

Investigative Report on Hangzhou Coca-Cola Bottling Plant

A Disaster Caused by the Dispatch Labor System!



Coke Concerned Student Group
December 2009

Preface

In 2008, we conducted investigations in five Coca-Cola bottling plants, including two in the Yangzi River Delta (Hangzhou BC Foods, Shanghai Shenmei) and three in the Pearl River Delta (Coca-Cola Dongguan, Swire Huizhou, and Swire Guangzhou). We discovered that in each of the five plants there were severe legal violations – long term and high volume use of dispatch labor¹, frequent workplace injuries, insufficient safety measures, wage deductions, wage arrears, excessive overtime, etc.

After publicly releasing the report in December 2008, there was a lot of media coverage and it resulted in a strong response from society. Coca-Cola had no choice but to respond to us, but they have continually denied the fundamental problem of illegal use of dispatch labor.

In May 2009, we released a second investigative report. Based on our return visits, there was some improvement in conditions for workers at the three plants in the Pearl River Delta, but there was almost no change at all in the Yangzi River Delta plants. Especially in the Hangzhou BC Foods plant, we did not hear of any improvements at all. However, none of the five bottling plants we investigated before nor the two new plants in the current investigation (Beijing and Tianjin) have changed in the slightest with regards to a most basic problem: long-term and high volume employment of dispatch labor.

Thus, this past summer we prioritized investigations in the Hangzhou BC Foods Coca-Cola bottling plant; once again, we were let down.

First of all, there has been no improvement at Hangzhou BC Foods since last year. There has been no reduction in the large volume of illegally employed dispatch workers, wages are still below the legal minimum for Hangzhou, safety is not ensured, and workers do not have insurance.

Second, just when the investigation was about to end, one of the students, Xiao Liang, was beaten for no reason in the office of the vice-general manager of Zhiqiang Company (the labor dispatch company for Hangzhou BC Foods) as he tried to recover his wages. Since this happened, Coca-Cola has been quite inactive in dealing with this matter, and in order to protect their brand image they have put all of the responsibility on Zhiqiang.

We believe that Xiao Liang's bad encounter was not unexpected nor a coincidence. First of all, all of this is due to Coca-Cola's illegal use of dispatch labor, which has led to the rights and interests of dispatch workers being severely harmed. Additionally, the Coca-Cola bottling plant has not supervised the use of dispatch labor whatsoever, which means that the rights and interests of dispatch workers have no safeguard, and they can even be beaten for no reason. Xiao Liang was beaten when he had not revealed his identity [as a student]. This precisely reveals that the rights and interests of dispatch workers are frequently violated, and their personal safety cannot be ensured.

¹ Translator's note: "dispatch labor" refers to workers who do not have a direct employment relationship with the enterprise where they work. It is similar to temp workers in the U.S. context.

We hope that the dispatch workers in Coca-Cola's Chinese bottling plants (as well as other dispatch workers) can have improved conditions, but our individual kindness is not a very large matter. We hope that more people will pay attention to dispatch workers and will pressure Coca-Cola to eliminate their use of dispatch labor.

In the "Second Coca-Cola Report," released in May 2009, we reviewed a classic labor dispatch cases – the KFC "dispatch labor" case. From this case we can see that the elimination of dispatch labor is not an insurmountable challenge for a trans-national corporation, but rather is merely the baseline for observing laws.

The core of this report focuses on the long-term use of dispatch labor for non-subsidiary and non-auxiliary positions in Coca-Cola bottling plants. We strongly demand that Coca-Cola discontinue using dispatch workers in China.

No improvements at all for dispatch workers in the Hangzhou plant

1. Continual long-term and high volume employment of dispatch workers

In the first Coca-Cola investigative report, our group reported, "There are close to 100 formal workers on the production line at the Hangzhou Coca-Cola bottling plant. During the peak season there are 1000-2000 dispatch workers, and in the off-season more than 600. In the peak season, the proportion of dispatch workers on the production line is more than 90%."

