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Power Grows for Striking Chinese Workers

By DAVID BARBOZA and HIROKO TABUCHI

SHANGHAI — China's wage contagion continues to spread.

Honda Motors said Tuesday that workers at a parts plant had walked off the job just days after the company settled a separate strike by agreeing to substantial pay raises for 1,900 workers at its transmission factory.

The new walkout, at an exhaust-system factory in the city of Foshan, will force Honda to halt work Wednesday at one of its four auto assembly plants in China, the company said.

The assembly plants had just reopened after closing for almost two weeks because of the earlier strike at the transmission factory, which is also in Foshan.

The second Honda strike comes amid growing signs that, in a recent and remarkable shift of labor dynamics, China's huge migrant work force is gaining bargaining power.

New pressure to raise pay and improve labor conditions, coming in part from the Chinese government, is likely to raise the cost of doing business in China and could induce some companies to consider shifting production elsewhere.

Another big employer wrestling with labor issues, Foxconn Technology — a giant contract electronics manufacturer that has also announced wage increases in China this month — said Tuesday that it was reconsidering the way it ran its operations in response to criticism of its workplace practices.

Foxconn, which [has experienced a string of suicides among workers](#) at its sprawling, citylike campuses in the southern metropolis of Shenzhen, said it was considering turning the management of some of its worker dormitories over to local governments in China.

“Because Foxconn is a commercial enterprise operating like a society, we’re responsible for almost everything for our workers, including their job, food, dorm and even personal relationships,” Arthur Huang, a Foxconn spokesman, said Tuesday. “That is too much for a single company. A company like Foxconn shouldn’t have so many functions.”

Foxconn, a subsidiary of [Hon Hai Precision Industry](#) of Taiwan, makes devices for companies like [Apple](#), [Dell](#) and [Hewlett-Packard](#). Hon Hai’s shares fell more than 5 percent Tuesday in Taiwan, to their lowest level since August, after the company said it would seek to pass on its higher labor costs to clients.

As the company held annual shareholder meetings in Taipei and Hong Kong, small groups of people demonstrated outside, urging the company to improve conditions for workers.

Turning over management of employee dormitories to the government authorities would be a drastic change for Foxconn, which, like thousands of other manufacturers in southern China, has lured peasants from rural areas to work at giant, gated factory compounds.

One of the company’s Shenzhen campuses employs 300,000 workers and covers about one square mile. The campus has high-rise dormitories, a hospital, a fire department, an Internet cafe and even restaurants and bank branches. Some workers have complained, though, that the long workdays they are expected to put in, with few days off, give them little free time to take advantage of any amenities.

Foxconn said Sunday that it planned to double by October the salaries of many of its 800,000 workers in China to 2,000 renminbi, or nearly \$300, a month. The announcement of a big raise by one of the country’s biggest exporters seems likely to put pressure on other companies to follow suit, analysts say.

The chairman of Foxconn, Terry Gou, told the Taipei shareholders’ meeting that the company was looking to shift some unspecified production from China to automated plants in Taiwan, Reuters reported.

After years of focusing on luring foreign investment, Chinese government officials are now endorsing efforts to

improve conditions for workers and raise salaries. The government hopes the changes will ease a widening income gap between the rich and the poor and prevent social unrest over soaring food and housing prices.

On Friday, Beijing's municipal government said it would raise its minimum wage by 20 percent. Ma Jun, a Hong Kong economist at [Deutsche Bank](#), said last week that more cities and provinces would soon raise their minimum wages 10 to 20 percent.

"We therefore believe that a faster-than-expected labor cost increase has now become a political imperative," Mr. Ma said in a report, citing comments from Beijing's leadership about improving social justice.

But analysts say wage pressure is also coming from labor shortages in coastal cities as the country's declining birth rate reduces the number of young people entering the work force.

Factories in southern China that used to advertise in search of employees 18 to 24 years old are now recruiting much older workers.

The labor shortages are being worsened by an economic boom and improving job prospects in inland provinces that have long supplied a steady stream of migrant workers to industrial areas.

TPV Technology, a contract manufacturer that produces computer monitors with about 16,000 workers in five cities in China, said it raised salaries by 15 percent in January and planned to raise them again, perhaps as early as July.

"We'll adjust our salary to the market and to our competitors' level," said Shane Tyau, a vice president at TPV, which is based in Hong Kong. "If Foxconn announces another round of pay raises, we'll reconsider our wage level, too."

Economists say that China's labor force is growing increasingly bold and that over the last year, periodic strikes in southern China — some supposedly involving global companies — have been resolved quietly or not reported in the media.

But the Honda strikes, like the spate of Foxconn suicides, are noteworthy for having generated considerable public attention.

To resolve the strike at its transmission plant, Honda last week offered workers raises of 24 to 32 percent. That strike had forced Honda to shut down its four assembly plants in China.

Now Honda has been a target again. The exhaust-system factory is controlled by a joint venture between a Honda subsidiary and a Chinese company. Honda said the strike would force it to stop work at its Guangqi Honda Automobile assembly plant in the city of Guangzhou.

Honda owns a network of production facilities in China, including the car assembly factories and three auto parts manufacturers, as well as two motorbike plants, two plants that make generators, pumps and other power equipment and three research centers.

Those numbers do not include factories opened in China by Honda subsidiaries like Yutaka Giken, which separately runs four auto parts manufacturers in the country.

Honda declined to speculate Tuesday on whether it was vulnerable to additional strikes for having already shown a willingness to raise wages at the transmission factory. "It's not at all clear at this point whether the two strikes are related," said Natsuno Asanuma, a Honda spokeswoman.

"It's too early at this point to say whether we are looking at some kind of chain reaction."

Tomoo Marukawa, a professor of the Chinese economy at Tokyo University, said that Japanese firms could be especially vulnerable to labor strife because they tended not to give Chinese workers a chance to rise within the company.

"Honda's labor conflicts are not just happening because of disputes over wages," Professor Marukawa said.

"Many Chinese probably see little future in a company where locally hired staff are shut out from promotions," he said. "It's a problem that is common to many Japanese companies operating overseas."

Honda has declined to talk about specifics of its settlement with workers at the transmission plant, including whether it involved any changes in its promotion policies.

David Barboza reported from Shanghai and Hiroko Tabuchi from Tokyo. Bao Beibei contributed research.

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