_SV.pdf) (in Swedish) or [http://www.imfmetal.org/congress2009/files/09052617474979/IMF\\_congress\\_newsletter\\_2\\_EN.pdf](http://www.imfmetal.org/congress2009/files/09052617474979/IMF_congress_newsletter_2_EN.pdf) (in English).

36. A multi-stakeholder initiative is a coalition of companies, unions and NGOs, who work together to improve working conditions in the supply chain.

37. Skype interview, 1-09-2009.

38. The Fair Wear Foundation Code of Labour Practices can be found at [www.fairwear.nl](http://www.fairwear.nl).

39. 'Freedom of Association and the Right to Collective Bargaining,' Fair Wear Foundation guidance document for auditors and member companies, January 2008.



behave in countries without freedom of union organisation, for example China and Vietnam, two large textile producers, where only state-controlled unions are permitted. The guide also says that companies must require there to be functioning internal communications between employee and employer, as well as having effective complaints procedures.<sup>40</sup> In addition FWF's member countries should take heed of the fact - and communicate to their suppliers - that according to Chinese law it is permitted to bargain collectively, and that they must in no way seek to work against this. But how has it worked out in practice?

"The member companies must make their suppliers aware that they cannot oppose their employees' freedom to organise. There doesn't have to be a union at the factory, but if employees want to organise themselves then the factory leadership cannot try to stop them," says Ivo Spauwen. "I also advise member companies to go further, and get involved in the training of their suppliers. If there is an All-China Federation of Trade Unions, ACFTU-union at the factory, to support them, and if not, to make it possible to create a worker's representation committee at the supplier."

To support the creation of elected worker' committees is demanding, as it involves a long-term involvement with the supplier factory, and assumes that the supplier will co-operate with the local union or organisations. However, Ivo Spauwen says that this is what the initiative's member companies should do, in order to create good and sustainable conditions at their suppliers in China. So far he has no positive examples to point to, but say that several companies have taken steps in the right direction.

## **TRAINING IN WORKERS' RIGHTS AT CHINESE FACTORIES**

Once such step is, according to the FWF, the training of employees at Chinese suppliers. FWF began to investigate the possible training of workers in China in 2004, and

carried out its first training sessions in 2006. Its programme is focused on making workers aware of their rights and of the legal tools that they can use. The training is linked to the specific needs of the particular factory.

In March 2009 FWF hosted a seminar on worker training; 15 organisations from mainland China and Hong Kong which had experience of worker training took part. The purpose of the seminar was to exchange experiences and to try to evaluate how effective the training efforts carried out in China so far had been.

During the seminar the participants were unanimous on the benefits of linking worker training with audits and action programmes. Not least because the training programme will lead to employees become a more significant element in the supervision of working relations at the factory. At the same time the training becomes more relevant for personnel if the issues discussed have a direct bearing on their own everyday situation, and if they find that problems that they bring up can be solved.<sup>41</sup>

The FWF inspection method is to first carry out interviews with workers outside the factory. After that the team visit the factory and make an inspection, and then make a plan for how any possible problems or anomalies can be dealt with. The FWF view is that the training of employees and the worker interviews during inspections can complement each other. What workers have said anonymously during the interviews can be taken up during the training, in a more general way, and all employees who take part can learn more about how they can proceed with things that are wrong: according to Chinese law and according to the factory's own rules. The training can happen with or without management, it depends on the subject and on the situation at the factory. "In our inspection reports FWF tries to identify situations related to empowerment and freedom to organise, and to give member companies very clear recommendations about what they can do, and what the training

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40. This means ways for the employees to report anomalies, breaches of the law or the code of conduct, and to suggest workplace improvements.

41. 'Best practices in factory training in China: Contributing to more worker participation in the improvement of working conditions,' Fair Wear Foundation, September 2009.

should help with in that particular factory. The training of workers is, however, only a recommendation to our members, not a requirement,” says Ivo Spauwen.

So is carrying out worker training a good way to increase the influence of workers, and help create better working conditions, in China? According to Ivo Spauwen the answer is that it can be - if it is carried out consciously and with the right goal. “Yes, in the sense that training can lead to workers becoming more aware of their rights. Outside organisations can come in and help with the training, but they can never represent the workers. Education that leads to workers becoming better at representing each other and at negotiating with management can lead to long-term change. In China many factory workers are young, unskilled and have little confidence in their bosses”.