Based on the factory investigation conducted by students during the summer, the Hangzhou bottling plant does not do external recruiting. All of the production line workers are recruited through the Zhiqiang dispatch company, and there are very few formal workers on the production line. During each shift (day shift and night shift) each team on the shopfloor has 40-50 workers and only one will be a formal worker as the rest are dispatch workers. In the warehouse and forklift departments, there are very few formal workers. In the busy season, there are basically no formal workers among the drivers and those who deliver goods.

Xiao Liang and the other three students held four different posts in the factory. Based on their understanding, these four positions are necessary for producing goods (Coca-Cola beverages) and are fundamentally *not* temporary, auxiliary, or replacement positions.

One of the posts is bottle alignment (*fuping*) which requires at least four people. One person hauls the cardboard box full of empty bottles and the box unloader, two people lift the bottles onto the assembly line and remove the box, and one person aligns the bottles.

Another post is bottle filling (*guanjiang*). Although bottle filling is done automatically by machine, the large bags of syrup are carried over by a worker. The labor intensity is extremely high, and it is very tiring.

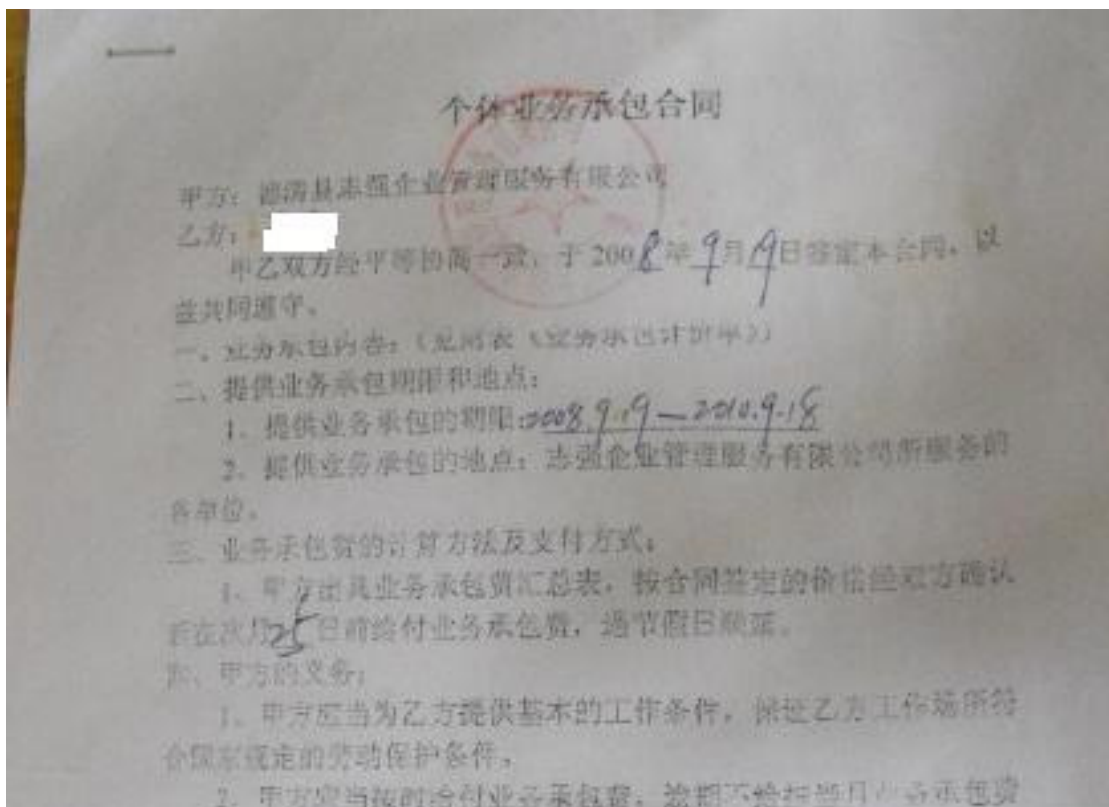
The post of inspector requires the worker to continuously watch to see that the bottles are appropriately filled in order to prevent below standard bottles from slipping through. This factory has a policy that if only one consumer complains about a sub-standard bottle, the responsible workers from the assembly line will be out of luck and will be punished.

