Strike at Chinese steel plant points to impact of global slump

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A week-long strike by several hundred workers at a stainless steel factory in Guangzhou, southern China, ended on Wednesday after riot police were called and the workers were threatened with arrest. The strike, which closed the factory of 2,000 workers, highlights the growing resistance of Chinese workers to attacks on jobs, wages and conditions.

The industrial action broke out at Ansteel Lianzhong Stainless Steel, which is one of the top three suppliers of stainless steel in China, with a capacity of two million tonnes per year. The workers demanded redundancy payments and a new contract after the company announced on February 15 it would institute a "performance-based pay system" that would have significantly reduced workers' pay.

The union covering the factory, part of the state-run All China Trade Union Federation, agreed to the deal without the consent of workers. As the strike developed, a large number of police wearing riot gear arrived with buses for mass arrests and blocked the factory gates.

On the third day of the stoppage, the strikers rejected a union offer to return to the previous wage system. One worker told the *Chinese Labour Bulletin*: "How can we trust the company now? How do we know they won't do these things again?"

On Tuesday this week, the police issued a notice declaring the strike illegal and warning of arrests, saying the workers had been "incited and seduced." The company gave written warnings to 100 workers. At the same time, the management agreed to abandon the new pay system and offered a temporary bonus of 100 yuan ($US15) per day for those who resumed work. Workers returned to their jobs the following day.

The factory opened in 2006 with, according to the company's web site, "the world's most advanced cutting edge technology." It is the only integrated stainless steel facility in southern China. The plant, however, has failed to make sufficient profits and last year its owner, the Taiwan-based E United Group, sold a controlling stake to China's state-owned Ansteel Group.

The new owner started with layoffs and enforced annual leave, paid at 80 percent of the statutory minimum wage of 1,895 yuan ($295) per month. A worker, quoted in the *Washington Post*, said: "You just can't live in Guangzhou on the money they are paying… if you were to get a bowl and beg under the overpass, you would earn more."

The strike at Lianzhong is part of a rising tide of industrial disputes across China. The *China Labour Bulletin*, which tracks the limited publicly-available information, reported 503 strikes in January. That was a sharp increase from 421 strikes last December, which was itself part of a rising trend. There were 2,774 strikes and protests during 2015, compared with 567 for all of 2011 and 2012 combined. Most conflicts are over non-payment of wages, a practice now spreading from the construction industry to manufacturing, mining and services.

Mass layoffs throughout the steel and coal industries are now government policy. The State Council, China's equivalent of a government cabinet, announced a plan in January to shed a million jobs over three years. Before the announcement, Ernan Cui, a Beijing-based researcher at Gavekal Dragonomics, suggested: "[I]t is not implausible that these two sectors [coal and steel] could lay off one million workers in 2016."

These job cuts come on top of an estimated 1.44 million jobs lost in those industries since 2013, eliminating many of the jobs created in the Beijing government's stimulus-driven boom following the 2008 global financial breakdown.

To deal with the proposed layoffs, the government has announced it will set aside 30 billion yuan ($US4.6 billion) for "training and job seeking" over the next two years. Beijing fears a mass movement of the working class in reaction to its program of austerity and further pro-market restructuring.

The cuts in steel and coal are part of a government move against so-called state-owned zombie companies, which have millions of employees but are not generating profits. Yang Weimin, deputy director of the Office of the Central Leading Group on Financial and Economic Affairs, told a forum in Beijing last year: "The pain is inevitable, but it is a necessary part of the leadership's shift to supply-side reform next year."

"Supply-side reform" is the term used for attempts to reduce overcapacity in key industries which is driving down prices and profits. In the case of steel, China produces over 800 million tonnes per year, or almost 50 percent of world output. Prices for steel products have halved since 2013 on the back of a world glut, with global production running at only 69.7 percent of capacity. Last year, Chinese steel companies lost 64.5 billion yuan, more than double the 22.6 billion yuan in profits they had made in 2014.

The situation is similar in coal mining. World prices have dropped by half from their peak in 2011. The China Coal Industry Association estimates that more than 90 percent of Chinese operators are running at a loss. China has 11,000 coal mines, capable of producing 5.2 billon tonnes per year, according to the Xinhua news agency, but produced only 3.2 billion tonnes last year.

One of the Ansteel Lianzhong Stainless Steel strikers, quoted by the *Washington Post*, summed up the prospects confronting Chinese workers. "I thought if I could keep working hard, I could get a decent job and have my kid with me. My dream is just to be together with my family. But now even that dream is clouded with uncertainty."

While the riot police ultimately were not used in this strike, the Beijing regime is on a collision course with the working class as it seeks to impose the burden of the global slump on workers, pay off mounting debts and maintain profitable returns for investors.