Fair Trade, Corporate Accountability and Beyond
Experiments in Globalizing Justice

Edited by
KATE MACDONALD
University of Melbourne, Australia

SHELLEY MARSHALL
Monash University, Australia

ASHGATE
Chapter 11
Corporate Accountability and the Potential for Workers’ Representation in China
Anita Chan

In 2007 Chandran Nair wrote in the journal Ethical Corporation about the corporate social responsibility (CSR) ‘industry’ from a corporate insider’s perspective. Nair’s view is stated unequivocally in the title of his article: ‘Corporate responsibility: an industry that has lost its way’. He notes:

As another year draws to a close it is clear it has been one of countless corporate social responsibility conferences, forums and workshops. The phenomenon is characterised by ever bigger events, more pontification, few original thoughts, less informed debate, more participation by public relations professionals, great earnestness, few actions and an expanding list of ‘issues’. (Nair 2007)

The CSR industry has come to a point at which multinationals find themselves stymied in what they are doing. China inevitably looms large in the discussions. In this context, this chapter asks: how is the CSR agenda playing out in China, how much impact is CSR having on the ground and what is the potential for systems of strengthened worker representation to offer more effective means of protecting working conditions in Chinese factories?

CSR and Work Conditions in China’s Export Factories

How then has the CSR movement developed in China, and what impact has it had in reality? The region in China most audited by CSR monitors is the Pearl River Delta in Guangdong Province. This area has one of the largest concentrations of export factories (mostly Taiwanese, Hong Kong, Korean and domestic Chinese) and a great many of these factories supply the world’s brand-name corporations. The province exports some US$300 billion worth of manufactured products, which constitutes one third of China’s total exports (Xu 2007). The Pearl River Delta is important both for the wealthy countries and for China.

A quarter of a century ago the Pearl River Delta region was essentially agricultural. When China began its economic ‘opening up’ in the early 1980s, it established its first export trade zone, the Shenzhen Special Economic Zone, across from the Hong Kong border. The wages were at least ten times lower than those in Hong Kong. Foreign investors, who were mainly suppliers for transnational corporations (TNCs), quickly moved in, and the entire delta was transformed into the world’s workshop in two decades. Almost all of the production-line workers who labour in the Delta today, numbering about 4.5 million, are from poorer parts of China. The original rural communities have given up farming and have become a rentier class, owning all the land and most of the factory buildings. It is in the interest of their local governments to keep wages low in order to attract and retain the foreign-owned factories (see Chan et al. 2009).
The All-China Federation of Trade Unions (ACFTU), which served as a transmission belt between management and workers when China had a socialist economy under Mao, has retained a presence in state-owned enterprises. As an arm of enterprise management, the factory-level union branch performed a welfare function in the Maoist period; the ACFTU had no need to organize trade union branches because they just existed ‘naturally’, and there was no notion of or necessity for collective bargaining. But the situation became very different for the ACFTU with the sudden introduction of foreign investors who did not want unions in their enterprises, no matter how tame. Unlike Western unions, the ACFTU had never previously experienced hostile management. In vast, newly industrialized regions such as the Pearl River Delta, where all foreign-funded factories stand on greenfield sites, the official trade union is largely absent or, where present, controlled by the local governments and is quiescent. In many cases, the foreign managements are allowed simply to appoint one of the managerial staff to serve as union head. In the early 1990s, as migrant workers flooded in the millions into the world’s new industrial frontier, they were totally at the mercy of raw global capitalism (Lee 1998; Chan 2001; Pun 2005a).

As exposes of labour abuses appeared repeatedly in both Chinese and foreign press, the anti-sweatshop movement began putting pressure on brand-name companies to demand that their suppliers in China comply with corporate codes of conduct. Although initially denying that it was their responsibility to raise labour standards in a supplier company’s factories, within the space of a few years many TNCs conceded and, in order to ward off criticism, began to draw up corporate codes of conduct (Bartley 2003).

But how can TNCs compel thousands of supplier factories all over the world to comply with such codes, especially since doing so can be costly to supplier firms? The initial solution was to send in monitors and auditors to spot-check the suppliers’ factories. Thus a new, vibrant industry of for-profit agencies emerged that hired themselves out to corporations to monitor factory standards (Tan and Liu 2003).