The post of packaging requires 15 people. One or two people take the collapsed cardboard to the places where they are formed into boxes; five or six people form these into empty cardboard boxes; one person puts the empty boxes onto the assembly line; two people align the bottles; and after machines have placed the inspected beverages in the cardboard boxes, there are three to four people that seal the boxes and stamp them with the production date. This entire work process requires a careful division of labor between the various links, and if any one of the segments of the assembly line slows down, it will affect the entire production process. Consequently, none of these positions can be replaced.

2. New tactics for shirking responsibility

The Hangzhou City Labor Protection Supervisory Team² pointed out in a circular that, “Zhiqiang company and Hangzhou BC Foods have signed a ‘Labor Dispatch Agreement’ and a ‘Processing Contracting Agreement.’”

In 2008 when dispatch workers entered the Hangzhou BC Foods plant, they signed an “Individual Work Contracting Agreement” (*geti yewu chengbao hetong*) with Zhiqiang, but did not sign a labor contract. In order to shirk responsibility, the Hangzhou Coca-Cola bottling plant signed a “Labor Dispatch Agreement” and a “Processing Contracting Agreement” with Zhiqiang.

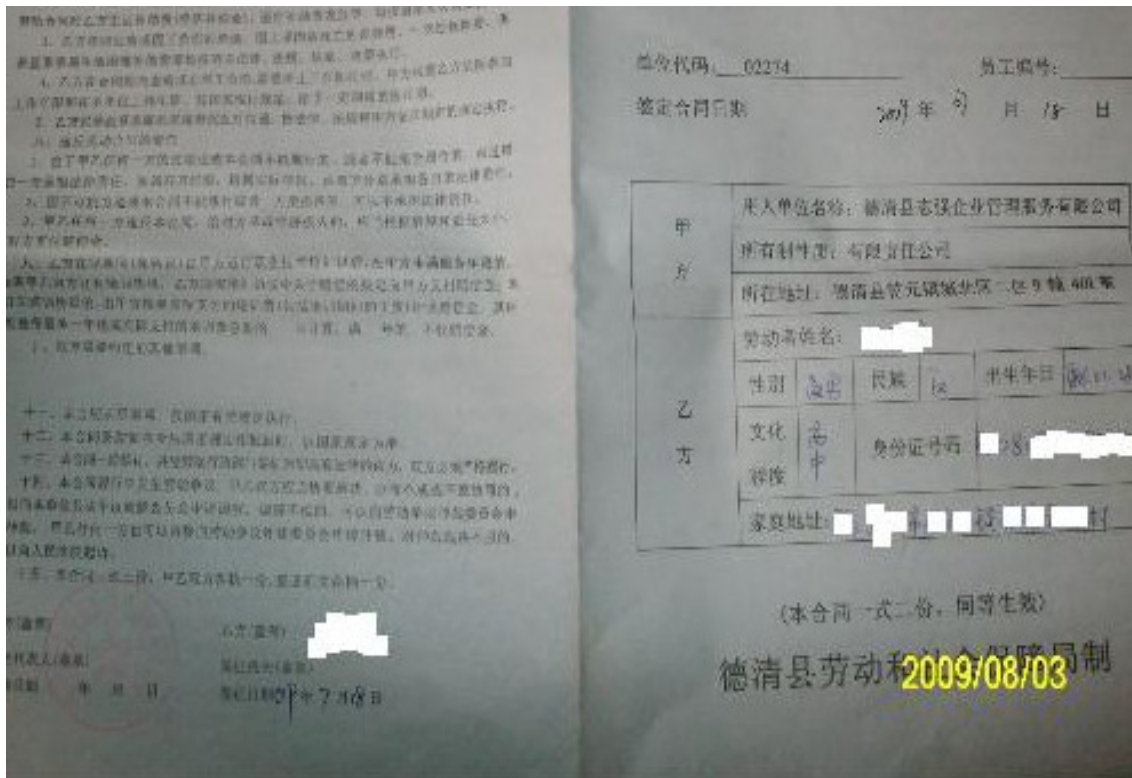


“Individual Work Contracting Agreement” signed by the workers and Zhiqiang

² Translator’s note: this “team” is from the city’s labor department.

