

High Tech - No Rights?

**A One Year Follow Up Report on
Working Conditions in China's
Electronic Hardware Sector**

May 2008

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By

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HIGH TECH - NO RIGHTS? A ONE YEAR FOLLOW UP REPORT ON WORKING CONDITIONS IN CHINA'S ELECTRONIC HARDWARE SECTOR

EXECUTIVE SUMMARY

One year after the launch of the “High Tech – No Rights?” campaign, Bread for All, Swiss Catholic Lenten Fund and Students & Scholars Against Corporate Misbehavior (SACOM) publish a new study on working conditions in the factories where our computers are made.

From the perspective of supply chain labor responsibility, the research team has been most interested in determining whether workers' daily lives have improved. The researchers conducted independent surveys in seven factories in the cities of Shenzhen, Dongguan, and Zhongshan in Guangdong Province, southern China. These factories belong to FSP Group, Primax Electronics, Lite-On Group, Tyco Electronics and Volex Group. The research team also asked the concerned brand companies (Hewlett Packard, Dell, Apple, Fujitsu Siemens and Acer) to respond to a questionnaire about social responsibility measures implemented in China between January 2007 and March 2008. The aim was to see how premium brands have ensured workers' rights in their supplier factories.

Electronics Factories: Labor Abuses Remain

The main abuses that remain in the factories relate to overtime wages, work hours, health protection measures, the labor contract and workers' right to legal information.

OVERTIME WAGES

Workers are most concerned about overtime wages. Wherever our researchers go, workers express anxiety about low wages and the pressures of inflation. In some factories (Yonghong, Primax and Lite-On Electronics), management violated the law by failing to pay workers compensation for overtime work. At Yonghong, workers were only partially paid for overtime work; at Primax, workers were paid 19.1% less than the legal standard for overtime on national holidays; and at Lite-On Electronics, workers were not paid 200% the regular wage for overtime work on Saturdays and Sundays as required by law.

WORK HOURS

In order to deal with order fluctuations, factory management demands unflinching flexibility from employees. Overtime on weekdays as well as weekend shifts are usually mandatory. As a result, workers are on the job between ten and twelve hours per day, six to seven days per week. Each month, they work 80 to 200 overtime hours, far more than the 36 hours allowed under Chinese law.

HEALTH

As far as health is concerned, preventive and protective measures are not taken. Insufficient ventilation in soldering rooms, handling of toxic products with no masks or gloves, standing during the entire workday, and unrealistic production quotas are all recurring phenomena. Many workers surveyed suffer from allergies, eye irritation, headaches and back pain, yet there are no medical check-ups. Not one of the factories surveyed had provided systematic training for workers on handling procedures for toxic products, measures to protect them against accidents, or workplace health and safety in general.

LABOR CONTRACTS

Factories that provide their employees with work contracts as required by Chinese law are in the minority. Primax, for example, did not provide workers with copies of employment contracts, in violation of Article 16 of the new Chinese Labor Contract Law. Worse yet, management in two factories (Yonghong and Lite-On Electronics) do not permit workers to resign during high production periods, even if they do so according to proper legal procedure.

WORKERS' RIGHT TO LEGAL INFORMATION

Finally, there were no factories in which workers stated that they had knowledge of either the Electronics Industry Code of Conduct (adopted by 36 brands as of January 2008) or the individual company's code of conduct. In other words, both the brands and the factory management staff have failed to inform workers about the protective provisions.

Some Improvements

The most significant improvement was in relation to the payment of the legal minimum wage. We found compliance to local minimum wage standards being implemented at almost all the factories (probationary workers being the only exception). It is possible that the brands' audits and social responsibility measures have had some influence on payment of basic wages. But the increase in wages seems to be tied mainly to local government policies, which aim to alleviate labor supply shortages in the Pearl River Delta industrial zones and keep down the rising number of labor protests. Factory managers, when they are able to, tend to provide workers with minimal pay.

Other improvements that we found in the factories¹ were hit-or-miss, or what we characterized as a cat-and-mouse game. Examples of this included reductions in overtime hours and the elimination of the 102 *yuan* meal deduction at Volex (this deduction had previously been levied even if workers did not eat in the factory cafeteria). At Volex, management also said it presented the code of conduct to workers for review. Another important improvement is that there are no longer minors aged 14 to 16 years old working at Yonghong. Still, SACOM does not know what happened to the children working illegally in the factory from late 2006 to early 2007. Did they receive their final wages and overtime payment? Did they receive financial compensation for their forced departure? All these questions remain unanswered, because after the first report was published, all of the underage employees suddenly disappeared.

The Brand Response: Varying Levels of Commitment and Transparency

Each of the factories that produce components for the brands' computers has violated the law. Given this finding, have the brands tried to do anything about it since the first report of the "High Tech – No Rights?" campaign was published? To document the progress, if any at all, we sent a questionnaire to Hewlett Packard, Dell, Apple, Fujitsu Siemens and Acer. The brands' responses show widely varying levels of commitment and transparency regarding their production chain social responsibilities.

¹ Four factories that manufacture components for Hewlett Packard, Dell, Apple, Acer, and other brands were first reported in the field study in 2006-2007. These were Yonghong, Primax, Tyco Electronics and Volex factories.

HEWLETT PACKARD: SETTING THE PACE

Commitment: High

Transparency: High

Hewlett Packard is setting the pace for social responsibility in China. First, the company has devoted significant human and financial resources to implementing its code of conduct. It also has an on-site coordinator for the local inspection teams. According to Hewlett Packard, in China alone the company provided code of conduct training for factory management staff (but not workers) in 45 suppliers. It also audited 80 factories, including Primax, Tyco Electronics, and Volex in 2007. Second, the American company is the only one that has agreed to make its list of suppliers public and comment on specific cases at the factories. This is a new attitude: up to now, computer companies have cited economic competition and anti-trust laws as reasons for refusing to divulge or even confirm the names of their suppliers. Third, Hewlett Packard has made important efforts to continue a multi-party dialogue. In China, the company staff has agreed to undertake a worker-training pilot project in cooperation with community-based labor rights organizations and academics. This project is a concrete response to the requests made by the “High Tech – No Rights?” campaign.

DELL: SLOWING DOWN

Commitment: Average

Transparency: Average

Dell has one employee who follows implementation of the code of conduct in China only 30% of the time. In 2007, the company organized two training seminars for its suppliers (the exact number of suppliers are not made public) and underwent 32 audits. But these steps are modest considering that it has already been four years since Dell committed to work on social responsibility in its production chain. Worse yet, Dell was condemned for “cutting and running” from Yonghong Electronics, the worst corporate response to labor rights violations in supplier factories. Regarding transparency, Dell refuses to make public its list of suppliers and to confirm supplier names. But the American company has made efforts to hold dialogues with labor rights non-governmental groups.

APPLE: RIPENING TO MATURITY

Commitment: Average

Transparency: Low

In the past few months, Apple has stepped up its efforts to increase control over its production chain. Their social responsibility team has grown from one member in 2007 to eight in early 2008. The company states that it has increased the number of audits in China and implemented training courses not only for factory managers but also for workers. However, Apple remains non-transparent. The company refuses to confirm their supplier list and gives no concrete figures for the number of audits and training sessions completed in China. It is therefore difficult to be certain about the credibility of its statements. Apple also refuses to engage in any public discussion about their social responsibility, or to enter into cooperative relationships with non-governmental organizations (NGOs) or unions.

FUJITSU SIEMENS: LAGGING BEHIND

Commitment: Low

Transparency: Low

The response to our questionnaire reveals that the company is neither committed nor transparent where social responsibility in China is concerned. Fujitsu Siemens' code of conduct remains very incomplete. In terms of implementation, the company says that they evaluate their suppliers' performance at semi-annual meetings, but they have no one in charge of social responsibility issues either at the international level or in China. Finally, as far as training is concerned, the company says they feel that training suppliers is not its responsibility.

ACER: CHANGING COURSE...KEEP WATCHING!

Commitment: Low, but Improving

Transparency: Low

In February 2007, when the “High Tech – No Rights” campaign was launched in Switzerland, Acer showed one red flag after another: no code of conduct, no policy for social responsibility, lack of communication and transparency, refusal to acknowledge cases of noncompliance with workers’ rights in their supplier factories, etc. Fourteen months later, there has been an important change in the company’s course: for the first time, the third largest computer seller in the world has agreed to institute a social responsibility approach in its production chain. It has created a working group within its Executive Committee. In November 2007, for the first time, Acer underwent audits in its suppliers. These are first steps that warrant our attention.

Recommendations for Sustainable Electronics

Respect for workers’ rights in Chinese factories remains a distant dream for most electronics workers. Bread for All, Swiss Catholic Lenten Fund and SACOM highlight that change must happen more quickly:

1. By laying a foundation for effective dialogue with NGOs and workers’ representatives. Concrete communication mechanisms that encourage worker participation should be put in place. Between audits – which at best give a snapshot of factory conditions at a specific moment, workers are the ones that can keep an eye on the actual implementation of the code of conduct. Bringing in workers in a democratic participatory process is the key to continuous improvements on the ground.
2. By adopting responsible, sweatfree purchasing policies. It is the brand’s responsibility not to take with one hand while it gives with the other - i.e., not to cancel out the effectiveness of a progressive social responsibility policy by pressuring suppliers with reduced delivery time, systematically low prices, and practices that indiscriminately cause the various suppliers to compete with each other. Strong partnerships between brands and suppliers will go a long way in creating sustainable electronics worldwide.

CHAPTER 1 INTRODUCTION

1.1 Research Objectives

This one year follow up report investigates working conditions in seven electronics hardware supplier factories in southern China. Of the seven factories, which supply to Hewlett Packard, Dell, Acer, Apple, and other brands, four – Yonghong, Primax, Tyco Electronics, and Volex – were first brought to our attention in 2006-2007.

In 2007 and early 2008, we returned to the facilities to carry out this study. Our goal was to determine whether initiatives undertaken by the concerned brands following the publication of our first report contributed to continuous improvements at supplier factories. In this report, there are three new factory cases related to the Lite-On Group: Lite-On Electronics (Dongguan) Co., Ltd.; Lite-On Computer Technology (Dongguan) Co., Ltd.; and Lite-On Xuji Electronics (Dongguan) Co., Ltd.

Our purpose is two-fold:

- 1) to raise consumer awareness of global supply chain labor responsibility in the production of our personal computers;
- 2) to propose democratic participation of electronics workers in promoting sustainable labor standards; only by actively engaging workers in the process of implementing corporate codes of conduct will Hewlett Packard (HP), Dell, Apple, Acer, and other companies get a commitment from their suppliers to find long-term solutions to workers' rights violations in suppliers' factories.

1.2 Supply Chain Labor Responsibility

Transnational firms play an important role in implementing their codes of conduct and in supporting suppliers' abilities to meet or exceed the expectations set therein.

To maintain overall competitiveness, an increasing number of factories in the Chinese electronic hardware manufacturing sector are making an effort to improve working conditions and demonstrate a commitment to social responsibility. It is widely acknowledged that a corporate citizen should treat workers with respect and dignity, ensure that manufacturing processes are environmentally responsible, and abide by local as well as international laws.

1.3 Organization of Chapters

In the following sections, we first introduce the computer market globally and in China. In the second chapter, we present the findings of our field study conducted in the seven supplier factories. In the third chapter, we evaluate the effectiveness of selected brands' efforts to guide their suppliers to work towards compliance with their own corporate codes of conduct and industry standard codes. Finally, in the last chapter, "Conclusion and Recommendations," we advocate sustainable electronics development and grassroots worker participation in a global economy.

1.4 The Growing Global Personal Computer Market

The worldwide PC market grew 13.4% in 2007, with shipments reaching 271.2 million units in that year.² HP (NYSE: HPQ) has supplanted Dell (NASDAQ: DELL, SEHK: 4331) as the world's largest seller of PCs. Taiwanese-owned Acer³ (LSE: ACID) has acquired Gateway's consumer business and is now the world's third largest vendor. Chinese firm Lenovo (SEHK: 0992) became the world's fourth largest computer maker after purchasing the PC operations of IBM in 2005. Combined, these four brands make up nearly half the global PC market.

Table 1: Worldwide PC Vender Unit Shipment Estimates for 2007

Company	2007 Shipments (1,000 units)	2007 Market Share (%)	2006 Shipments (1,000 units)	2006 Market Share (%)	2007-2006 Growth (%)
HP	49,434	18.2	38,037	15.9	30.0
Dell	38,709	14.3	38,050	15.9	1.7
Acer	24,257	8.9	18,252	7.6	32.9
Lenovo	20,131	7.4	16,652	7.0	20.9
Others	138,649	51.2	128,220	53.6	21.2
Total	271,180	100.0	239,211	100.0	13.4

Source: Modified from Gartner Inc., dated 16 January 2008 (data includes desktop PCs, mobile PCs, and X86 servers).

From placement of orders to shipment of PCs, production and delivery time is now shorter than ever. Dell takes pride in its "made to order" business approach and is able to deliver 7 million computers annually from its new Xiamen-based plant.⁴ At the same time, prices for desktop and notebook computers have also declined significantly. These are the macro market forces that shape the development of the electronics manufacturing industry in China and other low-cost countries.

1.5 China's Electronics and Information Technology Industry

The Chinese government has been investing in hi-tech industrial parks, and information and communications technology infrastructure to develop the national economy. The strategy is to leverage IT to promote industrial growth and transform traditional industries. Due to favorable government policies, willingness on the part of both domestic and foreign capital to build a new market economy has been remarkable.

In Guangdong Province in southern China, the electronics and information technology industry – which includes computers, telecommunications, and other electronics equipment manufacturing – has become the most important pillar of the so-called "fresh industries." In the *Guangdong Statistical Yearbook 2007* data referenced in Table 2, the gross industrial output of the industry in 2005 was listed at 983,134 million *yuan*, and reached a record high of 1,189,108 million *yuan* in 2006. These statistics show that the growth rate in 2006 over 2005 was 19.3%.

² Preliminary research findings compiled by Gartner, Inc., 16 January 2008, at <http://www.gartner.com/it/page.jsp?id=584210&format=print>.

³ "Acer Eclipses Lenovo, Takes Aim at Dell," 26 October 2007, IDG News Service, Taipei Bureau, at <http://www.itworld.com/Comp/1181/071026acer/pfindex.html>.

⁴ "Dell Completes Second High-tech Factory in Xiamen," 31 May 2006, at http://english.china.com/zh_cn/business/news/11021613/20060531/13363932.html.