Nevertheless, supplier firms have quickly developed techniques to circumvent the monitoring. They have developed elaborate methods of double bookkeeping and falsifying time cards and pay-slips (Utting 2005; Clean Clothes Campaign 2005). They have coached workers on what to say to monitors if singled out for interviews. They have set up two factories with two different names in the same factory compound, one of which was presented to monitors,1 or they have bribed monitors to overlook transgressions. Many monitors have learned to look the other way, since often the TNCs that hired them were not keen to learn about violations when they were discovered (Pun 2005b). The cheating has become so widespread that some TNCs have openly admitted that their ‘policing’ policy is in trouble (Henkle 2005; Nike Inc. 2005; Locke et al. 2006).2

CSR and Workers’ Wages

After one and a half decades of increasingly intensive CSR monitoring in this region, with some factories being ‘monitored’ regularly by social auditors sent by several different corporate clients, one would have thought that workers’ wages today would have reached at least the level of China’s minimum legal wage. Yet the fact is that the hourly wage of workers at most of these export factories is still not three hours legal overtime higher than that by workers’ own efforts. But, they are legal, and China’s.

In 2004, the real [monthly] yuan [US$] increase reflected to be cancelled in the 1990s is further.

<table>
<thead>
<tr>
<th>Minimum wage</th>
<th>11.1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum wage (adjusted for inflation) (Yuan)</td>
<td></td>
</tr>
<tr>
<td>Yuan</td>
<td></td>
</tr>
<tr>
<td>600</td>
<td>1993</td>
</tr>
<tr>
<td>750</td>
<td>1993</td>
</tr>
<tr>
<td>700</td>
<td>1993</td>
</tr>
<tr>
<td>650</td>
<td>1993</td>
</tr>
<tr>
<td>600</td>
<td>1993</td>
</tr>
<tr>
<td>550</td>
<td>1993</td>
</tr>
<tr>
<td>500</td>
<td>1993</td>
</tr>
<tr>
<td>450</td>
<td>1993</td>
</tr>
<tr>
<td>400</td>
<td>1993</td>
</tr>
<tr>
<td>350</td>
<td>1993</td>
</tr>
<tr>
<td>300</td>
<td>1993</td>
</tr>
<tr>
<td>250</td>
<td>1993</td>
</tr>
<tr>
<td>200</td>
<td>1993</td>
</tr>
<tr>
<td>150</td>
<td>1993</td>
</tr>
<tr>
<td>100</td>
<td>1993</td>
</tr>
<tr>
<td>50</td>
<td>1993</td>
</tr>
<tr>
<td>50</td>
<td>1993</td>
</tr>
<tr>
<td>0</td>
<td>1993</td>
</tr>
</tbody>
</table>

Footnotes:
1 It is unclear how widespread this is in China, but within a year, while participating in a pilot CSR programme, I came across two such factories.
2 I also learned about this informally from the human rights staff of several large companies at a conference held in Shenzhen, China, in March 2004.
Corporate Accountability and the Potential for Workers' Representation in China

In 2004 China’s Ministry of Labor and Social Security announced that studies show the real [monthly] salary of a migrant worker in the Pearl River Delta area has grown by a mere 68 yuan [US$8.20] over the last 12 years (Ministry of Labor and Social Security 2004). This small increase reflects the tendency for even those negligible increases in wages that have taken place to be cancelled out by inflation. The stagnation of inflation-adjusted minimum wages since the early 1990s is further illustrated in Table 11.1 and Figure 11.1.

Table 11.1 Inflation adjustments to minimum wage, Outer Shenzhen, Guangdong Province, 1993–2007

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Wage</td>
<td>286</td>
<td>300</td>
<td>310</td>
<td>320</td>
<td>330</td>
<td>340</td>
<td>350</td>
<td>360</td>
<td>370</td>
<td>380</td>
<td>390</td>
<td>400</td>
<td>410</td>
<td>420</td>
<td>430</td>
</tr>
<tr>
<td>Wage adjusted for inflation</td>
<td>238</td>
<td>211</td>
<td>188</td>
<td>180</td>
<td>180</td>
<td>187</td>
<td>189</td>
<td>233</td>
<td>250</td>
<td>258</td>
<td>259</td>
<td>264</td>
<td>314</td>
<td>371</td>
<td>385</td>
</tr>
</tbody>
</table>

Figure 11.1 Legal minimum wage per month for a 40-hour work week, Outer Shenzhen, Guangdong Province, 1993–2007