A lesson from the seminar that FWF arranged in Hong Kong, spring 2009, was that a large number of different training projects have been carried out in southern China. Many of which were focused on the short-term and which did not have any concrete results. “Some companies have carried out training events for workers in order to strengthen their CSR brand. There are also good examples, but China is a big country, and so far the training hasn’t had so much of an impact in the scheme of things. I think that we in the purchasing countries must do more to build up momentum for capacity building and education, that is to say, doing it in our companies,” says Ivo Spauwen.

The Chinese organisations that were at the seminar hope that the lessons that they collected, on both implementation and sustainability, will lead to more well planned, thought-through efforts. Among the lessons brought forward in the seminar report was one on the importance of having a realistic idea of what the training will lead to. Another is how training with the purpose of strengthening or creating workers’ committees at the factories has the potential to lead to long lasting change. Tying together training and audits was also highlighted as a good example. According to the organisations that took part, training events should be carried out during

the off-season, simply for practical reasons, and there should be separate training for managers and for workers - but with at least one meeting/seminar together.<sup>42</sup>

In the report from the Hong Kong seminar a series of factors were named, ones that participants saw as being required to make the efforts work over the long-term. In order to do something sustainable local actors must be involved. The Chinese organisations that were at the Hong Kong seminar have local groups in Shenzhen and Donguan which are run by former factory workers. These can take part in the training and contribute their support to employees straight after the training. Another factor that was highlighted is the question of financing. Long-term funding is necessary in order to succeed, and teamwork between customer and supplier, as well as with the organisation that is to carry out the training.

The world is currently undergoing an economic crisis, which has hit the Chinese manufacturing industry hard; but the Fair Wear Foundation does not think that this affects the long-term possibilities for trying to build up the competence of suppliers and their employees. “Some of our member companies are becoming more and more progressive. When they have audited all of their suppliers, they focus more on capacity building for their suppliers, and aim their attention on co-operation with local organisations and consultants. This shows that the crisis is not affecting the ethics work that, at least, medium-sized companies are doing,” says Ivo Spauwen, who states that capacity building is necessary for companies that want to create better working conditions in China.

“Do fewer audits - especially if they are poor quality audits, carried out by a company that visits the factory one day and then writes a long report where it says that everything is fine. Instead make more thoroughgoing audits at some of your most important suppliers, and use the result to educate the employees in co-operation with a local organisation,” he says.

Another piece of advice is to be realistic, and to work together with other companies that buy from the same supplier, or as part of a multi-stakeholder initiative.

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42. ‘Best practices in factory training in China: Contributing to more worker participation in the improvement of working conditions,’ Fair Wear Foundation, September 2009.

”You cannot have total control over the whole of your supply chain, but you can set a level of ambition that your other suppliers try to live up to,” says Ivo Spauwen.

### **AN EXTERNAL COMPLAINTS PROCEDURE - THE LAST RESORT**

The FWF has created a kind of final safety net, in case the communication procedures at member companies’ suppliers are not functioning: An external complaints line, a so called hotline, that workers can ring. In every country where the FWF works, it has at least one local member of staff who receives such calls. The information on the procedure can be found in the FWF’s code, which must be displayed at the factories. During audits the FWF’s inspection team talk about the possibility of ringing and reporting faults; the complaints procedure is also mentioned when the initiative carry out training for management of workers.

Despite this, it seems that few take up this offer in China. During the second half of 2008 a total of just 12 calls came in to FWF, of which three have been referred to the central organisation.

”It is only a few calls, and I think that this is because it is a big step for the workers to take, to ring up someone they do not know and have never met. We see the hotline as a safety net, a last resort for serious cases. The three cases that we have got calls about, and which are ongoing, are all about overtime being too long. The fact that we have not received more serious complaints is not, of course, because there are none, but rather because the workers so far do not see this as an effective way to solve their problems”.