Article 19 of the Economic Contract Law (*jingji hetong fa*) states: “The job contractor must use their own equipment, technology, and labor in completing the primary parts of processing, make to order, and renovation tasks. Without the agreement of the ordering party, the received tasks cannot be transferred to a third party.” But the equipment, technology, and space that Zhiqiang uses belongs to BC Foods, so this does not constitute contracted processing. What’s more, Zhiqiang does not have the capacity to contracted labor processing, as it is only an enterprise service management company. Its scope of operations certainly does not include contracted labor processing. This [system of contracting] is just a method for Hangzhou Coca-Cola to shirk responsibility.

This year, although the dispatch workers signed a labor contract with Zhiqiang, it is a blank contract. It only has the expiration date of the contract which has already been filled in. Workers only have to fill in their personal information and sign, and that is sufficient.



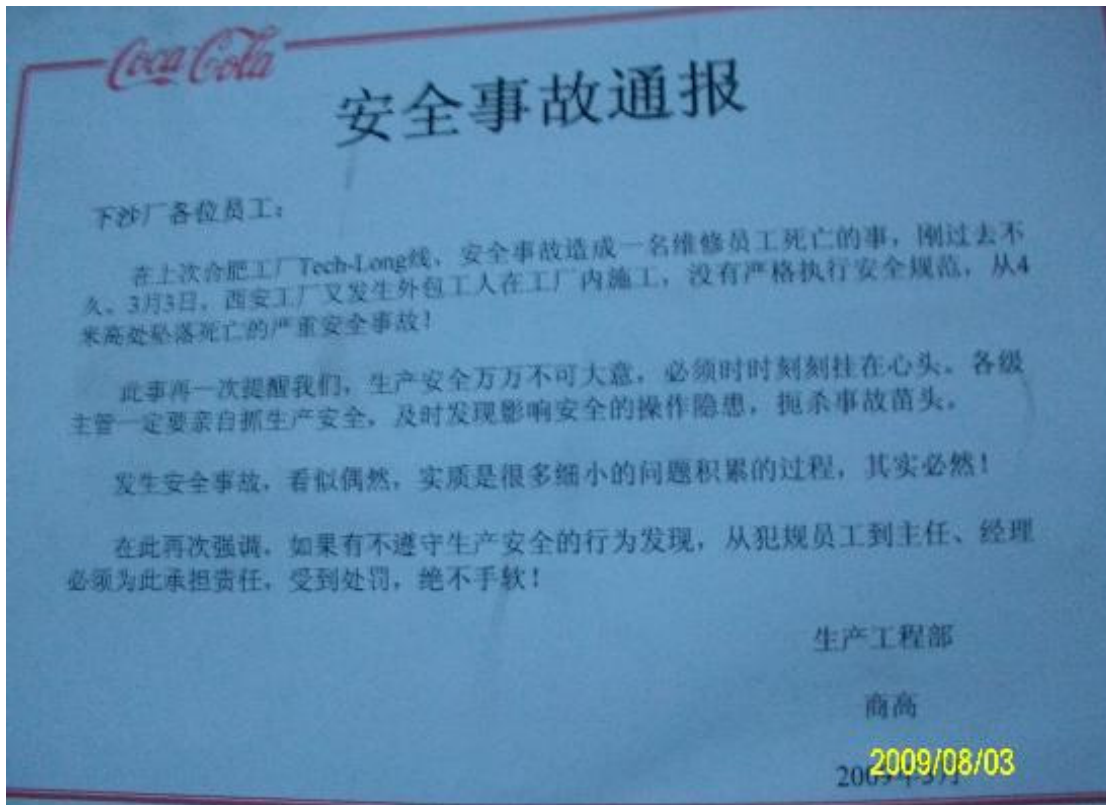
Blank contract signed by dispatch workers and Zhiqiang