This figure refers to the total wage packages received by workers, adjusted for inflation.
The minimum wage levels in China for the first 40 hours of work per week are set annually by city-level governments, supposedly in accordance with the prevailing wage and the cost of living in the city. The official minimum wage provides a useful basis for calculating how much workers make each month. My research collaborators and I have been to many dozens of factories in this region during the past two decades, and the monthly wage that the migrant workers have received for the first 40 hours per week is invariably the same as the legal minimum wage. But most of these workers labour for far longer than 40 hours per week, and, although by law they are required to be paid a higher wage per hour for all overtime and weekend work, in reality most of them are paid at the same rate or marginally more. Some workers make less per hour of overtime work than they are paid per hour for their first 40 work hours. Because they are not paid enough for their overtime labour, the overall pay of most of the migrant workers is far less than what is stipulated by law. Yet CSR auditors either do not investigate this or allow themselves to be fooled by supplier factory managers.

There are also systematic violations of both Chinese law and corporate codes of conduct in relation to the amount of overtime hours worked. The legal maximum number of overtime hours per month in China is 36 – that is, on average, 9 hours of overtime work per week. Thus a Chinese worker is not supposed to work for more than 49 hours a week. However, most corporate codes of conduct set the normal work hours at a 60-hour week, which is much longer than China’s legal norm. Despite this, few factories in the Pearl River Delta allow a working week with as few as 60 hours. Most workers in the export industries there are required to work 10- to 11-hour days, usually six or seven days a week. During a factory's peak production season, the hours may extend up to 17 or 18 per day.

At almost all the factories, despite slight rises in the minimum wage in recent years, the hourly wage there is still today lower than the legal minimum hourly wage and the amount of overtime hours is at least (and often far in excess of) 30 per cent more than the legal maximum. Yet even though this over-work is undeniably in violation of both the law and CSR codes, again the auditors look the other way.

In what is known as the 'Walmart effect', Western corporations have been forced into competitive price wars to provide products at a lower cost to consumers (Lichtenstein 2006). They have done so by squeezing their suppliers in Asia, relentlessly insisting on depressing the buying price year by year. While willing to spend money on CSR programmes, they are not willing to help suppliers shoulder the costs necessary to raise wages and improve conditions. To counteract this, supplier-factory managements have resorted to squeezing their workers. They have done so by speeding up the pace of production, by increasing the amount of under-paid overtime work, and also, to counteract the very recent rises in the minimum wage, by greatly increasing the deductions they take from workers for food and dormitory fees. There are a hundred and one ways that factories try to cheat the workers and, in turn, the social auditors – and there are numerous reasons that the latter turn a blind eye to the transgressions. These are discussed in other chapters in this volume and need not be repeated here. What can be concluded is that the workers are being exploited, and that social auditing is not working in this part of China.

Reebok's Attempted Solution – Workers' Representation

In the late 1990s and early 2000s, Reebok's Human Rights Compliance Department had the foresight to recognize that, since outside auditing was not working, a better way forward might be to facilitate democratic trade-union elections in supplier factories, so that the workers' own elected
In China, governments set the minimum amount of overtime hours suppliers can require workers to perform. This is often specified in contracts with suppliers, which may extend up to three times the legal number of overtime hours according to the four-week period. Yet even these limits may not change as much as workers

of labor and the minimum wages. These groups argue that empowering workers is the only way to improve labor conditions, not CSR driven up by corporations. The Reebok programme was an initiative designed to implement the principle of freedom of association — an important element in goals of worker empowerment. This principle is enshrined in almost all codes of conduct developed by corporations; however, it is never truly addressed.

As noted earlier, the so-called ‘trade union chairpersons’ already in place in these enterprises were actually not trade unionists in any usual sense of the term. They were either sent by the local governments and therefore often prioritized the interests of industrial investment, or the factory itself was allowed to appoint a middle-level manager to serve as the trade union chair. Reebok’s programme aimed to replace this type of assigned trade-union leader by democratically elected representatives. To do so, Reebok had to wait until the term of these trade union committees expired and then place strong pressure on its supplier factories to allow elections to take place. Because the local governments were eager to accommodate the demands of investors, they acquiesced in the elections. Reebok’s plan was to bring in experienced outside labour NGOs after the elections to assist the newly elected employee committees in organizing to handle trade union affairs and perhaps even to engage in collective bargaining over work conditions.

