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Chinese Metals Firm Clashes With U.S. Workers


WSJ


The Wall Street Journal.


James R. Hagerty

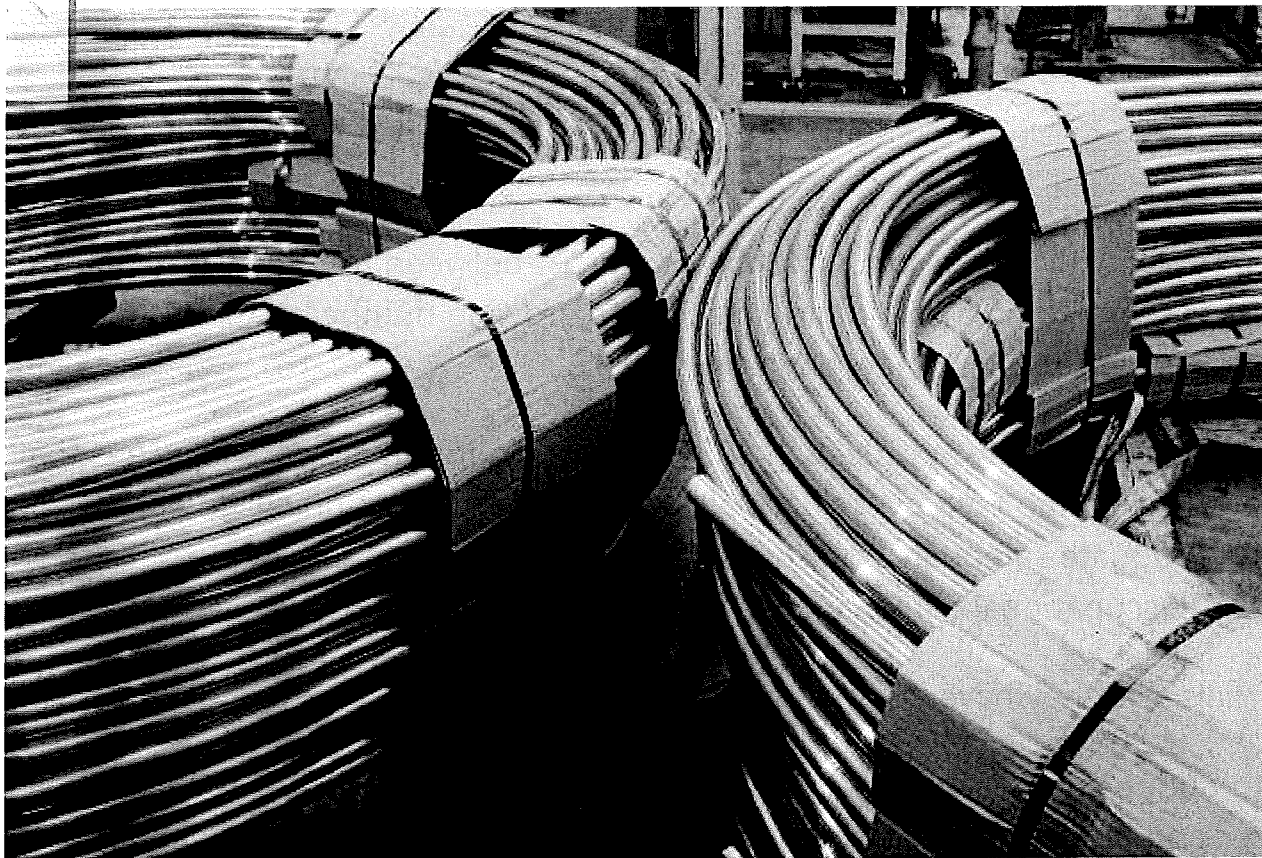
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PINE HILL, Ala.—Golden Dragon Precise Copper Tube Group, a Chinese company that opened a factory nearly two years ago in this rural town to make pipes used in air conditioning machinery, says it has tried hard to please its American workers.

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GD Copper, as the U.S. subsidiary is known, created about 290 jobs for locals with the \$120 million plant in Wilcox County, Ala., which is among the dozen poorest counties in the U.S. The company hosts employees' families at an annual picnic and gives each worker a turkey at Thanksgiving. A banner in steel-walled factory reads in part: "You control OUR future."