Table 2: Gross Industrial Output Value of 9 Industries in Guangdong, 2005 – 2006

Industries	Gross Industrial Output Value (100 million yuan) 2005	Gross Industrial Output Value (100 million yuan) 2006	Growth Rate in 2006 over 2005 (%)
Three "Fresh Industries"	18,363.02	22,636.85	21.6
Electronics & Information Technology	9,831.34	11,891.08	19.3
Electrical & Special Purpose Equipment	5,256.75	6,617.84	24.2
Petroleum and Chemistry	3,274.93	4,127.94	24.3
Three Traditional Industries	5,072.51	6,126.17	19.1
Textile and Garments	2,150.39	2,534.95	16.3
Food and Beverage	1,635.73	1,869.12	12.7
Building Materials	1,286.39	1,722.10	32.0
Three Potential Industries	2,486.30	3,240.03	28.5
Logging and Papermaking	839.86	1,021.42	20.0
Medicine	286.75	372.09	28.0
Motor Vehicle	1,359.69	1,846.52	34.0

Source: *Guangdong Statistical Yearbook 2006*:331 and 2007 (online version⁵).

The huge electronics production in the Pearl River Delta, especially of consumer electronics, has made Guangdong the largest electronics producer in mainland China.

⁵ *Guangdong Statistical Yearbook 2007*, Table 12-23, "Industrial Output Value and Growth Rates of Nine Major Industries Above Designated Size (2005-2006)," at http://www.gdstats.gov.cn/tjnj/table/12/e12_23.htm.

CHAPTER 2

ONE YEAR LATER: FIELD RESEARCH IN COMPUTER MANUFACTURING FACTORIES

2.1 Geography and Methodology of Field Research

Beginning in 2006, SACOM's research team began focusing on contract electronics manufacturers – FSP Group, Primax Electronics, Lite-On Group, Tyco Electronics, and Volex Group – and the seven electronic hardware facilities owned by them, for continuous investigation. All of these facilities are located in the Pearl River Delta region of Guangdong Province in southern China. We have been interested to see how these contract electronics makers communicate labor protective codes (their own as well as those of their major customers) to Chinese workers, thus ensuring workers' enjoyment of basic rights and benefits. For our survey, we identified 32 major buyers of various electronic hardware products, namely, Acer, AOpen, Apple, Brother, Canon, Cisco, Compaq, Dell, Epson, Ericsson, Flextronics, Foxconn, Fujitsu, Gateway, Hitachi, HP, IBM, Intel, Lenovo, LG, Logitech, Microsoft, Motorola, NEC, Nokia, Nortel, Philips, Pioneer, Samsung, Siemens, Sony and Toshiba. By March 2008, we had completed 102 interviews⁶ with production workers from assembling, soldering, packaging and quality testing departments.

Employing an open-ended interview strategy, field researchers initiated discussions with workers about labor laws, women workers' rights, and occupational health and production safety. Workers are easily identifiable by their uniforms; this allowed us to approach them during meal breaks and off-work hours in their dormitories or at nearby parks, food stands, and job agencies. Most workers spoke openly about their low wages, long working hours, and unsatisfactory working and living conditions. Contact numbers were exchanged with the workers to enable us to learn about specific transformations in labor conditions from 2007 to early 2008. To supplement the interviews, some workers were willing to provide copies of employee handbooks, wage stubs, dormitory regulations, and other documents. Most of the photographs we obtained were taken by workers themselves.

SACOM choose to interview workers because we feel this is the best way to gauge the effectiveness of implementation of corporate codes of conduct and laws at the workplace level. While the workers at the seven factories did not frame their lived experiences in terms of "corporate social responsibility" or "legal rights," they were able to give us precise information about their labor contracts, monthly basic wages, overtime compensation, disciplinary fines, deduction of bonuses for product quality issues, assignment to hazardous or physically demanding work positions, participation in safety and health training, regular health check-ups or lack thereof, and freedom of resignation. Each of these is a major indicator that allows us to assess improvements or deteriorations in working conditions.

⁶ Of the 102 workers interviewed, 61 were female and 41 were male. All were between 14 and 35 years of age and all were migrant workers whose homes are outside of Shenzhen, Dongguan, and Zhongshan Cities.

Map of the Pearl River Delta (PRD), Guangdong Province

Field research was carried out in the three industrial cities where the seven factories are located: Shenzhen, Dongguan, and Zhongshan.



The Seven Surveyed Electronics Factories (see detailed contact information in Appendix 1)

	Name of Factory	Location	Corporation	Place of Stock Listing
1	Yonghong Electronics	Shenzhen	FSP Group	Taiwan (TW:3015)
2	Primax Electronics	Dongguan	Primax Electronics	Taiwan (de-listed from the Stock Exchange)
3	Lite-On Electronics	Dongguan	Lite-On Group	Taiwan (TW:2301)
4	Lite-On Computer Technology	Dongguan	Lite-On Group	Taiwan (TW:2301)
5	Lite-On Xuji	Dongguan	Lite-On Group	Taiwan (TW:2301)
6	Tyco Electronics	Dongguan	Tyco Electronics	New York & Bermuda (NYSE:TEL) (BSX:TEL)
7	Volex Cable Assembly	Zhongshan	Volex Group	London (LSE:VLX.L)

The Seven Factories and their Buyers:

Each of the seven factories supplies products to a large variety of brand-name buyers. Supply chain labor responsibility is a major issue in a highly overlapping, multi-tiered production network.

	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6	Case 7
	Yonghong	Primax	Lite-On Electronics	Lite-On Computer Technology	Lite-On Xuji	Tyco Electronics	Voletx
Acer	*		*	*	*		
AOpen				*			
Apple		*	*		*		*
Brother							*
Canon							*
Cisco						*	
Compaq				*			*
Dell	* [note]	*	*	*	*	*	*
Epson							*
Ericsson							*
Flextronics							*
Foxconn			*	*	*	*	
Fujitsu	*						
Gateway				*	*		
Hitachi			*				*
HP		*	*	*	*	*	*
IBM			*	*	*	*	
Intel						*	
Lenovo	*	*	*	*	*		
LG				*		*	
Logitech					*		
Microsoft					*		*
Motorola	*	*	*			*	
NEC	*		*	*	*		
Nokia		*	*				
Nortel						*	*
Philips							*
Pioneer							*
Samsung	*			*			
Siemens	*			*		*	*
Sony		*	*		*	*	*
Toshiba			*	*	*		

Note: Dell withdrew its orders from Yonghong after the publication of SACOM's report in November 2006 (the 15-page English report of Yonghong is downloadable from www.sacom.hk; see also a report summary at www.business-humanrights.org). SACOM issued a public statement to condemn Dell's cutting and running on May 1, 2007 (the 2-page Statement is also downloadable from the SACOM website).

2.2. Factory Case One: Yonghong Electronics

Yonghong Electronics, founded in Shenzhen in May 2000, belongs to the FSP Group (www.fsp-group.com)⁷ (TW:3015). One of the important business strategies of the FSP Group is shortening delivery time in the power supply industry. The Yonghong plant produces power supply devices such as invertors, converters, and adapters. Major buyers currently include Acer, Fujitsu, Lenovo, Motorola, NEC, Samsung, and Siemens. After the publication of the Yonghong Report in November 2006, Dell withdrew its orders from the factory. SACOM issued a public statement on May 1, 2007, International Workers' Day, to condemn Dell's cutting and running.



Yonghong Factory.



(1) Workforce

Yonghong employs 1,500 to 2,000 workers. Women represent 85% of the workforce. Though most workers are 18 to 30 years old, in 2006 Yonghong was discovered to have employed over 200 child workers under the age of 16, in blatant violation of the Chinese Labor Law and the Electronic Industry Code of Conduct (EICC).

In the summer of 2006, SACOM researchers testified that Yonghong had been hiring child workers under the age of 16, with the youngest being only 14 years old. Most of these child workers were students from rural villages in Henan and Shanxi provinces who had either come to Shenzhen or had been sent directly to Yonghong for summer jobs. By mid-October 2006, when the new semester had started, more than 100 child and student workers continued working.

In late December 2006, SACOM suddenly lost contact with all 7 of the Yonghong child workers.

SACOM suspected that Yonghong had laid off the child workers after the publication of the report in November 2006. We were concerned about whether the children received due wages, overtime premiums and economic compensation. More importantly, we were unable to determine whether each and every child worker had been able to return home safely.

Between February 2007 and March 2008, SACOM revisited the Shenzhen-based Yonghong. At that time, child workers and underage students no longer seemed to be working. Teenagers between 16 and 18 years old and adult workers over the age of 18 all informed us that Yonghong now strictly checks identification papers and school diplomas. Any new worker employed by Yonghong must now be at least 16 years old, as stipulated by Chinese law.

⁷ YouTube FSP Power Your Life (a 1 minute and 50 seconds online video) at http://www.youtube.com/watch?v=F5jNqjK2ZY&eurl=http://www.fsp-group.com.tw/english/4_about/1_brand.asp?id=14.

(2) Work Hours

In 2006, SACOM discovered that Yonghong had not been providing 1 day of rest per week. Workers were mandated to work 7 days a week, 13 hours a day (including as many as 5 hours of overtime work). Article 38 of the Chinese Labor Law, however, stipulates that the employing unit shall guarantee that its employees have at least 1 day off per week. Moreover, Article 41 of the Chinese Labor Law specifies that overtime hours shall not exceed 3 hours per day.

Day-shift Work Timetable at Yonghong Electronics, 2008

Time of Day	Working hours	
Morning	7:30 – 12:00 pm	4 hours and 30 minutes
Lunch	12:00 – 1:00 pm (1 hour)	
Afternoon	1:00 – 5:00 pm	4 hours
Dinner Break	5:00 – 5:40 pm (40 minutes)	
Overtime Work	5:40 – 8:30 pm (or until the end of the shift)	2 hours and 50 minutes (or up to several hours)

From 2007 to the present, in addition to the normal 8-hour work shift, Yonghong workers have been routinely required to do 3 hours of overtime work to fulfil rush orders. In any given week, they work 6 and even 7 days. Workers report that they suffer from extreme exhaustion. In a given month, they are forced to work as much as 100-200 hours of overtime, a serious violation of the law (the legal maximum allowable is 36 overtime hours per month).

During the peak season, Yonghong workers work overtime every night until very late. One young worker told us, “Our production manager just raised the daily production quota...it’s useless to report it to senior managers.” There seems to be no way for workers to meet the quota, even by working until 11:00 pm or midnight. Most of the workers start work as early as 7:30 am. In total, they toil day and night for 13 to 15 hours a day (sometimes meal breaks are cut short to only 30 minutes). In their words: “The next morning, we have to get up and work again...”

(3) Wages

Despite very long work hours, Yonghong workers are consistently underpaid. Our findings show that probationary workers are even paid below the legal minimum.

According to Article 20 of the Labor Contract Law, “the wage amount of a worker during his or her probationary period shall not be less than the local minimum wage standard.” At Yonghong, however, during the three-month probationary period, workers receive a basic wage of only 700 *yuan* per month, not the regional legal minimum of 750 *yuan*. In other words, new employees are not effectively protected by implementation of the law.

Legal Minimum Wage, Shenzhen City (non-SEZ districts)

	Monthly Wage	Basic Hourly Wage	Overtime Hourly Wage (weekdays)	Overtime Hourly Wage (weekends)	Overtime Hourly Wage (national holidays)
2005 – 2006	580	3.33	5.00	6.66	10.00
2006 – 2007	700	4.02	6.03	8.04	12.06
2007 – 2008	750	4.31	6.47	8.62	12.93

As of March 2008, the legal minimum wage in Shenzhen outside the Special Economic Zone (SEZ) was still 750 *yuan* per month.

Those who are on probation thus make up the lowest paid workforce in Yonghong. Other production workers receive the legal minimum wage of 750 *yuan* per month. In terms of overtime premiums, however, Yonghong undertakes deceptive measures, i.e., the system in place is illegal. On weekdays, Yonghong pays workers compensation only for the first 3 hours of overtime work, after which no overtime compensation is given. This means that from the fourth hour of overtime work onward, workers are essentially forced to do “voluntary work” until they have finished the daily production quota. Some Yonghong workers have expressed their grievances to managers, but always in vain. It is clear that Yonghong has refused to pay workers remuneration for all extended working hours, a serious infringement of Article 44 of the Chinese Labor Law.

With some 100-200 hours of overtime work per month, the average worker earns only 1,500-2,000 *yuan*. Overtime premiums are not paid in accordance with legal standards.

(4) Occupational Health and Safety

It is common to find workers at Yonghong suffering from neck, shoulder and back pain as well as other ailments. Long hours of work in fixed sitting positions for more than 11 hours a day result in repeated strain injuries and other ergonomic problems for workers.



Managers fine workers 5 to 10 *yuan* if they do not sit straight at the production line.

For the sake of labor discipline and esthetics, Yonghong management strictly requires all seats to be put against a yellow line placed on the floor. Part of the supervisors' job is to ensure that no worker moves the seat beyond the line. If the worker does so, he or she is fined. Thus, the seats are fixed and workers cannot adjust them to maintain comfortable distance from the working tables and conveyor belt according to their individual needs and body types. Some smaller-built workers report that their arms are not supported when they work, as the seats are not close enough to the working tables. As a result, they always have arm and shoulder pain after work.

Moreover, workers are not provided with face masks or proper safety training about the hazards of soldering. Each day, they inhale and suffer irritations from the fumes produced in the soldering process. According to Article 20 of the Code of Occupational Disease Prevention,

“The factory should deploy effective occupational disease prevention facilities, and provide laborers with occupational disease prevention articles for individual use. Any article provided to the laborer by the employer should comply with the applicable regulations of occupational disease prevention.”



Male soldering workers on PCB lines. They wear gloves (on their left hands) but not face masks.

(5) Contracts and Freedom of Choice in Employment

Yonghong workers are deprived of the basic right to resign from work. The Chinese Labor Law allows for termination of the employment contract with one-month prior notice (Article 31).

Most of the interviewed workers have problems acquiring approval from management to resign. “Management does not even look at the application you hand in to them. They have a thousand excuses and ways to keep you working here.”

(6) Dormitory and Canteen

The accommodation fee has been raised from 40 to 50 *yuan* per month. Water and electricity fees are added on to rent, depending on actual usage. In total, about 100 *yuan* per month is deducted from the average worker’s pay.

Each dorm room houses up to 12 workers who sleep in six double bunk beds.



Yonghong dormitory.



A male worker dormitory.

In terms of the price of food, the average worker spends between 120 and 180 *yuan* per month on meals at the factory canteen. Workers in general comment that the food is of extremely bad quality. They are also very concerned about food cleanliness and hygiene.



There are insufficient sanitary measures taken, affecting public health.

(7) Knowledge of Corporate Codes of Conduct

None of the workers interviewed were aware of the corporate codes of conduct of Acer, Fujitsu, Lenovo, Motorola, NEC, Samsung, and Siemens or of the EICC Code.

