

Bogus wage rises fuel anger among Chinese workers

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Over the past month, a series of strikes by Chinese workers, concentrated mainly in auto plants, concluded with the granting of what appeared to be significant wage rise. At the same time, after a spate of suicides at the giant Foxconn electronic plant, media attention focussed on the exploitative conditions facing young workers. To improve its tarnished public image, Foxconn announced generous pay increases and improved conditions.

Articles have now appeared in the Hong Kong and Chinese press exposing these headline wage rises as bogus. The *China Times*, a business newspaper, pointed out on July 4 that, despite increases in the basic wage levels at Foxconn, its 800,000 employees are actually worse off than before. The announced pay rises added up to 122 percent but a drastic cut in overtime, accompanied by intensified workloads, means an actual income decline of nearly one third.

An assembly line worker told *China Times*: “After hearing about the wage increases, I was excited for a long time, thinking I could get 2500-2600 yuan [a month], but the result is no more overtime and the income drops sharply.” He explained that he used to earn 1,900 yuan (\$US280) a month with overtime, but in June earned just 1,300 yuan. At the same time, his workload increased from assembling 15 components per hour to 16-17.

Other firms in the southern Chinese province of Guangdong are using the Foxconn ruse. A worker at an auto parts factory in Foshan, where strikes in Honda’s plants took place, told the *China Times* that he was “forced to have pay increase”. The worker explained: “Before the wage increase our basic salary was 850 yuan [a month] with a 80 yuan full attendance bonus, but after lifting our basic pay to 920 yuan, there were no more bonuses.” In other words, the pay increase was in reality a pay cut.

Workers at a toy factory in Dongguan’s Houjie township

complained of similar tricks. Their boss promised them 200 yuan more a month, but started to charge them 150 yuan a month for food that had previously been provided without charge. So the wage rise amounted to just 50 yuan a month, or \$US7.40.

At Foxconn, the wage rises were part of a carefully orchestrated public relations exercise, not only aimed at placating workers. It also reassured major international companies such as Apple, Nokia and Sony that their corporate image was not going to be tarnished by the exposure of the inhumane, sweatshop conditions where their products were manufactured.

The *South China Morning Post Magazine* in June pointed to the widespread discontent among workers in Foxconn’s giant complexes in Shenzhen that house 420,000 employees. The pay increase of 33 percent for Foxconn’s Shenzhen workers to 1,200 yuan a month was only a little higher than the local minimum wage. A worker explained: “Foxconn are very smart; they say it’s a pay rise but we actually earn less. It’s meaningless. They will increase daily quotas to make up for lost time. It’s always the same.”

Another worker told the newspaper: “I am still required to work 11 hours a day, from 7.30 am to 7.30 pm, seven days a week ... Although the company guaranteed at least one day off every week after 13 suicide attempts, the policy hasn’t been carried out. One of the few improvements was that our supervisor broadcast pop songs after we complained that all work and no play made workers dull boys. But even that was cancelled after just a few days.”

Production line managers continue to enforce a demerit system for petty offences that results in pay deductions. Lu Bingdong, 22-year-old worker, is part of a line with a daily quota of 21,000 Apple iPhones. He explained: “You can lose points for having long [finger]nails, being late, yawning, eating, sitting on the floor, walking quickly. There’s a whole

load of things. Just one point means losing my monthly bonus.”

Foxconn, like many smaller companies, operates on thin profit margins. Major Western corporations have refused to pay higher prices for their products. Professor Lin Jiang of Sun Yat-sen University told the *China Times* that a wage increase of more than 5 percent would be unbearable for most enterprises in Dongguan. The large headline wage increases were therefore “mirages” for workers.

Foxconn, one of the world’s Fortune 500 corporations, recorded a share price fall of nearly 7 percent on June 30, after announcing net losses of \$18.7 million in the first half of 2010. Foxconn’s share price has plunged by more than 50 percent this year, amid investor concerns about labour unrest and losses. Morgan Stanley has downgraded Foxconn’s stock to “underweight”, while JPMorgan warned that 2010 will be “a bad year” for the company as one of its major clients, Nokia, faces a stagnant market for its smart phones, partly due to the deepening economic crisis in Europe.

Foxconn is pressing ahead with long-held plans to relocate from Shenzhen to inland areas where official minimum wages are much lower. A huge new plant housing 300,000 workers is proposed in Henan province, where the local minimum wage is only 600 yuan a month, even after a 33 percent increase this year. Meanwhile the two plants in Shenzhen will be merged, with some production being transferred to factories in Chengdu or Tianjin, where wages are lower. For all Foxconn’s hype about giving workers back their “dignity” with higher pay, its reaction is to seek out cheaper labour.

Other employers are exploiting the cheap labour of tens of thousands of illegal immigrants from Vietnam, Cambodia or Burma. They earn less than \$5 or 34 yuan a day and receive no bonuses, overtime or other benefits. A shoe factory owner in Dongguan, who employed over 200 Cambodian and Lao workers or a quarter of his total workforce, was cited by *Forbes* magazine on July 1: “They are hard workers and obedient employees. They could work 15 to 16 hours a day and work for a month without any break.”

Jeff Joerres, chief executive of Manpower, one of the world’s largest recruitment companies, told the *Financial Times* last week that large capital-intensive American companies were thinking twice about investing in China. Their concern was not only workers’ demands for higher wages, but the danger of political instability associated with labour unrest. Joerres referred to the greater attractiveness of

Vietnam and other cheap labour platforms—with the implicit message to Beijing that it must suppress strikes to remain competitive.

Peter Morici, a former chief economist for US International Trade Commission, told *Investor’s Business Daily* on July 2 that US corporations would find “China to be a much more hostile place to do business” as the unrest of workers spread. The newspaper noted that the conventional wisdom of investors was that China’s authoritarian government “could keep workers in check”. But Charles Wolf, a senior Rand Corp economist, warned that the regime was not all-powerful. “They have their hands full with a lot of things, and controlling labour unrest is one of them,” he said.

Rural discontent is also emerging. Farmers began a protest on June 24 against inadequate compensation for land requisitioned for industrial projects at Deyang in Sichuan province. More than 300 protestors were injured and 200 arrested after a violent crackdown by 1,000 armed police against 5,000 villagers on July 3.

The four-day strike by workers at the Japanese-owned Tianjin Mitsumi Electric Co. ended last Saturday after management apparently made limited concessions to workers’ demands for higher wages and better conditions. A two-day strike that halted production at a Honda assembly plant in Guangzhou ended yesterday. The facility manufactures the Honda Jazz for export to Europe. But like earlier strikes, none of the underlying issues have been resolved. The attempts by Foxconn and other companies to dupe their employees by offering large wage rises with one hand, and taking them back with another will only breed resentment and anger, fuelling even more determined strikes and protests in the future.



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