



International Trade Union Confederation (ITUC)
Global Union Federation (GUF)

IHLO

ITUC/GUF Hong Kong Liaison Office

國際工會聯合會香港聯絡處

A Political Economic Analysis of the Strike in Honda and the auto parts industry in China

www.ihlo.org

July 2010

Abstract

The strike that broke out in Honda Auto Parts Manufacturing Co Ltd in Foshan city of Guangdong province on 17 May dragged on for nearly one and a half month ending in early July. The strike involved nearly the whole work force on the shopfloor who are mainly migrant workers. By laying down their tools for 4 days, the workers in CHAM brought the production of 4 Honda assembly subsidiaries to a halt causing the company to lose 220 million Yuan by estimates. And for the first time in the industrial actions taken by the migrant workers, the strike articulated clearly the demands for reforming the only legal trade union, the All China Federation of Trade Unions. A paradigm shift in the Chinese labour struggle is expected and it is likely to be one that is led by the domestic migrant workers for economic justice and associational rights.

The IHLO examines the causes as well as the implications of the strike in CHAM and finds a number of issues that should draw the interests of the international trade union and labour movement in their analyses and strategizing for organizing the auto industry and supporting the Chinese labour struggles:

1. The strike took place in the context of heightened localization of auto production and sourcing in mainland China. The auto multinational companies are shifting their investment strategies from trade seeking to market- and low-cost-labour- seeking ones in the integration of China into their global and regional production network.
2. The Chinese government has changed the auto policy from protectionism to conglomerisation of the domestic auto industry. The increasing foreign direct investment in the auto and auto parts industry is welcomed by the central and the local governments in Guangdong resulting in the political and economic domination of the auto capital vis-à-vis labor.
3. As a result, the auto clusters in Guangdong province are simultaneously wage clusters where sub-standard practices are normalized. These norms as found in the case of CHAM and they became causes to the strike: stark contrasts in the wage and welfare between the assembly and auto parts workers; unequal pay for equal work between the regular workers and the interns; tremendous wage gap between the local workers and the Japanese expatriates; absence of a wage mechanism for fair sharing of profits.
4. The de-skilled workers have turned their weak position into critical one in the lean production system making the strike the most powerful one so far that was led by the migrant workers.
5. The strike has shifted the paradigm of wage regulation from legislation to industrial actions. Strikes and demands for higher wages were cried for in more than a hundred enterprises in Guangdong after the CHAM strike.
6. The labour challenge to the administrative power of the ACFTU granted by the state rather than workers on the shopfloor comes to the open. The frustrations and the open articulations are likely to produce replication effects in the future migrant labour struggles. The political conscientisation of the workers in the recent strikes makes the ACFTU's attempts for professionalization of the trade union officials looks like another top-down measure to mask the more fundamental issue. For the next stage, the strike should lead the workers in CHAM to reform the plant union through open and fair elections of, by and for the workers.

Building Up the Honda Auto Parts Network in china

In automobile manufactures, the cost of the power control is estimated to share about 20% of the total production cost and more than 30% of the profit¹. Compared with other auto companies in China, Honda and her Chinese partner Guangzhou Automobile Group (GAC) are reported to have the highest per car profit margin. This is largely earned from the margins gained in the auto parts procurement in China. It is estimated that up to 80% of the total production cost of Honda's automobiles and motorcycles is spent on the sourcing of the auto parts² and the local sourcing rate of Honda is one of the highest in the industry up to 78% in some car models³. These include the sourcing of the assembled power engines and transmissions from Honda's own subsidiaries in China via intra-firm trading and from the first-tier suppliers that have long business relations with Honda to follow and build supplier plants within the vicinity of Honda's assembly plants in China. When Honda was beginning to globalise its production bases in key regional markets in the 1990s, the building of local auto parts production bases within the vicinity of the assembly plants is an important strategy. In China Honda has, compared with her competitors, a high in-house and local sourcing ratio in her manufacturing bases enabling direct control over the costs and the smooth running of the Honda lean production.

Honda's entering into China in 1992 was started with technological cooperation and later manufacturing of motorcycle parts with the state-owned company Dongfeng Motor. In 1994 and 1998, Dongfeng Honda Auto Parts Co., Ltd and Dongfeng Honda Engine Co., Ltd were founded in Huizhou and Guangzhou city of Guangdong province. In Fujian province, Honda invested in Honda Mindong Generators Co Ltd in Fuzhou city. The move brought along more than thirty motorcycle parts suppliers of Honda to China which became the basis of auto parts supply for Honda when the company stepped into automobile production later. Honda's auto supply was stratified into KD (semi-knocked down) import of core parts from the mother company in Japan, priority sourcing of other core parts from her Japanese affiliated suppliers in China, followed by other foreign owned or joint venture suppliers and the local Chinese suppliers. To illustrate, of about 1500 auto parts that Honda needed for assembly in 2005, 600 were sourced locally in China from between 120-150 first-tier suppliers in China. This was to meet the Chinese government's requirement of 40% local sourcing for the joint venture auto companies to operate in the country. Yet, by moving into China Honda was also transplanting its own supply network to the Guangdong production base. Nearly 65% of these local first-tier suppliers were Japanese invested companies (20%) and Sino-Japanese joint ventures (45%). The other suppliers were affiliates of the European/US auto companies (15%) and domestic Chinese suppliers (20%). Without violating the 40% local sourcing threshold, the Japanese suppliers were making about 90% of the value of Honda's total sourcing in China. Amongst these suppliers 40% were Honda's subsidiaries or affiliated companies in which the company held shares and they took up 60% of the total sourcing value of Honda China⁴. Subsidiaries such as Dongfeng Honda Auto Parts Co., Ltd and Dongfeng Honda Engine Co. Ltd in Huizhou and Guangzhou city were supplying the transmissions, engines and parts such as the shafts and links to the three assembly plants of Honda in China (GAC-Honda, Dongfeng Honda and Honda Automobile (China)).

After 2005, the inward looking strategy for sourcing deepened with the founding of Honda Auto Parts

¹ Wei, J.Q. "本田汽车技术封锁下的脆弱供应链", First Financial Daily Shanghai第一财经日报 (上海). 28 May 2010.

² Wang, F.M. "广州本田降低成本占取优势 价格主导要领先". Guanchayusikau 观察与思考, 20 October 2004.

³ The Accords manufactured by Dongfeng Honda are said to have a local auto parts sourcing rate of 78% which is very high amongst the auto joint venture companies in China. ("详解本田汽车在华利润为何那么高". Bangsai. 22 March 2010. 23 July 2010. <<http://www.bangsai.info/thread-2077-1-1.html>>)

⁴ Wu, D. "广州本田的精益供应链构建及运行分析". Wangfangdata万方数据. 8 March 2010. 23 July 2010.

<<http://www.1mfg.com/1mfg/control?dogo=StoryAff.show&id=2045>>

Manufacturing Co Ltd (CHAM) in Foshan city. The factory is making transmissions which were almost exclusively KD imports from Japan Honda before. Between 2000 and 2007, Honda increased investment in the auto parts manufacturing and R&D in China for higher degree of localization of the core parts to support the enlarged production capacity of her assembly plants in China. These include Jialing-Honda Motors Co., Ltd in Tianjin in 2000, Sundiro Honda Motorcycle Co., Ltd in Shanghai in 2001, Honda Engineering China Co.Ltd and Honda Motorcycle R&D China Co., Ltd in Guangzhou in 2004, Honda Auto Parts Manufacturing Co Ltd in Foshan in 2005 and Guangzhou Honda Automobile Research&Development Co.,Ltd in 2007. The latter two subsidiaries are wholly owned by Honda to maximize the space in the Chinese government’s auto protectionist policy which restricts foreign investment in the auto assembly with a 50-50 foreign-local ownership but allows foreign investors to found wholly owned enterprises in the auto parts sector. From 2005 onward, the strategy of Honda is distinguished by its deepening the localized sourcing and manufacturing of the auto parts via its subsidiaries and affiliated suppliers in order to capture the profit margins created in the production chain as much as possible. By now, the core auto products of Honda in China are manufactured with almost the highest local sourcing rate compared with her competitors. Fit has 92% of the parts sourced in China, followed by Odyssey 80% and Accord 78%⁵. Jazz, the car model manufactured in the export base of Honda Automobile (China) in Guangzhou city for 100% export to Germany and Europe, is able to benefit from the low cost sourcing to achieve competitiveness in the export market. By creating a rather closed supply network with a high in-house sourcing ratio, Honda is able to maintain tight control over the production cost and absorbing most of the profit margins via intra-firm trading within the corporation.