“Although Xiao Liang and the other three students concealed their identities, the thing they signed with Zhiqiang was a labor contract to work doing contracted labor processing and auxiliary work. Hence, they are not dispatch workers.” – Hangzhou Supervisory Team

According to the Labor Contract Law, when workers sign a labor contract with an employer unit (in this case, Zhiqiang Labor Company) and then are sent from the employer unit to the work unit (in this case, Hangzhou Coca-Cola Bottling plant), the worker is considered a dispatched worker.

3. Frequencies of workplace injuries and deaths, workers' safety cannot be ensured

Because the plants lack safety precaution measures, workplace injuries and even deaths frequently occur at Coca-Cola bottling plants. To use the words of workers there is "a whole lot of" workplace injuries. The following picture is a circular posted in the Hangzhou Coca-Cola plant which says that there had been accidents resulting in worker deaths in Coca-Cola plants in Hefei and Xi'an.



Coca-Cola bottling plant reveals accidents

In July, the four students who got work in the factory were directly sent to their work stations without receiving any training at all. Additionally, they were frequently moved around to other work stations at will, also without receiving any training.

It is very noisy on the shopfloor, but not one of the students received earplugs. When they asked their supervisor, they were rejected, and other workers receive the same treatment. Many of the posts on the shopfloor require moving objects around, and it is easy for a worker to have their fingers crushed or to be cut by the sharp new cardboard boxes. The factory does not provide gloves, and workers have no choice but to buy their own.

On the shopfloor there is a very narrow space between different production lines, and forklifts drive through very quickly in order to hurry up the process of moving the goods. In the ten or so days that our group members were working there, one of the members got their ankle caught by a forklift. When we went to see him in the hospital, the doctors said that he would have to do six or seven months of rehabilitation before

they would know the consequences. A different worker had his eyes burned by lye while cleaning out the sediment pool.

Even more infuriating is that getting medical costs paid for and receiving compensation is very difficult for dispatch workers. There have even been instances of Coca-Cola and dispatch companies shirking responsibility by continually passing the buck. The result is that workers have to expend a huge amount of effort to get their medical expenses and compensation, the result being that many workers give up on rights that they are entitled to.

4. Continual Severe Deductions from Workers' Salary

In the report that our group released last year, the Hangzhou bottling plant was the most severe in making deductions from workers' wages. This year, there has not been any improvement at all.

According to our investigation, this year production line dispatch workers receive RMB 55 for working an 11 hour day. The minimum wage in Hangzhou is RMB 960/month, which is calculated at RMB5.5/hour, normal overtime at RMB8.2/hour, weekend overtime at RMB 11/hour, and legal holidays at RMB 16.5/hour.

According to the law, working 11 hours a day, Monday-Friday, the minimum [daily] wage should be $8 \times 5.5 + 3 \times 8.2 = \text{RMB } 68.6$.

Working overtime on the weekends, workers' minimum daily wage should be $11 \times 11 = \text{RMB } 121$.

This means that workers' salaries are much lower than the minimum wage, and that there is a huge amount of wage deductions.

In July 2009, if a worker at Hangzhou BC Food worked 31 days for 11 hours a day without one day of rest (this is common in the busy July season), then the minimum wage should be calculated thus:

Regular work (Monday-Friday): **RMB 960**

Weekday overtime (Monday-Friday, 3 hours/day): 23 days x 3 days x 8.28/hour = **RMB 571.3**

Weekend overtime (Saturday & Sunday 11 hours): 8 days x 11 hours x 11.04/hour = **RMB 971.5**