He concedes that the workers are partly right - it takes time to solve problems via the hotline. At first the FWF has to investigate the case, and then begin a dialogue with member companies and suppliers. Regarding the overtime problem itself, the issue may be based on the buyer or the supplier company - or on both. In some cases the FWF has contributed to manufacturing companies hiring consultants, who have then helped them to see how they can strengthen the dialogue between management, workers and buyers. The FWF has also, together with its member companies, gone through how the process for manufacturing and purchasing can

be changed, in order to improve work times. But Ivo Spauwen talks about other examples, of cases where the problems raised by the hotline can be resolved faster: ”In one case that we had, an employee who had revealed problems at the factory during an inspection had been fired. And so we began negotiations between our member company and their supplier, and the sacked worker received severance pay.”

### **THE MULTI-STAKEHOLDER INITIATIVE ETI IS STARTING A NEW PROJECT, TO IMPROVE DIALOGUE BETWEEN EMPLOYEES AND EMPLOYERS IN CHINA.**

Fair Wear Foundation urges its members to make possible the establishment of worker representation committees in the countries where union organising is forbidden, or to strengthen local unions at their supplier companies. The multi-stakeholder initiative Ethical Trading Initiative (ETI) has, in 2008 began a pilot project with some of its members, with the purpose of creating committees at the factory level where representatives for all parties are included. The British ETI has members from several different industries, including the garment and grocery trades. Many of the initiative’s members have suppliers in China, and the initiative has previously run a series of projects, around the issue of how companies can live up to their ethical codes in the Chinese context. ETI is, among other activities, the host of a China forum, a tripartite platform where members can discuss experiences and activities in China, and the initiative has previously endeavoured to support the setting up of representatively elected health and safety committees in China. The project returned only meagre results, however, and discussions around this led to the birth of the new project, called Decent Work, in autumn 2007.

This new pilot project aims to improve the ability of Chinese employees to negotiate with their employer on work conditions and pay, through methods including raising the factory workers’ awareness on their rights in Chinese law. The view of ETI is that if the employees have access to a working system for complaints and negotiations about common problems (for example forced or unevenly distributed overtimes) then this will be-

nefit the union as well as the buyer company, since it contributes to workers becoming happier with their job, staying longer and doing a better job.

The project involves international union federations, local unions, NGOs, the buyer or the owner (an ETI member company) and, of course, the local factory as well. From the UK the Trades Union Congress (TUC) - the British equivalent of the Swedish trade union federations LO and TCO - is participating, plus aid organisation CAFOD, and companies Debenhams, Monsoon Accessorize and Next. In the current situation ETI does not want to reveal publicly what partners from Chinese civil society are taking part, since it is in the introductory phase of a sensitive project. But what is clear is that Chinese organisations will be responsible for the training.

The method of the project is to create 'facilitation committees' made up of representatives from factory management, from ETI's member company, from a local NGO and unions. The pilot project has been initiated at two factories, a clothes factory in Dongguan, Guangdong and one in Hangzhou, near Shanghai. At the two pilot factories, the first stage has been to set up the committees and to carry out an evaluation of the needs and problems that the various partners see as existing in the workplace. The evaluation has been carried out by unions and NGOs and both workers and executives have been interviewed.

"Currently the committees are working to build up trust, and to work out what the training and dialogue between employees and

management will contain," says Emily Scott, Project Manager for China at ETI<sup>43</sup>.

During the introductory phase of the project a workshop was held in Guangzhou, on different methods of co-operation, for NGOs, union representatives and academics. This meeting led to agreement on some important stages of the project, including more meetings with union representatives, in order to clarify their role in the project. The next stage in the project is to offer workers training in labour law, and offer support for representation mechanisms.

### **INCREASED CO-OPERATION AND BETTER COMMUNICATION.**

On their website ETI write that it is already possible to see progress towards better communication at the first factory in the project. The project has also contributed to stronger bonds between the Chinese organisations that run social centre for factory workers in southern China, and British organisations. ETI will be welcoming more unions and NGOs into the project's group, and hopes that, eventually, more member companies will be able to commit themselves after the first phase is complete, which will probably happen by 2010. Eventually the lessons and results will also be made public.

