

Country strategy paper China 2011

Introduction

In December 2010 33 FWF affiliate members produced in approximately 530 Chinese factories. In total Chinese factories account for approximately 60% of the total purchasing volume of all FWF affiliate members. China is a challenging country to effectively implement the FWF Code of Labour Practices as local legislation falls short of international labour standards in various aspects. For 2011 FWF foresees that the key developments in China's CMT sector will be related to increasing wages and pending legislative reform.

In comparison to other FWF countries in South and East Asia, China has the second highest GDP per capita but also the highest income inequality¹. Following labour shortages in many of its industrialised regions, legal minimum wages have been increased in 27 of China's provinces, autonomous regions and municipalities between February and August 2010². Although these increases are a step in the right direction, minimum wages in China still fall (far) short of living wages. A substantial amount of workers receives less than the legal minimum wage for a regular working week as a result of unrealistic production quota for piece rate workers.

Whereas a law which governs Freedom of Association and Collective Bargaining procedures does not exist, legal reform towards democratic management of enterprises has been announced. At national level, a law change is anticipated which will stipulate how worker representation councils can be set up at company level. It is not clear if the law will specify how company level trade unions and representative councils would relate to each other, and if / how they could complement. In Guangdong a draft law on democratic management of enterprises stipulates that a company is obliged to engage in collective bargaining on wages if this is requested by at least a third of the company workforce.

In light of the above FWF will focus its 2011 activities in China on further strengthening implementation of the labour standards Payment of Living wages and Freedom of Association and the Right to Collective Bargaining.

Country study

The Country Study for China was last updated in November 2008. In March 2009 FWF published a paper on the effects of the financial crisis on working conditions in the Chinese garment industry. In March 2009 FWF hosted a seminar on promoting social dialogue in factories in Hong Kong. Based on discussions that took place during this event FWF published a paper on best practices in factory training in China.

In 2009 FWF conducted a study that assessed on wage levels in the cities of Beijing, Shanghai, Ningbo and Dongguan. According to the findings from this study, legal minimum wages for regular working hours were only about 60% of the amount that would be sufficient to meet workers' basic needs. In 2010 FWF published the results of

¹ As measured by the Gini index: <http://hdrstats.undp.org/indicators/147.html>

² See for example: http://www.china.org.cn/china/2010-08/19/content_20743181.htm



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this study, which included estimates for living wages in above mentioned cities. These amounts are included in the wage ladders which are part of reports of factory audits.

Deliverables 2011

In 2011 FWF does not plan on a country study update or new publications. Activities will concentrate on implementation of research outcomes from previous years.

Audit training and audits

FWF has an active relationship with 12 auditors who have been trained and are able to carry out FWF audits. In 2008-2010 FWF has invested in audit quality and building sufficient capacity to meet the demand for audits. Audit trainings have been carried out in Shenzhen (April 2008 and March 2009) and Hong Kong (May 2010). As part of this process new auditors were also trained on the job during audits by experienced auditors and FWF staff. The number of auditors is sufficient to meet demand for audits.

In 2010 FWF invested in audit capacity in East and North China through on the job training of new auditors.

Deliverables 2011

- At least 25 factory audits carried out by FWF audit team in China.
- On the job training of auditors in January 2011 and August 2011. Training activities will focus on how FWF's web wage ladder application should be used during factory audits to benchmark wage levels.

Stakeholder consultation and engagement

FWF has an ongoing dialogue with many Hong Kong based NGOs. In mainland China FWF has established contact with grassroots labour NGOs in Guangdong province, Shanghai and Beijing. FWF also is in contact with IHLO (Hong Kong Liaison Office of the international trade union movement) and with employers association CNTAC (China National Textile and Apparel Council) which is based in Beijing.

In 2009 FWF particularly consulted stakeholders in China on how it can effectively promote social dialogue at factory level. In March 2009 FWF hosted a seminar on promoting social dialogue in factories in Hong Kong.

In May 2010 an auditor seminar was organised in Hong Kong during which local stakeholders will give presentations on issues such as gender, payment of living wages and social insurance reform in China.

Deliverables 2011

- Auditor & stakeholder seminar in Shenzhen (August) to further strengthen ownership of stakeholders in FWFs audit teams in China.

Complaints procedure

A new complaints handler in China has been installed in November 2010. This person is based in Shanghai.



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As of 2010 the leaflets which are handed out to workers by FWF teams during audits featured additional information. In various cities FWF gathered contact information of governmental institutions and local worker service centers which are run by NGOs. The phone numbers of these organizations are now listed on the worker information sheet which explains FWFs complaints procedure.

When training sessions for workers take place in factories, FWFs complaints procedure is one of the key elements. As yet only few FWF member companies engage in worker trainings in China. FWF continues to encourage companies to let factories take part in worker training activities.

Deliverables 2011

- Complaints procedure is operational in China.
- Evaluation of distribution of leaflets with contact information of local stakeholders.

Promotion of social dialogue

China's labour intensive industries are increasingly characterised by conflicts in industrial relations. FWF is committed to help reverse this trend by contributing to the development of social dialogue as a means towards good working conditions and responsible businesses. FWF intends act as a platform to enable its affiliates and their suppliers to link up with local women's rights organizations and labour NGOs.

Deliverables 2011

- Two supplier & stakeholder seminars in Shenzhen (January) and Suzhou (August). The objective of these seminars is to strengthen interaction between management of factories and local stakeholders and facilitate an exchange of perspectives and ideas on recent and anticipated developments in the sector (wage increases, labour shortages, legal reform).