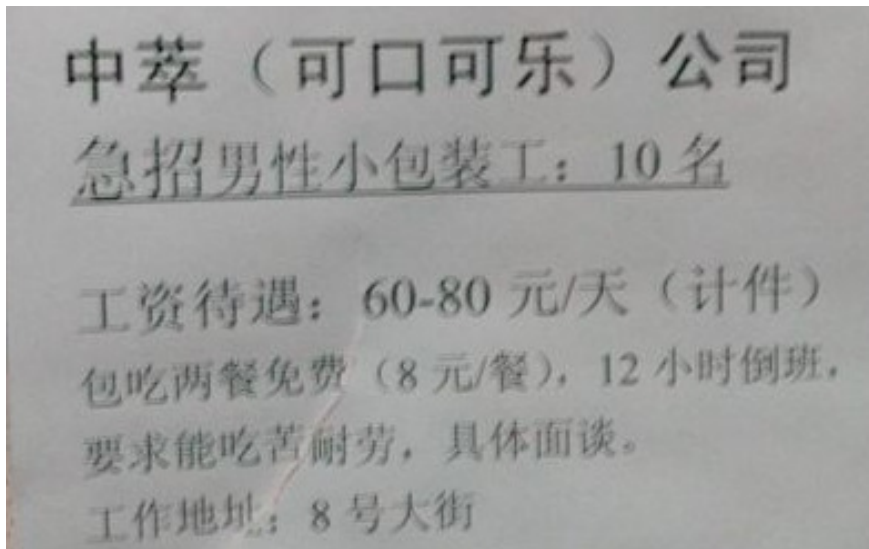
Thus, in July Hangzhou BC Foods would be legally required to pay the following wages: **$960 + 571.3 + 971.5 = \text{RMB } 2503$**

This is different from the RMB 55 workers now receive, which totals **RMB 1705**. This means that RMB 798 has been deducted, which is as high as **32%** [of what they are entitled to.]

5. Workers' anger, high turnover

Because of long working hours, high labor intensity, 11 hour work days, having only 20 minutes each for lunch and dinner, many workers cannot bear it and leave only two or three days after entering the factory. Zhiqiang stipulates that you can only get wages if you work for one week, so those who work for less than a week cannot get their salary.

Because of the high turnover, in the busy season, Zhiqiang must arrange for new workers every day. But in the off season, the factory has fewer orders and there are no jobs for the workers. For the workers who only get paid on days they work, they are forced to quit.



Translation of above image: “BC Foods (Coca-Cola) Company urgently seeking 10 men for junior packaging work; Salary: 60-80 Yuan/day (piece rates); Including two free meals (8 Yuan/meal), 12 hour shifts, requires ability to eat bitterness and withstand hard work, specifics to be discussed face-to-face; Work address: Avenue #8.

Our Demands

This report has revealed the source of the violation of workers’ rights: The Hangzhou Coca-Cola bottling plant’s utilization of a high volume and long-term dispatch workers at key work posts – and this problem has not been resolved.

As a result, we put forth the following demands to the Coca-Cola Company and Hangzhou BC Foods company:

1. Convert all of the dispatch workers at the Hangzhou bottling plant into regular workers; do not fire them.
2. Pay dispatch workers at the Hangzhou bottling plant the wages which have been deducted, and relevant compensation.
3. Improve workers’ working environment. Provide all workers with up to standard pre-job training, and provide them with work safety equipment.
4. Invite a third party non-profit organization to provide training to all of the dispatch workers in the Hangzhou Coca-Cola bottling plant.
5. Issue a public apology to the student that was beaten and to the Coke Concerned Student Group, and pay for the injured student’s medical expenses.³

³ Translator’s note: Coca-Cola Greater China, in its 20 October 2009 open letter to SACOM, said, “We understand that the contract labor provider has already made

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payments directly to the concerned student to cover the medical expenses.” This is not true. Xiao Liang was not at all reimbursed by Zhiqiang [the contract labor provider] for his medical fees. Swire Beverages was either misled to believe that Xiao Liang was properly compensated (see its open letter to SACOM dated 28 October 2009), or failed to conduct its investigation in the serious matter. In any case, the two companies must answer to the Coke Concerned Student Group’s demands, as listed in this report. They should also correct their statements and communicate responsibly to the concerned public.