Table One: Subsidiaries of Honda in China

<p>Dongfeng Honda Automobile Co., Ltd. 東風本田汽車有限公司</p>	<p>Owned by Dongfeng Motor Corporation and Honda Motor Company Limited on 50-50 basis. Located in Wuhan city, Hubei province. Founded in 2003 with registered capital USD480 million. Number of staff: 4179. Production: car and engine assembly. Annual production capacity: 200,000 assembled cars. Car models: Honda CR-V, Civic, Civic Hybrid, Spirior. Distribution: 256 4-S stores</p>
<p>Dongfeng Honda Auto Parts Co., Ltd. 東風本田汽車零部件有限公司</p>	<p>Owned by Dongfeng Motor Corporation and Honda Motor Company Limited on 50-50 basis. Founded in 1994. Located in Huizhou city, Guangdong province. Products: engines and chassis manufacturing. Number of staff: 2030. Production capacity: 4.22 million units. Sales revenue: RMB1.3 billion (2008). Market: major supplier for Guangzhou Honda, Dongfeng Honda</p>

⁵ Kau, J.D. “本田汽车：近亲繁殖的挑战 寇建东”. State Council Development and Research Centre. 28 April 2010. 17 June 2010.
<<http://218.246.21.135:81/gate/big5/www.drcnet.com.cn/DRCnet.common.web/DocViewSummary.aspx?version=Integrated&docid=2209284&leafid=86&Chnid=1006&gourl=/DRCnet.common.web/docview.aspx>>

	and export.
Dongfeng Honda Engine Co., Ltd 东风本田发动机有限公司	Owned by Dongfeng Motor Corporation and Honda Motor Company Limited on 50-50 basis. Founded in 1998. Located in Guangzhou city. Located in Huangpu district of Guangzhou city. Business: R&D, manufacture, distribution of engines and auto parts. Car models: Accord, Odyssey, Fit and City Market: Honda in China, export to Japan and Thailand
Guangqi Honda Automobile Co., Ltd. 广汽本田汽车有限公司	Owned by Guangdong Automobile Group Corporation and Honda Motor Co Ltd. Founded in 1998. 2 subsidiaries in Guangzhou city. Business: car assembly Production capacity: 360,000 cars. Number of staff: 5600 Car models: 18 car models from Accord, Odyssey, Fit Saloon, City.
Guangzhou Honda Automobile Research&Development Co.,Ltd. 广州本田汽车研究开发有限公司	Wholly owned subsidiary of Honda. Founded in 2007. Located in Guangzhou city with registered capital of RMB180 million. Business: R&D for car and auto parts products.
Honda Automobile (China) Co., Ltd. 本田汽车(中国)有限公司	Owned by Honda Motor Co Ltd, Guangzhou Honda Automobile Research&Development Co.,Ltd. (65% total), GAC (25%) and Dong Feng Motor (10%). Founded in 2003. Located in Guangzhou city. Business: car assembly Production capacity: 100,000 cars/year. Market: 100% export to Germany (Jazz) and Europe. Car model: Jazz
Honda Auto Parts Manufacturing Co., Ltd. 本田汽车零部件有限公司	Wholly owned by Honda Motor Co Ltd. Founded in 2005. Located in Foshan district, Guangzhou city. Business: Manufacture of transmissions, gearboxes, drive shaft, engine components. Production capacity: 240,000 sets. Market: Honda subsidiaries in China.
Honda Engineering China Co.,Ltd. 本田生产技术(中国)有限公司	Wholly owned subsidiary of Honda. Founded in 2004. Located in Guangzhou city. Business: R&D
Honda Mindong Generator Co.,	Owned by Mindong Electric (Group) Co., Ltd. and Honda Motor

<p>Ltd. 福建闽东本田发电机组有限公司</p>	<p>Co., Ltd. Founded in 1994 with registered capital USD 6 million. Location: Fuxing Investment Zone in Fuzhou city, Fujian province. Number of staff: 212 Business: manufacturing Honda EC/EP series (1.3-5KVA) gasoline generators and WB series (2-inch and 3-inch) water pumps. Production capacity: 600,000 sets. Market: 30% China and 70% export to 60 countries including US, Europe, Japan.</p>
<p>Honda Motorcycle R&D China Co., Ltd. 本田摩托车研究开发有限公司</p>	<p>Wholly owned by Honda Motor Co Ltd Founded in 2004. Located in Shanghai Municipality Business: R&D, auto business for Honda's motorcycle marketing. Research and development of motorcycles and related products in China</p>
<p>Jialing-Honda Motors Co., Ltd. 嘉陵-本田发动机有限公司</p>	<p>Owned by China Jialing Industrial Co Ltd (Group) and Honda Motor Co Ltd. Founded in 2000. Located in Chongqing Municipality. Business: Manufacture and distribution of power products, gasoline gearboxes, motorcycle components; Market: China, Europe, Australia, Japan, US.</p>
<p>Sundiro Honda Motorcycle Co., Ltd. 新大洲本田摩托有限公司</p>	<p>Owned by Honda Motor Co Ltd (50%), Hainan Sundiro Holding Co Ltd and Tianjin Motorcycle Group. Founded in 2001. Located in Tianjin. Number of employees: 5600 Business: manufacture and sales of motorcycles Production capacity: 1.6 million units Models: Wave, M-Living, Sundiro brands Market: China, Japan</p>
<p>Wuyang-Honda Motors (Guangzhou) Co., Ltd. 五羊—本田摩托（广州）</p>	<p>Owned by Guangzhou Motorcycle Group Corporation and Honda Motor Co Ltd. Founded in 1992 Located in Guangzhou city Number of employees: Business: motorcycle manufacturing Cumulative production: 5,430,000 motorcycles (2007) Market: China and around 55% export to more than 60 countries in Asia, Africa, South America, Middle East No. of distributors in China: 3000</p>

Honda Auto Parts Manufacturing Co Ltd (CHAM)

CHAM was founded in 2005 and the first wholly foreign invested transmission company founded in

China. This was certainly an important step for Honda as well as her Chinese partner GAC for domestic production of the strategic auto parts in Guangdong province. CHAM is the fourth automatic transmission plant of Honda founded outside Japan after the ones in the US (Georgia and Ohio) and Indonesia. It is also the only supplier of Honda's parallel shaft AT transmissions in China. 80% of the products made in CHAM are sent to the assembly subsidiaries in Guangzhou and Wuhan city. The founding of CHAM is part of the regional supply network of Honda's globalized production. Transmissions, especially the AT transmissions share an estimated 70% of the auto parts value of an automobile. The comparatively high degree of local sourcing of the strategic transmissions compared with Honda's competitors in China explains the cost competitiveness and high profit margin of the Japanese company in China. Up to 80% of the transmissions of Honda's subsidiaries in China are sourced locally. The remaining 20% of the core transmission components namely the transmission shafts and gears are imported from Japan⁶. The company's plan was to use CHAM for processing the transmission shafts and assemble the transmission boxes, eventually to move on for precision processing of the gears and control units imported from Japan. Compared with importing the parts for KD (semi-knock down) assembly of the transmissions, the cost reduction of manufacturing them locally in China is as big as 30%⁷.

CHAM was built with an annual capacity of 240,000 units with a registered capital of USD98million⁸. Its establishment in Foshan city was immediately followed by Honda's first-tier affiliated supplier, the FCC Group which set up the Foshan FCC Co Ltd. The latter supplies 100% of its clutches and die casts to CHAM. By now, Honda has built up a network of power and control system assembly in Foshan city. Combining with the engines produced by Dongfeng Honda in Huizhou and Guangzhou, Honda has a lean production network of in-house auto parts supply to rely on for the assembly bases of GAC-Honda (Guangdong), Dongfeng Honda (Hubei) and her export base centred by Honda Automobile (China) in Guangdong.

Value Creation in Transmission Manufacturing in CHAM

The strikes in CHAM raise a number of issues about the fundamentals of labour value creation and profits made in the auto industry in China. Given that AT transmission is a core component and CHAM is Honda's only wholly owned auto parts plant in China, it is hard to imagine that the remunerations of workers in CHAM could be so low.

