

CHINA REPORT, KESKO

Kesko Supplier in xx* province

Investigative report on working conditions at the xx

1/8/2016

This report is based on interviews conducted with ten workers of xx between 20 May and end of June 2016.

The company has three locations for management and production in xx: an office in xx, xx which is mainly used for displaying products and meeting with clients, an administrative office in xx which is used for administration and management, and a factory and storeroom in xx, which is mainly used for product testing and storage. The company is a private enterprise which sells embroidery and textile products, exports household products such as bedsheets, tableware, curtains, shower curtains, cushions, gifts and other products to Japan, Europe, Australia, Middle East and the United States.

1. Overview of the Interviews

According to the questionnaires we received from SASK, we believe that the most suitable workers to be interviewed are the workers from the factory in xx and therefore, the interviews were mostly held there. Out of the 10 interviewees, two were working in the xx office and were holding managerial positions,

and eight were workers in the xx factory.

This company currently employs around 80 workers. There are approximately 30 to 40 workers in the xx office, and around 40 workers in the xx factory.

The workers in the administration office are mainly in charge of product development, marketing, and other administrative matters. On the other hand, the workers in the xx factory mainly engage in product-testing and repair-work. According to certain interviewees, after the company receives an order, it will outsource the order to other factories to manufacture and the products will be brought back to the xx factory to be tested, packaged, and stored before being distributed.

Type of employment: There are two types of employees in the xx factory: those that are permanent workers and who have signed employment contracts with the company, and temporary staff workers who have not signed employment contracts. According to the human resources manager who was interviewed, the factory is not looking for permanent staff at the moment, and only uses temporary workers. Workers who have been interviewed claim that the amount of temporary staff the factory uses is according to the demands and orders of clients. When there are several orders, the company will hire more temporary workers. When there are fewer orders, they will dismiss these workers. **According to Article 16 of the Labour Law of the People's Republic of China, individuals must sign an employment contract in order to have an employment relationship. According to such regulations, even temporary workers should sign employment contracts.**

Salary: The workers in the xx factory are paid on a time-based system, their salary comprises of their basic salary, as well as overtime pay. They are paid 1.5 times the usual rate for their overtime work, and twice the amount for working on rest days, which is in accordance with Article 44 of the Labour Law. Their official monthly salary ranges from 325 to 390 Euros¹ (2,500-3,000 yuan). Their salary after overtime work ranges from 390 to 455 Euros (3,000 – 3,500) yuan (after deducting social security insurance). The salary of temporary workers is calculated by the hour, ranging from 1.56 to 1.82 Euros (12-14 yuan) an hour. Temporary workers who do overtime work are not given overtime pay and are still paid according to the hourly rate. The average monthly salary of temporary workers range from 325 to 390 Euros (2,500-3,000 yuan.)

Monthly wages of *permanent workers in this xx factory are higher than the mandatory monthly wage.* The xx local government adjusted the minimum wage levels on the 1st of June 2016. The minimum salary in xx was increased from 208 Euros (1,600 yuan) to 222.30 Euros (1,710 yuan), and the minimum hourly pay was increased from 2.08 Euros (16 yuan) to 2.22 Euros (17.1 yuan). *The salary of the permanent workers in xx factory is higher than the basic wage. However, the salary of temporary workers is below the basic stipulated rate.*

Working hours:

China has well-established legal provisions on working hours and the payment of wages. The standard workweek in China is 40 hours (eight hours per day, five days per week).

Overtime shall be paid for any work exceeding standard working hours and overtime shall not exceed three hours a day or 36 hours per month (Labour Law Article 41).

Overtime pay should not be less than 150 percent of an employee's wages during normal work days; 200 percent on rest days, and 300 percent on national holidays, such as the Lunar New Year (Labour Law Article 44).

Wages shall be paid in legal tender to the workers in person on a monthly basis. No deduction of wages for personal gain may be made from wages due to workers. The payment of wages may not be delayed without reason (Labour Law Article 50).

¹ At the time of writing this report, the currency exchange was 1 RMB = 0.13 Euros (23 June 2016)

An employer shall pay wages to workers during their statutory holidays, marriage or funeral leave (Labour Law Article 51).