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Yet tensions, some from cultural misunderstandings, persist between the company and its American employees, providing a cautionary tale for the growing number of Chinese firms making acquisitions or establishing new plants in the U.S.

A union, which workers narrowly approved in 2014, is pressing for an increase in wages that currently start at \$11 an hour. Employees have alleged that some work practices were unsafe, such as inadequate safeguards on some hazardous machinery, leading to \$38,700 in fines from the U.S. Occupational Safety and Health Administration.

GD Copper officials said they have improved safety practices.

In an attempt to bridge cultural chasms, the company hired KC Pang, in 2014 to head human resources and public affairs. A 61-year-old Malaysia-born Chinese, he emigrated to

the U.S. 35 years ago and has worked as a university professor and executive for FedEx Corp.

Some workers say that U.S. citizens don't have much authority at the plant. Golden Dragon relies on about 70 workers from China, brought in on visas and described as advisers, to help run the plant. The company houses the Chinese workers in 10 prefab dormitories and employs a Chinese chef to feed them.

GD Copper says the Chinese workers are here in part for training and translating. "Our goal is to slowly train the American workers to take over the management of the company," said Mr. Pang.

GD Copper's president is a Chinese citizen, as are at least two department heads. Phillip Sherrill, a veteran manager of other factories who headed production and maintenance for GD Copper, left in November after about 19 months. A Chinese citizen is now handling that job. GD Copper and Mr. Sherrill declined to comment on his departure.

Some of the banners hung inside the factory have a hectoring tone. One reads: "One Quality escape erases All the good you have done in the past."

In the 1980s, many U.S. companies stumbled as they raced into China. Some chose incompatible local partners; others tried to sell products ill-adapted for China. Now Chinese companies are working out how to operate in the U.S.

Chinese companies' spending on acquisitions and new facilities in the U.S. last year totaled a record-high \$15.7 billion, up 32% from 2014, according to Rhodium Group, a research firm. It is an echo of Japan's move into the U.S., but with Chinese characteristics.

Patrick Van den Bossche, a partner at consultants A.T. Kearney, said Japanese companies arrived with well-established procedures and taught Americans to conform. By contrast, he said, Chinese companies work more by trial and error, and are more open to learning from Americans.

State and local governments gave GD Copper incentives including a grant of \$20 million to defray capital spending, free land, money for worker training, and tax benefits.

The Chinese company was then taken aback when workers, unhappy with the pay and difficulties in communicating with Chinese bosses, began a unionization drive a few months after the plant opened. The South generally has low union-membership rates but the United Steelworkers union represents workers at paper mills near GD Copper's site, and its

workers aligned with that union.

Alabama Gov. Robert Bentley sent letters to workers urging them to reject the union, warning that it might scare other companies away. But in November 2014, workers approved the union in a 75-74 vote. GD Copper appealed to the National Labor Relations Board to demand a new vote, arguing that the union organizers had used scare tactics.

By mid-2015, Golden Dragon dropped its appeal and agreed to negotiate with the Steelworkers. Daniel Flippo, a United Steelworkers official involved in the union drive, said he expects an agreement soon.

Mr. Pang has established a rapport with Mr. Flippo. The union official, who initially had trouble remembering Mr. Pang's name, jokingly calls him P.F. Chang, after the restaurant chain.

GD Copper initially didn't give managers and workers enough training in such areas as safety and understanding foreign cultures, Mr. Pang said.

Some American workers thought the Chinese trainers didn't trust them. "We are independent people here, and the Chinese are so hands-on," said an American who worked at the plant until early 2015.

Mr. Pang said that the trainers were trying to show workers how to do tasks but that communication wasn't adequate. One problem is that some of the Chinese brought in as interpreters have limited command of English.

Mr. Pang won't say whether Golden Dragon will agree to higher wages. "We look at all kinds of options," including how to improve quality and productivity, he said, adding: "You give them respect. They appreciate that better than money."

Not all workers are mollified. "I can't say I see much change," said Tanya Pickens, a worker on the negotiating committee. She said American workers are punished more harshly for safety lapses than are Chinese and get shorter lunch breaks.

Mr. Pang said all salaried workers, not just Chinese, get one-hour lunch breaks, while hourly workers get 30 minutes. "All employees are treated equally and fairly," he said.

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