Low Wages in CHAM

CHAM employs more than 2000 workers and most of them are migrant workers originated from the inland provinces and the less developed regions of Guangdong province. The major frustrations of the workers lie in the low level of wages totally disconnected from the high profit the company is making. The wage incremental and promotion system is stagnant and unfair revealing the absence of a reasonable profit sharing mechanism between the Japanese company and the local workers. CHAM workers are organized into 5 grades and each grade is sub-divided into 15 sub-grades. Promotion is based on the year end appraisal meaning that it should take 15 years for a production line worker to promote to the next grade. A pass in the year end appraisal brings only a mean wage rise of 30 yuan or so. Before the strike

⁶“本田加速本土化战略 将与广汽打造新品牌”. Auto Cnool. 22 March 2007. 15 June 2010. <http://auto.cnool.net/news/0-1-19/0-1-19-1-1/9599_1.html>

⁷“本田丰田巨资催熟广州汽车零部件供应链”. Henan Qizhezaixian. 12 March 2010. 1 June 2010. <<http://www.hnqczx.com/news/auto-s/bentianfengtianjuzicui.html>>

⁸ Honda in China. Honda. 2010. 20 May 2010. <<http://www.honda.com.cn/corporate/china/auto/parts.html>>

broke out in May this year, a grade 1 worker was receiving a basic wage of only 675 yuan compared with the legal minimum of 720 yuan (which was increased to 920 yuan just before the strike) in Foshan city. Other incentives accounted for approximately 50% of their take-home income. These include job allowance (340 yuan), full attendance bonus (100 yuan), living allowance (65yuan), housing allowance (250 yuan) and transport subsidies (80yuan). After deducting the various insurance premiums (old age insurance 132 yuan, medical insurance 41 yuan and the housing provident fund premium 250 yuan) , only 1211 yuan is left⁹. The salary of the grade 2 workers is slightly higher between 1500-1600 yuan. The conditions of the intern workers who made up to 30% of the total workforce were worse. They were paid a basic wage of 500 yuan and a monthly income of around 900 yuan including the allowances.

The low income of CHAM workers contrasts sharply with the profit Honda and GAC are making. Honda reported a net profit of USD1.5 billion worldwide in 2008. Out of that, USD1.3 billion was generated from the China market¹⁰. The performance of Honda in 2009 continued to benefit from the persistent sales increase in Asia and costs retrenchment. The net income of Honda in 2009 reached USD2.86 billion despite the downfall in the major markets other than Asia and China¹¹.

According to the statistics of the China Automobile Association (中國汽車工業協會), Shanghai Volkswagen was the best selling auto company in China in 2009 and yet it was only the fourth most profitable company. GAC ranked the 6th in terms of the number of cars sold and yet it was the second most profitable auto company in China in 2009¹². Thanks to the market performance of Honda and Toyota, GAC reported a revenue of USD1.79 billion and a profit rate of 10.37% in 2009 which is above the average profit rate of 7.7% of the auto sector in China¹³.

Table Two: Income and Profit of the Auto Companies in China 2009

Company	Car sales (million)/ Rank	Car Sales Income (billion yuan)	Profit (billion yuan)	Profit (billion USD)	Profit rate
Dongfeng Motor	1.89 (3)	268.526	26.258	3.843	9.78%
Shanghai Automobile Industry Corporation	2.7 (1)	341.971	26.071	3.816	7.62%
First Automobile Works -VW	1.94 (2)	314.381	25.862	3.786	8.23%
Guangzhou Automobile Group	0.6 (6)	117.930	12.232	1.79	10.37%
Beijing Automobile Works	1.24 (5)	111.515	6.343	0.928	5.69%
Changan Automobile Group	1.86 (4)	105.420	2.383	0.35	2.26%
BYD Auto	0.48 (8)	21.497	3.033	0.446	14.11%

Source of data: China Automobile Association¹⁴

⁹ These figures are based on the pay slip disclosed by Honda workers. Source: “本田罷工門：薪酬分 75 級跳一大級要 15 年”. National Business Daily 每日經濟新聞. 21 May 2010.

¹⁰ Zhang, S.S. “透過本田“罷工門”看中外巨大反差”. Zhqycm 中企新傳媒. 28 May 2010. 16 June 2010.

<<http://www.zhqycm.com/zixun/redianjujiao/201005/12525.shtml>>

¹¹ Ibid.

¹² “中國車企的高利潤發展恐埋品質隱患”. Auto163 網易汽車. 1 June 2010. 20 June 2010. <<http://auto.163.com/10/0601/11/683BVPGB000849GJ.html>>

¹³ Ibid.

¹⁴ Ibid.

Coming to Honda, the per car profit margin for the vehicles produced in GAC-Honda and Dongfeng Honda is the highest amongst her competitors in China. In 2006, the per car margin in the automobile industry in China was 10,643 yuan, it was 23,000 yuan per car in the case of GAC-Honda¹⁵. Compared with other companies, Honda produces and sells a limited range of car models in China. Nevertheless the annual profit of Dongfeng Honda for instance reached 1.2 billion yuan just from selling two car models of Civic and Accord CR-V¹⁶. This is attributed to the cost saving strategy of Honda which started its investment in engine and power units production in China back in 1992 before stepping into car assembly. The investment strategy enabled Dongfeng Honda to reach a much higher local sourcing rate of 78% for the auto parts by now comparing with others. This proves to be a successful strategy as more auto MNCs stepped into the Chinese market after 2005. The cost benefit of localized auto parts production allows Honda to maintain its profit margin despite a number of price slumps in the auto market in China since 2008.

Yet the labour reward to the auto parts workers of Honda in China is far lagging behind the rapid growth of the industry and the company's business success. The labour market in the auto sector in China is segmented into a regular sector of the assembly workers and the irregular sector of the auto parts workers. In the case of Honda in China, although a large part of the profit margin of the company is generated from local auto parts manufacturing, the salary and welfare of Honda's auto parts workers is much lower than their counterparts in the assembly factories.

In GAC-Honda and the Assembly Sector

The remuneration and welfare of the assembly line workers in GAC-Honda is significantly different from those of the auto parts workers in CHAM. GAC-Honda has a more egalitarian income structure. A probation worker receives nearly 3,000 yuan a month to be increased within 20% after the probation ends. Interns are not used on a large scale. There are regular incentives include overtime compensation and allowances eg allowance for special work, allowance for work under high temperature, allowances for late marriage/late pregnancy; and bonuses linked to the corporate profit. As a result of the high revenue earned by the company, all workers were paid 18.5 months' salary a year in 2008 and 2009 (double pay in July and August and another extra 4.5 months' basic wage at the end of the year) which is above the market rate in the auto industry. Besides, there are welfare provisions such as festival awards; transportation and housing allowance (500 yuan each per month); food subsidy (100 yuan per month); free work uniforms and laundry; shuttle bus services, as well as social insurances as required by the law. Like most auto companies, GAC-Honda offers worker training programmes and internal discounts for buying cars to the workers¹⁷. A GAC-Honda assembly line worker is receiving, by rough estimate, an annual salary between 50,000-60,000 yuan which is higher than the market median. A market survey finds that the labour market of the auto industry is highly segmented in China: workers in the western auto MNCs are receiving an annual salary of about 70,000 yuan, to be followed by the Japanese and Korean auto MNCs paying 30,000-50,000 yuan. At the bottom of the market lies the domestic auto companies which are paying an annual salary of 1,2000 to 30,000 yuan to their assembly workers¹⁸. The survey finds that despite the rapid growth of 48% in the car sales in the Chinese auto market in 2009, the

¹⁵“詳解本田汽車在華利潤為何那麼高”. <http://blog.sina.com.cn/aray113>. Sina. 29 November 2010. 24 May 2010.

<<http://www.changle.com.cn/viewthread.php?tid=203677>>

¹⁶ *ibid.*

¹⁷ “<轉>廣本待遇詳解”. Online posting. 7 November 2008. HiAll Forum. 15 June 2010. <<http://bbs.hiall.com.cn/thread-216164-1-1.html>>

¹⁸ The survey was done by the National Business Daily on the wages of the workers from 15 car assembly companies and 11 auto parts companies of different types of ownership. (“CBN 汽車行業薪酬調查”. National Business Daily 第一財經日報. 7 June 2010)

salary of the auto assembly workers has raised by only 10% in general; and this is accompanied by increasing work intensity, longer working hours, not to mention the growing trend of wide use of interns, irregular workers and the enlarged income gap between the management and production line workers, as well as between the Chinese and the expatriate workers¹⁹. In the auto parts sector and especially in the foreign owned auto parts factories, “low income is the general situation.”

