



## **Students & Scholars Against Corporate Misbehavior**

Telephone: (852) 2392 5464 Fax: (852) 2392 5463

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FOR IMMEDIATE RELEASE  
HONG KONG, 31 August 2009

### **Violence in Coca-Cola's Labor Subcontracting System in China**

On the 12<sup>th</sup> of August 2009, a labor dispatch company hired by Coca-Cola's designated Hangzhou-based bottling plant was discovered to have threatened two university student-workers who asked for their own and their two other fellow workers' backpay upon their resignation. Xiao Liang, 24, was beaten up by two managers at the labor dispatch company's office, resulting in serious wounds over his left eye, left hand, and right ear. Xiao Xu sent Xiao Liang to the Dongfang Hospital immediately after police arrived on the scene. Xiao Liang was later diagnosed with a ruptured eardrum, resulting in compromised hearing capacity.

In these past three weeks, Xiao Liang suffered huge psychological pressure in reporting his grievances to Coca-Cola, Coca-Cola's Hangzhou partner, and the local authorities. A new university semester is about to start. Local police officers have notified Xiao Liang's faculty and his parents of the case details. Meanwhile, he is required to report daily to the police to assist in the ongoing investigation.

Despite their declared commitment to corporate responsibility, Coca-Cola, the world's largest beverage company, has never approached the student-workers to explain wage arrears and use of violence.

May Zhai, Associate External Affairs Director of Coca-Cola (China) Beverages Ltd., was unwilling to arrange a meeting with the four university student-workers and representatives from the Coke Concerned Student Group at the coke bottling plant in Hangzhou. Instead she asked to lead a delegate to visit SACOM in Hong Kong as soon as SACOM sent a public letter to Coca-Cola's China Business Unit on the 17<sup>th</sup> of August and accepted a Chinese media interview with *Fazhi Wanbao* [Legal Evening News]. The news headline, dated the 20<sup>th</sup> of August, reads: "SACOM stands in solidarity with the Coke Concerned Student Group."

Ed Potter, Director of Global Labor Relations for the company, probably understood that the proposed Coca-Cola and SACOM meeting as part of a "local solution to local problems." On the 21<sup>st</sup> of August, Mr. Potter wrote an email to Jenny Chan, Chief Coordinator of SACOM, which did not mention Xiao Liang. What he highlighted was, not surprisingly, Coca-Cola's Supplier Guiding Principles program.

And yet the Coca-Cola Statement amounts to denying its responsibility for its supply chain. It states unambiguously in its opening paragraph:

"This dispute takes place inside the Zhi Qiang Agency [the labor dispatch company]; it is not directly linked to either Coca-Cola or Hangzhou BC Foods Company [the Coca-Cola Bottling Plant].

In the third paragraph, it comments explicitly:

"This dispute between Zhi Qiang Agency and several university students occurs when both sides cannot clam down themselves. It is a one single case. It does not relate to the labor dispatch system."

Coca-Cola closes by hoping that "the misunderstandings" will be cleared.



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SACOM shares our strategic position with the Coke Concerned Student Group that we both strongly condemn Coca-Cola for cutting off its relationship with the four affected student-workers. Under mounting public criticism, it was not until 25<sup>th</sup> and 26<sup>th</sup> of August that Xiao Liang and his three fellow workers finally obtained their backpay.

Today SACOM issues this open statement in order to raise wider awareness about the plights of tens of thousands of subcontracted workers in Coca-Cola bottlers in China.

### **Subcontracted labor in Coca-Cola bottling plants: Hangzhou, Shanghai, Guangzhou, Dongguan, Huizhou, Tianjin, and Beijing**

The Coke Concerned Student Group issued independent reports in December 2008 and May 2009, which were based on its in-depth, participatory research in Coca-Cola's bottlers in seven major Chinese cities. But did Coca-Cola draw any insights from these reports?