As pilots, Reebok instigated elections in 2001 and 2002 at two different supplier factories. The first election was held at KTS, a joint Hong Kong-Taiwanese factory in the Pearl River Delta, and the second was at Shunda, a Taiwanese-owned factory in Fujian Province. I secured an opportunity to study both elections and I witnessed workers’ enthusiasm during the election process (Chan 2009). After the elections, workers held hopes that the elected union committees would help to improve their conditions.

In the first year after the elections, the two elected committees encountered different fates. At KTS, during the first few months the committee members held regular committee and sub-committee meetings and then met once a month with the top managers to report on workers’ concerns and to present management with requests to rectify the problems. The union was able to extract concessions from factory management in these first few months. For instance, it was able to get the managers to agree to abolish monetary penalties. It was also able to get the factory to agree to pay 75 per cent of the workers’ wages when production lines stopped due to the late arrival of materials, whereas previously workers were not paid anything. Third, the factory had not been enrolled in the government’s social security system, but from now on workers would be receiving such social security insurance after one year of service. Management also agreed to pay 80–90 per cent of workers’ wages during sick leave.

However, this golden period only lasted for about half a year. When the factory underwent an ownership change (the Hong Kong partner bought out his Taiwanese partner), the new owner was not willing to grant any more concessions. He even started axing benefits. Workers soon lost faith in their elected representatives.

The Shunda elected trade union committee did not even have the chance to negotiate with management as its KTS counterpart had. There were two main reasons. Firstly, the district trade union intervened right after the election to curtail any initiatives that might have led to demands on management to implement improvements. Secondly, Shunda management was never willing to accept the legitimacy of the elected committee. No meaningful meetings took place between the two parties. Reebok, having facilitated the election of the union committee, felt it should no longer actively intervene and did not place pressure on management to be cooperative.
Failed Experiments

The pilot programmes at KTS and Shunda ultimately failed. Today the trade unions in KTS and Shunda are under absolute management control. Four problems at the time stood out that would doom Reebok’s project to failure.

The first was that, despite all the declarations about social accountability, in practice a Western corporation’s human rights department is usually not important within its corporate structure. The staff members in various departments carry on their daily work without much interaction with other departments. Thus Reebok’s production department does not know, and does not much care, what its human rights department is doing. For example, during the Shunda factory trade union election – which was causing quite a stir among both workers and Taiwanese managers – I was surprised to find that an American staff member from Reebok’s production department, who worked on site to oversee the footwear’s quality, had no idea that an election was going on.

Furthermore, Reebok’s sourcing department’s mission was at odds with that of its human rights department. In fact, one of the main reasons that suppliers are able to persist in violating their clients’ corporate codes is because their clients’ sourcing practices work against their own codes of conduct: while the TNCs’ sourcing departments aim to squeeze as much as they can out of suppliers by paying as little as possible for the products and by imposing short delivery times, the TNCs’ human rights departments are supposed to ensure there is no excessive overtime. The production and sourcing departments are important within the TNC, since their responsibility is to ensure that a quality low-cost product is delivered to Western consumers in time to meet a seasonal demand. Failure to coordinate the human rights department functions with other departments in order to make CSR effective is, without doubt, not a simple oversight. Rather, within the broader logic of the situation, the ultimate goals of corporate policy render the CSR programme ineffective.

Secondly, while I observed at the time that the Reebok human rights staff members were serious about helping workers to secure genuine representation, they were inexperienced and made some mistakes in running the pilot programme. One significant misjudgement was in not soliciting the involvement of the top levels of the national union federation. It was a time when the foreign community generally held a very dismissive attitude towards China’s national union. While the union leadership in Beijing knew about these elections, it chose not to intervene for two years, which also gave the impression that it silently approved of the programme. In contrast, the district trade union had to be involved because Reebok’s initiative was happening in its area. However, because the district union was largely an arm of the district government, it supported the interests of the foreign investors since the local government’s revenues depended on the foreign factories. When Reebok demanded an election and pressured the supplier factory to agree, the district union fell into line. It sat in on all the pre-election meetings, but chose to behave as a passive observer.

After the elections, at KTS in Guangdong the union committee under the guidance of Hong Kong NGO staff initially negotiated with management over a variety of issues, not dissimilar to collective bargaining. However, in both the Fujian and Guangdong factories, the district union gradually began to exert its influence and bring the enterprise unions into line, partly through cooption of their union chairs and committee members. Under the tutelage of the Fujian district union, the Shunda factory union chair and deputy chair gradually allowed themselves to become allies of management, receiving a full-time office from the company and a middle-management staff salary. The enterprise union ultimately did very little to improve workers’ conditions (Lee 2007), especially after Reebok was bought by Adidas and its human rights office was disbanded.