Labour Regime in CHAM

Evidenced by the low wages disclosed by the CHAM workers, the 30% reduction in the production cost of localizing the sourcing and manufacturing of the auto parts in China as conveyed by Honda²⁰ is based on the appropriation of the labour value of the Chinese auto parts workers. This is achieved in a number of ways.

De-skilling and Low-Cost Labour in Lean Production

CHAM is the fourth AT transmission plant directly invested by Honda outside Japan. The production and management system of CHAM is a transplant of the mother company's. The production is divided into 5 sections: assembly, casting, gear, aluminum processing and shafts. The assembly is the last section organized into two production lines staffed by 200 workers. Yet fresh interns are widely used up to 50% in all the departments. In the assembly lines 80% of the workers are interns who have been trained for two weeks before the placement. Their work is mainly involved with machinery operations for processing and polishing of the shafts and other semi-finished components. The work has low skill content which takes the interns only a few days to catch up with the regular workers and meet the target of polishing 900 shafts a day. This is one of the major complaints of the interns whose frustrations come from the lack of prospect of the job. The workers recruited by CHAM are mainly graduates or students from the vocational secondary schools which distinguishes them, and more accurately, their career expectations from other migrant workers employed in the labour-intensive industries²¹. Yet CHAM seems to be a sub-contracting processing plant that uses the low labour cost in China and the intra-firm trading to maintain the high price of the technology-intensive part of the transmission manufacturing which is held in the mother company. Rather than external outsourcing, Honda's direct investment in CHAM for in-house supply of the AT transmissions in China firstly enables the company to minimize the manual labour cost in the production as much as possible, appropriates the price differences in selling the parts to her assembly subsidiaries and other companies, and to maximize the just-in-time production. In Honda's lean production, the value of manual labour lies in the flexible mediation of the tempo of supply and production for zero waste, zero time loss and zero inventory. The value of the manual labour is to maximize the production of the machinery rather than being replaced by it.

The up-shooting figures of imported AT transmissions to China after 2005 of the auto MNCs in China is masking the lucrative trading of high-end, high-valued auto parts between the mother countries and China, and the profit created in the intra-firm trading of these core auto parts within the MNCs' production network inside China. In 2006 the production of automobiles in China started to jump and

¹⁹ The huge income gap between the Chinese and expatriate workers is manifested in the salary which can be as high as Euro250,000 a year including the subsidies for an expatriate manager in a European auto joint venture. This does not include a wide range of welfare and provisions such as housing, transport, entertainment allowances, bonuses and gratuities. (ibid.)

²⁰ “本田豐田鉅資催熟廣州汽車零部件供應鏈”. Henan Qizhezaixian. 12 March 2010. 1 June 2010. <<http://www.hnqczx.com/news/auto-s/bentianfengtianjuzicui.html>>

²¹ These frustrations and anger are strongly vented on various forums and blogs in the internet. To quote and example, the CHAM workers were saying they were not migrant workers and did not deserve such low wages paid by Honda. They were referring to the larger lot of workers with lower education level coming from the poor inland towns and villages and employed in the light industries in Guangdong province.

1.6 million cars were manufactured locally rising by 56.5% compared to 2005 and yet the AT transmissions were imported at a much faster rate growing by 80.62%²². The high import rate of AT transmissions continued to rise to 1.89 million units in 2008, increasing by 86.5% compared with 587,000 units in 2004²³. Guangzhou city, mainly the three Japanese auto joint ventures of GAC-Honda, GAC-Toyota and Dongfeng Nissan in Guangzhou were the biggest importers consuming 28.89% of the country's total import of AT transmissions in 2007²⁴. And Japan was the biggest exporting country of AT transmissions to China in the same year: about 68.21% (889,945 units) of the imported AT transmissions in 2007 were made in Japan²⁵. The Guangzhou customs estimated that the import value of the AT transmissions in 2009 (Jan-Nov) alone cost USD500million, which was 55.8% increase from 2008. Including the un-specified transmissions and control units, these three items took up 45.8% of the total value of the imported auto parts to China in 2009²⁶.

Table Three: Number of automatic transmissions imported to China 2005-2007 September

	Number of cars manufactured (in 10,000)	Number of AT transmissions imported (in 10,000)
2005	102.92	69.83
2006	161.08 (+56.5%)	126.12 (+80.62%)
2007 Jan-Sep	133.06 (-17.3%)	130.47 (+43.8%)

Source: Zhu and Wang(2007)²⁷

Table Four: User Companies of the Imported AT Transmissions in China (Jan-Sep 2007)

Location	Auto company	Quantity	% in national import
Guangzhou	GAC-Honda, GAC-Toyota, Dongfeng-Nissan	376,913	28.89
Shanghai	Shanghai VW, Shanghai GM	260,525	19.97
Changchun	FAW-VW, VW	162,671	12.47
Tianjin	FAW-Toyota	138,325	10.60
Chongqing	Changan Ford, Changan Suzuki	123,846	9.49
Wuhan	Dongfeng Honda	101,254	7.76
Beijing	Beijing Benz, Beijing Hyundai	71889	5.51
Total of the above		1235423	94.69

²² “變速箱成近三年中國進口值最高的汽車零件”. Auto Gasgoo. 29 June 2010. 4 July 2010. <<http://auto.gasgoo.com/News/2010/06/290917531753205654103.shtml>>

²³ Ibid.

²⁴ Zhu, X.L., Wang, Q. “Conditions and Development Trends in the Market of Transmissions and Related Parts in China. Online posting. 23 June 2009. Autohome Forum. 15 July 2010. <<http://club.autohome.com.cn/bbs/thread-c-97-3496414-1.html>> (朱向雷 王靜 2007: 中國乘用車變速器配套市場現狀及發展趨勢)

²⁵ Ibid.

²⁶ “變速箱成近三年中國進口值最高的汽車零件”. Auto Gasgoo. 29 June 2010. 4 July 2010. <<http://auto.gasgoo.com/News/2010/06/290917531753205654103.shtml>>

²⁷ Zhu, X.L., Wang, Q. “Conditions and Development Trends in the Market of Transmissions and Related Parts in China. Online posting. 23 June 2009. Autohome Forum. 15 July 2010. <<http://club.autohome.com.cn/bbs/thread-c-97-3496414-1.html>> (朱向雷 王靜 2007: 中國乘用車變速器配套市場現狀及發展趨勢)

National total		1304667	100
----------------	--	---------	-----

Source: Zhu and Wang(2007)

Therefore despite the increasing localization rate of Honda and the auto MNCs in auto parts sourcing in China, that seems to have little effect on the reliance of China on the import of the core auto parts such as the AT transmissions from the mother countries of these MNCs. This explains indirectly the surprisingly low wages and the wage gap between these processing workers and the Japanese expatriates in CHAM as well as the Chinese workers’ sense of alienation in the production line: the processing work in CHAM is largely of low skills content.

Yet de-skilled manual labour plays a critical role in the lean production. It is the most flexible factor of production in adjusting the tempo of production for minimum waste, maximum value creation and therefore cost control. The work of Honda’s assembly and auto parts plants are so organized that before reaching full production capacity, manual labour is always the priority, to be shifted to semi-automatic and completely automatic operation as the set target and size of production increases²⁸. As proved in the CHAM strike which caused the 4 assembly plants of Honda to come to a standstill, these workers, though de-skilled, are playing a critical role in the just-in-time delivery of the lean production. Yet the long-established low cost migrant labour regime so generalized in China seems to override the critical value of the workers. The bargaining power of the CHAM workers lies not in their skills for that is not required in the production of the transmissions, but their position in the lean production system which has only a thin buffer to protect the just-in-time delivery and assembly of the automobiles. And the workers were aware of this when they were taking the industrial actions²⁹. The Chinese workers in CHAM are easily replaceable. Their value lies in their conforming to the “lean”. The labour regime in CHAM and Honda’s auto parts subsidiaries in the region works to ensure that their labour value will be continuously secured and paid at a low wage for low-cost in-house sourcing and domestic trading at a high profit margin with other auto companies inside China. The blunt appropriation of the low-cost labour in China is not a secret. Admitted even by the trade union, the transmissions produced by CHAM costing not more than 10,000 yuan a unit are sold for 20,000 yuan to the joint venture GAC-Honda and 40,000 yuan a unit to the 4S stores in China³⁰. The rapid growth in the profit rate of Honda in China is radically contrasting with the economic rewards it is willing to share with the workers.