Regardless of whether it is the high or low production season, a significant body of subcontracted or dispatched workers—who face frequent wage arrears and even cutbacks on their pay—exists in Coca-Cola's Chinese factories.

Dispatched workers are employed by agencies, which send them to fill “temporary, supporting or replaceable positions,” according to Article 66 of *China's Labor Contract Law*. Referring to the *Implementing Rules for the China's Labor Contract Law*, effective September 2008, it further stipulates that companies shall not use dispatched workers for more than six months, otherwise, they must sign full labor contracts with them.

In practice, Coca-Cola's blatant violations of Chinese labor laws are systemic. The interviewed Coca-Cola dispatched workers are responsible for core or indispensable processing positions. Some of them have toiled in the bottling factories for as long as 10 years—far exceeding the legally allowable limit.

Worse yet, many dispatched workers are forced to do overtime work, frequently clocking 12 hour shifts including weekends, with some working more than 300 hours a month—almost doubling the normal working hours. Worker interviewees also reported dangerous workplace conditions, particularly around the way forklift trucks were being used.

In September 2009, the Coke Concerned Student Group is going to release its third report in the Coca-Cola series. The goal is to promote continuous workplace improvements at the Hangzhou coke bottling plant, where approximately 40 – 45% of its total employees are illegal dispatched workers.



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### **SACOM's DEMANDS**

#### **To Coca-Cola, the world's largest beverage company**

SACOM calls on Coca-Cola to take full responsibility for its abusive use of the 'flexible' labor system in its supply chains. We demand that:

- (1) Coca-Cola apologizes publicly to all four affected students, who have safeguarded their legitimate interests in accordance with the local law but were insulted and assaulted.
- (2) Coca-Cola pays for Xiao Liang the injured student-worker's medical fees.
- (3) Coca-Cola Hangzhou bottling plant signs contracts directly with all laborers dispatched from Zhi Qiang and many other agencies.
- (4) Coca-Cola converts all its subcontracted workers into full time employees within a reasonable time frame.
- (5) Coca-Cola invites the Coke Student Concerned Group, SACOM, and credible not-for-profit labor organizations to organize in-factory labor rights training program for all workers who produce goods for Coca-Cola in China.

#### **To Swire Beverages, a major shareholder of Coca-Cola**

As a socially responsible investor, Swire Beverages—holder of 44.6% Hangzhou BC Foods Company (the Coca-Cola Bottling Plant) shares—should advise Coca-Cola to review its illegal labor subcontracting practices in Hangzhou and other cities in mainland China.

On the 27<sup>th</sup> of August, SACOM wrote to Kathy Ho, Director of Public Affairs and Communications at Swire Beverages, to learn about the company's monitoring of Coca-Cola's operations. By the time we released this statement, Ms. Ho had unfortunately not yet agreed to take any concrete steps. Instead, she emphasized Swire Beverages' independence from the dispute between the Hangzhou factory's labor dispatch agency and the university student-workers.

### **TAKE ACTIONS**

An increasing number of legal scholars, teachers, students, labor activists, Coke union members, Coke fans, and consumers at home and from abroad have expressed their support to the struggling students and Chinese workers.

Please show your solidarity with the workers by taking action today!

### **ONLINE PETITION FOR JUSTICE WITH A STUDENT-WORKER COALITION**

**Sign now!**

Coke Concerned Student Group: <http://followcoca.blog.163.com/>



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**PROTEST LETTER**

**Write to Coca-Cola now!**

The Coca-Cola Company  
P.O. Box 1734  
Atlanta, GA 30301, USA  
1.800.GET COKE (800.438.2653)  
[www.thecoca-colacompany.com](http://www.thecoca-colacompany.com)

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**Write to Swire Beverages now!**

Swire  
<http://www.swire.com/>  
Swire Beverages Ltd.  
[www.swirepacific.com](http://www.swirepacific.com)

**Christopher Dale Pratt**  
Chairman and Executive Director, Swire Pacific Ltd.

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