

# **Social democracy by the union route: a Chinese alternative**

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*Le Monde Diplomatique*, English edition, December 2014

Chinese business enterprises are like the Chinese state — exploitative, repressive, undemocratic. Changing them through active labour unions would also change the social structure of the country.

Chinese workers are showing they can mobilise when their rights are threatened. In the southern city of Dongguan, 40,000 employees at the giant Yue Yuen shoe factory — which manufactures for major brands including Nike, Adidas and Converse — went on strike for two weeks in April. This was one of the most significant workers' movements in recent years, and revealed the extent to which local government has bypassed labour laws and ignored violations to attract and retain investors.

The dispute began when the employees discovered that for the past decade the Taiwanese company had not paid the employer's share of their social security contributions. Since these are paid into a fund controlled by local government, the Dongguan authorities must have known, but turned a blind eye, hoping no one would notice, or that they would not make a fuss.

The workers did notice and reacted angrily. The authorities were faced with a rapidly deteriorating situation that they did not know how to resolve, and panicked. Strikes happen almost every day in the city, but this one was on a much larger scale and drew national and international media attention.

The local authorities had no mechanism for settling disputes of this kind. The factory's union branch did nothing, so the workers had no accredited representative to take up their grievances with management or to demand collective negotiations. One of China's workers' rights NGOs, the Shenzhen Chunfeng labour dispute service centre, stepped in to oversee the election of delegates and work out a list of demands, but the workers' movement soon became too big and complex for this three-member local group to manage.

The strikers then appealed to the provincial union, affiliated to the All-China Federation of Trade Unions (ACFTU), which has substantial resources, around 900,000 full-time representatives. Contrary to expectations, it responded favourably on Weibo (China's equivalent of Twitter) and promised to help.

## **'Low pay is the biggest problem'**

But expressions of goodwill were not enough. Representing tens of thousands of people and resolving rapidly changing disputes demand experience and expertise in collective negotiation. China's union leaders lack this, and the workers had little faith in the union.

The local authorities managed to persuade Yue Yuen to pay the social security arrears plus compensation to cover the increase in employees' contributions. They saw this as a satisfactory compromise. The workers, who had been excluded from the negotiations, did not. One explained: "Social security problems were the trigger, but there are many other reasons. Anyway, workers just took this opportunity to vent their anger. ... Low pay is the biggest problem. [Yue Yuen has] reduced our bonus[es] every time the Dongguan minimum wage [set by the local authorities] [has] increased but the workers [have] just swallowed their indignation".

The authorities ignored these concerns and, as soon as they had won concessions on employer contributions, pressured the workers to accept the agreement: a thousand policemen held the workers prisoner in the factory. The strikers eventually went back to work, for the time being.

Everyone lost: the employees' demands remain unmet, the company has had to pay \$37m in fines and arrears, and the local government has lost what little credit it had with the workers. This was avoidable,

and was due to the inability of the union in the factory to take control of the dispute (or to prevent it arising).

At the same time, a determined group of employees 900km further north, who had been sacked by Walmart in Changde (Hunan Province), were demonstrating that a union can play an effective role. It may seem surprising that a US firm notorious for its hostility to unions has authorised their presence in its Chinese stores. But it was done for a purpose: Walmart knew that the branches of ACFTU-backed unions set up since 2006 would not defend workers' rights, but would be instruments of management. And so they were for eight years: Walmart was able to open and close stores, hire and fire workers with no objections from on-site unions.

## **Walmart closure**

That changed on 5 March 2014, when the company decided to close store no 2024 in Changde. As usual it gave staff just two weeks' notice and the option of accepting a derisory payoff or a job in another store over 100km away. It offered union boss Huang Xingguo a new job and a substantial relocation bonus. Not only did Huang reject the offer, he organised a union committee meeting, which voted in favour of strike action to protest against the planned closure. He and his colleagues held a sit-in to protest at the illegal sackings and demand "fair and reasonable" severance payments. Huang also formally requested collective bargaining.

The local authorities ruled that Walmart's closure plans were legal and the employees' action illegal. Huang was pressured: "If you don't respect the law," the boss told me, "if you make a fuss and prevent the relocation, [the authorities] could arrest you at any time. You're the leader, you can't escape your responsibilities." Accepting my responsibilities was exactly what I did. I chose to defend the workers' rights to the last". The police evicted the strikers, but they set up their picket again outside the store and posted regular updates of their actions on social media.

Huang and his colleagues did not get compensation. But they did achieve an important victory: they proved that employees and unions can act together, even if the union is part of ACFTU, which is often treated with derision.

China has changed. As these strikes and other recent social movements show, workers are no longer passive victims of political repression: they are becoming powerful agents of change. Unions, employers and the authorities need to adapt. Authorities must understand that they cannot fix problems by ignoring the causes and locking up protestors — generally they imprison the leaders for a few days, but some are detained for longer. Businesses must learn to negotiate and treat their employees as equals; and unions must support workers.

## **You can work for or against union change**

The ACFTU is rightly considered a puppet organisation, more concerned about its own interests than those of the people it is supposed to represent. But that does not mean getting rid of it is the best option. It would be more effective for workers to force the union to change. Those who campaign for workers' rights can either contribute to this change or block it.

Chinese businesses are a scale model of Chinese society: rigid, hierarchical and authoritarian. This produces tensions and sometimes violence, because those who hold power abuse it for their own ends, with scant regard for those further down the pecking order, until workers decide they have had enough and take direct action. If businesses become more democratic and workers' voices are strengthened through collective bargaining and real union representation, repression will decline. Workers will have greater faith in negotiation mechanisms to resolve conflict, instead of immediately resorting to confrontation.

Change is likely to be slow, piecemeal and confused. But the workers' movement and the unions could eventually have a profound impact, not only on salaries and working conditions, but on the whole of Chinese society. If a third of the workforce (200 million people, the equivalent of the combined

populations of France, Germany and the UK) could rely on elected, democratically run unions capable of effective representation and negotiation, society would change.

There is everything to play for in China. There is no point in shouting anti-Communist slogans or advocating western-style democracy. Concrete solutions to workers' problems need to be sought through action on the ground. Activists must construct a strong, grassroots union movement capable of democratic change in Chinese businesses. A new way of thinking and acting — promoted by management, unions and workers — could advance social democracy and push back autocracy. It could foster a sense of justice, so that small and medium enterprises are no longer dominated by the state and international giants, and citizens get redress when their rights are violated.

A powerful workforce and effective, engaged unions could have the same effect as the union movement in Europe in the 19th century, laying the foundations for democracy. That may look like a distant prospect in China, but the China of 10 years hence, by which time President Xi Jinping will have retired, will be a very different country.

The workers' movement could help bring fair wages, and push the government to provide decent schools, affordable healthcare and reliable social security; to create a country in which the interests of the individual, social groups and all of society would be protected and, as far as possible, fairly balanced. Without that, there is a real risk of China following the same path as Russia.