Concluding Remarks

Some Yonghong workers wish to resign, yet feel they cannot afford to lose the wages. All interviewed workers voiced concern about illegally low wage payments, disciplinary fines, physical exhaustion, and poor health and safety conditions. Despite the researchers' repeated request that Dell provide detailed explanation of its decision to cut and run from Yonghong, and that Acer provide audit and remediation reports, none of these companies have provided us with answers. Similarly, mobile phone giant Motorola, a direct buyer of Yonghong, refused to set up a meeting between Yonghong managers and SACOM. Over the course of the year, there seems to have been no improvements whatsoever.

2.3 Factory Case Two: Primax Manufacturing Limited

Taiwan-owned Primax Electronics Limited (www.primax.com.tw) was founded in 1984 and has been listed on the Taiwan Stock Exchange since January, 1995 (TW. 2336). As of September 2007, it became private and was delisted. Primax manufactures computer peripherals (such as wired or optical wireless PC mouse devices), imaging products (such as scanners and printers), and communication devices (for example, Bluetooth headsets and MP3 players).

Primax headquarters are in Taiwan. It has manufacturing operations in China and sales and marketing offices in Hong Kong, Japan, Europe and the United States. Primax Manufacturing Limited, established in China in November 1989, is the company's first offshore manufacturing site.

Primax's buyers mainly include Apple, Dell, HP, Lenovo, Motorola, Nokia, and Sony.



(1) Workforce

SACOM's field investigation focuses on Primax's manufacturing plant in Liuwu Industrial District in Shijie Town, Dongguan City. It has approximately 2,500 workers.

(2) Work Hours

Day-shift Work Timetable at Primax, 2008

Time of Day	Working hours	
Morning	7:50 – 12:00 pm	4 hours and 10 minutes
Lunch	12:00 – 1:30 pm (1 hour and 30 minutes)	
Afternoon	1:30 – 5:30 pm	4 hours
Dinner Break	5:30 – 6:30 pm (1 hour)	
Overtime Work	6:30 – 9:00 pm (or until the end of the shift)	2.5 hours (or up to several hours)

In terms of work hours, Primax workers are required to do 80-100 hours of overtime work per month. This is on top of the normal 168 work hours each month (8-hour work day x 22 days). Against local labor law, Primax imposes excessively long working hours on production workers (Article 41 of the Chinese Labor Law stipulates that total extended work hours shall not exceed 36 hours per month).

Workers reported that overtime work on weekdays and Saturdays was mandatory. During peak seasons, they also have to work on Sundays, thus failing to receive a single day of rest, in violation of Article 38 of the Chinese Labor Law.

(3) Wages

From 2006 to March 2008, Primax's basic wages were 690 *yuan* per month. Overtime premiums were 6.18 *yuan* per hour on weekdays and 8.24 *yuan* per hour on weekends. However, overtime wages on national holidays were only 10 *yuan* per hour, which is 19.1% or 2.36 *yuan* less than the local minimum standard.

Legal Minimum Wage, Dongguan City

	Monthly Wage	Basic Hourly Wage	Overtime Hourly Wage (weekdays)	Overtime Hourly Wage (weekends)	Overtime Hourly Wage (national holidays)
2005 – 2006	574	3.42	5.13	6.84	10.26
2006 – 2007	690	4.12	6.18	8.24	12.36
2007 – 2008	690	4.12	6.18	8.24	12.36

As of March 2008, the legal minimum wage in Dongguan was still 690 *yuan* per month.

Primax provides a detailed wage stub to each production worker:

In a Primax computer mouse device-making department, a 21-year-old female worker describes her work:

“Our line is responsible for making optical wireless mice for exports. On average, we need to assemble and complete 1,000 mouse units per hour. Our fingers are stiff from the repetitive work.... The production managers set the production quota. If we fail to achieve the hourly output quota, we will be forced to do overtime work.”

In a given shift (taking into consideration a number of assembly lines), the total output of Dell-logo mice is approximately 60,000 units. HP-logo mice output is 32,000 units, in a number of models and designs.

In the product testing workshop, Primax workers suffer deterioration of vision. Their job is to connect assembled electronic mouse devices to computers for testing. They typically have to continue looking at computer monitors for 11 hours per shift, thus feeling a great deal of pain in their eyes. No protective glasses are provided to these workers. In addition, the management fails to arrange eye exams for the workers.

In the logo-labeling process, workers are responsible for affixing the labels of Apple, Dell, HP, or Lenovo on the bottom of the electronic mouse device. Most workers face ergonomic hazards. Workers told us that their work is exhausting,

“The size of the label is very small. You have to take the label off the sticker sheet between your thumb and pointer finger, and place it in the exact position on the mouse device. Sometimes, it’s difficult to take the tiny labels off the sticker sheet. If you start to slow down and let the semi-finished products continue running on the assembly line, you’ll end up with a bunch of electronic mouse devices in front of you. Then you’re definitely in trouble. The line leader yells at you and, even worse, you don’t receive your bonus for the month. So you’ve got to work very fast. At the end of the day, your neck, shoulders, hands and waist ache.”

In order to minimize waste, management inspects the proper use of labels. They put a trash bin next to the worker’s seat to collect empty sticker sheets as well as any damaged labels. This becomes another source of work stress. As one young male worker explained,

“When the production order volume is large and the mice start to pile up in front of you, you get nervous and make more mistakes. If the inspector finds out that you have a lot of mice that aren’t done yet and there’s a lot of wasted labels in your dust bin, you’re fined a half-day’s salary. Our work is very stressful. When we punch out at night, we are totally exhausted.”

Disciplinary fines and wage deductions for product quality issues are a major source of workers’ grievances.

(5) Labor Contract

In March 2008, we found that workers at Primax were still not given copies of their labor contracts. In this regard, management clearly violated the law. The Labor Contract Law, which came into force on January 1, 2008, stipulates that employers should sign contracts and provide employees with copies (Article 16).

During the interviews, Primax workers also expressed that they would like to have copies of their contracts. In this way, they would be able to show the facts about the labor law and protect themselves in the event of a dispute.

(6) Social Insurance

Although our interviewees started working at Primax as early as 2000, as of March 2008, they were still not provided with medical insurance, industrial injury insurance, or retirement pensions, a serious violation of the law (Chinese Labor Law Article 73).

(7) Canteen and Dormitory

There are provisions for meals in the factory canteen at Primax. In mid-2006, the cost for 3 meals a day was 5.2 *yuan* (breakfast at 1.2 *yuan*, and lunch and dinner at 2 *yuan* each). By early 2008, this daily cost increased to 7.5 *yuan* (breakfast at 1.5 *yuan*; lunch and dinner at 3 *yuan* each). The amount is deducted from workers' wage. Workers comment that there is too little oil in the vegetables. In a small group interview with 3 women workers, they all complained that "the canteen food is disgusting." Despite reporting the problem to managers, there has been no significant improvement.



Primax workers prefer eating at food stalls on the street – even though the prices are much higher than those of the factory canteen.

Primax's dormitory houses 12 to 14 workers per room. One male worker said:

"I like to go to bed a bit early because I've got to punch in around 7:30 am. At mid-night or 1 am, however, my roommates get off work and come back. They take a shower, then have some snacks. Some even turn on the radio for a while....I had dreamt of having a quiet sleeping space...."

Each dorm room is approximately 20 square meters, with 6 to 7 double bunk beds, a toilet, a shower room, and an electric heater.

(8) Code Awareness

Workers are aware of recent visits by some factory buyers. For example, in July 2007, assemblers working on HP mouse lines learned that HP representatives had come to the facility to interview their managers. HP confirmed that they had commissioned a third party auditing firm to do an on-site visit at Primax. HP had advised Primax to provide appropriate breaks to workers during regular work hours, and to ensure that monthly overtime work hours not exceed the 80-hour limit set forth in the EICC Code. In response, Primax managers have agreed to participate in HP's Focused Improvement Supplier Initiative (FISI) program.

Primax managers might have developed better, earlier implementation of their corporate social responsibility. As of early 2008, however, none of the Primax workers interviewed had been informed of the EICC Code.

Concluding Remarks

Compared to 2006, Primax has generally improved its wage policy. Nevertheless, our research shows that a problem remains with respect to legal payment of overtime wage on national holidays. In a dialogue with HP, Primax committed to pay workers basic and overtime wages on weekdays, weekends and national holidays in strict accordance with law, beginning the April 1, 2008.

Major problems persist, including non-provision of labor contracts, disciplinary wage deductions for quality issues, unrealistic production quotas, lack of eye exams and health check-ups, and non-provision of social insurance.

In April 2008, the research team received information indicating that HP has been monitoring the situation at Primax. Other concerned brands, however, have refused to answer survey questions about this particular factory. Our position is that Apple, Dell, Lenovo, Motorola, Nokia and Sony – key buyers of Primax products – should get more involved to verify the conditions and safeguard workers' rights.

2.4 Factory Cases Three, Four and Five: Lite-On

Lite-On Technology Corporation (www.liteon.com; 2301 TW), founded in 1975, is one of the leading manufacturers of opto-electronics and digital converged devices. In 2007, the company reported worldwide consolidated revenue of NT\$184.5 billion (corporate news dated January 9, 2008). Core products such as power supplies, enclosure, imaging, digital display and LED contributed to the growth of the group's global sales. In April 2008, the board of directors approved the transfer of Lite-On's digital display business to Wistron Corporation. In the future, the company plans to continue enhancing its global market share in the power supply business.

The Lite-On Corporate Social and Environmental Responsibility (CSER) Committee manages the company's supply chains. Findings on labor conditions at its three Dongguan-based subsidiaries, Lite-On Electronics, Lite-On Computer Technology and Lite-On Xuji, are presented below:

2.4.1 Factory Case Three: Lite-On Electronics (Dongguan) Co., Ltd.

(1) Workforce

SACOM first visited Lite-On facility, a subsidiary of Taiwanese-owned Lite-On Group, in Chang'an Town in 2006 and learned that there were approximately 8,000 employees. By early 2008, the factory had expanded to around 10,000 workers. In its hiring practices, Lite-On gives priority to young people between 17 and 24 years old, especially those with good vision.

Major customers of Lite-On Electronics include Acer, Apple, Dell, Foxconn, Hitachi, HP, IBM, Lenovo, Motorola, NEC, Nokia, Sony, and Toshiba.



Lite-On Electronics recruitment, March 2008: fresh graduates from a village vocational school queue up before entering the facility for a job test. They carry their personal belongings in travel bags and cases, not in red plastic buckets as in the 1990s.

(2) Work Hours

Lite-On Electronics imposes some 100-120 hours of overtime work on workers each month, far exceeding the 36-hour limit stipulated by the Chinese Labor Law (Article 41). During the peak season, workers are not given 1 day of rest per week. Every day, workers complete a shift of 10 hours, or even longer.

Day-shift Work Timetable at Lite-On Electronics, 2008

Time of Day	Working hours	
Morning	7:20 – 11:40 am	4 hours and 10 minutes
Lunch	11:40 – 12:40 pm (1 hour)	
Afternoon	12:40 – 4:00 pm	3 hours and 20 minutes
Dinner Break	4:00 – 5:00 pm (1 hour)	
Overtime Work	5:00 – 7:00 pm (or until the end of the shift)	2 hours (or up to several hours)

Workers suggested another reason for the very long work shifts:

“Whenever the raw material supplies are short, we have to wait until the production lines are ready. The waiting time can be as long as 1 to 2 hours, and sometimes even much longer. This makes our work shift very tiring. Worse still, the waiting time is not compensated.”

(3) Wages

According to the local legal standard, the minimum wage for a 168-hour work month (8 hours/day x 22 days/month) in Dongguan from September 2006 to March 2008 was 690 *yuan*. At Lite-On Electronics, however, management pays workers the full amount only when they do not take a leave of absence. Otherwise, the “full attendance bonus” of 60 *yuan* will not be given. The remaining wage is only 630 *yuan* a month, below the minimum statutory level.

Legal Minimum Wage, Dongguan City

	Monthly Wage	Basic Hourly Wage	Overtime Hourly Wage (weekdays)	Overtime Hourly Wage (weekends)	Overtime Hourly Wage (national holidays)
2005 – 2006	574	3.42	5.13	6.84	10.26
2006 – 2007	690	4.12	6.18	8.24	12.36
2007 – 2008	690	4.12	6.18	8.24	12.36

As of March 2008, the legal minimum wage in Dongguan was still 690 *yuan* per month.

At Lite-On Electronics, overtime premiums are classified into 6 different levels (Grades 1 and 2 being the lowest level):

Overtime Premiums at Lite-On Electronics (effective September 2007):

	Overtime Hourly Wage (weekdays)	Overtime Hourly Wage (weekends)	Overtime Hourly Wage (national holidays)
Grade 1	6.18	6.18	12.36
Grade 2	6.18	6.18	12.36
Grade 3	7.14	7.14	12.36
Grade 4	7.68	7.68	12.36
Grade 5	7.68	9.18	12.36
Grade 6	7.68	9.18	12.36

Workers ranked at Grades 1 and 2 found illegally underpaid overtime wages the most intolerable. Even when they do overtime work on Saturdays and Sundays, they still receive the same overtime pay as on weekdays, i.e., 6.18 *yuan*/hour. In other words, they are not paid two times the regular wage for weekend work (8.24 *yuan*/hour), a violation of the Chinese Labor Law, Article 44.

Workers ranked at Grades 3 and 4 also expressed dissatisfaction with low payments for weekend overtime; they were paid only 7.14 *yuan*/hour and 7.68 *yuan*/hour respectively, a violation of the law.

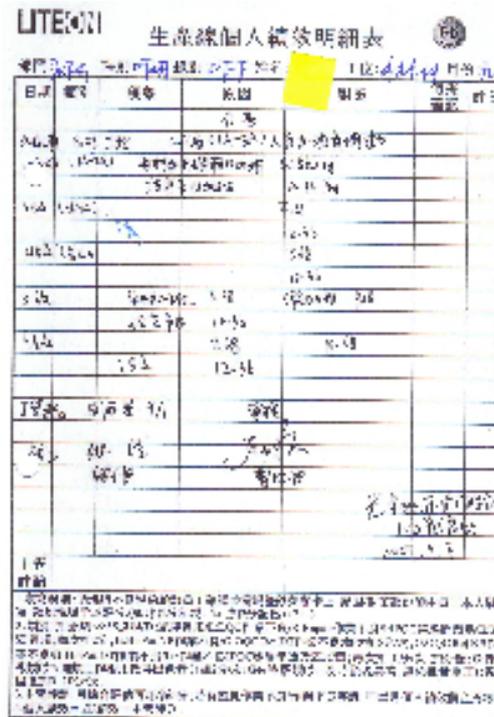


Factory gate and reception counter, Lite-On Electronics, Chang'an Town, Dongguan City.