Nonetheless, the initial experience of the first year at the KTS factory had been successful, as had the election procedures that involved a self-nomination process, the candidates delivering public speeches and booths and so on. These elections were decisive in Shunda experiments.

Conversely, the Reebok human rights and the corporation’s efforts to involve the entire management, the enterprise, the local government, the district union, and the local government department that oversaw it, not dissimilar to the case in KTS, were all defeated.

A third problem was that the trade union immediately became an arm of the enterprise. Without much resistance, as noted, at KTS the management of the union committee in the first years felt almost from the start that its work was being done for it, as expected.

Fourth was that it took the court over many years to develop a case that can be an example for other cases. It was a long time before the Chinese state idsrengthened the rights of workers. The factory was caught in a situation in which the government in China, Jill Tuccio (1992) has argued, was not yet ready to run a trade union. On the other hand, the union expressed its ideas and initiatives in a passive manner.

Certainly, the case of Reebok is not quite a case of institutional failure. There is still room for the institution to function differently, to operate from where we are, and to learn from where we are, so we should still consider the case of Reebok in context.

The Benefits of CSR

One common problem with CSR is that it often involves the active participation of some societies that have no experience.
public speeches, public forums in which workers openly had asked management questions, voting booths and so on. Today, several researchers in the national union federation continue to talk about these elections in a positive way as worthy of emulation, and one is even writing a book about the Shunda experience in order to pass on the experience within Chinese trade union circles.

Conversely, some of the ACFTU leaders were unhappy with this foreign intrusion from its initiation. Had Reebok sought cooperation from the ACFTU from the very beginning, the fate of the enterprise unions might have been different. The elected trade union committee members who initially were serious about their responsibilities might have stood up against management’s resistance and the district union’s blandishments and intervention. The post-election training of new committee members by Hong Kong labour NGOs, which was cut short as soon as Reebok diverted its attention, might have continued.

A third problem was the programme’s failure to insist on the financial independence of the trade union and a right to collective bargaining with factory management, as stipulated by Chinese law. Without a guarantee of these two trade union rights, the ability of the union committees to function independently was very quickly curtailed and they became reliant on management. As noted, at KTS in Guangdong, the newly elected union committee was able to achieve some gains not dissimilar to those from collective bargaining. When the union published its first magazine issue, it read like a workers’ magazine. At Shunda in Fujian, the lack of financial independence was felt almost from the start. When the new union committee published its first magazine issue, it had to go to management for funds, which entailed serious compromises4 and the literature produced was indistinguishable from a factory public relations magazine.

Fourth was the absence of an independent trade union culture among Chinese workers. This takes decades to develop and often emerges out of labour struggles. The workers in these two factories were endowed with a golden opportunity to have their own representatives but the workers did not have much understanding of trade unionism. Workers’ consciousness needs time and support to develop. Andrew Walder’s findings (1986) about the authoritarian culture of dependency among Chinese state enterprise workers in the Maoist period similarly apply today among Chinese migrant workers. The workers and the elected trade union committee members were grateful to Reebok and relied on the company to continue to help them against management suppression. Reebok itself was caught in a difficult position, however. The head of Reebok’s human rights department for China, Jill Tucker, understood that it was not the job of a department of a multinational corporation to run a trade union at a separate company’s factory in China. When the national union federation expressed its disapproval, Reebok retreated.

Certainly, it was an odd situation from the beginning. A multinational company is surely not the institution one would expect to assume the task of educating workers in how to organize a functioning trade union – this is normally the job of higher-level trade unions. But short of this, from where will there be any push for an agenda of genuine workers’ representation? I argue that we should still try to overcome the dilemma posed here by exploring other solutions.

**The Benefits of Foreign Trade Union Involvement**

One common feature that ran through these two pilot election programmes was an absence of trade union involvement in training and supporting the workers before and after the elections. Even in societies that have well-established trade unions and trade union cultures, much time and effort is
needed to ensure that newly formed workplace trade union branches are competent in bargaining with management. Practical support and continual training by higher-level trade union organs are normally needed; within China's trade environment, support from outside the factory is essential. Reebok initially provided this as best it could and brought in NGOs to help give training, but NGOs cannot take the place of trade unions.

