

# China's Next Pollution

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by Li Qiang

**On April 5, 2014, 48,000 workers began a strike at the Yue Yuen Chinese shoe factory. Since then, there have been at least 34 reported strikes related to unpaid social insurance in factories across China. Li Qiang, executive director of China Labor Watch, says this trend requires immediate policy action.**

Established in 1989, the Shenzhen Baode Toy Factory is a typical export-oriented supplier factory. In August 2013, workers went on strike at the plant, protesting unpaid or underpaid social insurance. Subsequently, the workforce at Baode fell from about 3,000 to 1,000 people.

According to data we acquired from Baode workers, in May 2013, the following groups were owed back pay on unpaid social insurance: at least 398 out of 438 workers with five to nine years of seniority; at least 141 out of 247 workers with 10-14 years of seniority; and at least 59 out of 158 workers with 15 or more years of seniority.

This is based on the number of workers still at Baode in May 2013 - the figures would be higher if we took into account workers who resigned with unpaid insurance.

According to the local government, the employer should contribute 17.3 percent to pensions, and the employee 8.5 percent. Based on these rates, and assuming an average monthly wage of \$320 and a yearly wage of \$3,840 over the past decade, we can calculate that Baode is underpaying this type of social insurance by \$664 each year and \$6,643 over 10 years per worker.

Baode also failed to purchase social insurance for the full amount for new workers after the government made insurance for employees mandatory. The average monthly wage for Baode factory workers was about \$480, including the base wage, overtime pay, and subsidies. According to the law, enterprises should pay the pension based on a proportion of gross wages - in this case \$480 - but the factory instead purchased insurance based on the minimum wage in Shenzhen, which is \$289. The underpaid pension, based on the \$191 difference, yields a monthly total of \$33 per worker, or \$396 annually.

According to the National Bureau of Statistics of the People's Republic of China (NBS), in 2013, about 36 million migrant workers were over the age of 50, accounting for 13.3 percent of all Chinese migrant workers.

This does not include workers that left the labor market because they were unable to continue working, either because they were physically unable, or because of age discrimination in the labor market. Factories in the electronics industry, for example, do not hire workers over 35 years old. In June 2014, China Labor Watch reported that at an electronics plant in Shenzhen with about 1,000 workers, the average age of workers was 26 years old.

The pressure put on workers in China's foreign-invested factories is beyond what most senior workers can handle. They have to stand for 10 hours a day, six days a week.

High-intensity work has forced more and more migrant workers to leave these companies as they age. Some start their own businesses to get by, but more workers choose to return home. These workers have neither a pension nor medical insurance, since their past employers failed to provide them. Lives are difficult for those returning home, and this will influence the views of younger generations of migrant workers.

After the strike at Baode, the factory's main customers, Disney and Mattel, cut off their orders and quickly withdrew, announcing that the factory had violated their companies' codes of conduct. But Disney and Mattel have been cooperating with the factory for the last 10 years, and were aware that the factory did not buy insurance for its workers. What Disney and Mattel did is a typical example of multinational companies passing the buck to a supplier factory.

After this incident, what measures did Baode take to reduce economic costs? It partially outsourced orders to other factories and reduced the hours of its Shenzhen workers to the point that people were working less than five days a week.

With few working hours and no overtime, workers were only making the local minimum wage, which is in no way a living wage. Such low compensation caused many workers to voluntarily resign, meaning that the factory did not need to repay their social insurance or pay any severance compensation. In the three months following the strike, the number of workers at Baode dwindled from 3,000 to 1,000.

Most supplier factories in China use these methods when they need to conduct large-scale layoffs, compelling workers to leave voluntarily and thus disqualifying them from monetary compensation. This does not violate China's labor law.

What is the local government's attitude? Workers from Baode Toy Factory have appealed to Guanlan district's social security and labor offices, union, and other departments since April 2013. Without receiving any responses, they further appealed to Shenzhen People's Congress, the city union, and the Legislative Affairs Office in July 2013. According to the workers, these organizations pushed responsibility off to one another and avoided providing clear answers.

Local governments do not want to confront companies - from which they receive tax revenues - and risk causing them to leave the area in order to protect migrant workers' social insurance system. As a result, migrant workers do not receive proper protection of their pensions from local governments. As some migrant workers are forced to return home, their hometown governments must take over responsibility for the cost of pensions and other expenses.

According to China's National Bureau of Statistics, in 2013, migrant workers with a pension accounted for only 15.7 percent of the total working population, and only 9.1 percent had unemployment insurance.

When employers underpay migrant workers' social insurance, multinational companies, supplier factories, and local governments are the main beneficiaries. Though these actors have taken measures to maintain the status quo for at least the next five years, problems continue accumulating.

According to the NBS, people over the age of 40 will soon account for 40 percent of the total working population. At the same time, the new generation of migrant workers' yearning to integrate into the cities grows stronger, leading to an increased need for social insurance. These variables threaten to cause the issue of social insurance for migrant workers to suddenly become a crisis like China's thick pollution.

While the problem is serious, the solution is simple. The central government should take control of the social insurance fund, eliminating the fear and limitations of local governments and allowing migrant workers to use their social insurance accounts from wherever they work in China.

China Labor Watch | 147 W 35 St, Ste 406, NYC, NY 10001  
+1-212-244-4049 | [clw@chinalaborwatch.org](mailto:clw@chinalaborwatch.org)  
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