At Lite-On Electronics, lower grade assembly workers earn only 1,000 to 1,300 *yuan* a month, despite working excessively long hours.

(4) Disciplinary Punishment

At Lite-On Electronics, “bonus deductions” are levied against poor performance workers. If components are found to be missing or misplaced, workers are punished with 2 to 10 “points” for each mistake. A worker’s monthly bonus may thus be reduced to nothing (“zero”) if he or she is held responsible for poor product quality.



Production efficiency record dated September 3, 2007, Lite-On Electronics (Dongguan), Co., Ltd.

Production workers sometimes challenge the discriminatory practices of their supervisors, leading to arguments on the shopfloor.

(5) Health and safety

SACOM interviewed workers from the packaging, printed circuit boards (PCBs) assembly, soldering, and NB departments of Lite-On Electronics.

A 21-year-old woman worker was responsible for inserting small components on PCBs. She remarked,

“I have to assemble four tiny parts on a board, using both of my hands to catch up to the speed of the automatic assembly line. Each electronic item has four pegs, and it’s very challenging to put them all into the holes tightly. Besides, certain components are positive or negative sensitive such that the direction must be noted carefully. I was really stressed at work and my fingers hurt during the first month. I couldn’t even get the buttons through the holes when I was putting on my shirt.”

In the “white-glue adhesion” workshop, workers use adhesive glue to affix small components onto PCBs. An assembly worker has to finish 7 adhesive points in total per PCB. One female worker expressed worry over occupational health issues because she did not know what the white glue was made of.

In the ADD production department, working in a standing position is mandatory. One female worker said,

“I have to keep standing for 11 hours a day to finish my quota. My lower back aches. My legs are swollen. The only thing I want to do now is to go to bed in the dorm.”

On the shopfloor of a molding department, ventilation is not adequate. Internal temperature is high, especially when the heavy machines are operating. One male worker said,

“I don’t stop sweating once I start to work. My skin is infected and I’ve got these itchy red spots.”

These workers prefer to work the night shift because there is less stress from heat.

Due to the intolerable work pressure, mental disturbances and suicide attempts, Lite-On management employs an in-house psychologist to offer consultation to workers in need of help.

(6) Restrictions on Freedom of Employment

Lite-On management does not approve workers’ resignation during the peak season. Workers have no choice but to forsake a portion of their wages if they quit.

(7) Dormitory and Canteen

Lite-On provides workers with canteens. Workers’ wages are deducted 195 *yuan* per month for food.

Twelve workers share one room in Lite-On dormitories. Each room is equipped with fans, toilets and showers, and simple furniture. There are fire extinguishers on each floor of the dorm building. Workers each pay 50 *yuan*/month for accommodation. One female worker said,

“I’m fine with the dorm cost. But here [in the dorm] security must be improved. I’ve lost valuables, and so have my co-workers.”



Worker dormitories located in the Lite-On Electronics facility.

Another female worker made reference to the elaborate dorm rules and harsh fines:

1. Do not litter.
2. Do not spit.
3. Flush toilet after use.
4. Do not eat melon seeds or peanuts on the lawn.
5. Do not damage public property.
6. Smoke only in designated areas; smoking in other areas is strictly forbidden.
7. Do not forget to turn off water.
8. Do not leave food residue or wash hands in drinking fountain.
9. Do not stand or lie on seats.
10. Do not pour water on the floor.
11. Do not jump the queue when getting food or swiping meal cards.
12. Do not leave food residue on the dining table or the floor.
13. Save food; do not leave leftover rice.
14. Do not eat while walking.
15. Lay blankets, clothes, and shoes out to dry on the dormitory balcony only on Sundays and national holidays, not at any other time.

In the event that someone breaks any of the 15 above-mentioned dorm rules, the following punishments are enforced:

- 1) for a first time offense, condemnation and a fine of 5 *yuan*; for a second time offense, condemnation and a fine of 15 *yuan*; for a third time offense, condemnation and a fine of 45 *yuan*; for the fourth and final time – dismissal and a fine of 90 *yuan*.
- 2) the full amount of the property damaged is charged.

There is also a 45 *yuan* penalty as well as a written warning for smoking in non-designated areas.

Workers hope for a better living environment and more freedom, instead of having their every movement controlled.

(8) Communication between Workers and Managers

Lite-On Electronics has set up a union in accordance with the Trade Union Law. According to Article 10: “A basic-level trade union committee shall be established in an enterprise of 25 persons or more.”

Workers interviewed, however, do not have any sense of what their union is. No one can tell how the union works to promote workers’ interests.

Moreover, Lite-On Electronics does not provide workers with adequate occupational health and production safety training. Our worker interviewees have not approached the union for help because they do not know even who the chairperson is.

(9) Knowledge of Corporate Codes of Conduct

Workers did not demonstrate knowledge about their labor rights as described in the Lite-On Corporate Social and Environmental Responsibility manual, the EICC Code, and the corporate codes of Acer, Apple, Dell, Foxconn, Hitachi, HP, IBM, Lenovo, Motorola, NEC, Nokia, Sony and Toshiba.

Concluding Remarks

Between late 2007 and January 2008, SACOM made a strong statement to Dell with regard to working conditions at Lite-On, its direct supplier and long-term business partner. However, a long-term corrective action plan, if indeed there is one, has not been made available to SACOM or to the factory workers.

From April 1, 2008 onwards, the Dongguan government slightly increased the minimum wage from 690 *yuan* to 770 *yuan* per month. Lite-On workers demanded that their management strictly follow the law in terms of both basic and overtime wage payment. Moreover, comprehensive health and safety training for PCB and molding workers should be provided.

2.4.2 Factory Case Four: Lite-On Computer Technology Co., Ltd.

Lite-On Computer Technology Co., Ltd. was founded in Shijie Town, Dongguan, July 1997. It specializes in manufacturing LCD displays.

Major customers include Acer, AOpen, Compaq, Dell, Foxconn, Gateway, HP, IBM, Lenovo, LG, NEC, Samsung, Siemens and Toshiba.

(1) Workforce

In 2007, Lite-On Computer Technology had approximately 4,000 employees. By early 2008, the workforce has slightly increased to around 5,000 workers.



East Gate, Lite-On Computer Technology (Dongguan) Co., Ltd.

Male job-seekers pay 500-600 *yuan* to enter Lite-On Computer Technology via agencies based in Shijie town, Dongguan. Female job-seekers pay around 200 *yuan*.



Job ads on display boards and recruitment counters, Shijie Town.

(2) Work Hours

Day-shift Work Timetable at Lite-On Computer Technology, 2008

Time of Day	Working hours	
Morning	7:40 – 11:50 am	4 hours and 10 minutes
Lunch	11:50 – 12:50 pm (1 hour)	
Afternoon	12:50 – 5:00 pm	4 hours and 10 minutes
Dinner Break	5:00 – 6:00 pm (1 hour)	
Overtime Work	6:00 – 8:00 pm (or until the end of the shift)	2 hours (or up to several hours)

Lite-On Computer Technology follows a normal 8-hour work day. Ten-minute breaks are provided in the morning and in the afternoon; they are, however, unpaid. Overtime work lasts for 2 to 3 hours. On Saturdays (and sometimes Sundays), workers are required to fill rush orders for 10 to 12 hours per day.

In the slow season, Lite-On Computer Technology imposes around 70 overtime hours per month (marginal compliance with the EICC standard); during high season, this figure raises to around 100 hours per month (in violation of both the Chinese Labor Law and the EICC standard).

(3) Wages

Between 2006 and 2007, Lite-On Computer Technology paid workers a basic wage of 690 *yuan* per month, in compliance with the local legal standards of Dongguan City. However, overtime wages were illegally fixed at only 6.12 *yuan* per hour on both workdays and weekends, against Chinese Labor Law Article 44.

It was not until mid-to-late 2007 that Lite-On Computer Technology paid workers two times the normal wage for weekend work, i.e., 8.24 *yuan* per hour.

Legal Minimum Wage, Dongguan City

	Monthly Wage	Basic Hourly Wage	Overtime Hourly Wage (weekdays)	Overtime Hourly Wage (weekends)	Overtime Hourly Wage (national holidays)
2005 – 2006	574	3.42	5.13	6.84	10.26
2006 – 2007	690	4.12	6.18	8.24	12.36
2007 – 2008	690	4.12	6.18	8.24	12.36

As of March 2008, the legal minimum wage in Dongguan was still 690 *yuan* per month.

Lite-On Computer Technology production workers earn 1,000 to 1,300 *yuan* per month, depending on the actual number of overtime hours worked.

(4) Health and Safety

PCB assembling, soldering, screwing, packaging, and quality checking are regarded as physically demanding job positions.

In May 2007, a 21-year-old male worker from Shaanxi resigned from Lite-On Computer Technology. He reported that the weekend overtime hourly wage of 6.12 *yuan* per hour was so low that he preferred resting on Sundays. He continued,

“My line [Manufacturing II] is responsible for assembling Dell monitors. I was tired and bored at work. So I quit to help my father back home instead.”

Production safety is also a major concern for workers. On February 3, during the 2008 Chinese New Year, a fire broke out in Lite-On Computer Technology, damaging 14 assembly lines. The cause was a short circuit in an electricity network. Workers told us that they were worried about shopfloor safety.

(5) Dormitory and Canteen

In the factory canteen, workers pay for meals by using an electronic meal card. Prices range from around 3.5 to 4 *yuan* per meal. In total, the average worker spends 150 to 200 *yuan* per month for food in the canteen.

Each dorm room houses a maximum of 16 persons. Each worker's paycheck is deducted 60 *yuan* per month for water and electricity.

(6) EICC Knowledge

Workers did not demonstrate knowledge about their labor rights as described in the Lite-On Corporate Social and Environmental Responsibility manual, the EICC Code, and the corporate codes of Acer, AOpen, Compaq, Dell, Foxconn, Gateway, HP, IBM, Lenovo, LG, NEC, Samsung, Siemens and Toshiba.

Concluding Remarks

Lite-On Computer Technology has not yet fully resumed production capacity since the fire in February 2008. Workers remain extremely concerned about their safety.

From late 2007 to January 2008, SACOM made a strong statement to Dell with regard to working conditions at Lite-On, but all in vain. Now, as ownership of the LCD display business is transferred to Wistron, we will continue to hold Wistron and other Lite-On buyers accountable to workers' rights.

2.4.3 Factory Case Five: Lite-On Xuji Electronics (Dongguan) Co., Ltd.

Lite-On Xuji was founded in August 1995 and began operation in 1996.



Lite-On Xuji manufactures keyboards mainly for Acer, Apple, Dell, Foxconn, Gateway, HP, IBM, Lenovo, Logitech, Microsoft, NEC, Sony and Toshiba.

According to the workers, Dell is the major buyer, sharing a majority of the factory's keyboard production. Xuji has 15 production lines, manufacturing keyboards of different models for Dell. The production capacity of each model is different. For example, the production line specializing in Dell-180 keyboards is capable of producing 200 pieces an hour; whereas the more complicated Dell-7250 model is produced at a slower rate of about 100 pieces an hour.

(1) Workforce

Lite-On Xuji currently has around 3,000 employees. Management recruits workers through job agencies and other channels.

(2) Work Hours

Day-shift Work Timetable at Lite-On Xuji, 2008

Time of Day	Working hours	
Morning	7:00 – 11:30 am	4 hours and 30 minutes
Lunch	11:30 – 1:00 pm (1 hour and 30 minutes)	
Afternoon	1:00 – 5:00 pm	4 hours
Dinner Break	5:00 – 6:00 pm (1 hour)	
Overtime Work	6:00 – 8:00 pm (or until the end of the shift)	2 hours (or up to several hours)

The earliest shift at Lite-On Xuji begins at 7:00 am, while the Laser Printing department starts later, at 7:40 am. Overall, the workday ranges from 10 to 12 hours, a shift that includes 2 to 4 overtime hours.

(3) Wages

In 2006 and 2007, Lite-On Xuji paid workers a basic wage of 650 *yuan* per month, an illegal wage rate. Overtime premiums on Saturdays and Sundays were only 6.18 *yuan* per hour, not two times the regular rate (i.e., 8.24 *yuan*) as required by law. It was not until recently that management adjusted monthly pay to conform to the Dongguan legal minimum standard of 690 *yuan*. Workers have testified that they are finally receiving 1.5 times, 2 times, and 3 times the normal hourly wage for overtime work on weekdays, weekends, and national holidays respectively.

Legal Minimum Wage, Dongguan City

	Monthly Wage	Basic Hourly Wage	Overtime Hourly Wage (weekdays)	Overtime Hourly Wage (weekends)	Overtime Hourly Wage (national holidays)
2005 – 2006	574	3.42	5.13	6.84	10.26
2006 – 2007	690	4.12	6.18	8.24	12.36
2007 – 2008	690	4.12	6.18	8.24	12.36

As of March 2008, the legal minimum wage in Dongguan was still 690 *yuan* per month.

Working more than 100 overtime hours per month (thus far exceeding the 36-hour legal maximum), the average Lite-On Xuji worker earns 1,000 to 1,300 *yuan* per month.

(4) Occupational Health and Safety

Lite-On Xuji does not have a program to identify, evaluate, and control the hazards that arise from physically demanding work.

In the MFC department, the packaging workers have to stand as long as 12 hours per day. Workers perform repetitive tasks, especially in key cap assembly. It is common to hear workers speak of the swollen legs and back pain they experience due to long periods of standing.

One worker's story:

A 17-year-old Henan female worker was in charge of setting keys on keyboards. She felt a great deal of pressure because the work speed was very high. Management set a minimum quota of thousands of keyboards per day for each production line (differing by brands and models). Due to the high turnover rate, there were large numbers of new workers who were not experienced in the process of fixing the keys to the right positions. As a result, the rhythm of the whole production line was slowed down. What was hidden behind the impressive production record was the fact that the girl's middle fingers were being slightly deformed. The intensity of the work was simply too great for the young girl.

Shop floor managers often warn workers that there are too many unacceptable errors in the assembling process. They often threaten workers by saying that factory clients could withdraw their orders at any time and the workers would be out of job.

Most production workers do not dare talk during the work shift because they are afraid of losing their concentration and thus making mistakes in assembling.

In the Laser Printing department, workers apply paint in the work process. In one female worker's words,

"The odor of the paint is irritating. I don't know exactly what the chemical composition is, but it makes me feel sick. We also need to use thinner to clean up the printing machines. Gloves are provided, but we doubt how useful they are."