Though collective bargaining - or, in China's preferred expression, 'collective consultation' - is legal and there are some union officials in Beijing who view it as important, it is not a concept widely disseminated at the grassroots. Some small local labour NGOs operate in China, but their focus is on helping workers to seek remedies through the courts when their individual legal rights are violated. Furthermore, as they do not have any officially recognized representative role at the workplace, they cannot represent the workers to bargain collectively with management. At most they can provide advice to labour activists concerning making demands on management.

Even the ACFTU is fully aware that it has little experience working in an environment of hostile management, which is the predominant factory management culture in the export industrial sector, particularly in Guangdong. Under such circumstances, the involvement of foreign trade unions with their wealth of historical experience might become beneficial to the ACFTU if it becomes amenable to organizing real union branches in such factories. If the foreign unions' experience can be 'technically transferred' to the Chinese trade unions it may speed up the process by which China can develop a mature industrial relations system.

Emerging Potential for Strengthened Worker Representation?

In the past few years, signs have emerged indicating that the maturing of China's industrial relations system internally, together with increased support from foreign unions, may be creating a more favourable environment for strengthened worker representation. Developments have been unfolding at a number of levels.

Diffusion of the Direct Trade Union Election Model

In 2003, not long after the Reebok elections, the ACFTU announced that it had implemented direct trade union elections in Zhejiang Province in an effort to show support for trade union democracy (Wang 2003; Howell 2006). The timing and wording of the announcement suggests that this was a reaction prompted by the Reebok elections. The direct election programme has been going on for several years. Whether the process is democratic or not remains to be studied, but the ACFTU now formally recognizes the need for a show of trade union democracy.

ACFTU Support for Grassroots Trade Union Organizing

The ACFTU's first ever grassroots trade union organizing occurred in 2006 at a Walmart store in Fuzhou City, Fujian, followed by similar efforts at a number of other Walmart stores. The union federation and Walmart subsequently signed a five-point memorandum in August 2006 that opens avenues for the emergence of functioning workplace unions (Chan 2007). The Walmart case also set a precedent that companies are not immune to development.

The union branches of the ACFTU are quite small.

Strengths of the Trade Union Model

At the beginning of the 21st century, China lacked an equal or cooperative social relationship with foreign companies. The role of the trade union model was quite significant. The ICFTU was not only an organization of various countries, but an organization of workers in various countries.

On the basis of these conditions, the union branches of the ACFTU have been working hard to promote the interest of workers. The union branches of the ACFTU have been working hard to promote the interest of workers.

However, according to one Chinese media report, direct workplace trade union elections had been trialled for some time at various places (Wang 2003).

6 Also see ACFTU (2006).

7 In fact, a number of Chinese media reports indicate that some foreign companies are not willing to have their employees to vote on workplace issues.

8 The Swiss Global Commerce Center has pointed out that the problem of unfair trade union elections occurs in China.

9 Basualdo & Molano (2005).
corporate accountability and the potential for workers’ representation in China\footnote{Information from Cathy Walker, formerly of the Canadian Auto Workers. She has facilitated a number of exchanges with the ACFTU and its lower level unions and various Canadian trade unions.}.

In order to defend their interests, trade union organs are competent in bargaining for workers. Where unionized factories are involved, skilled training, but NGOs and government agencies can provide this training, but NGOs often do not. The nature of the Chinese system of collective consultation’ suggests that it is not a concept widely embraced by workers in China, but their right to manage individual legal rights is increasingly active, and their representative role at the workplace is expanding. At most, this represents a de facto shift in management.

The general environment of hostile to pro-management bias in the industrial sector, and the implanted direct foreign trade unions, may make creating the nationalized industrial developments have been in China.

In this context, the decision to enter into direct negotiations with foreign trade unions in China, but the ACFTU now

An example is provided by a Walmart store in China. Walmart, its parent company, and the local government in Yangzhou, China, have facilitated collective bargaining agreements with Walmart’s local union federation. This agreement covers wages, working conditions, and other aspects of employment. It has been described as a precedent as the first time that the union federation has negotiated with a major foreign company. Walmart is a direct employer in China, whereas other multinationals such as Reebok are not, but there is no reason that such a multinational cannot approach the union federation to develop a formula to help workers set up genuine representative bodies inside contractor factories. The union federation today might even welcome this, given that it has difficulty setting up effective union branches in such factories on its own.

