



Bloomberg: Honda Workers Bypass 'Toothless' China Unions, Fueling Strikes

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July 1 (Bloomberg) -- When Huang Fengxia and her co-workers at Honda Lock Co. (Guangdong)'s factory in Zhongshan, China, decided to strike on June 9 for higher wages, the last person they considered contacting was their labor union representative.

"I have no idea what a labor union is or what they do," said Huang, 26, whose one yuan (\$0.15) monthly union membership fee gives her no access to collective bargaining, just a twice-yearly 200 yuan gift voucher during Chinese festivals. "It's like a school club."

Strikes at plants of Japanese automakers Honda Motors Co. and Toyota Motor Corp. mark an escalation in labor disputes in China, the world's biggest manufacturer after the U.S., as a dwindling supply of cheap rural labor pushes up wage demands. With no effective labor unions to negotiate with to head off stoppages, China's factories face increased costs and lost production, said Mary Gallagher, director of the Center for Chinese Studies at the University of Michigan.

"These disputes are troublesome for employers and employees because they require time and money to resolve," said Gallagher. "If there was an apparatus that allowed for collective bargaining and negotiation, we might see a decline or stabilization in labor disputes."

Profit at Honda may be cut by as much as 10 billion yen (\$113 million), after Japan's second-largest carmaker suffered the worst strikes in its 18-year-history in China, Goldman Sachs Group Inc. said. At least 10 suicides at Foxconn Technology Group, the maker of Apple Inc. iPhones and Hewlett-Packard Co. computers, led the Taiwanese electronics company to double wages for its lowest paid employees in Shenzhen.

'Toothless' Unions

"Historically, China's labor unions have been rather toothless," said Li Qiang, founder of China Labor Watch, a New York-based labor advocacy group. "When Honda factory workers went on strike they had no intention of using the union to negotiate. Workers had no idea about the concept."

The All China Federation of Trade Unions, which represents China's 169 registered labor unions, is closely affiliated to the government, hindering its efforts to win concessions and higher wages, Li said. The federation, founded in 1925, uses "the Constitution of the People's Republic of China as the fundamental criterion for their activities," according to its website. A spokesman for the federation said it "represents the interests of the Chinese workers" and was not a government agency.

Labor organizations in the West such as the Detroit-based United Auto Workers union and the U.K.'s Trades Union Congress operate independently of the government and hire their own lawyers to advise on labor issues.

'Huge Opportunity'

"The workers are crying out for proper representation," said Geoffrey Crothall, China Labor Bulletin's Hong Kong-based spokesman, in a Bloomberg Television interview. "If the union wanted to get involved and act in the workers' interests, now is the time."

During Honda's second China strike at Foshan Fengfu Autoparts Co. in Foshan on June 7, plant workers demanded the right to elect their own union representatives as part of an agreement to end the stoppage.

Investment in western China is deterring workers from migrating, pushing up pay in more industrialized regions like Guangdong, said David Abrahamson, Project Manager in Shenzhen for the China Center for Labor and Environment. Today, Shenzhen raises its minimum wage to 1,100 yuan a month from 900 yuan.

China Wages

Most Honda line workers are hired from local technical schools and their average wage is about 4,000 yuan (\$586) a month, including overtime, the company said in April. That compares with an average of 357,324 yen (\$3,800) for Honda's workers in Japan.

Toyota, the world's largest carmaker, stopped production twice in China as strikes at suppliers in Tianjin and Guangzhou disrupted

operations.

"We and our suppliers are working toward improving and strengthening sharing of information about labor-related issues to resolve any problems as quickly as possible," said Toyota spokeswoman Ririko Takeuchi in Tokyo.

Honda suppliers agreed to raise wages 24 percent at its factory in Foshan after the first strike shut all four of the carmaker's factories on the mainland. Yoshiyuki Kuroda, a Tokyo-based Honda spokesman, said the company was not in a position to comment on the role of unions in China.

"Having a more organized and stronger collective voice among labor is a good thing," said Bill Russo, a Beijing-based senior adviser at Booz & Co., which advises automakers and investors. "The closer the co-ordination is among individuals, the easier it is for business to speak and manage a more effective relationship with the large number of employees."

Press Watchdog

China Labor Watch's Li said development of effective unions is hindered by corruption and the absence of a critical press. Berlin-based anti-graft watchdog Transparency International ranked China 79th out of 180 countries in its Corruption Perceptions Index last year, on par with Burkina Faso.

"In places such as the U.S., where the press acts as an external watchdog for worker unions, there is much more transparency," said Li. "In China, the press is government-linked, there is no such supervision."

Collective bargaining organizations will take time to mature, said Huang Yasheng, a professor at the Massachusetts Institute of Technology's Sloan School of Management in Cambridge, Massachusetts. He cited the evolution of labor unions in Singapore and Korea in the 1960s and 1970s.

"Eventually both countries transitioned out of the active curbing of the unions," said Huang in a June 18 e-mail. "The issue for China, is that the country should have grown out of this restriction 10 years ago."

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