On the shopfloor, toilet breaks are restricted to 5 minutes. Lite-On Xuji workers experience verbal abuse as a result of breaking the rules.

(5) Dormitory and Canteen

Despite the recent upward adjustments of regular and overtime wages, Lite-On Xuji workers are required to pay a higher accommodation fee of 90 *yuan* per month, a 50% increase from the previous charge of 60 *yuan*.



Worker dormitories in the Lite-On Computer Technology and Lite-On Xuji facilities, Shijie Town, Dongguan City.

Each dormitory room houses a maximum of 16 workers. They share the toilets, shower room, lockers and fans. Some workers cannot sleep at night due to the high volume of surrounding noise.

The factory canteen provides workers with 3 meals a day. Workers' electronic meal cards record the costs incurred (ranging from 2.5 to 5 *yuan* for breakfast, lunch, and dinner) and the total amount is deducted from their wages every month.

(6) EICC Knowledge

Workers did not demonstrate knowledge about their labor rights as described in the Lite-On Corporate Social and Environmental Responsibility manual, the EICC Code, and the corporate codes of Acer, Apple, Dell, Foxconn, Gateway, HP, IBM, Lenovo, Logitech, Microsoft, NEC, Sony and Toshiba.

Concluding Remarks

Lite-On Xuji workers expressed the urgent need for production safety training (e.g., learning about chemical hazards of paints used in keyboard manufacturing), and shortening the number of work hours spent in a standing position (or at least providing workers with rest breaks).

2.5 Factory Case Six: Tyco Electronics

Tyco Electronics (www.tycoelectronics.com), an American multinational, is the world's largest manufacturer of passive and electronic components. In June 2007, Tyco Electronics separated from Tyco International and became an independent, public company listed on the New York Stock Exchange (Annual Report 2007:3). The company manufactures relays, circuit breakers, fiber-optic components and wireless products, with global sales reaching US\$13.5 billion in 2007 to customers in more than 150 countries.

Nowadays, Tyco Electronics widely adopts a cost-sensitive procurement model 1) to reduce the cost of purchasing products and services; and 2) to reduce Total Acquisition Costs (TAC) of purchased products and services. Such cost-cutting strategies, however, could have a negative impact on the company's suppliers worldwide.

Major buyers of Dongguan Tyco Electronics products include Cisco, Dell, Foxconn, HP, IBM, Intel, LG, Motorola, Nortel, Siemens and Sony (Local government news, http://changping.gov.cn/NewVer/01changgai/01xqbd_14.htm).

(1) Workforce

The Tyco Electronics Dongguan plant currently has a workforce of some 6,000 persons. Workers are recruited directly via job advertisements posted at the gate of the facility, through job agencies in the region, and from vocational schools. New workers go through a two-month probationary period. Each worker is entitled to a written labor contract.

Major electronic products include wire and cable, data connectors, printed circuit boards, magnetics, resistors, and circuit protection devices. These products are widely used in computers, servers, disk drives, engineering workstations, mass storage systems and touch screen business equipment such as, LCD touch monitors.



Tyco Electronics products (such as connectors, power products, and input/output devices).

(2) Work Hours

At Tyco Electronics, production, packaging and transportation workers often do 2 to 4 overtime hours per shift, in addition to the normal 8 hour workday (in total, 10 to 12 hours a day). During peak season, overtime work ranges from 100 to 150 hours per month, an amount which far exceeds the 36 hour maximum allowed by Article 41 of the Chinese Labor Law.

Day-shift Work Timetable at Tyco Electronics, 2008

Time of Day	Working hours	
Morning	8:30 – 12:30 pm	4 hours
Lunch	12:30 – 1:30 pm (1 hour)	
Afternoon	1:30 – 5:30 pm	4 hours
Dinner Break	5:30 – 6:30 pm (1 hour)	
Overtime Work	6:30 – 8:30 pm (or until the end of the shift)	2 hours (or up to several hours)

Daily work hours vary by production department (the earliest shift starts at 8 am). One worker interviewed shared his schedule with us. His day shift begins at 8:30 am. He works until

12:30 pm, gets a one hour lunch break, and then works again from 1:30 to 5:30 pm. Overtime work begins at 6:30 pm. He then works until 8:30 pm or late into the night. In any given week, workers usually work 6 to 7 days.



Going to work: Tyco Electronics workers in their blue uniforms.

It was not until early 2008 that Tyco Electronics management attempted to control overtime hours. Workers testified that overtime work was slightly reduced to 100-120 hours per month, but even this is still a serious violation of both the labor law and the EICC.

(3) Wages

Legal Minimum Wages, Dongguan City

	Monthly Wage	Basic Hourly Wage	Overtime Hourly Wage (weekdays)	Overtime Hourly Wage (weekends)	Overtime Hourly Wages (national holiday)
2005 – 2006	574	3.42	5.13	6.84	10.26
2006 – 2007	690	4.12	6.18	8.24	12.36
2007 – 2008	690	4.12	6.18	8.24	12.36

As of March 2008, the legal minimum wage in Dongguan was still 690 *yuan* per month.

The basic wage at Tyco Electronics in July, 2006 was 574 *yuan* per month, in line with the legal minimum wage level in Dongguan. Overtime wages were also paid in accordance with the Chinese Labor Law. Workers on average received monthly wages between 600 and 900 *yuan*, depending on actual overtime work, productivity, performance, seniority, and other factors.

From September 2006 onwards, the local government adjusted the wage level to 690 *yuan* per month, and Tyco Electronics acted accordingly.

In early 2008, production workers at Tyco Electronics earned an average of 1,300 to 1,400 *yuan* per month during the peak season (including a monthly living subsidy of 100 *yuan* from January to June, 2008).

(4) Health and Safety

At Tyco Electronics, workers have to constantly apply a colorless glue in the assembly process. A 19-year-old Hunan worker, despite working in the factory since 2006, could not tell the precise chemical composition. She reported that most of her co-workers do not wear gloves so that they can work faster to meet the high daily production quota. As a result, workers develop itchy red spots on their hands. Still, health check-ups are not provided.

Soldering work is also very demanding. An 18-year-old Henan female worker said, “The fumes released during the soldering process make me very sick. I get severe headaches, especially during the night shift.” She is required to alternate day and night shifts each month.

Another female soldering worker who has been working for a year said,

“The production target is set very high. If we haven’t finished the production target, we have to keep working. You never stop working once you sit in the production line. You have to focus your eyes on the plate and solder through the lens. By the time we finish work, our eyes are sore and in a lot of pain. We have to use the eye drops provided by the factory because otherwise our eyes will be swollen the next day. This is very exhausting work. The wage is low. Maybe I will work for a bit longer and then change to another job later.”

Workers feel irritation in their eyes. Although line leaders deliver eye drops to workers, the root causes (lack of shop floor ventilation and direct contact with soldering fumes) have not been dealt with. Moreover, no eye exams are conducted for the soldering workers.

In the PCB processing workshop, a 19-year-old male worker from Henan informed us that he suffered acute eye pain after working intensively with a microscope. His eye-sight is deteriorating, a symptom shared among his co-workers. Another 23-year-old male worker from Shaanxi plans to quit because he can no longer cope with the work pressure.

Overall, the provision of personal protective equipment and safety training is seriously inadequate. Some production workers are even exposed to volatile organic compounds (VOCs) in their work area without wearing masks to protect themselves. In the long term, Tyco Electronics workers will likely develop occupational diseases that could have been prevented in the first place.

(5) Dormitory and Canteen

There are nine collective dormitory buildings in close proximity to Tyco Electronics. Some are cleaner and newer than others. Each dormitory room houses 10 to 12 workers. The dormitory compound includes basic facilities such as fans, bathrooms, showers, basketball courts, a mini library and a TV room. For the most part, the workers we interviewed found the dormitory conditions acceptable. Accommodation, water, and electricity are provided without charge to workers. But some workers express concern about excessive noise and overcrowded conditions. Although they have expressed their concerns, they received no answers from management.



Floor plan of the Tyco Electronics manufacturing plant and dormitory.

In terms of food, one young female worker from Henan who eats in the factory canteen reported:

“Our monthly wage is low. Each meal costs 2, 2.5, 3 or 5 *yuan*. I try not to spend more than 350 *yuan* on food and snacks each month. I usually have a steamed bun in the morning, fried noodles in the afternoon, and noodles or rice at night. I seldom have fish.”

Workers noted that food quality is poor. Vegetables have too little oil, are sometimes only half cooked, and worms and sand have been found.

Some Tyco Electronics workers have complained about the bad quality of the canteen food, anonymously by using the suggestion box. However, there seems to be no significant improvement so far.

(6) EICC Knowledge

Based on an audit report dated June 2007 which was shared with the researchers by HP, Tyco Electronics factory management demonstrate strong awareness of the EICC code. However, workers interviewed informed us that they had not been informed of the code. Factory managers had expressed in their corrective action plan that they would ensure workers' adequate understanding of the protective provisions.

The researchers strongly encourage the other EICC member customers of Tyco Electronics – namely, Cisco, Dell, Foxconn, IBM, Intel, and Sony – to implement the code in the workplace. Non-EICC member buyers, such as LG, Motorola, Nortel, and Siemens, should also provide support to Tyco Electronics to improve workers' rights.

Concluding Remarks

Tyco Electronics has put mechanisms in place to review and reduce working hours. As a next step, they plan to recruit more workers in order to cope with their rapid expansion. Each worker shall enjoy the right to legal wages, social insurance, and a copy of the employment contract. These improvements are encouraging. Nevertheless, the health and safety of production workers remain a concern. Personal protective equipment has not been adequately provided to all workers. Specialized training on chemical hazards has also not been made available. Worse still, health check-ups are not an entitlement for workers doing dangerous work. As a result, many workers suffer chronic illnesses which could have been prevented.

2.6 Factory Case Seven: Volex Cable Assembly Co., Ltd.

The Volex Group (www.volex.com) is listed on the London Stock Exchange. Volex is its trademark. Volex is a global producer of electrical and optical fiber cable assemblies and power cords (plugs, cables and connectors). The company currently operates offshore manufacturing facilities in Asia, Europe, and North and South America. In Asia, the Volex Group currently has three manufacturing facilities based in mainland China (in Zhongshan, Shenzhen, and Suzhou), and factories and/or offices in India, Indonesia, Singapore, Thailand, Japan, Korea, Malaysia, Vietnam, Taiwan, and Hong Kong. In total, the group manages over 30 production centers worldwide. In the introductory paragraph to *Marketing Review* (dated June 2006), the group notes that its new division, Volex Power Products, has been “re-structuring its operations and expanding in China to support its increasing demand of cost competitive products.”

Volex Cable Assembly (Zhongshan) Co., Ltd., a subsidiary of Singapore-based Volex Asia (www.volexasia.com), was founded in October 2000 at the Torch Hi-Tech Industry Development Zone in Zhongshan City, Guangdong Province. The facility occupies 80,700 square meters in the new development zone. Through an online advertisement⁸ and worker interviews, SACOM learned that Volex Zhongshan has engaged in business relations with Apple, Brother, Canon, Dell, Epson, Ericsson, Flextronics, Hitachi, HP (Compaq has been acquired by HP), Microsoft, Nortel, Philips, Pioneer, Siemens, and Sony.



Volex facility in Zhongshan City.



(1) Workforce

Volex Zhongshan currently has a workforce of 1,500-2,000 employees. Volex’s products (which include angled and straight plugs, connectors, data cords, and power cables) are widely applied to desktop PCs, notebook PCs, printers, and audio, video and game consoles.

⁸ The online ad can be found at www.jobcn.com/Person/Companycontent.jsp?ComId=231682.

(2) Work Hours

After SACOM's first visit in May, 2006, we summarized the problem of excessive work hours and forced overtime work on Saturdays and Sundays (workers are not provided with at least 1 day off every 7 days) at the Volex plant. Overtime hours on average were 100-140 hours per month, a figure which significantly exceeds the 36-hour legal limit as well as the limit allowed by the EICC Code. In the follow up visits, we found that work hours improved slightly. Between 2007 and March 2008, Volex workers on average did overtime work ranging from 80 to 110 hours per month.

Day-shift Work Timetable at Volex plant

Time of Day	Working hours	
Morning	8:00 – 12:00 pm	4 hours
Lunch	12:00 – 12:45 pm (45 minutes)	
Afternoon	12:45 – 4:45 pm	4 hours
Dinner Break	4:45 – 5:30 pm (45 minutes)	
Overtime Work	5:30 – 8:00 pm (or until the end of the shift)	2.5 hours (or up to several hours)

In order to fulfil its corporate promise of “quality delivery and quality service,” Volex management demands that its production and transportation workers work from 8 am to 8 pm, with only two 45 minutes breaks for lunch and dinner. A shift lasts 12 hours, and actual work time is 10.5 hours. Thus, there are two and a half overtime hours in addition to the normal 8-hour work day stipulated by Chinese Labor Law.



Volex workers rest during a long work day.

During peak season, Volex workers are not given a single day off. The Chinese Labor Law, however, stipulates that at least one day of rest should be provided in any seven day period (Article 38).

(3) Wages

In terms of wage payment, Volex pays workers through bank transfer. Wages are paid on the 28th of the month, and the pay period runs from the 21st of the previous month to the 20th of the current month.

Legal Minimum Wage, Zhongshan City

	Monthly Wage	Basic Hourly Wage	Overtime Hourly Wage (weekdays)	Overtime Hourly Wage (weekends)	Overtime Hourly Wage (national holidays)
2005 – 2006	574	3.42	5.13	6.84	10.26
2006 – 2007	690	4.12	6.18	8.24	12.36
2007 – 2008	690	4.12	6.18	8.24	12.36

As of March 2008, the legal minimum wage in Zhongshan was still 690 *yuan* per month.

In May, 2006, the basic monthly wage at Volex was 574 *yuan*. Wage payment was thus in accordance with the legal minimum level set for Zhongshan City from 2005 to August, 2006. With overtime wages, interviewed workers received 800 to 900 *yuan* per month. A 21-year-old assembly worker from Hunan remarked,

“Both the basic and overtime wages are calculated legally. But our wages in total remain very low. Even when the molding machine operators are given an allowance, they rarely earn more than 1,000 *yuan* a month.”

Effective September 2006, the Zhongshan government raised the minimum wage from 574 *yuan* to 690 *yuan* per month. By working approximately 80 to 110 hours of overtime, Volex workers currently receive around 1,100 to 1,300 *yuan* per month, a figure which includes overtime premiums and other allowances.

Put into context, however, the consumer price index in mainland China has been climbing since the second half of 2007, rendering workers’ wages barely sufficient for daily expenses in the Zhongshan hi-tech development zone.

