UNIONS ON RISE IN CHINA – The word "union", in the US, could conjure images of workers picketing in front of a factory or endless wage negotiations between the employer and employees. But if you have worked in China for any length of time, the word "union" could mean company karaoke outings, the handling of minor infringements of company policy and possibly Communist Party education. Since the enactment of the Labor Union Law in 1992, new union legislation has been scarce.

Not so any more. Soon, several of the 15 labor laws likely to be promulgated may provide unions with more power in their role as the protector of the workers (see upcoming issues at the end of this newsletter). While it has not been entirely clear whether or not a company had to establish a union, soon – rumors say July 2002 – it will, in essence, become mandatory; according to a recent announcement in China Daily, August 31, 2001. Should the proposed legislation become law, companies will have to say "yes" to a union if a China Trade Union representative convinces the local staff.

The likely causes for the government's increased interest in unions stem from a combination of (1) pressures building up in the ranks of the unemployed and the under-protected in terms of social welfare benefits such as unemployment insurance, pensions, etc. and (2) recent instances of bad management amongst both local and foreign firms in China. Examples of misbehavior include preventing workers from joining trade unions, illegally hiring workers without signed contracts, forcing people to work longer than the required hours, irregular salaries, not making contributions to statutory social benefit funds, safety violations and most recently harassment of female workers:

> "The latest testimony to such an infraction is the case of frisking 56 women workers at a factory in Shenzhen last month which ignited widespread outrage."
>
> China Daily August 30, 2001

What does this mean for foreign companies trying to do business in China? While the union has often been the employer's friend, the proposed changes could make it more difficult to negotiate salary increases and staff employment terminations. Labor costs could increase for foreign entities currently without labor unions due to increased benefits, higher wages, and increased legal and administrative costs to deal with union management. In Korea, when unions were finally legalised in 1986, salaries went up 25% to 30% a year for nearly a decade. In some cases these levels were higher than their U.S. counterparts. China is not Korea, but it is worth taking note of what the implications could be. Please note that Korean wages in 1985 were not much higher than current wage levels in Beijing or Shanghai.

In most cases, where the foreign employer is already a good corporate citizen and perhaps a generous employer, cordial relationships could be maintained. For companies not following the requirements of labor laws, however, or companies relying on connections with the Chinese government, it will mean making painful changes. The year 2002 will be the year of the Horse and a good time to see how prepared your organisation in China is to run the race.

At PricewaterhouseCoopers we help companies with HR health checks and consultations to make needed improvements that are right for China and for your business.

Upcoming Union Legislation

-Amendments to Labor Contract Law
-Rules for Handling of Personnel Dispute Cases
-Administration Procedures for Personnel Dispute Arbitration
-Trial Measures for Collective Wage Consultations
-Safety Production Law

BIOGRAPHIES

May Huang, Partner

May is a Partner for PricewaterhouseCoopers' China Tax and Business Advisory Group and has worked in both the Beijing and Los Angeles offices. In 1986, May established the Beijing Representative Office for then Coopers & Lybrand and has been in China thereafter. She heads up the Employment and Wealth practice and the Human Resource Consulting practice in China.

May specialises in China taxation, Chinese business regulations and related legislation. During the past 15 years, May has provided numerous multinational companies with tax and business advisory services including corporate tax planning, expatriate cost management, joint venture negotiations, holding company issues, etc. For the past two years, May has been the in-charge Partner for the area of Employment and Wealth. In 1998, she was elected by International Tax Review, in its annual survey of Asia's leading companies, as one of the top tax advisors in Asia-Pacific.

May contributes regularly to leading professional journals and publications on Chinese taxation and is a frequent expert commentator in conferences and seminars.

Gus Kang, Director

Gus is a Director of Human Resources Consulting (HRC) for PricewaterhouseCoopers China. He has been with PricewaterhouseCoopers for nine years working with clients in the areas of Human Resources Consultations and International Taxation and has nearly 20 years of related work experience in China, Korea and the US. He specialises in compensation and benefits, organisational development, HR outsourcing, localisation, expatriate management and related HR issues. He works out of PricewaterhouseCoopers' Beijing and Shanghai offices, and liaises with our HRC network of 1300 HR consultants worldwide.

Gus is a Yale graduate, holds a Master in Accounting from New York University and is a New York State CPA. Gus also attended Julliard School of Music and was a composer.

Bonnie Furst, Manager

Bonnie is a Manager of Human Resources Consulting (HRC) for PricewaterhouseCoopers China. She has worked as an HR Director and HR Consultant in China for nine years and in the HR field for almost 20 years in the U.S., Japan, Korea, and Greater China. She holds an MBA from Wharton and a Master's in Consulting Psychology from Harvard University. She manages HRC HR consulting engagements and specialises in HR due diligence and cost control, organisational development and restructuring, localisation, compensation and benefits, establishing HR systems, PRC labor law, urban and rural PRC labor practices, management assessments, psychological testing and training. She works out of PwC's Beijing and Shanghai offices.

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Yanni is a Senior Consultant in Tax and Legal Services for PricewaterhouseCoopers China. She has worked in the legal and tax areas in China for over 15 years. She holds a J.D. from Northwestern School of Law in the U.S. and a B.A. in Economics (Finance and Taxation) from the Central Institute of Finance and Banking in China. She is a seasoned labor law and tax law expert and provides legal advice, research and reports for our clients and PwC teams. She specialises in the areas of social security, welfare benefits, stock option programs, employment contracts, employee mobility, liquidation of PRC ventures, and setting up businesses and investments in China. She works out of PwC's Beijing and Shanghai offices.

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Lukia is a Senior Consultant in Human Resources Consulting (HRC) for PricewaterhouseCoopers China. She has worked as both HR Manager and HR Consultant in China for five years. She holds a B.S. in Industrial Psychology from Zhejiang University and has completed extensive training in Personnel Management and Psychometrics. She specialises in local and expatriate compensation and benefits, salary and benefits surveys, job grading, HR policy development and HR function set up, organisational performance systems, PRC labor law, recruiting, and personnel administration. She works out of PwC's Beijing and Shanghai offices.