"We hope that this will be a model that other multi-stakeholder initiatives can learn from, and we will be sharing the lessons learned, which we hope can lead to improvements in many workers' lives," says Emily Scott.

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43. Email interview, 9-09-2009.

# Computer giant HP is cooperating with Hong Kong organisations in a unique training project

*Hewlett-Packard (HP), the world's largest computer firm, is evaluating the needs of its suppliers, many of which are based in China, through various measures including audits. Training of managers at supplier companies and their employees is one of the ways that HP is following up on audit results to create long-term improvements in its supply chain. The computer giant has discovered that in China there are often low levels of communication between workers and factory management. So HP, together with the Hong Kong-based workers' rights organisation SACOM, initiated a unique pilot project to improve the lines of communication. The project is unique because the training is planned and carried out by multiple partners: HP (the customer), two first tier suppliers (Chicony Electronics and Delta Electronics) and three Hong Kong-based organisations - Students and Scholars Against Corporate Misbehaviour (SACOM), Labour Education and Service Network (LESN) and the Chinese Working Women Network (CWWN). The costs of the training are paid by HP, while the suppliers pay the wages of their employees while they are in training. Plus SACOM's role as coordinator has been funded by the Swiss organisation Bread for All. In total, 4,263 workers and 70 managers from two factories took part in the project, which ran from August 2007 to July 2009. Two reports on the project were also published in September 2009.*

SACOM works through research, campaigns and dialogue to change the labour market in China and make it possible for employees themselves to participate in the regulation and control of pay levels and working conditions. Jenny Chan is the Chief Coordinator at SACOM. She says that especially, legal training is a good way to create a framework for real representation. "In China it is important that education isn't just directed at the individual employee. The turnover in staff numbers is high, partly because most workers are young, and many are migrants. That's why we recommend training where employees are taught about how to represent their colleagues and how to further develop their knowledge."<sup>44</sup>

SACOM pursued this strategy when planning the project with HP. In one of the two

participating factories, Chicony Electronics, the training for the members of the workers' committee included how to represent others, and training in the running of an anonymous complaints mechanism, a hotline. During the project CWWN started up an independent hotline, which the workers' committee have now taken over. In Delta Electronics the project involved the training organisation LESN producing a booklet on employees' rights, which the training participants can now pass on to other workers. The idea is that those who have received training then themselves become the trainers of other workers - and if they change employer they can take their new knowledge of working rights with them.

SACOM is very pleased with the fact that it was two Chinese organisations that carried out

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44. Interview, 8 September 2009.

the factory training. "The project has broadened out the co-operation between the customer, the factory and civil society. It has given the two suppliers completely new experiences. They had previously worked with consultants, but this time they have made use of the expertise of local grassroots organisations. This is a very important experience for HP, and for the two factories. This, combined with the feedback we have got from factory workers and management, means that we are happy with the project," says Jenny Chan.

HP also expresses satisfaction. Ernest Wong is HP's Supply Chain SER Program Manager. He points to two positive effects in particular at supplier company Chicony. The first is that, since the end of the project, the workers' committee have taken over running the complaints hotline and that communication between workers and management at the factory has been strengthened. "It is very encouraging, and we're discussing right now with Chicony the possibility of carrying out similar training programs at the company's other factory," he says. The second positive development that HP sees is that Chicony, after the project, arranged an information day on ethics and controls for its own subcontractors. HP is a member of the Electronic Industry Citizenship Coalition (EICC), which has established a common code of conduct for members, and which also helps member companies to put it into practise. The EICC includes well known brands such as HP, Dell and Sony, as well as production companies with a less well known profile. According to EICC ethical rules it is the responsibility of suppliers at the top of the chain to both follow the code of conduct as well as make sure that all of their subcontractors do the same. Chicony began to audit its suppliers at the start of 2009 and the HP/SACOM project made the company go one step further. Ernest Wong explains: "Chicony invited its suppliers to an all day event, where they discussed the requirements of the EICC code. HP was invited to talk at this meeting. 130 representatives from Chicony's suppliers took part - at HP we think that this is very positive."