**Strengthened Collaboration Between the ACFTU and Foreign Unions**

At the same time, we are also aware that many local trade unions are more pro-management than pro-worker and suppress workers’ initiatives. Increased involvement of foreign trade unions would contribute positively to alleviating this problem. Compared to its position six years ago, the ACFTU is now much more willing to reach out to foreign trade unions. For example, trade unions of various European countries with the cooperation of their home country multinationals have been increasingly active in China, especially in these multinationals’ supplier factories. As a second example, the Beijing General Trade Union has received training sessions in Canada from Canadian unions on how to bargain collectively.\footnote{This programme is funded by the US Department of Labor, the VGCL, the Vietnam Chamber of Commerce and Industry, and the Vietnam Cooperative Alliance.}

On the other side of the equation, foreign union engagement is also expanding year by year. The new US trade union federation, Change To Win, established formal links with the ACFTU in 2007 and, half a year later, the International Trade Union Confederation (ITUC, formerly the ICFTU) also passed a resolution that changed its position from no engagement to engagement with the ACFTU (Vanderlee 2008).

The growing international contacts can be expected to have a positive impact on the Chinese union federation’s conception of what trade unionism entails. This potential is illustrated by consideration of the closely parallel case of Vietnam (which has a political and economic system quite similar to China) and of developments within the Vietnam General Confederation of Labor (VGCL).

With the permission of the Vietnamese Communist Party and government, the Vietnamese union federation has been actively engaging with foreign trade unions for almost two decades. Now, both local and foreign labour NGOs are able to negotiate quite openly. The top and middle levels of the Vietnamese union federation are now more professional. The official trade union newspapers report on strikes, with photographs of strikers’ demonstrations. The Vietnamese union federation is also willing to participate in CSR programmes. A current CSR programme sponsored by the ILO, ‘Improving Industrial Relations at Enterprises in Vietnam’, involves the union federation.\footnote{Based on information provided by the APHEDA office in Hanoi 2007.} After a 2006 strike wave at Asian-funded enterprises in southern Vietnam, the Vietnamese government worked closely with the ILO office to revise the law on strikes.

Another relevant initiative is a pilot programme funded by the government of Finland, the Finnish employers’ associations and the Finnish trade union federation designed to improve work conditions in two dozen factories. On the ground in Vietnam, the programme has involved both the local union federation and foreign unions: the Vietnamese trade union’s participation is coordinated by APHEDA, the foreign aid organization of the Australian trade union federation, the Australian Council of Trade Unions. Admittedly, there are still enormous obstacles. The ultimate problem, be
it in Vietnam or China, is that trade unions are under the control of the ruling Communist parties. For the time being, both these unions are reforming themselves slowly within the space allowed by their governing parties.

*Increased Interest in Worker Empowerment among China’s CSR Community*

At the same time, new developments are stirring among the individuals and organizations that have been engaged in the CSR issue in China. For example, Verité, an organization that conducts social auditing around the world for corporations, held a conference in November 2007 in Shenzhen on ‘Worker Engagement and Social Responsibility in China: Ways Forward’ (Verité 2007). Verité, like its clients, has been frustrated with the lack of progress in CSR monitoring in China and is open to exploring the possibility of holding democratic trade union elections at TNCs’ supplier factories.

*Greater Awareness of Labour Rights among China’s Migrant Workers*

Finally, an important change is taking place among China’s migrant workers. They are much more aware of their labour rights and their legal rights today than ever before, especially in Guangdong Province. Compared to half a dozen years ago, their horizons have been expanded by the ease of communication through mobile phones and the internet. Moreover, the Chinese press generally is supportive of labour. The impact has been cumulative. For instance, recently I met an ordinary worker near Shenzhen who said he was very interested in finding out more about how the first Walmart store union had been set up in Fuzhou, having read about it in the Chinese press, because he too wanted to give it a try. The failure of corporate-led CSR has been partly to do with the fact that the workers themselves have been passive players in the process. For example, workers at KTS and Shunda were reliant on Reebok to help them set up a genuine representative system and did not continue to fight to maintain it when the system crumbled. However, with all the changes that have taken place in the past several years, such trade union elections would now have a better base to develop among workers.

*References*


Clean Clothes Campaign (2005), *Looking for a Quick Fix: How Weak Social Auditing is Keeping Workers in Sweatshops* (Amsterdam: Clean Clothes Campaign).