Labour Regime in the Auto Parts Industry in Guangdong Province Internships in lieu of Regular Employment and Labour Conformity

Amongst the more than 2000 production line workers in CHAM, at least one-third of them are interns.

²⁸ 100% automatic operation is only used when the maximum use of manual labour in 3 shifts within 24 hours cannot meet the set target. The production line and work station of each work in the production process possesses the capacity to shift from manual, semi- and 100% automatic production. (Wang, F.M. “廣州本田降低成本占取優勢 價格主導要領先”. Guanchayusikau 觀察與思考, 20 October 2004.)

²⁹ May is the peak season of production in CHAM. The initiator of the strike worked in the assembly department. He was aware of the impact of the stoppage of work to the supply of Honda to the other assembly companies. When he pressed the button and halted the production line at 7.50am of 17 June, he yelled: “The wage is so low, stop doing your work!”. More than 50 colleagues followed him to walk out. They went to other departments and asked more workers to join them but it was not very successful. While they were sitting on the basketball court and the Japanese management was trying to communicate with them, their action was quickly spreading via mobile phone text messages. The interns from other departments also walked out and joined them. Shortly that morning before the 37th transmission was assembled, the whole production had to come to a halt. CHAM workers went on strike for 4 days (not consecutively) and strong resistance was met from the management to the wage demands they made. The dispute dragged on from 17 May to the first week of June. “We are waiting for other companies to give pressure to the management.” (Liang, Z.W., Xu, F. (梁鐘榮 徐峰) “直擊南海本田罷工事件 (轉貼)”. Online posting. 28 May 2010. EBusiness Review. 30 June 2010. <<http://www.ebusinessreview.cn/c/articlesingle-layoutId-52-id-6863.html>>)

³⁰ The profiteering methods of Honda in China is acknowledged by the Vice Chair of the All China Federation of Trade Unions in Guangdong, KONG Xianghong. (“廣東省企業民主管理條例起草人:尋找平衡點 維權與維穩並重”. 21st Century Business News 21世紀經濟報導. 28 July 2010.)

In the third and last year of their study, they are placed in the company for on-the-job training. Most of them are originated from the less developed cities and towns outside the Pearl River Delta area studying in the vocational schools. They are sent by the schools for one-year internship in CHAM to be subject to the company for changing to regular workers after their services.

The interns are aged under 20 years old majoring in related disciplines such as casting and mechanics in the vocational schools. The school fees they pay range from 2700 to 12,000 yuan (US395-1764) a year not including books and materials. Yet for doing the same job as the regular workers in CHAM, they receive a basic wage of only 500-600 yuan and a monthly income of 900-1000 yuan including the overtime and compensations, which is barely enough to cover the school fees³¹. The placement is disillusioning as they are doing repetitive and low-skilled work on the production line irrelevant to their learning in schools. In their words, “We agree absolutely this is a high-class looking sweatshop. The biggest pity is that we are buried here. We have learned nothing. The so-called training – it is something that anybody can learn and become proficient in it by spending a day or two on the production line³².” They are clear about the lack of promotion and the stagnant wage structure of the senior workers. Regularization to formal employment after the internship is not appealing to them because of the lack of prospect and the poor pay of the work. However, the interns’ participation in the strike enhances the power of the workers contributing to the halt in the production of CHAM and the assembly factories of Honda. As the strike resumed in the late June, the vocational schools and the teachers were mobilized to have face-to-face talk with the students persuading them to quit the strike and sign the no-strike agreement letter. These letters were torn into pieces on the floor of the interns’ dormitories.

The use of interns is first of all a cost reduction strategy for Honda. The interns are not entitled to the labour law protection fully. Irregular workers including interns and youth workers are protected by the major labour legislations such as Labour Law and Labour Contract Law, but not covered for social security provisions. This means at least 21% of the per head salary is saved for the company. The double exploitation of the interns works through unequal pay and rights for equal work between the interns and the regular workers, while generating profit to the company, income and government’s subsidies to the schools. The ACFTU does not have a position on internship labour; and the local branch of the union in CHAM was more eager to get the workers and interns back to work after the strike broke out. Internship is a cost strategy enabled by the de-skilling that builds up a replaceable workforce for flexibility and conformity. It is not surprising that more interns were used after June to replace the active workers in the strike. This led to the second strike in CHAM two months later in August. The dispute has not ended yet. Discipline and conformity being the issue, it is also the role of the vocational schools and the teachers who were mobilized to come to CHAM for face-to-face talk with the interns in the high tide of the strike in late June. The new internship contract that the teachers persuaded the workers to sign contains explicit clauses of no participation in stoppage of work, slow-down, and no violation of the factory regulations. One also has not forgotten the two leaders in the strike who were dismissed by the management on 22 May for “violating the factory regulations and instigating workers to stop work and strike”. Taking industrial actions is a violation of Honda’s factory regulation to be punished. This, as well as the dismissal of the two leaders, was regrettably not disputed by the plant union or the upper level union.

The internship system enables CHAM to have labour replenishment serviced by the local government

³¹Zhu, Y.X 朱一心, “佛山本田工人面對雙重剝削”. Asia Week 亞洲週刊. 4 June 2010.

³²Ibid.

and agencies to maintain a manual workforce that conforms to the flexibility and tempo of the lean system. The domestic background for that is the increasingly common and institutionalized “internship phenomenon” in China supported by local governments and employers. Internship in lieu of regular employment is becoming a trend in the auto industry especially in the auto parts sector and the domestic auto companies where practices are less regular. These internship schemes are a means of the government in the labour-exporting provinces to create employment to the rural surplus labour and for the government in the labour-importing provinces to relieve the labour shortages faced by employers in the labour intensive industries. Since the Guangdong government laid down the grand strategy of industrial up-grading in the Plan for the Development of the Nine Pillar Industries in Guangdong Province (2005-2010) in 2005, the “double transfer” strategy was promoted to relocate the polluting and labour intensive industries from the Pearl River Delta (PRD) area to the northeast and northwest region, replacing them by capital intensive ones such as the auto industry. This is accompanied on the reverse by the transfer of rural surplus labour from these less developed regions to the PRD to support the new industrialization. There are 410 vocational secondary schools in Guangdong province participating in the “labour transfer” programme of the provincial Ministry of Education. In 2008 the programme trained more than 500,000 students for vocational education³³. On a year basis, the province is recruiting an average of 150,000 junior high school students from the less developed regions (from in and outside the province) for vocational training and placement in the companies³⁴. The institutionalization of these practices are reinforced by the linked-up interests of the local Office of Poverty Alleviation and Development of the less developed regions, the Ministry of Education and the Occupational Skills Training Centres of the Ministry of Labour, and the companies so much as that the content and placement terms of the internship programmes are based on the needs and the labour replenish rate of the companies³⁵. In this sense, the trend of irregular forms of employment found in the auto MNCs and the supply companies in Guangdong province is tolerated, if not promoted by the government.

Market Domination and Clustering of Labor Standards

The low wage regime in CHAM is not a single isolated example but the general condition in where CHAM is located. It is the result and the reproduction of the low-wage-based development model that Guangdong province has been relying on for achieving the fast speed economic development in the past 30 years.

CHAM is located in Shishan town of Nanhai district of Foshan city in Guangdong province. Foshan city was integrated into the administration of Guangzhou, the provincial city of Guangdong. Economic development in Foshan has been led by domestic small-medium-sized capital in the light and labour intensive industries producing consumables such as electrical appliances, furniture, ceramics, garments etc. The bottleneck was met after 2000 with overproduction in the domestic market and increasing foreign competition. Since 2002, Shishan town has been actively developing projects inviting foreign investment in the auto parts industry. This is part of the grand industrial re-structuring plan of Guangdong province launched in the 10th Five Year Plan (2001-2005) and the 11th Five Year Plan (2006-

³³“廣東職業教育迎來發展黃金期 勞動力素質顯著提升”. China Youth Online. 2 February 2010. Edu.163. 20 July 2010. <<http://edu.163.com/10/0202/09/SUGPGE0100293L7F.html>>

³⁴Ibid.