The workers in the xx factory work 8 hours a day typically, five days a week. , and the amount of overtime is 6 to 9 hours a week. Permanent workers are paid for overtime according to the law. The amount of overtime hours done by the workers does not contravene the Labor Law.

Social insurance and benefits:

In China, both employers and employees are required to make contributions (at different rates) to a pension fund, unemployment insurance fund and medical insurance fund, as well as the Housing Provident Fund. Employers, but not employees, are also required to contribute to the work-related injury and maternity insurance funds.

In the xx factory, the factory pays the five insurances on a monthly basis. Meanwhile, permanent workers also have to pay around 65 Euros to 91 Euros (500-700 yuan) for their insurance. This sum is directly deducted from their salary. In the xx factory, the employer does not purchase insurance for temporary workers.

Additionally, permanent workers are given five days of leave during Chinese New Year and this is rare for the manufacturing industry although it has been mandated in the Labor Law.

Work environment (safety, hygiene, etc.): According to the interviewees, the working environment in the xx factory is relatively good: the storage room has good ventilation, lighting conditions, heaters and air-conditioners, and they have sufficient food and water. The materials are not dangerous or harmful because the factory mainly produces household products. There are not many workplace injuries because the workers are mainly involved in product testing. To check the reliability of these statements, the interviewer entered the storage room with the help of an interviewee and can testify that the statements are true.

Labour relations: According to interviewees, the company does not have a union or a collective contract. In addition, based on the interviews conducted with the workers from this factory, the level of rights awareness and understanding of labour relations are rather limited. The workers have two ways of expressing their opinions: look for their supervisor directly, or write a letter and put it in the feedback box. The impression of the interviewees is that the workers generally have little knowledge on unions and collective contracts. Interviewee no.2, for example never heard of “collective agreements”: What is a collective bargaining agreement?

However, the interviewees generally feel that the relationship between the workers and management is relatively harmonious, and the management never delays in paying them their salary, is not too strict in supervising them, and workers interviewed were not aware of any past incidents or protests at the factory.

Workplace discrimination: The interviewees generally feel that there are no workplace discrimination issues in the xx factory with regards to work, and salary. There is no difference in treatment between local and foreign workers. Female workers interviewed for this report have also said that there is no gender discrimination or harassment in the factory.

2. Background of interviewees

Refer to Annex.

3. Interview process

The interview process started in May 2016 and was conducted in three phases.

In the first phase, researchers at xx translated the questionnaire into Chinese and sent it to interviewers. xx later conducted a training for the interviewers through Skype on interview process and data collection. Also, more details were given on how to explain certain terms to the interviewees.

The most important aspect of this phase was looking for interviewees. The interviewers were from a labour NGO established in 2000. The NGO is experienced in organizing and training

workers, especially migrant workers. The NGO has experience in handling research projects coordinated by loyal universities and research organizations. The difficulty in this project was that it had to be limited to workers in the xx and
interviewers had to avoid the supervisors of the company. In fact, the interviewers do not have any prior relationship with the workers and as a result, the focus of this period was in finding interviewees and earning their trust.

In order to find interviewees, the interviewers made two trips to the xx factory and xx office. They gave out information leaflets in the vicinity, inviting the workers to come to the office to participate in their activities. After several rejections, two workers finally indicated interest and left their telephone numbers. Through these two workers, the interviewers were able to find other workers to interview.

The second stage of this project is the interview stage. The questions in the questionnaire were mostly open-ended and was therefore held in restaurants or parks nearby in order to have sufficient time to interview the workers as well as for safety reasons. Two interviewers were present at each interview, with one asking the questions and another taking notes.

In this period, the interviewer believes that building trust is the most important pre-requisite to any interview. Therefore, the interviewer always prepared a small gift for the interviewees, and the person asking the questions were typically female. After much effort, the interviewees were all willing to answer the question but did not agree to their interviewees being taped. With the first two interviewees, the interviewer managed to obtain the identification card, employment contract and salary payment slip of the worker. However, this aroused the suspicion of the interviewees. In order not to appear suspicious, interviewers stopped making such requests.

The third phase involved organizing all the notes taken during the interview. After every interview, the interviewer would make a soft copy of the notes. During the final phase, the interviewer approached interviewees for supplementary information if the responses given were insufficient.

**xx names of the factories are left out for privacy reasons*