(4) Health and Safety

SACOM re-visited our worker interviewees after the Chinese New Year holiday in late February 2008, when the workers came back from their home villages to go back to work. Production resumed to normal to high levels at Volex. On the shop floors, machines make a high volume of noise.

On the 2nd floor, male workers have to bend over to assemble 25 wires for each unit, then pass on the bundled wires for plastic injection. Their hands blister and swell badly. A 20-year-old worker from Henan said,

“I’m tired and exhausted. My work has given me blisters on my hands. I’m planning to quit.”

Occupational health and safety in Volex must be improved. Production workers’ hands can be protected by using appropriate gloves and tools at work.

(5) Canteen and Dormitory

The Volex dormitory is located inside the Zhongshan Torch Hi-Tech Industrial Park. Each dorm room usually accommodates 10 to 12 workers.

Volex workers can choose to live in the factory dormitory or outside the factory compound. They comment that dormitory expenses, which include rent (a fixed cost of 70 *yuan* per month), water, electricity, and miscellaneous costs, are high. Workers are required to pay an extra fee for water and electricity in the summertime. This, however, is not offset by savings in winter.



Two Volex Canteens: First floor (left) and second floor.

If a Volex worker dines in the factory canteen, he or she is charged 102 *yuan* per month for food. In the past this fee was deducted from their wages even when they chose to eat outside (this system, however, has recently been abolished). At present, meal charges (1 *yuan* for breakfast, 1.2 *yuan* for lunch, and 1.2 *yuan* for dinner) are no longer deducted when workers do not eat in the canteens.

(6) Communication between Workers and Managers

In its employee handbook, Volex specifies company rules and regulations, workers' rights and welfare, and communication mechanisms between workers and managers. Worker interviewees, however, reflected to us that they felt it difficult to bring up issues related to work hours, wages, and worker representation.

(7) Knowledge of Corporate Codes of Conducts

According to Volex's QA manager, it was only in mid-2007 that factory management presented the EICC provisions to employees for the first time. In our visit of March, 2008, workers still were not aware of the code and whether it had been implemented.

Concluding Remarks

Volex's management has stated that it plans to recruit new employees in order to ensure that all production workers receive at least one day of rest per week. Human resource managers have also stated that they can further reduce overtime hours to 80 or less per month. In terms of employer-employee communication, Volex management staff has stated that they will be more responsive to workers' concerns about wages and welfare. These would be positive steps requiring close monitoring and broad support by the brands. The research team received survey answers that indicated that HP is monitoring the progress of the EICC trainings at Volex. Other customers who are members of the Electronic Industry Citizenship Coalition, namely, Apple, Dell, Flextronics, Microsoft, Philips, and Sony, should ensure that Volex factory management respects the industry code.

2.7 Summary of Major Findings

In varying degrees, each of the seven electronics hardware suppliers has violated Chinese labor laws and regulations. Over the past year, SACOM researchers have not seen significant improvements in the areas of work hours, overtime pay, and occupational health and safety. One exception is the discontinuation of the use of child labor at the Shenzhen-based Yonghong Electronics, a change which followed soon after the publication of SACOM's November, 2006 report. Unfortunately, however, neither the buyers (Acer, Fujitsu, Lenovo, Motorola, NEC, Samsung, Siemens, etc.) nor the factory owner have informed SACOM of the whereabouts of the 200 underage workers, the youngest being only 14 years old.

In this section, we highlight as-yet unresolved labor problems that have been identified in Yonghong and other 6 facilities, namely, Primax, Lite-On Electronics, Lite-On Computer Technology, Lite-On Xuji, Tyco Electronics, and Volex.

We wish to emphasize that we are not ranking work conditions among the seven electronics hardware factories. Our examples are drawn from diverse product segments, such as power supply and printing and imaging. By systematically presenting the findings of our case studies, it is our hope to generate meaningful discussion about corporate responsibility of technology giants to production workers in their supply chains in southern China.

Unresolved Labor Problems

1. Labor Contract

According to the Labor Contract Law, a labor contract must be negotiated and consented to by the worker and his or her employment unit. The labor contract goes into effect when the worker and the employment unit each signs or affixes a seal upon copies of the contract. The terms of the contract, including wages and benefits, should be specified in accordance with law. Moreover, workers have the right to resign. When certain conditions are met, they are free to revoke the labor contracts and leave their jobs after giving reasonable notice. They should be adequately compensated for all hours worked prior to leaving.

a. Primax workers do not receive copies of their labor contracts.	<i>Article 16, Labor Contract Law</i> The employment unit and the worker shall each retain a copy of the labor contract.
b. New workers at Yonghong receive a basic monthly wage of only 700 <i>yuan</i> , which is below the legal minimum level.	<i>Article 20, Labor Contract Law</i> The wage amount of a worker during his/her probationary period shall not be less than the local minimum wage standard.
c. Yonghong management refuses to accept the resignation application forms given to them by workers.	<i>Article 31, The Chinese Labor Law</i> A laborer who intends to revoke his/her labor contract shall give a written notice to the employing unit 30 days in advance.
d. Lite-On Electronics management does not approve workers' resignation during peak season. If workers quit, they forsake a portion of their wages.	

2. Work Hours

For each of the seven factories surveyed, overtime work hours during peak season routinely exceeds the legal limits.

a. The work day typically ranges from 10 to 15 hours (of which 8 hours are normal working time).	<i>Article 41, The Chinese Labor Law</i> Extended work hours for any day shall generally not exceed 3 hours.
b. Workers are not provided with at least 1 day off every 7 days.	<i>Article 38, Chinese Labor Law</i> The employment unit shall guarantee that its workers have at least 1 day off in a week.
c. Overtime working hours in a month range between 80 and 200 hours (2.2 to 5.5 times the 36-hour legally maximum allowable limit).	<i>Article 41, Chinese Labor Law</i> Total extended work hours shall not exceed 36 per month.

3. Overtime Wages

A number of the surveyed factories fail to pay production workers overtime premiums in accordance with the law. Workers are either illegally underpaid or not paid at all.

a. On weekdays, Yonghong paid workers only for the first 3 hours of overtime, then forced them to continue working until they finished the daily production quota – without pay for all subsequent overtime hours worked.	<i>Article 44, Chinese Labor Law</i> Overtime premiums should be at least 150% of normal hourly rate on weekdays, 200% on weekends, and 300% on national holidays.
b. Primax paid 19.1% less than the local minimum level for overtime work on national holidays.	<i>Article 91, Chinese Labor Law</i> Where an employment unit refuses to pay workers remuneration for the extended working hours, the labor administrative department shall order it to pay workers remuneration or to make up for economic losses.
c. Lite-On Electronics workers (Grades 1 to 4) are underpaid when they do overtime work on Saturdays and Sundays.	

4. Occupational Health and Safety

In each of the seven factories surveyed, occupational health and safety problems, some more serious than others, have been documented.

a. Yonghong soldering workers are not provided with face masks or proper safety training about chemical hazards.	<i>Article 54, Chinese Labor Law</i> The employing unit must provide workers with occupational health and safety conditions conforming to the provisions of the State and necessary articles of labor protection, as well as provide regular health exams for workers engaged in work with occupational hazards.
b. Primax PC mouse device testers are not entitled to regular eye exams, even when they must look at computer monitors for long periods of time every day.	<i>Article 20, Code of Occupational Disease Prevention</i> The employing unit should deploy effective occupational disease prevention facilities and provide workers with occupational disease prevention articles for individual use. Any such article provided to the worker by the employer should comply with the applicable regulations of occupational disease prevention.
c. In Lite-On Electronics “white-glue adhesion” workshop, workers wish to know the chemical composition of the glue. They are also concerned about whether the glue is harmful to their bodies (the glue is used to affix small components to PCBs).	
d. In Lite-On Computer Technology, a fire broke out on February 3, damaging 14 assembly lines.	

e. Lite-On Xuji workers work in standing positions for 12 hours (with only meal breaks) assembling key caps, developing swollen legs and back pain.	
f. Tyco Electronics provides eye drops to workers but the root cause of eye pain (soldering fumes from poor shop floor ventilation) is not dealt with.	
g. Volex male workers have to bend over to assemble 25 wires for each unit, then pass on the bundled wires for plastic injection. Their hands blister and swell badly.	

5. Social Insurance

The employing unit must participate in social insurance programs and pay social insurance premiums in accordance with law.

Primax workers are not provided with medical insurance, industrial injury insurance, or retirement pensions.	<i>Article 73, Chinese Labor Law</i> In accordance with law, workers shall enjoy social insurance benefits under the following circumstances: retirement, illness or injury, disability caused by work-related injury or occupational disease, unemployment, and childbirth.
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Non-Conformance to Corporate Codes of Conduct

Each of the seven supplier factories has been found to deviate from global industry codes and/or individual company codes in one or more ways.

The Electronic Industry Citizenship Coalition attempts to enforce a code which outlines standards meant to ensure that working conditions in the electronics industry supply chain are safe, that workers are treated with respect and dignity, and that manufacturing processes are environmentally responsible. In our field research, however, non-conformance in terms of labor and health and safety is evident.

Based on workers' testimonies, we also found that individual companies' codes were either neglected or enforced. There are 18 companies on our list which are still not yet EICC members, namely, Acer, AOpen, Brother, Canon, Compaq, Epson, Ericsson, Fujitsu, Gateway, Hitachi, LG, Motorola, NEC, Nokia, Nortel, Pioneer, Siemens, and Toshiba.⁹ The protective codes in question were not communicated by factory managers at the workplace level.

Analysis

Order prices and the percentage of expenditure used for labor costs remain hidden from SACOM researchers, but it is certain that brand-name companies are weak when it comes to ensuring that their suppliers pay workers properly. While there has been a general increase in workers' wages (by doing around 100 hours of overtime, the average worker earns approximately 1,300 *yuan* per month), the inflation rate in the Pearl River Delta region has also climbed to a new high. In addition, charges by factory managers for food and accommodation have also been adjusted upward. Wherever we conducted field investigations in Shenzhen, Dongguan, and Zhongshan, we heard complaints about low

⁹ For a list of EICC membership, as of January 2008, see <http://www.eicc.info/membership.html>.

wages. Worse still, there are serious cases of workers being paid below the legal minimum (around 700 *yuan* a month) during the probationary period. Workers are also given a much lower overtime premium than that required by the government, if they receive overtime premiums at all. The basic economic interests of workers are not safeguarded.

Second, for each of the seven factories surveyed, work hours are excessively long during peak season. The average worker must do a 10 to 15 hour shift, 6 to 7 days a week, with some 80 to 200 hours of overtime work each month. This far exceeds the 36-hour maximum allowable by law. Pressured by ever shortening delivery schedules, workers' meal breaks are often cut short to only 30 minutes in order to fill rush orders, sacrificing workers' health. However, no mechanism exists for worker feedback or two-way communication regarding work hours. This condition is worrying, especially when workers are required to meet high production quotas.

Third, in each of the seven factories researched, production workers were not provided with regular health check-ups. Systemic training for frontline workers on occupational safety, general health issues, and toxic chemicals and industrial hazards is absent. The health of workers is further compromised in departments such as PCB assembly and soldering, mouse device assembly, mice-logo labeling, keyboard laser printing, and keyboard packaging, where output volumes and production speed is very demanding. As a result, workers tend to suffer job-related work injuries such as eye-sight deterioration, chronic back pain, leg pain, headaches, and skin allergies. When no social insurance provisions are made available to combat illness and disease, workers face the danger of being thrown into difficult situations.

Fourth, workers' rights to employment contracts and social security are not effectively protected. This can be seen in examples such as the non-provision of written labor contracts and social insurance to workers at Primax, underpayment of basic wages to workers during their probationary period at Yonghong, and restrictions placed on freedom of resignation at Yonghong and Lite-On Electronics.

Finally, none of the 102 workers from the surveyed factories who were interviewed had heard of the EICC Code or of the individual companies' ethical guidelines. They were not aware of the protective provisions or of how they were impacted by them. On the shop floor, workers had not seen any postings or training information related to corporate social responsibility systems.

CHAPTER 3

SOCIAL RESPONSIBILITY IN CHINA: RESPONSES FROM THE COMPUTER BRANDS

Improving working conditions in factories where computers are made is a long-term process that depends on a number of factors, including consumer and investor attitudes, the commitment of companies, factory directors' management strategies and business culture, the implementation of law, and the labor policies of the authorities in industrial zones.

In China, for example, the new labor law that went into effect on January 1, 2008 resulted in important improvements to worker protection. However, transformations in legal codes are not sufficient to guarantee real change at the factory level. National laws are in fact supplemented by local government regulations and policies, and government authorities in industrial zones are engaged in ruthless competition to attract foreign investment. At times, this competition can benefit workers. However, in most cases, this competition does not work in workers' favor. To avoid scaring off potential investors, local authorities tend to turn a blind eye to workers' rights violations that occur in the factories.

Therefore, companies bear a heavy responsibility. They should adopt consistent practices to support implementation of both national and local labor laws. They should also guarantee consumers that the goods they sell are bought from factories that respect workers' rights.

In this chapter, let us examine the social responsibility and labor practices of selected companies in their Chinese supply chains.

3.1. Methodology

In order to evaluate the social responsibility policies and practices of Hewlett Packard, Dell, Apple, Fujitsu Siemens, and Acer in China (between January 2007 and March 2008), we sent these companies a questionnaire. The survey focused on five aspects of social responsibility: normative framework or code of conduct, management structure, implementation policies for the code, monitoring measures used, and steps taken to facilitate worker participation.

1) Code of Conduct

Defines the normative framework that a brand agrees to follow. All brands must comply with Chinese labor law. The code of conduct reaffirms this, but also defines the basic rights that the company pledges to respect regardless of the country it sources.

2) Management Structure

Refers to how many people are in charge of social responsibility issues within the company, whether these persons have real internal influence, and whether there are offices located in the producing country. The answers are unequivocal: without human resource representatives located both at corporate headquarters, as well as in the producing country, no improvements in working conditions can occur. The code of conduct will be doomed to go unheeded.

3) Implementation

Considers the steps taken by brands to ensure that the code of conduct is enforced in the factories. Such steps include, for example: requiring suppliers to sign a statement; asking them to undergo self-evaluation; organizing training forums for managers; diagnosing risks; doing in-depth analysis of the problems faced by a given factory; and modifying delivery deadlines and prices.

4) Monitoring

Allows one to assess whether the code of conduct is truly being implemented in the producing factories – i.e., whether working conditions have concretely improved for workers and labor laws are being obeyed. Monitoring depends on various sources of information, for example, factory visits, interviews of managers and workers, and analysis of documents such as pay stubs, time cards, and management systems. Audits can be done by brands, in which case they are internal audits; or by companies that specialize in such audits, termed third-party audits; or finally, in cooperation with independent unions and/or NGOs in the producing country, in which case they are referred to as multiparty audits.

