




Moving Beyond the MFA  
Regulating Business Practices through  
Strengthening Labor

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# De-mystifying the Multi-Fibre Arrangement

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- # Quotas on garments originated from protectionism in the 1970s. It later also becomes a political tool to strategically diversify trading partners for developed countries in the form of MFA.
- # MFA is just an “arrangement” for capital to seek outlet for investment by making developing countries more dependent on export-oriented industrialisation model and Foreign Direct Investment.
- # This is done in the name of “creating jobs” in the garment sector in countries considered “impossible” for investment.

## De-mystifying MFA

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- # In order to attract Foreign Direct Investment and get access for export, developing countries have to further de-regulate their own markets for goods, capital and labor.
  - # These are manifested in freer import (of materials etc), absence of regulation on registration and exit of capital from the Export Processing Zones. And,
  - # Developing countries and workers have to be “competitive”, “efficient” and “flexible”.
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## De-mystifying MFA

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- # It is the drive from competing capital for new forms of labor and market rules that makes use of the MFA and its phase-out to maximise profit.
  - # In the textile and garment industry, these rules are packaged as quick turnaround, good infrastructure, no red tape, flexible supply chain and flexible labor;
  - # Under which, both so-called “winning” or “losing” countries, and labor in both developed and developing countries have to “compete” for export.
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# Examples of De-regulation for Greater Competitiveness

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## # Cambodia

- Cases of factory close down reported despite the ILO labor program. Business associations, Cambodian government, employers tell workers to work faster and accept erratic employment while factories and orders are still around

## # Indonesia and Thailand

- Factories are closing down and moving to fringe cities. Or using contractual plants and contractual labor.

## # Honduras

- 101 factories were closed, 71000 workers were laid off between 2001-2004. These include US, Canadian, Korean, Taiwan and Honduran capital

## # Canada

- Boomerang and driving underground of sweatshops and homeworkers
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# Examples of De-regulation for Greater Competitiveness

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## # Lesotho

- Government agrees to exempt factory owners from paying mandatory cost-of-living wage increase (MSN Fact sheet)

## # Philippines, Bangladesh, El Salvador

- Business and government officials propose garment companies to exempt from paying or paying reduced minimum wage, and raising the ceiling on overtime hours and weakening restrictions on night work for women (MSN Fact sheet)
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# Examples of De-regulation for Greater Competitiveness

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## # China

- State owned garment enterprises are sold off to “POEs” or Foreign Investment Enterprises - massive lay of workers. Intensified competition between “POEs” and Foreign Investment Enterprises with liberalisation of export status/quota.
  - Intensify competition within domestic market after WTO.
  - Favorable investment policies opening the Big West to foreign especially Hong Kong garment conglomerates for cotton supply
  - Business association and the industry are talking about further increasing the “competitiveness” of Chinese products by increasing efficiency through industrial engineering, lean production, and more flexible supply chain management.
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Assumption: “Chinese migrant labour is cheap.”

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- ✦ *Wage comparison in legal wage per hour (Sterling):*
    - Laos 0.02,*
    - Sri Lanka 0.06,*
    - Vietnam 0.07,*
    - Bangladesh 0.11,*
    - Indonesia 0.24,*
    - China (Guangzhou) 0.27.*
    - Nicaragua 0.13,*
    - Honduras 0.28,*
    - Mexico 0.30,*
    - Guatemala 0.42.*
- (source: Rachelle Jackson, CSCC, 5 Oct 04)
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# What makes Chinese workers “competitive”?

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## # Situation of migrant workers in the garment industry:

- Majority are migrant surplus labor released to enter into the labor market that seek jobs in “POEs” and Foreign Investment Enterprises. Deprived of rights as they don’t have equal rights to insurance, public services and education for children as do urban residents.
  - Not paid with legal minimum wage (US \$45 - 76) or partial legal minimum for overtime work. Average monthly wage: US \$63-200.
  - Survey finds that real wage increase in the most industrialised Pearl River Delta Region in southern China is only US \$8.5 in the last 12 years.
  - Long hours of work: 12-14 or 16hrs/day, 0-4 rest days/month in peak season.
  - No job security - no or short term contract (3-12 months), disposed of for 2-4 months in the low season.
  - No H&S protection resulting in mechanical injury, allergies, exposure to chemicals and occupational diseases.
  - Not covered or partially covered with legal insurance on pension, maternity, medical and work injury.
  - Little occupational and rights training for the highly mobile workforce.
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# What makes Chinese workers “competitive”?