³⁵ There are usually two systems for these trainings in Guangdong. The 1+1+1 programme provides for one year study in the vocational schools of the place of origin, one year in the schools of the place of work and one year in the company; and the 2+1 programme of two years in the vocational schools in the place of work and one year in the company.

2010). The industrial re-structuring plan, referred to allegorically as “Empty the cage and keep a new bird”, is to increase the capital and technological intensity of the secondary industry and development of the tertiary industry. Nine pillar industries, of which the auto industry is one of the cores, were selected for priority development to replace the low value added, polluting processing industries³⁶. In 2005, the Guangdong government launched the “*Development Plan of the Auto Industry of Guangdong Province 2005-2010*” which exemplifies the goal of building the automobile manufacturing base in the provincial city of Guangzhou as the fourth largest auto belt in the country³⁷. The assembly base in Guangzhou will be supported by an auto parts production belt in the Pearl River Delta area. The auto base should be developed on the basis of the leading auto enterprises in the province namely GAC, Honda, Toyota and Nissan. Immediate to the auto base in Guangzhou should auto parts manufacturing clusters be built in Foshan and Nansha city. The policy goal defined by the Guangzhou government is to increase the total industrial value of the Guangzhou auto industry to above 300 billion yuan and to expand the production of assembled car capacity to 1.3 million. Special focus is put on the development of the auto parts industry with the aim of reaching an industrial value of 80 billion yuan by 2010³⁸. GAC, and via its partnerships with the Japanese auto MNCs, is the vehicle for upgrading the industrial basis, creating higher GDP and improving the quality of the labour structure of the province.

Auto Parts Clusters in Foshan city

Compared with other towns in Foshan city where the domestic capital plays key role in industrialization, the development of Shishan town has been lagging behind and the catch up was mainly driven by foreign investment mainly in the auto parts and related industries. Within 5 years, the economic value of Shishan town expanded three times from 16.6 billion yuan in 2004 to more than 45 billion yuan in 2009 and a GDP exceeding 40 billion yuan outpacing the counterpart towns in Foshan³⁹. By 2009, Foshan city already has 300 auto parts companies of which 107 of them are joint ventures. Their cumulative investment amounts to US9.9 billion⁴⁰ and the industrial value created by the auto parts industry reached 22.8 billion yuan in 2009⁴¹. Shishan town of Foshan city, where CHAM is located, has attracted more than 50 auto parts companies and the aggregate investment of these enterprises amounts to 2.42 billion yuan⁴². The first-tier suppliers of Honda and Toyota, many of them are affiliated companies of the two auto companies, have followed their customers and establish factories in Shishan town. Their investment has boosted the industrial value of the auto related sector by 26% to 12.1 billion yuan in 2009⁴³.

Table Five: Japanese Auto Suppliers in Foshan City

Name of Enterprise	Business	Mother Company
--------------------	----------	----------------

³⁶ See “Development of the Nine Pillar Industries in Guangdong Province (2005-2010)” (廣東省工業九大產業發展規劃(2005—2010)) promulgated by the People’s Government of Guangdong on 15 July 2010. Online link: <<http://www.gd.gov.cn/govpub/fzgh/zdxx/0200611150010.htm>>

³⁷ See “Development Plan of the Auto Industry of Guangdong Province 2005-2010” (廣東省汽車工業 2005—2010 年發展規劃) promulgated by the People’s Government of Guangdong. Online link: <http://search.gd.gov.cn/document/a05015/242-264.htm>

³⁸ “廣汽零部件重組進行時”. Vision Soft. 5 June 2010. 17 July 2010. <<http://www.visionsoft.com.cn/automotive/21527.html>>

³⁹ “獅山：跨越式發展的標兵”. Foshan Daily. 6 June 2010. <http://www.citygf.com/szb/html/2010-06/06/content_186278273.htm>

⁴⁰ Introduction to the Auto Parts Manufacturing (汽車零部件產業情況介紹). Foshan government website. 20 July 2010. <http://www.investfoshan.gov.cn/ck2008/gb/topic_detail1.asp?nid=20>

⁴¹ “汽車零部件已成為佛山高新區的“主業”之一”. Nanfang Daily 南方日報. 2 July 2010.

⁴² 經濟實力雄厚的商業城市. Foshan Government. Accessed on 22 July 2010. <http://www.foshan.gov.cn/zjfs/fsjj_2/#jks>

⁴³ “廣東掀起新一輪造車熱”. CNYES 鉅亨網新聞中心. 13 June 2010. 22 July 2010. <<http://news.cnyes.com/Content/20100613/KC9UZB6A0UI82.shtml?c=vehi>>

Foshan Fengfu Auto Parts 佛山市豐富汽配有限公司	Auto filters, die casts, fixtures.	Honda	
Foshan Yutaka Auto Parts Co., Ltd 佛山優達佳汽配有限公司	Torque converters, die casts, fixtures and other parts.		
Honda Access China Corp 本田汽車用品（廣東）有限公司	Components of engines and car accessories.		
CHAM 本田汽車零部件製造有限公司	AT transmissions and components, power engines and components.		
Atsumi Metal (Foshan) Co., Ltd. 阿茲米特汽配（佛山）有限公司	AT transmissions and components, die casts		
FCC (Foshan) Co. Ltd 佛山富士離合器有限公司	Clutches for AT transmissions, die casts and fixtures.		
Honda Foundry (Foshan) Co Ltd 本田金屬技術（佛山）有限公司	Alloy forging, die casts and motorcycle components		
Aisan (Foshan) Auto Parts Co.,Ltd. 愛三（佛山）汽車部件有限公司	Alloy forging for auto and motorcycle components, digital EFI system, auto filters and core parts.	Toyota	
Tokai Rika (Foshan) Co Ltd 佛山東海理化汽車部件有限公司	Digital and electronic auto systems		
Koyo Lioho (Foshan) Automotive Parts Co Ltd 光洋六和（佛山）汽車配件有限公司	Precision bearings		
Toyoda Gosei (Foshan) Auto Parts Co., Ltd. 豐田合成（佛山）汽車部品有限公司	Resin auto accessories		
Toyoda Gosei (Foshan) Rubber Parts Co., Ltd 豐田合成（佛山）橡膠有限公司	Interior and exteriors		
Sugiyama (Foshan) Industries Co Ltd 杉山工業（佛山）模具有限公司	Die casts		
Suzuki Seiki (Foshan) Co Ltd 鈴木精機（佛山）有限公司	Die casts of autos and motorcycles		
TMD (Foshan) Auto Parts Co Ltd 豐田工機（佛山）汽車部件有限公司	Hydraulic power steering system		Toyota Motor 豐田汽車
Yamasei (Foshan) Automotive Co Ltd 山清（佛山）汽車部件有限公司	Steering and auto parts		
Toyota Boshoku Foshan Co Ltd 佛山豐田紡織汽車零部件有限公司	Metal works, auto electronics.		Toyota 豐田汽車 電裝
Aisin Seiki Foshan Body Parts Co Ltd. 愛信精機（佛山）車身零部件有限公司	Electronics car accessories	Aisin Seiki 愛信精機	

Aisin Seiki Foshan Auto Parts Co Ltd 愛信精機（佛山）汽車零部件有限公司	Core parts, precision die casts	
Foshan Summit Nikka Mold & Metal Products Co Ltd 佛山頂鋒日嘉模具有限公司	Die casts, metal works	Sumitomo 住友商事
Yakagi Auto Parts (Foshan) Co Ltd 件（佛山）有限公司	Non-metal precision die casts	Iwai 日裔岩井
Foshan Nanhia Huada-Takagi Mold Ltd 佛山市南海華達高木模具有限公司	Molding	
佛山捷具汽車配件有限公司	Brakes, steering and auto parts	Hitachi
Kobe Wire Products (Foshan) Co Ltd 神鋼線材加工（佛山）有限公司	Alloy parts, shock absorbers	Mitsubishi 三菱商事
AGC Automative (Foshan) Co Ltd 旭硝子汽車玻璃（佛山）有限公司	Automotive glass and other parts	Asahi 旭玻璃

Source: Toyota Boshoku Foshan Co Ltd 2009⁴⁴

The auto parts suppliers listed in Table Five are the large scale major suppliers to the three Japanese auto companies Toyota, Honda and Nissan in Foshan city. The clustering of these companies has the effect of creating a sub-labour market of the auto parts sector in the local economy. In general, the working conditions of the auto parts workers in China are worse compared with the assembly workers. The annual salary of the production line workers averages around 10,000-20,000yuan ie between 800-1,600 yuan a month. Their wages are based on a lower than the legal minimum basic structure to be compensated mainly by income from long overtime work. Similar to the assembly workers, there is no formal wage incremental structure. Worse than their counterparts, annual bonuses linked to the company's sales performance is not the rule except in a handful of rare cases. Other labour standards are irregular such as working hours, rest days, and social insurance provisions are not complying with the law. The use of interns in the auto parts sector is also on the rise and the interns are paid with 800-900 yuan a month without social insurance provisions⁴⁵. Due to the intense competition in the automobile market, the auto parts sector in China becomes the buffer which absorbs the costs transferred by the assemblers. One reason for it is that the auto parts sector in China remains a de-skilled and labour intensive sector serving mainly in processing and machine operation. Labour is not the biggest cost factor in the production chain but the most flexible one. The fact that the low wage phenomenon is found not only in the irregular, small-sized domestic parts factories but in the first-tier joint ventures and the wholly foreign owned subsidiaries of the Japanese companies shows that low-cost-auto-parts is not a single case of abuse but the general rule for capital accumulation in the auto industry in China.