Vic Lee, Administrative Director at Chicony, is also positive about the project. He explains

the benefits his company has gained in an article published in the HP Global Citizenship report 2008. "The workers' labour rights awareness training provided workers with specific education to help them better understand their rights (for example, how to calculate overtime pay) and obligations (for example, providing a valid ID card to ensure they enrol in social insurance). Though this program had an impact on working hours, we think it was worth doing to establish the culture of social and environmental responsibility in the company. This program provides a good communication platform for workers and factory management. And it helps build a harmonious working environment and raise the satisfaction of workers."<sup>45</sup>

In total 2,714 Chicony employees took part in the project, and 30 members of the workers' committee received tailor-made training in dealing with complaints and in communication methods, so that they could take over the complaints mechanism at the end of the project. While CWWN was running the independent hotline it had 126 calls.<sup>46</sup>

The member of CWWN who carried out the training at Chicony is Suet-Wah Choi. "This experience can be a role model for future training programs in the industry and even a reference for other industries. We expect workers' representative committees to take ownership of training and workers' hotlines to keep the program sustainable. One day they will be able to actively communicate with factory management," she says.<sup>47</sup>

### COMPROMISES ALONG THE WAY

As we have seen above the project has received good reviews on its potential to create long-term improvements, but Jenny Chan is upfront about the hard decisions that were necessary. "We need to make some compromises, both with the design of the project itself and in the two reports that have been written." According to Jenny Chan the partnership work was most demanding at the bigger of the two factories - Delta Electronics. The plant, which has 22,000 employees, already had a system for worker-management communication that the heads of the factory were proud of. Regular meetings were held at the factory between managers and

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45. HP Global Citizenship Report 2008.

46. Hewlett-Packard Labour Rights Training Program: Chicony Electronics (Dongguan). China, SACOM, 2009.

47. Hewlett-Packard Labour Rights Training Program: Chicony Electronics (Dongguan). China, SACOM, 2009.



employees and there were 'complaints boxes' and other means of communication. SACOM and LESN, who carried out the training, discovered that the workers did not fully utilize in the system. The organisations suggested that their project should involve the creation of an independent hotline, but Delta would not agree. Instead training sessions for middle management and separate seminars for workers were organised.

During the project employees made certain problems known to LESN. This included their unhappiness with a rule that those under 23 and unmarried had to live at the factory. Delta management, on the other hand, explained that the dorm rule is made for the sake of their employees. "Safety and security for young girls is very important in industrial towns."

LESN developed a summary of these questions and opinions and presented them to Delta's management and the communication has led to some changes of the rules and to a better understanding between managers and workers.

Another issue that Delta employees took up during the project regarded the factory's management system and the payment of overtime. The wage payment system at Delta is very complicated, if not unclear and obscured to the workers. The advice that LESN gave to the workers was to use the company's normal channels to inform the company leadership of this state of affairs; LESN also promised to pursue the issue. The system of overtime payments has now been changed and the workers' confidence in the management rebuilt.

At HP, Ernest Wong gave a partly different picture of Delta's communications channels. "They already had a solid and robust communications channel. The purpose of this project was to further strengthen the workers' trust in communicating with management and also strengthen the communications methods," Ernest Wong also says that Delta will be using parts of the contents of this project to strengthen the in-house training of employees.

The Delta seminar on EICC's ethical requirements, Chinese labour law and communication with employees was attended by 40 middle managers. In separate seminars 1,549 workers were trained in Chinese employment laws and the company's ethical

guidelines. After the project LESN evaluated workers' perceptions of the course. A majority of the workers responded that the program had helped them to better understand their rights. Many said that now, instead of quitting if they were unhappy, they would go to management with their complaints and hope to work out a solution. Some workers said that, thanks to the seminar and the standard text on workers' rights, they had been able to help other workers with advice and information.

"I'll keep the booklet for my future use. I'll also share it with my cousin in another factory in Dongguan. The last section on the prevention of industrial accidents – not to remove the protective guards even when production quota increases, to always put on gloves when using chemicals and glues in assembling, to inform the line leaders when getting exhausted from overwork, and so on – they are crucial reminders to me because I am operating a big machine", says a 19 year old male worker.<sup>48</sup>

### **BUILDING TRUST IS IMPORTANT**

Parts of the project have been seen as controversial by various participants, but the project partners have managed to bridge their differences and conclude the project with a positive result. As we have seen, the project has led to local improvements, and is likely to become a model for future efforts. Ernest Wong explains: "The most important thing for success is trust and the desire for change/progress. If suppliers trust the partners then the size of the factory and the number of workers is less important." He says that HP spent a lot of time building up trust and setting up common goals between partners in the initial stage of the project.