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## # Poor industrial relations and serious labor disputes

- Dongguan city labor bureau received 16,000 complaints in first half of 2004. 47% about back wage and wage violations, 20% about illegal dismissal, 17% about working hrs, 10% about retention of personal documents.
- 76% of the 133 POEs and FIEs inspected by the Dongguan city labor bureau had back payment amounting to RMB30million in the First Quarter of 2004.
- Bao On District Labor Bureau estimates 79% of FIEs from HK/Taiwan are liable to have labor disputes
- A Hong Kong owned factory in Shenzhen had 4 large scale strikes last year
- 46% out of the 4,488 enterprises (500 employees above) paid less than legal minimum wage, 60% did not pay legal OT compensation, 5% have >1 month back wage (survey by Bao On District Labor Bureau 2004)

# What makes Chinese workers “competitive”?

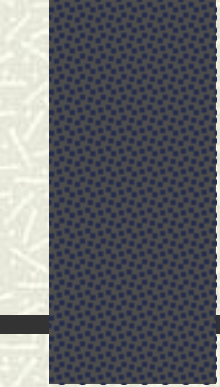
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- # All these are results of individualised labor and individualised means of resolving problems over working conditions which makes it hard for strengthening of workers’ collective power in the market.
- # Collective labor power in the form of trade union is absent as independent organising, right to collective bargaining and right to strike is not allowed.
  - The ACFTU is the only legitimate trade union allowed. Plant unions, if there be, are company unions or welfare bodies
  - Collective contract as stated in the labor law is not working in the real sense of represented labor for collective bargaining
  - The right to strike is denied

But, Chinese workers do take actions to fight for their rights both in individualised and collective form

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- # Increasing number of complaints to the Labor Bureau.
  - **Ministry of Labor and Social Security: 226,391 disputes cases involving 800,000 workers were handled in 2004, increases by 22.8% and 31.7%**
  - Petition to the local and central govt
  - Increased court cases against abuses on wages or work injury compensation
    - Women workers suing Hong Kong battery manufacturing company GP for chemical poisoning 2004
    - Silicosis workers from a Hong Kong gem stone processing factory joined HK campaigners for compensation in Hong Kong, Jan 2005
  - Industrial actions eg work stoppage, sabotage of production, wild cat strikes, smashing machines....
    - Stella Case, Taiwanese shoe factory in Dongguan City, March 2004
    - 3000 and 2000 workers from a Hong Kong electronics plant and a Hong Kong printing plant blocked roads in Shenzhen in Oct 2004 and Jan 2005 against lower than minimum wages and long working hours

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- # The flourishing of cases of Chinese workers exercising their rights under the Labor Law reflect that workers' actions cannot be channeled or resolved at the workplace.
  - # Cases taken to the govt or court are either dismissed, individualised or stopped by the government. They are also covered up by the employers.
  - # Results in a lack of transformation of dispersed workers' collective power into institutionalised improvement of working conditions and tipping the unjust practices in the "market" from the labor side.
  - # The implementation of Company Code of Conduct in China addresses too much Human Resources Management issues and auditing. It fails to enhance participation of rank-and-file workers. It fails to enhance formalised collective labor relations to strengthen the implementation of the rights of workers under the Chinese Labor Law and Trade Union Law.
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# Challenges for sustainable labor rights protection under intensified competition marked by the phase-out of the MFA

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- **It is un-restrained competition that rules the post-MFA era -**
    - How to stop trade agreements that erode national sovereignty and (labor) regulation for developing countries?
    - How to stop exploitative market rules or buying practices engineered from retailing/trading capital?
    - How to regulate the free/irresponsible movement of manufacturing capital?
    - How to redress the above drives from “market” and “capital” from bottom up with fair labor regulation?
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# Protection of Labor Rights

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- # Defending the rights of workers in developing countries to fight back for their own rights is the key to ending the race to bottom competition driven by globalised capital.
  - # Creating space for Chinese workers to use the legal and private tools of rights protection “collectively” is a bottom up approach to bridge the gap between workers in China and other developing countries to end the race to the bottom.
  - # Freedom of association, right to collective bargaining, right to strike, intervention in union busting cases, labor rights training and education on multi-lateral level, and cover all forms of work/labor, regular, irregular, factory or home based.
  - # “Stability and sustainability of industrial relations” is empty talk unless workers are equipped with the above rights.
  - # Responsibility of Buyers to enforce Freedom of association without discrimination with their suppliers and without discrimination to country.
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# Regulating manufacturing capital

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- # Monitoring of run-away manufacturing capital originated from mainly Northeast Asian countries in the production countries.
    - Pressure to national govt regarding investment and company laws on factory close-downs and severance protection in developing countries
    - Cooperation between the labor movement in Northern, East Asian and southern countries in tracing and giving pressure to the movement of manufacturing capital
    - Support from northern labor movement to existing labor network eg the Asian Trans-National Corporation Monitoring Network within/between Asia, Latin-America and Africa
    - What should Buyers do with exiting or run-away suppliers especially in case of union busting/avoiding labor disputes under the pretext of “business decision”?
    - More stringent monitoring of multi-national conglomerate suppliers regarding shifting production and standard implementation of freedom of association at multiple plant level.
    - Collaboration between buyers to increase leverage on suppliers.
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# Regulating Practices of Trans-National Retailers and Companies

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- # Contradiction between the practices of driving down costs, quick turnaround with fair labor practices
- # Building labor standard into sourcing practices
- # Collaboration between companies to develop a sectoral approach to change unhealthy competitive purchasing practices