The economic and political value of the auto and auto parts sector to the local government enables these companies to create domination in the local labour market which reinforces further the general labour practices found within the sector. The auto parts clusters have at the same time created wage clusters and norms in the local region. It is not necessary for single employer and not likely for workers in a single company to make changes for better conditions. In the auto parts sector in Shishan town these norms

⁴⁴ Investment of World's Top 500 Enterprises in Foshan City. Toyota Boshoku Foshan Co Ltd. 19 March 2009. 3 July 2010

<http://big5.citygf.com/ins/ins_004002/Ins_004002007/200903/t20090318_13023.html>

⁴⁵“中國車企的高利潤發展恐埋品質隱患”. Auto163 網易汽車. 1 June 2010. 20 June 2010. <<http://auto.163.com/10/0601/11/683BVPGB000849GJ.html>>

include: minimal observation to the legal demands on wages, marginal violations of the labour laws in different ways and combinations, de-linking if not absence of a wage incremental system from the company's profit level, and selective implementation of the government's labour policies eg the central government's promotion of collective wage negotiation at the workplace is not implemented in CHAM and the region. Without too much distinction between the types of capital, regular auto parts workers in Shishan town are receiving more or less the "market" wage of 1,000-1,300 yuan a month including the overtime and incentives; and the intern workers receiving not more than 1,000 yuan without social insurance provisions. These "market norms" are tolerated by the local government and the trade union as long as they meet the legal standard "nominally"⁴⁶.

It is only through the strikes that the market domination of the auto parts capital and the political domination of the government on the migrant labour regime are disrupted. The local township government pretends to be neutral insisting that Honda has not violated the labour law and wage rise is a voluntary issue between the workers and the management to be best resolved by the trade union. But the Guangdong government is eager to end the strike as soon as possible not by repressive means but positive intervention fully aware of the connection of the political and economic interests between the Japanese auto company and the government. This is displayed in the high profile intervention of Zeng Qinghong during the strike and the negotiation, himself being the General Manager of GAC and a member of the National People's Congress.

Implications of the Strike in CHAM

The particular construction of the production system of Honda, the domination of the auto and related industry in the local economy and the migrant labour regime in the local context of China combines to structure the remuneration and employment of CHAM. Under such circumstances, the law ie the minimum wage legislation is left as the only tool for wage increment for the workers. When that is not respected, as in the case of CHAM, the workers resorted to strike. In fact the strike in CHAM that took place in May was preceded by strikes that have been taking place since 2009 in other affiliated companies and suppliers of Honda found in the other auto parts hubs of Guangzhou, Foshan and Zhongshan cities⁴⁷.

Strikes were reported in:

2009

- June Guangzhou H-One Auto Parts (廣州愛機汽車配件有限公司) (chassis)
- July Wuhan Wanshun Auto Parts (武漢丸順汽車配件有限公司)
- July Guangzhou Moriroku Technology Co.Ltd (武漢森六塑件有限公司)
- July Wuhan Auto Parts Alliance Co Ltd (武漢艾派克汽車配件有限公司)

2010

⁴⁶ In the strike of Atsumi Metal Co., Ltd in Shishan town which took place on 13 July 2010, the spokesperson from the township government said the government would not intervene in disputes as long as the wages paid by the company was not lower than the adjusted minimum wage of 920 yuan; and that the factory had not violated the law since workers were receiving 1100 yuan a month. The fact is that 1100 yuan is the income including overtime compensations. According to the workers they get only 900 yuan a month after all the deductions in case there is no overtime work. ("阿兹米特汽配佛山日資汽配廠欲解雇工人 引發罷工". Reuters. 16 July 2010. 23 July 2010. <http://cn.reuters.com/article/chinaNews/idCNCHINA-2667720100716>)

⁴⁷ BBS forums on Honda strike in the internet.

Jan	F.tech Zhongshan Inc. Location (中山偉福科技有限公司) (dies, machinery and equipment)
Jan	Gensho Shibusawa Logistics (Guangzhou) Co.,Ltd. (原尚物流)
Jan	Akebono Corporation (Guangzhou) (廣州曙光制動器有限公司) (drum brakes and processes, disk brakes)
Feb	China FCC Foshan Co Ltd (佛山富士離合器有限公司) (clutches)
Feb	Yurozu Bao Automative Co Ltd (廣州萬寶井汽車配件有限公司) (auto parts, machines parts)
March	Guangzhou Linjun Co Ltd (廣州林駿汽車內飾件有限公司) (car decoration)
March	Guangzhou Automobile Industry Group (GAIG) (廣州阿爾法內內飾公司) (car decoration)
March	Guangzhou Xin Guang Metal Co. Ltd (廣州星光配件) (car decoration)
March	Guangzhou Hexi Auto Parts (廣州河西配件)
May	CHAM (佛山本田零部件)

Source: various from the internet

Strikes Regulating wages

The strike in CHAM is certainly having the most critical impact amongst the labour unrests in the auto industry recently. The strike bears with it new and critical features unseen in the previous labour actions taken by the migrant workers⁴⁸. Yet, similar to the other migrant actions, the CHAM case did not demonstrate tight coordination and organization. What is more important is the demonstration of a more mature and politicized labour consciousness of the migrant workers. This is shown in terms of the CHAM workers' awareness of their particular position in the economic production of the company and the local region; the legitimate position they took in crying for the reform of the trade union, and the bitter challenge they posed against the wage gap between the Chinese workers and Japanese expatriates. Dialectically the strike was political conscientisation to the migrant workers in CHAM since the issue of trade union had never occurred to them until the time came and they found that the trade union could not represent their interests in the communications with the management⁴⁹. All these are issues of deep sense pointing to the capital accumulation and exploitation of the migrant labour behind the FDI-led and GDP-indexed development model that Guangdong province has based itself on. Since the outbreak of the strike in June, a chain reaction was kindled in the auto sector within and outside Guangdong province. Most of the strikes that followed afterwards took place in the Japanese companies and all of them were demanding for wage increase, fair share of workers' wages in the corporate's profit, and in some cases, reform of the plant trade union all of which are demands inspired by the strike in CHAM (Table Six). In most of these cases the economic demands of the workers are met. Furthermore, the demonstration effect of the strike started on 17 May in CHAM has up to now led to labour unrest in other sectors in the Pearl River Delta area resulting in the pay rise in more than a hundred companies in the region the most successful case being one where the wage level rose by 800 yuan⁵⁰.

The strike marks a significant turn in the spontaneous labour struggles of migrant workers in China from defensive to offensive. Labour legislations is not the only means, as intended by the government in the

⁴⁸ On of the features as noted in the western media discussions generally was the use of the mobile phone texts and internet spaces for coordinations.

⁴⁹ According to the workers, they were disappointed seeing the chair of the plant union standing next to the management on the stage (in the hall during a meeting between the management and the workers) without saying a word. The workers were angered and had physical clash with the trade union officers when they refused to resume work. Before the strike, the workers seldom took time to think about the role of the trade union.

⁵⁰ “廣東省企業民主管理條例起草人:尋找平衡點 維權與維穩並重”. 21st Century Business News 21 世紀經濟報導. 28 July 2010.

transiting to market economy, to mediate labour standards and rewards. The demand of labour is fair and just wages not legal minimum wages.