Suet Wah Choi at CWWN, who led the training at Chicony, relates in an interview how NGOs are often met at first by suspicion from companies. "We have experienced a lot of suppliers that hesitate to work with an external stakeholder like us. They may think this is their internal business and do not trust external parties, especially NGOs. Inside the factory, a lot of labour issues are due to misunderstanding between management and workers, because they do not trust each other. Trust is important in this program internally and externally."

This is confirmed by Vic Lee, Administrative

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50. Hewlett-Packard Labour Rights Training Program: Delta Electronics (Dongguan) Co. LTD. China, SACOM, 2009.

Director at Chicony: "I agree with what Suet Wah mentioned about our history of building trust. We found our common interest and thank the initiation of HP. We would like to hear the voice of workers and encourage them to speak out in order to know their needs. Migrant workers are a major component of our workforce and they need time to adapt to their new lives in the city and factory. They used to hide their feelings. The training and hotline in this project provide a channel for them to speak out to resolve misunderstandings. Social insurance is one of the examples. After the training, workers understood that social insurance is good for them, and they knew the proper procedure to handle their account of social insurance when they leave the factory."<sup>49</sup>

### **NO INVOLVEMENT BY THE AUTHORITIES AND THE ACFTU**

As we have seen earlier in the report the only union permitted to operate in China is the All China Federation of Trade Unions (ACFTU). This organisation has played a minimal role in solving conflicts and negotiating for employees, especially when the disputes involved large numbers of workers. This means that some union officials are sympathetic to individual worker victims, whereas workers who organized in a collectivity can be too political (seen as threats to social stability). Workers in China who are exploited or denied their rights or rightful payment must therefore either vote with their feet and quit, or turn to the local statutory bodies, to China's labour dispute arbitration committees or to Chinese grassroots organisations, such as those that support migrant workers. When asked how she sees the role of the local authorities and the ACFTU, Jenny Chan answers that SACOM thinks that the local government should create a level playing field wherein enterprises must safeguard workers' legal rights. The local implementation of the Labor Contract Law and the Social Insurance Law, for example, should be consistent, despite the hard time of the global financial crisis.

At HP, Ernest Wong makes the point that companies implementing training for their suppliers complements the role of authority or unions. He says that this is a CSR project that deals with how brands, suppliers and NGOs can

co-operate to foster sound working conditions that live up to the brands code of conduct.

### **THE KEY LESSONS FROM THE PROJECT**

HP sees the co-operation that was achieved between the partners as the most important lesson learned. "Number one is the way that we have managed to reach common goals with our suppliers. The purpose of the project was to strengthen the workers' awareness, to build a solid basis for improved communications and a better management process at the factory, which I think we have achieved," says Ernest Wong.

SACOM's co-operation partner Bread for All also highlights co-operation as key to change in China. "This two-year project can be very important for the sustainable development of the global electronics industry. It shows a way for a new CSR practice with multi-stakeholder collaborations. Should global and local independent NGOs, brands, and suppliers continue to work together, a more favourable worker-centred monitoring system can be established in China, where genuine worker representation remains weak," commented Chantal Peyer from Bread for All, a not-for-profit Swiss NGO and international partner of Hong Kong-based SACOM.<sup>50</sup>

HP has previously worked with Chinese and Hong Kong organisations, within areas including health and safety, but Ernest Wong says that this is the most comprehensive project dealing with what he calls the training in worker 'rights and responsibilities'. HP has continued to work with LESN at another of the computer firm's suppliers and is currently evaluating how the firm can further develop its training program. "With the help of the experiences from this project we are trying to see how we can do things better. For example, whether we can use parts of this model in the training of new employees and how we can develop the concept of 'training the trainer'. We are also working with finding other partners. For example in one of our suppliers we have introduced a hotline run by a local Chinese civil society organisation," he says.

