China: IBM workers strike against sale of business to Lenovo

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About 1,000 workers at IBM's International System Technology Company factory in Shenzhen—which employs 1,200 people—have been on strike since Monday, shutting down the plant, which produces x86 servers. The workers are protesting against the sale of the server business to Chinese-owned Lenovo Group, the world's number one manufacturer of personal computers.

The sale, worth $2.3 billion, is part of IBM's cost-cutting program in response to declining profits, driven by the contracting market for IT goods. IBM's revenue fell almost 5 percent last year. The company plans to lay off as many as 15,000 workers this year, and has begun firing workers in Europe, India and several US states. This follows 3,000 job cuts last year.

In the final quarter of 2013, IBM's hardware sales fell 26 percent compared with a year earlier. The server business has posted seven quarters of losses. Lenovo's senior vice-president Peter Hortensius told Reuters in January that the company plans to extract more profits from the business through "improved costs." According to Maybank Kim Eng analyst Warren Lau, this will mean moving most manufacturing operations from Virginia, in the US, to Asia.

This is likely to also lead to attacks on workers' conditions in China. IBM said workers who remained at the Shenzhen plant would receive a wage "comparable in aggregate to what they are currently receiving." Lenovo has not commented on its plans.

Photos and video of the demonstrations posted online show workers holding banners reading, "workers are not property, nor slaves, please don't sell us."

According to several reports, workers say IBM is illegally terminating their contracts without sufficient severance compensation. Workers have been offered a "bonus" of just 6,000 yuan ($980) to leave their jobs. If they stay, workers believe Lenovo will attack their wages and conditions.

Workers already work long hours with inadequate occupational health and safety (OHS) provisions. A protesting worker quoted by the Hong Kong-based *China Labour Bulletin* said: "Many of us work from 8:00am to 11:00pm for 15 days without a single day off. IBM must provide us with OHS checkups!"

IDG News Service reported that employees also fear being laid off, as happened when Lenovo acquired IBM's loss-making ThinkPad PC business in 2005. One worker, Zhang, who has been employed at the Shenzhen factory for seven years, told IDG: "When the PC business was bought, the other workers that were once at our side are all now pretty much gone."

Output at the plant has been falling and in January it phased out production of higher-end servers.

Another worker quoted in the *Financial Times* said they were taking industrial action independently of the state-run All China Federation of Trade Unions. "The union has never done anything to help protect our rights," the worker said. "We don't trust it or the [government] labour bureau."

Police vans and labour department vehicles have parked near the protests but no arrests have been reported so far.

The strike is the latest in a string of actions by workers in Shenzen and other industrial centres, in response to increasing attacks on wages and conditions. Last November, close to 1,500 workers went on strike to protest reduced conditions that accompanied the sale of Nokia's mobile phone factory in Dongguan to Microsoft. Riot police were mobilised against protesters and management fired 10 alleged strike leaders.

A seven-month strike by 5,000 workers last year derailed the planned takeover of Cooper Tire's joint ventre factory in Shandong province by Indian company Apollo Tyres. Workers were concerned that Apollo could not repay its debts and would impose cutbacks at the factory.

The *China Labor Bulletin* recorded 1,171 strikes and worker protests from mid-2011 until the end of 2013. There were 656 "labor incidents" in the country last year, up from 382 the year before. Police intervened in one-out-of-five documented protests, sometimes with beatings and arrests.

The surge in industrial action takes place amid a slowing economy and Beijing's renewed push for pro-market restructuring. Exports have fallen due to lower demand in the US and Europe, in particular. An official index shows that China's manufacturing growth fell to an eight-month low in February, while a survey by HSBC bank shows that the sector contracted slightly in January and February.

In the last quarter of 2013, China's growth slowed to just 7.7 percent, year on year. According to the *Financial Times*, "survey data have pointed to a further slowdown in the first quarter of 2014." This compares with an annual growth rate of about 10 percent for much of the past decade.

Australia's *Business Spectator* reported today that "Liu Shijing, a vice-minister of the Development Research Centre of the State Council warns that nearly half of China's companies will be in the red when economic growth dips below 7 percent."

On Tuesday Premier Li Keqiang told the annual gathering of the National People's Congress that the government would keep its growth target at 7.5 percent. The ruling elite aims to achieve this target through sweeping "free-market" reforms unveiled last year, which will intensify the exploitation of China's 500 million-strong workforce through production speedup, streamlining and opening up those sections of the Chinese economy previously closed to global capital.

An economic conference in December convened by the Beijing leadership pledged to "unswervingly resolve industrial overcapacity"—which means shutting down second-tier state-owned firms and putting downward pressure on wages through increased unemployment. While wages grew by approximately 10 percent last year, the government faces increasing pressure from foreign corporations for pay cuts. Companies, including Nike, have relocated to countries like Vietnam, where wages are one fifth those in China.