

CHINA ([Summary on China July 2023](#))

(Additional commentary by a member who is originally from Hong Kong & has worked extensively with suppliers across China)

Foreign migrant workers

There are foreign migrant workers in China, and inevitably the risk of illegal worker. The risk is coupled with limited transparency in publishing numbers of illegal workers in China.

Some hotspots include Pearl Delta region, a major industrial centre in Southern China, and Yunnan province which shares border with Myanmar, Laos and Vietnam.

- According to ILO ([link](#)), approximately 58,600 Vietnamese workers migrated to China in 2022, being the second largest receiving country to Vietnamese workers. Risk of illegal workers is significant in the Pearl River Delta, a major industrial centre in China. [Reuters](#) and [BBC](#) have reported news related to illegal Vietnamese labour in manufacturing sector in 2015. No comments have been made by the Chinese government related to the reported cases.
- According to International Organization on Migration (IOM), 5% of the 5 million Myanmar (around 250,000) migrant workers go to China. Many of them do farmwork in Yunnan, such as sugarcane fields. An interview with an unnamed Chinese official said the figure was potentially higher, up to 500,000 in 2019. Page 7 to 8 of the attached report (downloaded from this [link](#)) has shown how Myanmar workers are prone to indebted labour in China. Non-standard employment is also common. Workers were found to be rewarded around GBP2 for every worker they bring to the farm, leading to risk of child labour.
- Export of labour has brought economic growth for the both countries. With One Belt One Road business strategy, it is expected we will continue to see the trend of Myanmar and Vietnamese workers in China.

Prison labour

- There is a system called 'reform through labour' for prisoners. In addition to Xinjiang, processing of garlic bulbs was identified in a detention centre located in northeastern China. ([news report](#)) At least 55 prison labour companies were traced by Financial Times in China. There are photos inside the link that show the 'workers' were performing labour in jail.
- *'Most of the companies set up under prison provincial administration bureaus in China look, from the outside, like ordinary companies. Foreign corporations are in a pretty tough position to do the kind of due diligence that would be needed to identify whether their supply chains are connected to prison labour.'* Amnesty International Hong Kong shared the challenges in conducting due diligence.

Social insurance

- Mindful social insurance is a recurring non-conformance, but social insurance is NOT voluntary according to [Social Insurance Law of PRC China](#). Companies must declare and contribute to social insurance accurately.
- The importance of social insurance for workers to integrate into the cities should be acknowledged. In China, there is a terminology called 'hukou', with which workers can access to social services in the provinces they are working in. Without contribution to social

insurance, rural workers are not entitled to 'hukou' of the provinces. The implication is that workers cannot buy a property, their children cannot go to school in the cities and so on. This brings about a series of problems, for example, workers and their families trapped in poverty. Discrimination against rural migrant workers and their children is not uncommon ([link](#)).

- I have personally heard from workers that the site refused their requests to join the social insurance scheme. Certainly there are workers who do not want to join the scheme. There could be many reasons, such as aiming for greater take-home pay, no intention for children to study in cities. However, workers should have the right to access to social insurance as they wish.
- There are 2 categories of government insurance in China – social insurance (covering 5 social services) and hometown medical insurance. Regarding hometown medical insurance, it is true a majority of workers have participated in the insurance scheme as local government mandates, but the costs are borne by workers. When sites do not cover social medical insurance for workers (which sites should by law), it is the worker that takes responsibilities of all their medical insurance.
- In China, certain cities commit to achieve certain percentage of social insurance enrolment. For example, 60% in Shaoxing city. ([link only available in Chinese](#))

Wage and job security

- Energy consumption control has been in place since 2021 to cope with extreme weather conditions. ([link](#)) Sites are required by law to pay downtime wage to workers when site is not running, but it may not always be put into practice.
- Post-Chinese New Year is a peak time for permanent closure of sites with poor financial stability. This is especially common for sites with no obvious peak season. Chinese New Year is an important festival which usually falls in January or February. All sites will be closed for 2 to 4 weeks. Some site owners who experience financial difficulty will not return without giving advanced notice and reimbursement to workers.

Overtime

- Agreed that there is a direct link between pay and overtime, but audit or records may not always reveal the reality as the summary says itself. There are also 'audit ready' or 'model' sites which receive the order officially but subcontract the order to other unapproved sites.
- It is important to acknowledge some workers do not want to work long hours. An NGO called China Labor Watch had undercover in factories to understand the picture behind audit. ([report](#)) Although the project did not cover food sites, good to understand the first-hand perspectives of production workers, some of them shared they would avoid night shifts even stipends were provided.

Occupational health check

- Sites are required by law to conduct pre-job, in-the-job, and post-job occupational health check to all workers. Not all sites will be able to comply with the requirement considering worker turnover and workload during peak season.

Recommendations

- Member companies with leverage can develop audit programmes with audit bodies to verify records from suppliers are not fake.
- Agree with suppliers to keep all production records and purchase orders for traceability purposes.
- Work with in-house compliance (if any) to conduct thorough due diligence (including company background, history of labour dispute or lawsuit) before signing off a supplier.
- Understanding that sites may not fully comply with law in reality, good to include worker perspective to balance between compliance and flexibility. For example, request suppliers to purchase social injury and medical insurance as minimum requirement, conduct occupational health check at least once a year.
- Conduct worker interviews during visits.
- Observe any red flags for 'model' or 'audit-ready' factories – small number of workers with high volume, size of warehouses not proportionate to production output, incomplete work processes found, frequent in/out of trucks during visits, own label finished goods not found in the warehouse
- Conduct risk assessment to identify high risk regions prone to illegal workers eg Yunnan
- Work with commercial functions to look out for signs of financial instability (eg late payment, non-conformances related to wages) in sites