The choice of partner depends on the different needs of suppliers, says Ernest Wong. "We are constantly evaluating what weaknesses our suppliers have, and what kind of training we

49. HP Global Citizenship Report 2008.

50. Press Release from SACOM and Bread for All, "Towards a new worker-based CSR model: A pilot labour rights training program in China, 23 September 2009. Can be read at <http://sacom.hk/archives/585>

should carry out. Right now we are planning to work with other partners' training on discrimination against personnel infected with Hepatitis B at our Chinese suppliers."

This discrimination has been recognised in a series of reports, including makeITfair's report 'Playing with labour rights', from March 2009. In China there are around 130 million people living with Hepatitis B, most of them infected since birth and completely without symptoms. Factors including ignorance of how the infection is transmitted have led to a new Employment Promotion Law (effective on 1 May 2008) in China that aims to counter the discrimination. This has caused many companies to tackle the problem of discrimination against those with Hepatitis B.

### **MANY METHODS ALREADY AVAILABLE FOR BUYERS IN CHINA**

Regarding the question of which methods he thinks are most effective in the Chinese context to improve communication between employers and management, Ernest Wong answers that HP sees orientation, the training that new hires receive, as one of the most important tools. All newly hired employees must be trained in EICC's code and rules, in their own rights, in health and safety procedures and in the communications channels that exist at the workplace, including of course the appropriate regulations. "When we carry out EICC checks we look very carefully at how such training is handled and what it involves," he says. HP then encourages its suppliers to bring in new training and to establish workers' representation committees where necessary. According to his experience these have the potential to function as robust communications channels between managers and employees. Ernest Wong goes on to spell out the importance of robust complaints mechanisms. He says that he thinks that hotlines are a good tool, but also indicates that the factories must also be able to deal internally with complaints. "Managers must make sure that there are good channels for workers to communicate with the factory's leadership in order to avoid misunderstandings, and prevent certain problems from arising." SACOM points to capacity building and training as good methods for strengthening the position of workers in China. At the same time all actors must work to strengthen Chinese law and make sure it is followed, so that no one has their rights infring-

ed, says Jenny Chan. SACOM and Bread for All advocate a three-stage model for how companies with operations in China can involve their employees more.

**STEP 1:** Labour rights training provided by labour NGO: the courses should consist of a whole series of labour laws, specialized knowledge on occupational health and safety, and worker organizing.

**STEP 2:** Support existing monitoring efforts with joint monitoring mechanism on labour policies by multiple stakeholders training provider (for example, labour NGOs), third party monitoring group (such as SACOM and other anti-sweatshop NGOs), representatives from supplier factory and brand's CSR department. Independent worker hotline and dispute resolution committee should be set up to resolve complaints and disputes.

**STEP 3:** Labour-based CSR committee: When workers become empowered through steps 1 and 2, they should be facilitated to set up an independent (without interference from management) and democratically elected CSR committee to take the lead in monitoring, assessment, and improvement of the CSR system, in particular, issues directly related to labour rights and worker welfare. Ideally, at this mature stage, NGOs will take a back seat. They will need to continue to monitor the workplace conditions from time to time but only engage in negotiation if serious dispute arise.

### **FOLLOW UP WORK AND ADVICE TO OTHER BRANDS**

HP says that they will share their experience from this project with other firms in the industry. Ernest Wong says that he encourages other electronics firms to carry out similar projects, and says that the co-operation between firms who share the same supplier should be looked into. Jenny Chan at SACOM says that she hopes that the project will work as an inspiration for other buyers with suppliers in China. "I really hope that HP and other buyers will have long-term relations with their suppliers, so that they become motivated to improve working conditions. I think that if Chicony, Delta and other suppliers see CSR as part of doing the right thing, and of being competitive in the global economy, then they will enhance themselves to really respect workers and maintain proper communications procedures."