5) Worker Participation

Refers to worker participation in the process of improving working conditions. This is crucial. The workers are on the ground day after day; they know better than anyone else the abuses to which they fall victim. In China, very concrete mechanisms can be set up to support and facilitate communication with workers: suggestion boxes, complaint hotlines, making the code of conduct available in the workers' language(s), etc. Open, participatory channels of communication must also be put in place, e.g., regular meetings between factory management and employee committees.

3.2 The Responses of the Brands

The responses of the brands to our questionnaire are summarized below. The language shown here is that used by the brands themselves to describe their corporate social responsibility policies in China. In the third and final part of this chapter, we offer an analysis of the brand response.

1. CODE OF CONDUCT				
Hewlett Packard	Dell	Apple	Fujitsu Siemens	Acer
<p>HP's Code sets forth social and environmental requirements for its suppliers.</p> <p>HP has also supplemented the EICC code with additional requirements related to freedom of association and worker and management communication.</p>	<p>Dell requires its suppliers to embrace high standards of ethical behavior and treat all employees with dignity and respect, consistent with local law and the EICC code.</p>	<p>Apple's Supplier Code of Conduct applies to suppliers worldwide.</p> <p>Apple requires that the Code be posted in the facility in the local language.</p>	<p>Fujitsu Siemens has a separate, stand-alone Supplier Code of Conduct.</p>	<p>Acer has applied for EICC membership; the application is being processed.</p>
2. MANAGEMENT STRUCTURE (General management structure; social responsibility program management located at headquarters and/or in China)				
Hewlett Packard	Dell	Apple	Fujitsu Siemens	Acer
<p>HP has a Global Social & Environmental Responsibility (SER) team at the international level. Managers of the Supply Chain SER are part of the Supply Chain board, which meets monthly and reports directly to the HP Executive Council.</p> <p>HP has a team of 35 auditors located in mainland China, Taiwan and Hong Kong, with offices in Hong Kong and Shenzhen. The auditors' roles go beyond auditing to include following up on corrective actions, conducting supplier forums, engaging with NGOs and taking part in industry initiatives.</p>	<p>Dell has a Global Citizenship team at the international level. Dell also has a team member based in Singapore who spends 30% of the time in China supporting the suppliers.</p>	<p>Apple has a Corporate Social Responsibility (CSR) team that has grown from one person in 2007 to eight persons in 2008. Two members of the team are based in China and are responsible for implementing CSR policies with Chinese suppliers.</p>	<p>At the corporate level, Fujitsu Siemens coordinates Corporate Responsibility and Compliance programs. The company is aiming to recruit a Corporate Responsibility Manager in 2008.</p>	<p>Acer has set up a CSR Executive Committee that directly reports to the Chairman and the CEO.</p>

3. IMPLEMENTATION				
Hewlett Packard	Dell	Apple	Fujitsu Siemens	Acer
<p>HP's SER program consists of four phases that promote continual improvement in suppliers:</p> <p>a. Introduction: HP conducts preliminary risk assessment of suppliers.</p> <p>b. Assessment: SER requirements are confirmed in the HP supplier contract. Supplier completes a SER agreement and a self-assessment.</p> <p>c. Validation: HP conducts on-site audits of selected sites. HP re-audits (several times if needed) to verify conditions and address causes of non-compliance.</p> <p>d. Continual Improvement: HP identifies key education areas.</p> <p>In China, HP conducted supplier forums to introduce HP's requirements. HP also requested its suppliers to complete self-assessment questionnaires to SER practices.</p> <p>In 2007, HP took capacity-building initiatives in China:</p> <p>The Focused Improvement Supplier Initiative (FISI) program: HP launched the FISI program with several organizations who have experience conducting trainings in China. The FISI training sessions cover increasing productivity, work hours, wages and benefits, worker communications, management systems, root cause analysis.</p>	<p>Dell asks its key tier-one suppliers to sign a letter of commitment to the EICC code. In this letter, suppliers agree to develop infrastructure, training and systems to implement the code in their own operations. In addition, suppliers develop a plan to cascade the code into their supplier chain.</p> <p>The Dell Global Citizenship team works directly with tier-one suppliers to ensure understanding of Global Citizenship requirements. The team identifies those suppliers that are at higher risk, and partners with them to address gaps in implementing the EICC code. This partnership includes site visits, follow-up meetings and executive escalations (as needed) to discuss corrective actions. Dell has Global Operations Engineers onsite at tier-one suppliers that address issues they see during their on-site visits.</p> <p>Dell also conducts quarterly business reviews with its tier-one suppliers, requiring each supplier to submit evidence that they are taking action to align themselves with the EICC code.</p> <p>Dell hosted two supplier workshops in 2007, one in Shenzhen, the other in Shanghai. The workshops covered topics such as using Business Process Improvement (BPI) strategy to address gaps in code implementation and worker-management communication mechanisms.</p>	<p>Apple has incorporated social responsibility updates into its supplier business reviews. Apple also expects all of its suppliers to adhere to the principles in Apple's Supplier Code of Conduct.</p> <p>When Apple discovers deficiencies, it requires corrective actions that focus on prevention and systemic solutions. In cases where a supplier's efforts do not meet Apple's expectations, the contract is terminated.</p> <p>Apple has invested in training and capacity building efforts for workers and managers at supplier facilities.</p>	<p>FSC Supplier Code of Conduct principles have been integrated into Fujitsu Siemens's Master-Purchasing Agreements with strategic and key suppliers. The majority of the suppliers have signed a confirmation letter showing their commitment to the standards within the United Nations Global Compact.</p> <p>Fujitsu Siemens carries out bi-annual reviews to ensure its suppliers comply with corporate requirements. The reviews consider all aspects of supply chain management.</p>	<p>Acer implements procedures and training material for managers in headquarters and in the region to promote CSR practices.</p>

Chinese laws and regulations, the environment and health and safety.

Between June 2006 and June 2007, the FISI program provided monthly training sessions in China to approximately 30 suppliers with approximately 100,000 employees. The program has continued with another 15 suppliers from November 2007 to November 2008.

Factory managers in quality, human resources and environmental, health and safety attend the FISI training sessions. Each person receives between two and four days of mandatory training per month for a year.

Verité Management Action

Planning Sessions:

To meet the need for sustainability, HP employed Verité to conduct Management Action Planning sessions with specific suppliers in China to help them develop corrective actions to address non-compliance issues.

4. MONITORING (monitoring measures; number of audits)				
Hewlett Packard	Dell	Apple	Fujitsu Siemens	Acer
<p>HP audits its contract manufacturers as well as commodity parts suppliers. In 2007, HP conducted 80 audits in China and 5 audits in Taiwan.</p> <p>Upon receiving allegations about sub-tier suppliers, HP audits sub-tier suppliers by involving first-tier suppliers in the process. These suppliers are mainly HP's commodity suppliers.</p> <p>HP examines suppliers' management processes and identifies non-compliance with its SER program. The main non-compliance issues identified related to work hours, wages and benefits, emergency preparedness, handling and control of hazardous substances, and industrial hygiene.</p> <p>In addition to internal supplier audits and third party audits, HP participates in the Electronic Industry Citizenship Coalition joint audit process.</p>	<p>In 2007, Dell conducted visits at 15 key suppliers and 17 sites to assess EICC compliance in China.</p> <p>In addition, Dell has sent letters to 80 first-tier suppliers, driving the expectation to comply with the EICC code.</p> <p>Dell's belief is that collaborative audits are the most effective. Dell leverages the audits that are being conducted by the Electronic Industry Citizenship Coalition. In 2008, Dell's goal is to complete a total of 100 joint audits.</p>	<p>In China, Apple completed a large number of audits in 2007.</p> <p>Third-party experts carry out audits led by Apple employees. The audits cover wages, work hours, health and safety, and other practices at supplier facilities.</p> <p>Suppliers have three months to take corrective measures. Usually Apple conducts a follow-up audit one year later to verify whether corrective actions have been implemented.</p> <p>Apple is expanding its monitoring program beyond final assemblers to other suppliers in its supply chain.</p>	<p>Beginning in 2007, Fujitsu Siemens carried out random independent audits of key suppliers to ensure adherence to the standards laid down in the United Nations Global Compact.</p> <p>Information about the number of audits done, however, resides with the suppliers and cannot be communicated by Fujitsu Siemens.</p>	<p>Acer started doing audits in November 2007; targeting particularly large suppliers.</p>

5. WORKER PARTICIPATION				
Hewlett Packard	Dell	Apple	Fujitsu Siemens	Acer
<p>HP suppliers have varying methods for communicating with workers and handling complaints in its factories. Examples include workers' committees, councils and unions, worker representatives or liaisons, suggestion boxes, meetings with management, electronic voting devices and worker surveys.</p> <p>HP also engages in pilot training projects in China.</p> <p>The Foreign Investment Advisory Service (FIAS) Pilot Projects: HP co-led a multi-stakeholder partnership for providing a capacity-building strategy for the electronics sector in southern China. The FIAS pilot projects were launched after the completion of a detailed report in July, 2007. Four suppliers were selected and asked to introduce worker hotlines, worker rights training, health and safety committees, and management system integration into their factories.</p>	<p>At the 2007 workshop in Shanghai, one of the topics presented was related to mechanisms for worker communication. In an upcoming workshop, Dell will hold a panel discussion on workers' hotlines.</p> <p>Dell continues to leverage the collaborative efforts of EICC member companies.</p>	<p>In 2007, Apple trained over 2000 employees in supplier factories. The goals were to increase awareness of the standards in Apple's Supplier Code of Conduct and to improve working conditions.</p> <p>Apple also ensures that there are grievance procedures at their supplier factories.</p>	<p>Fujitsu Siemens does not conduct trainings with its suppliers. The company states that unless it is specifically requested to do so by suppliers, providing trainings is not its role.</p>	<p>No information is available.</p>

3.3. A Critical Evaluation of Company Responses

The brands' responses – Hewlett Packard, Dell, Apple, Fujitsu Siemens and Apple – show widely varying levels of commitment and transparency regarding their production chain social responsibilities.

Hewlett Packard: Setting the Pace

Commitment: High

Transparency: High

In 2002, Hewlett Packard became the first computer brand to take a serious approach to social responsibility. It was also one of the originators of the Electronic Industry Citizenship Coalition,¹⁰ the 2004 sectoral initiative begun in response to the campaign by the British non-governmental organization Catholic Agency for Overseas Development (CAFOD).¹¹ Today, Hewlett Packard is still a leader in this area.

First, the American company has devoted significant human and financial resources into code of conduct implementation in China. It has taken a systematic approach, which it makes public with precise details and numbers. Second, the company shows unprecedented transparency. The most visible sign of this is that in April 2008, Hewlett Packard announced in a press release that it was making public a list of 95% of its suppliers from around the world.¹² This was an innovative gesture: up to that point, computer companies had cited economic competition and anti-trust laws as reasons for refusing to divulge – or even confirm – the names of their suppliers around the world. Hewlett Packard is also the only company that has agreed to provide details on specific cases of factories in China. Third, Hewlett Packard is the IT brand that is making a great effort to enter into a multiparty dialogue with outside and independent parties. In particular, in China the company has agreed to undertake a worker training pilot project, in cooperation with community-based organizations. This project is a concrete response to the requests made by the “High Tech – No Rights?” campaign.

a. Code of Conduct

Hewlett Packard has positively modified the EICC code by stating that “Where worker representation and collective bargaining are restricted by law, participants are to facilitate open communication and direct engagement between workers and management as alternative ways of ensuring that workers' rights, needs and views are considered and acted upon appropriately and in good faith.”

b. Implementation

Hewlett Packard has appointed a substantial team for its Social and Environmental Responsibility (SER) program, both at its California headquarters and in the producing countries.

¹⁰ The Electronic Industry Coalition Citizenship adopted and implemented the Electronic Industry Code of Conduct (EICC) in 2004, www.eicc.info. Until today, however, a number of problematic areas of the EICC code remain, for example: 1) hours of work: the EICC code mentions a maximum of 60 work hours per week, but allows exceptions; and 2) living wage: the EICC code only mentions minimum wage.

¹¹ Catholic Agency for Overseas Development, “Clean Up Your Computer,” www.cafod.org.uk.

¹² See “HP Becomes First in Technology Sector to Release List of Top Suppliers,” News Release, Palo Alto, April 3, 2008, www.hp.com.

Hewlett Packard has a team of 35 auditors located in mainland China, Taiwan and Hong Kong. The team members are in regular contact with the Chinese suppliers. They also support a self-evaluation process. From 2003 onwards, they have held 50 training courses and forums for 150 Chinese suppliers.

In terms of verification, Hewlett Packard uses third-party audits. In 2007–2008, 80 audits were done in China. This is a large number. The company also cooperates with the Electronic Industry Citizenship Coalition in conducting joint audits, but does not stop with the initiatives taken by the EICC working group: Hewlett Packard actively undertakes its own evaluations, audits, and training. For a concrete example: FISI is an intensive training in which a number of Chinese managers participated in 2007. Its goal is to work on general procedures for implementing the code of conduct, including mechanisms for communicating with workers.

c. Worker Participation

Hewlett Packard has attempted to begin a regular dialogue with community-based organizations in industrialized countries as well as in the producing countries. In China, the company has taken initiatives in terms of worker participation, communication and training.

For example, Hewlett Packard co-led a multi-stakeholder partnership for providing a capacity-building strategy for the electronics sector in southern China. The FIAS¹³ pilot project is designed to identify and test strategies and activities that will most likely improve social and environmental conditions and also provide business benefits to the electronics supply chain. Four suppliers were selected and asked to introduce worker hotlines, worker rights training, health and safety committees, and management system integration into their factories.

d. Transparency

Hewlett Packard makes its list of suppliers public. When asked by our survey about measures taken in China since January 2007, the company responded with quantifiable data. Moreover, they answered in great detail the questionnaire concerning measures that have been taken in specific supplier factories in China.