Table Six: Strikes in Honda and Toyota subsidiaries and affiliated companies in China (June and July 2010)

Date	Company	Description
Guangdong Province		
7 June	Foshan Fengfu Auto Parts 佛山豐富汽配公司	Subsidiary of Yutaka Giken and joint venture with the Taiwanese company Moonstone. Through YG Honda holds shares. Supplier of Honda for torque converter, exhaust systems, brakes. Wage before the strike: 1300 yuan. 250 workers out of 460 took part in the strike. Management agreed to the workers' demand for increase wage after 3 days' strike.
9-15 June	Honda Lock o. 廣東固力本田制鎖公司	Affiliated company of Honda. Wages before strike: average monthly pay 1100 yuan, no wage increase mechanism. 85% of the workers up to 500 of them stopped work and demanded for 20% wage increase from less than 1000 yuan to 1700-2040 yuan a month; OT compensation as stated in law. And no retaliation of the strike workers, reform of the plant union. Management agreed to increase wage by only 200 yuan a month. Work resumed on 14 June.
16 June	Omron Co. Ltd (Guangzhou) 歐姆龍廣州公司	Automotive electronics products. Honda and Ford supplier 4-500 workers, nearly half of the workforce went on strike. They demanded for pay increase by 40% ie 500 yuan from the current wage of 1275 yuan. After the one-day strike, management agreed to the 40% wage increase.
17 June	Nihon Plast (Zhongshan) Co.,Ltd. 廣東中山富拉司特工業有限公司	Joint venture with Itochu Corporation. Honda and Nissan supplier. Manufactures airbags, leather wrapped steering wheels, and internal/external plastic trim . 600 workers demanded wage increase. After 3 days' strike. Management agreed to increase monthly pay by 400 yuan.
18 June	Miyasaka Fuji (Zhongshan) Co Ltd	Wires and rubber part, car lock supplier of Honda. Demand for wage increase. After the one-day strike, the management agreed to raise salary by 600 yuan to 1800 yuan and the strike ended.
22 June	DENSO (GUANGZHOU NANSHA) CO LTD	Core supplier of Toyota. Manufacture and assemble steering wheels and other products Workers' wages: 1100-1300 yuan a month in general.

	日本電裝株式會社	<p>Demanded for increase to 1,900 yuan. Technicians are receiving 3000 yuan a month and demanded for a 1,000 yuan rise.</p> <p>The strike went on till 25 June. Management agreed to the workers' demands.</p>
23 June	NHK-UNI SPRING(GUANGZHOU) CO 廣州日正彈簧有限公司	<p>Owned by Japan's NHK Spring and 40 percent by a Taiwanese firm.</p> <p>Manufactures suspension springs and stabilizers.</p> <p>Honda and Nissan supplier.</p> <p>Went on strike for one day and the management quickly agreed to the wage demands of the workers.</p>
13 July	Atsumi Metal Co., Ltd. Shishan 阿茲米特汽配佛山日資 汽配廠	<p>Honda supplier</p> <p>Current basic wage: 900 yuan a month.</p> <p>Workers demand for increase in the basic wage by 500 yuan.</p> <p>Management threatened to dismiss all the strike workers. And the strike expanded.</p> <p>After 10 days' strike, management agreed to increase 500 yuan – 250 in the basic wage and 250 as allowance; extra 2months' salary as annual bonus instead of 1.2 months.</p>
17 July	Nihon Plast (Zhongshan) Co., Ltd. 中山富拉司特 工業有限公司	<p>Nihon Plast is Honda's affiliate company.</p> <p>Manufactures plastic parts as steering wheels. The plant resumed production after 3 days' strike. Management agreed to increase the salary by 400 yuan.</p>
Outside Guangdong Province		
17 June	天津豐田合成有限公司 Tianjin Toyoda Gosei Co., Ltd.	<p>Toyota's affiliated company with Toyoda Gosei- the biggest assembly plant of Toyota in China employing 1300 workers.</p> <p>Manufactures safety system, sealing system products.</p> <p>Wages before the strike: 1500 yuan/month.</p> <p>Workers threatened to go on strike on 14th. Management started negotiation and agreed to raise wages by 20%. Workers in the logistics department demanded higher rate and went on strike. Strike went on for 3 days. Management arranged workers to replace them, and production was not disrupted.</p> <p>Management agreed to increase further the full-attendance allowance by 200 yuan.</p>
17. June	武漢艾派克汽車配件有 限公司 Wuhan Auto Parts Alliance Co,Ltd	<p>Honda's affiliated company. Manufactures car body parts, welding and casting of parts.</p> <p>Workers had strike last year resulting in a rise in wage by 20% to 1500 yuan.</p> <p>240 welding workers started to strike on 17th. Demanding: increase 300 yuan in basic wage, increase housing allowance from 300 to 500 yuan, night shift allowance to increase from 7 to 15 yuan a day – the increase totaled 800 yuan.</p>

15 July	Tianjin Mitsumi Electric Co. 天津星光橡塑有限公司	Joint venture of Toyoda Gosei (51%) and Mitsumi (42%). Manufactures car doors and plastic seals. Strike broke out on 15 June to protest against the cumulative wage reduction by 55% since this year. Management quickly agreed to the wage demand of workers and ended the strike. On the same day, another Toyota affiliated logistics company also went on strike.
---------	--	---

Source: by author from various news reports

Freedom of association in China

The repercussions of the CHAM strike demonstrate the capacity of the migrant workers to change the power relation on the shopfloor. More Japanese companies conceded and the government intervened proactively. More importantly, the strike in CHAM is the most articulated one of the migrant workers’ demanding for the reform of the trade union. The workers’ challenge to the value of the trade union indeed marks a real politicization of freedom of association which has never been an issue in the struggles of the migrant workers before. The strike and the election of the negotiation delegation confront the ‘natural right’ of representation and collective bargaining of the ACFTU. The representation and bargaining position of the trade union is granted by the administrative power of the state rather than gained from amongst its members. Collective bargaining in its reduced form becomes the collective wage consultation which was first raised in 2005 by the Hu-Wen government to promote the harmonious society. The assigned task to the ACFTU was reported to have results only in the nominal. In 2008 the Guangdong ACFTU proposed the Ordinance on Democratic Management of Enterprises to the provincial people’s congress. Yet, it was regretfully demonstrated in the strike actions taken by the migrant workers that the administrative authority granted by the state to the trade union does not have impact on the working conditions of the migrant workers on the shopfloor.

As a reaction to the recent strikes, the Guangdong ACFTU is quickening the process of “professionalization of trade union officers” to improve the quality of the trade union’s work at the plant level. The provincial union has spared a special project fund of 10 million yuan to recruit and place nearly a thousand full-time officers staffed by the union in the plant level branches to ensure that these plant level unions are performing their duties regarding labour rights and disputes⁵¹. The move for professionalization of the trade union officers of the Guangdong ACFTU is nevertheless an ends-oriented measure that is rationalized by the absence of conflict of interests if in case the union officers are staffed by the supervisory union rather than the employer. Yet, it is still not a measure that addresses the demand for democratic election of, by and for workers that the workers in CHAM and other strikes were crying for. The provincial union further proclaims to test case on the election of the chair of plant unions in Nanhai district admitting that the elections of union officers in the foreign enterprises in Guangdong in the past were actually administrative appointments rather than real elections. It would of course be much better if these projects of the ACFTU for plant union election are developed in an open process, through open consultation and with the participation of the migrant workers rather than top-

⁵¹“廣東省企業民主管理條例起草人:尋找平衡點 維權與維穩並重”. 21st Century Business News 21 世紀經濟報導. 28 July 2010.

down engineerings. The next challenge in the struggle for the democratization of the union is as much a challenge to the ACFTU as the CHAM workers and their representatives in the strike and negotiation. These representatives are not protected by law and are easily subject to the pressure of the management and the government. Until the next election of the CHAM union, favourable conditions to freedom of association must be guaranteed by Honda and the government to enable the workers to freely choose to associate with the ACFTU through a truly democratic, open and fair process.

List of the articles and appendix:

Appendix One : Chronology of Honda Workers' Strike in CHAM

Appendix Two: The Automobile Strategy of the Guangdong Government and the Guangdong Automobile Group

Appendix Three: Policies of the Chinese Government on the Automobile Industry

For the open letter by the delegation of representatives of the Honda strike workers see:
<http://www.ihlo.org/LRC/WC/030610.html>: