



## Breaking from Tradition: The Unionization of Wal-Mart China

"Wal-Mart isn't afraid of strikes in China," Jonathan Dong, Wal-Mart spokesperson, said.

"China's unions are different from unions elsewhere. The goal of China's unions is to build a harmonious society."

*In August 1996, Wal-Mart Stores opened its first Supercenter and Sam's Club in Shenzhen, China. The entrance signaled Wal-Mart's interest in China as not only a producer market, but also an emerging consumer market. As of December 2007, Wal-Mart has 90 supercenters, three Sam's Clubs and holds a 35% share of the Taiwanese Trust-Mart brand.*

*As Wal-Mart grew, it came under mounting pressure from the All China Federation of Trade Unions (ACFTU) to establish trade unions within its stores. Wal-Mart refused to set up a labor union and in a groundbreaking shift, the ACFTU began a grassroots effort to organize Wal-Mart workers instead of its usual attempts to organize through a top-down movement. The ACFTU's efforts were successful as Wal-Mart labor unions started to appear in stores throughout China.*

### The All China Federation of Trade Unions

**What is the ACFTU?** ACFTU stands for the All China Federation of Trade Unions. The ACFTU is a unified national organization and is the only legally permitted workers' representative in China. [*Agence France-Presse*, 1/16/08]

**Who can join the labor union?** Union membership is open to all manual and mental workers in enterprises, institutions and government departments within China who rely on wages or salaries as their main source of income, irrespective of their nationality, race, sex, occupation, religious belief or educational background as long as they accept the Constitution of the Chinese Trade Unions. [*China Information Center*, 11/12/02]

**What does the trade union do?** Chinese trade union law dictates that the basic duty of the trade union is to protect workers' legitimate rights and interests. [*China Information Center*, 11/12/02]

The ACFTU defines itself as a mediator promoting harmonious relationship between labor and management. It also provides community services for workers, such as clubhouse facilities and organized activities, and says it recently has been playing a more active role in helping workers negotiate contracts collectively. The ACFTU also works closely with the Labor Ministry in crafting labor-related legislation. [*Wall Street Journal*, 7/6/07]

**How is a trade union formed in China?** According to Chinese law, a minimum of twenty-five signatures are needed for an application to establish a trade union branch. More often than not, a union is formed by a top-down approach where local labor union leaders and business management agree to unionize. [*Japan Focus*, 9/8/06]

**How is the ACFTU supported?** According to the regulations of Chinese trade unions, the fees managed by trade unions account for two percent of employees' total salary, of which 60 percent returns to employees in bonuses and 40 percent is spent on the daily work of trade unions. [*People's Daily*, 10/8/03]

### Wal-Mart China's Unionization

**Is Wal-Mart China Unionized?** The first Wal-Mart store in China established a labor union on July 29, 2006. [*China Youth Daily* via *Xinhua*, 1/14/08]

**Doesn't Wal-Mart reject unions?** The local union in Nanjing, China went to a Wal-Mart Supercenter twenty-six times in two years but was never even granted a meeting with the store manager. This humiliating experience was repeated many times over in Wal-Mart stores in other cities. [*Japan Focus*, 9/8/06]

**How did the ACFTU respond to Wal-Mart's union busting?** When Wal-Mart refused to let the ACFTU into its stores, as was normal practice for Wal-Mart internationally, the ACFTU made a series of unprecedented moves. For the first time the ACFTU openly threatened to take a foreign company to court for violating China's trade union law. Wal-Mart also faced public criticism from the National's People Congress in collaboration with the ACFTU. [*Japan Focus*, 9/8/06; *China Youth Daily* via *Xinhua*, 1/14/08]

**How did Wal-Mart China unionization finally happen?** The ACFTU resorted to grassroots approaches, meeting with employees after hours and outside of Wal-Mart stores. The union also handed out literature which illustrated the benefits of a trade union branch. [*Japan Focus*, 9/8/06]

### The Case of Ke Yunlong

Ke Yunlong, was a 29-year-old employee in the meat-packing department at Wal-Mart, who, together with two colleagues, thought of setting up a trade union branch at their own Wal-Mart store. They went to the local trade union to inquire about the procedure.

Secret communications took place between Ke and a special task force set up by the local union. Under the local union's "guidance," an expression that is used in the law, Ke and his activist colleagues convinced others to join the cause, and a preparatory union committee was formed on July 28 at a meeting held from 11 in the evening to 3 in the morning at the Jinjiang district trade union office. The office was, coincidentally, only one hundred meters from the Wal-Mart store.

These activities had to take place in the middle of the night because this was the only time employees from both night and day shifts could assemble. This unusual time and the secretive nature of the founding ceremony were firsts for the ACFTU

Having finally secured the requisite twenty-five signatures to establish a trade union, the workers sprang a surprise on the Jinjiang Wal-Mart store in Quanzhou City, Fujian on July 29, and declared that a union branch had been founded at a local Wal-Mart superstore.

[*Japan Focus*, 9/8/06]

**Did other Wal-Mart stores start to unionize?** Shortly after the Jinjiang Wal-Mart store organized, three more Wal-Mart stores formed labor unions. Each of these stores resorted to secret founding ceremonies that took place after midnight, and the proclamations of their formation were sprung on Wal-Mart the following morning. The rapidity of union formations elsewhere suggests the ACFTU had been organizing for some time. [*Japan Focus*, 9/8/06]

**What was Wal-Mart's response to the unionization of its stores?** The moment Wal-Mart was informed of the new trade union branches in its stores, anti-union activities went into high gear. Big meetings were called at which, according to Chinese newspaper reporters, warnings were duly announced that those who join the union would not have their contracts renewed. [*Japan Focus*, 9/8/06]

**Why was Wal-Mart so resistant to the unions?** Insider analysts said the actual reason for Wal-Mart denying trade unions was cost savings. Wal-Mart was reluctant to allow trade unions to allocate money instead Wal-Mart doing so itself. Wal-Mart announced that it would not pay the union the two percent payroll union fees. It tried to discredit the ACFTU by accusing it of bribing employees to join the union. Wal-Mart also charged that the workers had not joined voluntarily, in violation of the Chinese trade union law. [*People's Daily*, 10/8/03; *Japan Focus*, 9/8/06]

**Did Wal-Mart eventually accept the union?** On August 9, Wal-Mart announced that all of its stores would set up a labor union branch. On August 16, 2006 Wal-Mart's top executives in China met with ACFTU officials in Guangzhou and signed a five-point memorandum. [*Japan Focus*, 9/8/06; *China Youth Daily* via *Xinhua*, 1/14/08]

**How were union establishments different after Wal-Mart formally recognized them?** The founding ceremonies were now held inside stores rather than at local trade union offices and during work hours instead of after midnight. In some stores, more than two hundred signatures were obtained within a very short space of time, and one brand-new union branch quickly obtained 70% of the workforce. [*Japan Focus*, 9/8/06]

## A History of Wal-Mart Unionization in China

**1995:** Wal-Mart enters the Chinese market

**2001-2002:** The ACFTU continually requests Wal-Mart to establish a trade union. The requests are consistently denied.

**October 2004:** The National People's Congress and the ACFTU publicly criticize Wal-Mart for refusing to set up a labor union.

**November 2004:** Wal-Mart issues a statement that, in accordance with the law, it has not prevented its workers from forming a union.

**May 2006:** The ACFTU indicates that if Wal-Mart continues to refuse unionization, it will have to confront all of China.

**July 29, 2006:** The Jinjiang Wal-Mart in Fujian province establishes the first labor union within Wal-Mart.

**August 4, 2006:** Forty-two employees of Wal-Mart's Hujing store establish a labor union.

**August 9, 2006:** Wal-Mart announces that all stores will set up a labor union.

**November 8, 2006:** Wal-Mart's general headquarters establishes a trade union in Shenzhen, China.

**July 29, 2007:** ACFTU convenes a one-year anniversary of the Wal-Mart labor union conference in Quanzhou. At this time, Wal-Mart has 84 stores and has set up 77 unions, with another three in the process of unionizing. Membership surpasses 20,000 with enrollment over 50%.

[China Youth Daily via Xinhua, 1/14/08]

## Building Conflict Between the Labor Union and Wal-Mart

**In August 2006, Wal-Mart candidates for Nanchang Bayi union chair lost.** Wal-Mart selected two high-level Wal-Mart officials as candidates for union chair. Both candidates lost the election to a 25 year-old Wal-Mart employee, Gao Haitao. [Nanfang Daily, 12/24/07]

**Wal-Mart's demands for a labor union guidance committee were denied.** Wal-Mart administration had demanded that the Nanchang region's Wal-Mart operations establish a 'labor union guidance committee' that would be partly made up of Wal-Mart administration in order to steer labor operations, but after the national union affirmed the leadership authority of the grassroots union, the guidance committee was aborted. [Xinhua, 1/14/08]

**Wal-Mart violates labor union law.** On November 20, Wal-Mart fired a Nanchang worker without notifying the labor union as provision 21 of labor union law requires. Under Chinese labor union law, the union has the authority to investigate the layoff and raise complaints. [Nanfang Daily, 12/24/07]

**Union pushes Wal-Mart for higher wages.** Wal-Mart unions in Fuzhou have negotiated with management for a pay raise to 6RMB an hour. This is over the city's minimum wage of 5.5RMB. [China Daily, 1/9/08]

**In October 2007 Wal-Mart laid off 110 workers from its China procurement center.** Many media reports suggest the workers were illegally let go so Wal-Mart could avoid the effects of a new labor law which would increase costs and worker protections. Wal-Mart claims the layoffs were part of an organizational restructuring. [International Herald Tribune, 11/5/07]

**In December 2007, the ACFTU issued a statement in regards to recent layoffs by major firms including Wal-Mart.** The ACFTU noted that some companies have asked their employees to give up their employment contracts or to sign

contracts through a “voluntary resignation” scheme in order to dodge the new labor law. The ACFTU said such acts directly infringed upon the legal rights of workers and posed a threat to China’s harmonious society. The ACFTU will not tolerate these acts and is determined to uphold the law. [*China Net*, 12/3/07]

## The Need for Reform and Working with Outside Labor Unions

*While the ACFTU is making strides to increase the unionization of workers, concerns are growing that without the right to strike or collective bargaining, workers’ rights are still threatened. In addition, many foreign unions and workers’ rights advocates doubt ACFTU’s commitment to workers’ rights. Each year, human rights groups and newspapers report on gross human rights violations – the worst violations taking place among the most vulnerable populations. With growing evidence that worker abuses are commonplace and factory monitoring by corporations like Wal-Mart is insufficient, the ACFTU members needs more power to leverage worker rights, not just increase rates of unionization.*

**Unsafe working conditions are commonplace.** In the Pearl River Delta region near Hong Kong, for example, factory workers lose or break about 40,000 fingers on the job every year, according to a study published a few years ago by the Shanghai Academy of Social Sciences. [*New York Times*, 1/5/08]

**Wal-Mart Christmas ornaments made by children in sweatshop.** A report by the National Labor Committee detailed a Wal-Mart supplier factory where employees as young as 12 worked excessive amounts of overtime at less than the legal minimum wage of 55 cents per hour. Workers said they were forced to work seven days a week and photos revealed workers worked with paint and chemicals without any protective gear. [*New York Times*, 12/12/07]

**A government sponsored union may be harmful to workers’ rights.** Some labor activists say the Chinese union has worked against the establishment of independent unions and contributed to poor working standards in China, where incidents of slave and child labor are common. [*Wall Street Journal*, 7/6/07]

**The ACFTU is not known for promoting workers’ rights.** The ACFTU is regarded not as an advocate for better pay and working conditions for employees but as an intermediary that represents employers to workers. [*International Herald Tribune*, 1/5/07]

**Rights violations yield worker strikes.** At least one self-organized strike involving more than 1,000 workers occurs every day in China’s manufacturing hub in the Pearl River Delta area ‘questioning the relevance’ of the ACFTU, a labor activist said. [*Agence France-Presse*, 1/15/08]

**By 2009, 80 percent of workers in foreign funded and private enterprise will form trade unions.** The ACFTU announced that it will promote unionization in large scale multinational enterprises, as well as smaller firms, through joint negotiations with their managements and workers. [*China Daily*, 1/9/08]

**Previous reports noted that 80 percent of workers were to be unionized by the end of 2007.** The ACFTU, which has ties to the Communist Party, has set a target of unionizing 80% of foreign companies by year end, up from about 63% today. [*Wall Street Journal*, 7/6/07]

**Some foreign unions do not recognize the ACFTU as a legitimate union.**

Because of the ACFTU’s ties to the Communist Party, some union organizations such as the AFL-CIO still don’t recognize the Chinese federation as a legitimate representative of workers, though some overseas union organizations are making overtures to the ACFTU since it is the sole representative of nearly a quarter of the world’s work force, including employees of global companies. [*Wall Street Journal*, 7/6/07]

**ACFTU learns western-style union tactics.** The Service Employees International Union (SEIU) has given workshops to some Chinese union officials on collective-bargaining techniques. The federation says it is beginning to try to do industry wide or companywide contract negotiations. SEIU helped the Chinese federation successfully organize Wal-Mart Stores Inc. This cooperation has caught the attention of Trade Union Advisory Committee of the Organization for Economic Cooperation and Development, the Teamsters, and Union Network International. [*Wall Street Journal*, 6/22/07]