# Conclusions

**A**s we have seen, China is Sweden's most important trading partner in Asia, and 550 Swedish companies have a presence there. A majority of the toys, clothes and mobile telephones that Swedish consumers buy are made in China. Despite the extensive trade and interdependence of Sweden and China, Fair Trade Center is often met with generalisations on the part of companies, when we discuss commonly occurring problems in China. The extremely long overtime hours, common at many Chinese factories, are explained away by certain companies as due to the fact that "the Chinese want to work a lot" and that this is "cultural". The hierarchical working environment, where young migrant workers are often treated like replaceable machines, is also sometimes described as being due to "culture", as can the "choice" of living in a dormitory with 8 to 12 people in each room.

It is as though the lack of democracy and of union rights is something written in stone. The same companies have also written in the freedom of union organising, and the right to bargain collectively, into their ethical guidelines, but make little attempt to see that this includes workers in China. While many of the overseas companies - who either buy from, or have production in, China - have played a positive role in China through their ethical rules, so far these have particularly led to an improved working environment. Through the examples in this report Fair Trade Center wants to show that, with altered strategies, companies can play an even bigger role, in issues such as freedom to unionise, wages, overtime and discrimination.

The Chinese workers are, of course, exactly like the Swedish ones: they want secure employment contracts, reasonable pay, that makes it possible to work reasonable hours, and also the possibility to choose for themselves how they will live, and who with. And when they do not get this, then they express their protests in the few ways that they can in an unfree system: by voting with their feet and changing jobs, by demonstrating, or by suing their employer. All the signs indicate that it is the Chinese workers who are the force behind the progress towards human rights in the Chinese workplace through their actions the workers have - despite their lack of democratic rights - forced the Chinese government to strengthen the labour law and to arbitrate in labour market conflicts. In this report Fair Trade Center has attempted to show how companies, international unions and NGOs can contribute to the Chinese workers' efforts.

The international union federations have been split in their views on China. For a long time the line was that it was impossible to work with the sole permitted - and undemocratic - union ACFTU. But this path has, so far, not led anywhere. The two Swedish unions, IF Metall and Unionen, have chosen to take an open attitude, and to try to contribute to good working conditions at Swedish subsidiaries in China. The unions have also invited dialogue with representatives for the ACFTU, and involved themselves in projects on the working environment. This is an approach with the potential to create positive change, both locally, at Swedish companies, and through the whole of China; and it is an approach that unions in more industries should try. The view of Fair Trade Center is that Swedish companies with subsidiaries in China should

be open to co-operation with Swedish unions, in order to foster good conditions for Chinese workers, and that they should say yes to inquiries about collective bargaining from either Chinese unions, or workers' representation committees, if such groups want to begin negotiations.

By including workers more in auditing and following up of ethical requirements, as Fair Wear Foundation and ETI do, it is possible for the organisations' member companies to help strengthen the position of Chinese employees - and meanwhile the suppliers' factories benefit by holding on to experienced personnel, and the risk of conflicts is also reduced. It is important to stress that the work of both these multi-stakeholder initiatives involved local Chinese organisations and unions, in the projects to build capacity at the factories and in projects to improve communication between workers and management at Chinese supplier companies. By being part of a multi-stakeholder initiative, smaller companies and buyers can also broaden and deepen their ethical work, benefit from each other's competence and from the experience of previous projects. The report by the Fair Wear Foundation, on the seminar where local Chinese and Hong Kong based organisations exchanged experiences of workers training with the purpose of creating a good example for others, can be of use for other companies.

The HP/SACOM example shows how an individual company can co-operate with local organisations, in both the project design, and in the training of supplier companies' employees. The example also shows how trust can be fostered, between buyer, supplier and NGOs. The project led to positive results for employees at both factories, and shows that training - if implemented in the right way - has the potential to strengthen the position of Chinese workers in the long-term. HP, and the two supplier companies that took part in the project, also say that they will be continuing to involve local organisations in a future project, which is something that Fair Trade Center sees as very positive.

Fair Trade Center hopes that the examples in this document have shown how important it is to involve employees in companies' work on ethics - and that this is even more important in China, and other countries which lack trade union freedom. The advice that the China Labour Bulletin give to companies, unions and organisations, and the strategy that SACOM and Bread for All present, are a good basis for further work. If Chinese employees are empowered, and involved more, then companies can really help in the strengthening of human rights in the Chinese workplace.

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