Dell: Slowing Down

Commitment: Average

Transparency: Average

After a loss of market share in portable computers, in January 2007, the American company returned Michael Dell, the founder, to the helm. Dell's labor and social responsibility measures, however, were still disappointing: few innovations, little concrete progress and few quantifiable measures for improving working conditions in their Chinese suppliers.

a. Code of Conduct

Dell has announced positive modifications in the EICC code concerning the right to collective bargaining, as well as the need to promote channels of communication between workers and management, even in countries where freedom of association is not recognized. However, as of April 2008, this change has not appeared in the code of conduct that Dell presents on

¹³ The FIAS and Business for Social Responsibility (BSR) joint report, "Corporate Social Responsibility in China's Information and Communications Technology (ICT) Sector," (July 12, 2007) is downloadable at [http://www.ifc.org/ifcext/fias.nsf/AttachmentsByTitle/Corporate_Social_Responsibility_in_Chinas ICT_Sector_english/\\$FILE/Report+on+FIAS+ICT+in+China+Report+FINAL+ENGLISH.pdf](http://www.ifc.org/ifcext/fias.nsf/AttachmentsByTitle/Corporate_Social_Responsibility_in_Chinas ICT_Sector_english/$FILE/Report+on+FIAS+ICT+in+China+Report+FINAL+ENGLISH.pdf).

its website. It is therefore unclear whether Dell has enforced its freedom of association/collective bargaining policy towards its suppliers.

b. Implementation

Dell has appointed a Global Citizenship Team at its headquarters, as well as a team member based in Singapore, 30% of whose time is spent in mainland China. To support implementation of its code of conduct, Dell has required that its suppliers sign a contract. Quarterly meetings bring the Dell team together with suppliers so that issues related to code of conduct implementation can be brought up. These meetings are preceded by, or supplemented with, self-evaluations, analysis of root causes and training sessions. In 2007, Dell set up two training sessions for its suppliers in Shenzhen and Shanghai, China.

Dell uses third-party audits. In China, 32 factories have been visited since January 2007. At the same time, Dell participates in joint audits conducted by the EICC members. These are concrete steps, but are still modest considering that it has already been four years since Dell committed to work on social responsibility in its global production chain.

c. Worker Participation

Dell acknowledges the importance of creating mechanisms for communicating with the workers in the factories. Yet efforts to ensure that these mechanisms are actually in place remain invisible to the concerned public.

In 2008, Dell stated that worker training on the code of conduct would be a priority in upcoming years. However, the company has not begun to take any steps of its own with its Chinese suppliers.

d. Transparency

Dell is making efforts to create social dialogue with NGOs. The company shares general information about their social responsibility policies in the production chain. However, they have not managed to cooperate in a structured and regular manner with the stakeholders.

Dell does not make a list of its suppliers in China public. The company will occasionally confirm the names of certain Chinese suppliers (first brought to their attention by labor NGOs), but they refuse to comment on their status.

Apple: Ripening to Maturity

Commitment: Average

Transparency: Low

It took an article published in the English press in June, 2006 and a scandal caused by the revelation of poor working conditions in the iPod factories in Shenzhen, China for the Apple company finally to decide to beef up its approach to social responsibility in its production chain. Since then, Apple seems to have stepped up the pace: their social responsibility team has grown from one member in 2007 to eight in 2008. The company is increasing the number of audits in China and offering trainings not only for managers, but for workers as well. Apple is unquestionably maturing.

However, Apple insists on controlling all communications concerning its business. The company gives incomplete answers to those who ask about its CSR practices (also in the context of our questionnaire) and refuses to engage in any public discussion on the topic. Improving working conditions, however, requires transparency and expertise in conducting social dialogue. In this area, the company still has a long way to go.

a. Code of Conduct

Apple has done some good work on the normative content of its code of conduct, which goes farther than the EICC code that served as their model. Compared to the EICC code, modifications were made on three important points: 1) freedom of association: Apple supports the right to collective bargaining, and mentions that workers should not be dismissed or suffer prejudice because of union membership; 2) health and safety: the code mentions training for workers and the creation of worker's health and safety committees; 3) maximum work hours: the Apple code states that under no circumstances should the workweek exceed the maximum permitted under applicable regulations.

b. Implementation

Where implementation of the code of conduct is concerned, Apple holds regular discussions with the supplier in the context of their business reviews, and provides specific training for factory managers. Two Apple employees of the CSR team based in China monitor suppliers in that country. Apple reported that they have done "a large number of audits" in mainland China but refuses to give a figure. The audits are done by third-party companies.

It is difficult to get an accurate idea of the steps Apple has taken, because the answers to our questionnaire and the information available on its website are incomplete and general in nature.

c. Worker Participation

In 2007, Apple held training sessions for more than 2000 employees in supplier factories. The sessions were led by a specialized company and dealt with Apple's code of conduct and measures to improve working conditions. Apple also expanded its approach to social responsibility to include grievance procedures at their supplier factories. These actions are to be welcomed. Apple trains its workers, but with no contact whatsoever with those organizations that represent worker interests.

Fujitsu Siemens: Lagging Behind

Commitment: Low

Transparency: Low

Fujitsu Siemens Computers (FSC) is one of the rare Western brands that still assembles computers in Europe. But make no mistake about it: while Fujitsu Siemens has indeed kept its factory in Augsburg, Germany, that plant now represents only 15% to 20% of their worldwide production. Moreover, Fujitsu Siemens' components are now made in Asia, primarily in China. Under what social conditions? The responses to our questionnaire reveal that the company is neither committed nor transparent where social responsibility is concerned. Fujitsu Siemens is lagging behind in this area in the industry.

a. Code of Conduct

In normative terms, Fujitsu Siemens' code of conduct remains very incomplete. The version available on the internet is based mainly on the United Nations Global Compact.¹⁴ Consequently, the company lists five basic worker rights: freedom of association, collective bargaining, prohibition of all forms of forced labor, prohibition of child labor, and non-discrimination. However, the Fujitsu Siemens Supplier Code of Conduct makes no mention

¹⁴ The Global Compact is an initiative taken in 1999 by then United Nations Secretary-General Kofi Annan. Companies made a voluntary commitment to abide by ten environmental, social and ethical principles. See www.unglobalcompact.org. The Global Compact is criticized by many NGOs and unions because it is not legally binding and there are no effective ways to check whether the principles are being implemented.

whatsoever of protective measures for workplace health and safety, job security, guarantee of a decent wage, and compliance with work hour regulations, falling far short of the EICC code.

b. Implementation

Fujitsu Siemens requires that its Chinese suppliers sign a contract and agree to abide by the code of conduct. Semi-annual meetings are held to evaluate and discuss supplier performance. However, the company feels that it is up to the supplier to provide training, risk analysis, and diagnosis of reasons for noncompliance, as well as to bear the cost of this and that of implementing the code of conduct.

Until now, Fujitsu Siemens has settled for contractually requiring compliance with the social principles, a fact that demonstrates that the company refuses to consider respect for workers' rights in its supplier factories as a shared responsibility.

c. Worker Participation

In Germany, Fujitsu Siemens has an acknowledged tradition of social dialogue and negotiation with unions and their representatives. Historically, the electronics sector has not had strong union density, so this fact should be mentioned. However, beyond Germany, Fujitsu Siemens feels that initiating a social dialogue is the sole responsibility of its suppliers. The company states that unless it is specifically requested to do so by suppliers, providing trainings is not its role. This reflects an uncommitted and less than progressive idea of social responsibility.

d. Transparency

Fujitsu Siemens has not divulged its supplier list.

Acer: Changing Course... Keep Watching!

Commitment: Low, but Improving

Transparency: Low

In February 2007, when the "High Tech – No Rights" campaign was launched in Switzerland, Acer was at the bottom of the comparative list of surveyed brands. The company showed one red flag after another: no code of conduct, no policy for social responsibility, lack of communication and transparency, and refusal to acknowledge cases of noncompliance in Chinese factories.

Fourteen months later, Acer is still in the red zone but has made one important improvement: for the first time, the Taiwanese company has agreed to institute a social responsibility approach in its production chain. Acer is no longer sticking to denying the facts, but has publicly acknowledged that abiding by workers' rights is a challenge and that concrete steps must be taken to improve working conditions.

a. Code of Conduct

Acer has recently applied for membership in the Electronic Industry Citizenship Coalition. However, the company gave no indication about whether it would expand those areas of the EICC code requiring improvements: freedom of association, collective bargaining, caps on work hours, the security of employment, and the right to a living wage.

b. Implementation

Acer has established a CSR Executive Committee but has not yet hired a single person to deal with social responsibility issues. From November 2007, the company began auditing in its large suppliers.

Training material on social responsibility issues has been developed for managers at headquarters and in the production regions. However, information on this subject is incomplete.

c. Worker Participation

No information is available.

Acer's first steps are in the right direction. The Taiwanese company must now confirm its commitment and take concrete action to support the implementation of its code of conduct, especially through training programs for factory managers and workers.

CHAPTER 4

CONCLUSION AND RECOMMENDATIONS

This one year follow up report, from the perspective of supply chain labor responsibility, analyzes the relationship between the policies of brands (mainly Hewlett Packard, Dell, Apple, Fujitsu Siemens and Acer) and changes in working conditions at seven electronic hardware suppliers in southern China (Yonghong, Primax, Lite-On Electronics, Lite-On Computer Technology, Lite-On Xuji, Tyco Electronics and Volex).

Despite positive responses from the more progressive brands beginning in early 2007, long-term problems still persist in the Chinese supplier factories. These include substandard wages, excessive work hours, poor occupational health and safety, no right to a copy of the employment contract, lack of freedom of resignation, and no communication of corporate codes of conduct to workers.

One year may be too little time to be able to see any significant achievements brought about by the concerned brands. To promote continuous improvements at the surveyed factories in China and to advocate sustainable development in the electronics industry worldwide, we believe the brands and the supplier factories should take the following pro-active steps:

1. Provide regular reports on the progress of corrective actions for public monitoring;
2. Raise workers' awareness and understanding of corporate codes of conduct through participatory workshops and other effective forums;
3. Engage in social dialogue with the concerned public to facilitate workers' participation in CSR monitoring at the workplace level; and
4. Adopt responsible purchasing practices that enhance labor and environmental standards.

Last but not least, individual and institutional consumers (such as universities and governments) are encouraged to leverage their consumer power to improve working conditions in supplier factories. Consumers can request detailed corporate information from the brands to find out how they use global outsourcing and subcontracting systems to produce their products. National and local authorities also have a special responsibility: by modifying their public procurement policies, they can give crucial support to the fight for improvements in labor conditions. Respect for the core ILO Conventions and for national labor laws should become a basic condition for any business wishing to access public markets.

APPENDIX 1: CONTACT INFORMATION OF THE FACTORIES

1	<p>Yonghong Electronics Juyuan Industrial Zone, Tangwei Village, Fuyong Town, Bao'an District, Shenzhen City, Guangdong Province, China [within the compound of Zhonghan Electronics] Tel: 86 755 2730 9012 ext.120 Fax: 86 755 2730 9013</p>
2	<p>Primax Manufacturing Limited Liuwu Industrial District, Shijie Town, Dongguan City, Guangdong Province, China Tel: 86 769 663 1652 Fax: 86 769 8632 9692 Email: Ms. Nancy Hsu nancy.hsu@primax.com.tw</p>
3	<p>Lite-On Electronics (Dongguan) Co., Ltd. No.1 Zhen'an Road, Shangjian Industrial District, Chang'an Town, Dongguan City, Guangdong Province, China Tel: 86 769 541 6970 Fax: 86 769 5416970</p>
4	<p>Lite-On Computer Technology (Dongguan) Co., Ltd. SanHeng Road North, Hengjiao Administrative District, Shijie Town, Dongguan City, Guangdong Province, China. Tel: 86 769 6321 333 Fax: 86 769 6321 311</p>
5	<p>Lite-On Xuji Electronics (Dongguan) Co., Ltd. Hengjiao Administrative District, Shijie Town, Dongguan City, Guangdong Province, China Tel: 86 769 8663 8923 Fax: 86 769 8663 8237</p>
6	<p>Tyco Electronics Dongguan Transpower Electric Products Co., Ltd. Jinxing Industrial Area, Jinmei Managing District, Changping Town, Dongguan City, Guangdong Province, China Tel: 86 769 8333 5747 Email: Mr. Kevin Fu kevin.fu@tycoelectronics.com</p>
7	<p>Volex Cable Assembly (Zhongshan) Co., Ltd. No.2 Sinta North Street, Zhongshan Torch Hi-Tech Industry Development Zone, Zhongshan City, Guangdong Province, China Tel: 65 6788 7833 Ext. 147 Fax: 65 6788 7822 Email: Ms. Yvonne Yong Yvonne_yong@volex.com</p>

APPENDIX 2 ABOUT THE ORGANIZATIONS

Students and Scholars Against Corporate Misbehavior (SACOM)

SACOM, a Hong Kong-based non-profit organization founded in June 2005, aims to bring concerned students, scholars, labor activists, and consumers together to monitor corporate behavior and to advocate for workers' rights. SACOM originated from a student movement devoted to improving the working conditions of cleaners and security officers under various universities' outsourcing policies. The movement created an opportunity for students to engage in activism surrounding local and international labor issues.

SACOM is a steering committee member of GoodElectronics, a global network on human rights and sustainable production in the electronics industry. For details about SACOM research reports and campaign activities, please visit our website at www.sacom.hk.

Bread for All

Bread for All, the Swiss Protestant churches' development agency, empowers people to build sustainable livelihoods through over 400 development projects in more than 60 developing countries on three continents. Our aims are to inform and educate the Swiss public about North-South issues, to participate in development policy activities aimed at achieving more equitable international socio-economic structures, protecting Creation, and building peace.

Fair trade and fair labor conditions have been a core area of work of Bread for All since 1999. Bread for All was a founding member of the Swiss Clean Clothes Campaign (CCC) and is still a member of the independent monitoring initiative, Fair Wear Switzerland. Every year, during the 40 days before Easter and in cooperation with Swiss Catholic Lenten Fund, Bread for All organizes a campaign aimed at Catholic and Protestant parishes and the wider public on development policy issues. In 2007, BFA launched the "High Tech – No Rights?" Campaign in Switzerland to inform the public about labor conditions in the ICT hardware production sector. Bread for All is member of the international GoodElectronics network.

Swiss Catholic Lenten Fund

Swiss Catholic Lenten Fund is a Catholic aid agency in Switzerland. The slogan 'We share' describes our involvement in disadvantaged countries in the South and in Switzerland.

Swiss Catholic Lenten Fund supports people who take responsibility for their future. Experience has shown us that a project only becomes sustainable if the community is involved and supports it. That's why Swiss Catholic Lenten Fund focuses on strengthening local village structures and other groupings in which people are involved.

Our public information work is intended to motivate people in Switzerland to think about living conditions in the disadvantaged countries of the South. We inquire into the causes of poverty that affect large sections of the population, and see ourselves as a voice for the people in the South, including at the political level.

Swiss Catholic Lenten Fund is funded mainly from donations and legacies. Other sources include money collected in parishes and funding from the federal government, as well as from individual communes and cantons. Funds are allocated carefully and targeted to specific needs in order to ensure their effective use. (Zewo-certificated).

High Tech – No Rights?

A One Year Follow Up Report on Working Conditions in China's Electronic Hardware Sector

May 2008

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