

High Tech - No Rights?

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

May 2008

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By

Jenny Chan, the research team from Students and Scholars Against Corporate Misbehavior (SACOM) and Chantal Peyer (Bread for All)

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Address

Students and Scholars Against Corporate Misbehavior (SACOM)
P.O. Box No. 79583, Mongkok Post Office
HONG KONG

Bread for All
Avenue du Grammont 9
1007 Lausanne
Switzerland

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

EXECUTIVE SUMMARY

A year after the launch of the “High Tech – No Rights?” campaign, *Bread for All*, the *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 is most interested to determine whether the workers’ daily lives have improved. We conducted an independent, off-site investigation in seven factories in Shenzhen, Dongguan, and Zhongshan Cities, Guangdong Province. The factories belong to FSP Group, Primax Electronics, Lite-On Group, Tyco Electronics, and Volex Group respectively. We also asked the concerned brand companies (Hewlett Packard, Dell, Apple, Acer, and Fujitsu Siemens), via a questionnaire survey, about their social responsibility measures implemented between January 2007 and March 2008 in China. Our goal is to learn about how premium brands have ensured workers’ rights in their supplier factories over the year.

In the Factories: Labor Abuses Remain...

The main abuses that remain in the factories relate to overtime wages, work hours, health protection measures, disciplinary fines for product quality, contracts, and the workers’ right to know their rights.

Overtime wages are what workers concern most. Wherever our researchers go, workers complain about low wages but high pressure of inflation. Some factories resisted paying their workers compensation for overtime work, against the law. At Yonghong, workers were paid only for some hours of overtime work; at Primax, workers were paid 19.1% less for doing overtime on national holidays; and at Lite-On Electronics, workers were paid only the same amount for their overtime work on Saturdays and Sundays as that on weekdays.

As far as *hours* are concerned, to deal with order fluctuations, the factory managers require high flexibility from their employees. Overtime during the weekdays and weekend work are usually mandatory. As a result, the workers are on the job between ten and twelve hours per day, six to seven days per week. Each month, they rack up 80 to 200 overtime hours, far more than the 36 hours allowed under Chinese law.

With regard to *health*, preventive and protective measures are not taken: insufficient ventilation in soldering rooms, handling of toxic products with no mask or gloves, standing for the entire work day, and impossible production quotas are all recurring phenomena. Many of the 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 the workers on handling toxic products, measures to protect them against accidents or workplace health and safety in general.

In terms of *disciplinary measures*, abusive forms of punishment were found in several factories (Yonghong, Primax, Lite-On Electronics). At Primax, for example, a young worker

responsible for placing logos on the mice explains, “When production is at a high level, the speed picks up and it is difficult to keep a rhythm going. We make more errors. If the inspector discovers this, he levies a fine by deducting a half-day’s salary. We are extremely tense.”

Workers’ rights to written *contracts* and freedom of resignation are restricted. Primax, for example, did not provide workers with copies of employment contracts, against Article 16 of the new Chinese Labor Contract Law. Worse yet, the management in two factories (Yonghong and Lite-On Electronics) does not authorize workers to leave their jobs when production is at a high level, even if the workers have given 30 days’ prior notice, in accordance with the law.

Finally, there were no factories in which the workers stated that they had *knowledge of either the EICC Code* (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 the workers the protective provisions.

... and a Few Improvements

The most significant improvement was in relation to the payment of legal *minimum wages*. We found compliance to local minimum wage policies at almost all the factories (Yonghong workers put under the probation are 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, with a dual goal to alleviate the problem of short labor supply in the Pearl River Delta industrial zones, and to keep down the rising numbers of labor protests. The factory managers, taken into considerations of multiple factors, tend to provide workers with minimal pay.

Other improvements that we found in the factories¹ were hit-or-miss, or what we characterized a cat-and-mouse game. Examples include the reductions of overtime hours at Primax, and the elimination of food deduction of 102 yuan at Volex (charged before even when workers did not consume in the canteens). Moreover, at Volex, the management says it presented the code of conduct to the workers (though none of the interviewees were aware of it). Furthermore, there are no longer minors aged 14 to 16 years old working at Yonghong. Still, our research team did not know what had happened to the children who were working illegally in the factory, in 2006 to early 2007. Did they receive their final wages and payment for their overtime hours? Did they receive financial compensation for their forced departure? All these questions remain unanswered because after the first report was published, all of the minor employees suddenly disappeared.

The Brands’ Answers Show Varying Levels of Commitment

The factories where components for the brands’ computers are made have not abided by the law in one way or the other. Have the brands tried to do anything about the alleged abuses since the first report of the “High Tech – No Rights?” campaign was published? To document the progress, if any at all, we sent questionnaires to Hewlett Packard, Dell, Apple, Acer, and Fujitsu Siemens – the leaders of the Swiss computer market. The brands’ responses show widely varying levels of commitment 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 2006-2007. They are Yonghong, Primax, Tyco Electronics, and Volex factories.

Hewlett Packard: Setting the Tone

(commitment: high, transparency: high)

Hewlett Packard is setting the tone for social responsibility in China. *First*, the company has devoted significant human and financial resources to implementing its code of conduct. They have an on-site coordinator for the local inspection teams. They also say, in China alone, they provided training for factory management staff (not workers) on the code of conduct for 45 suppliers and audited 80 factories (well including Primax, Tyco Electronics, and Volex factories) in 2007. *Second*, Hewlett Packard is the only one in the electronics industry that has agreed to make its list of suppliers public. They have commented specific nonconformance issues. 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 is the computer brand that has made important efforts to continue a multi-party dialogue, i.e., with independent parties. In China, they have agreed to undertake a worker-training pilot project in cooperation with community-based labor right organizations and academics. The 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 person 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 shared) and undertook 32 audits. But these steps are modest considering that it has already been four years since Dell committed to working on social responsibility in its production chain. In 2007, Dell was condemned “cutting and running” from Yonghong Electronics, the worst corporate response in facing labor rights violations in its suppliers. Regarding transparency, Dell refuses to make public its list of suppliers and to confirm supplier names. But Dell has made important efforts to hold multi-party dialogues, i.e., with independent parties.

Apple: Ripening to Maturity, but in the Dark

(commitment: average, transparency: low)

In the past few months, Apple seems to have stepped up the pace in increasing their control over their production chain. Their team that handles social responsibility issues has grown from one member in 2007 to eight in early 2008. They state that they increased the number of audits in China and implementing training courses not only for the factory managers but also for the workers. However, Apple remains not transparent enough: the company gives incomplete answers to those who ask about its practices, such as replying briefly to our questionnaire survey. Moreover, it refuses to confirm the list of its suppliers and gives no concrete figures for the number of audits and training sessions completed in China. So it is difficult to be certain about how credible their statements are. Apple also refuses to engage in any public discussion concerning their social responsibility or in any cooperative effort with non-governmental organizations or unions.

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 its suppliers’ factories, etc. Fourteen months later, there has been an important change in the course: for the first time, the third largest Taiwanese computer seller in the world has agreed to institute a social responsibility approach in its production chain. It has created a CSR working group within its executive committee. In November 2007, Acer undertook its first audits in its suppliers’ factories

(specific names of the factories are however not given). These are first steps that bear watching.

Fujitsu Siemens: Lagging Behind
(commitment: low; transparency: low)

The answers to our questionnaire reveal that Fujitsu Siemens is not very committed and not very transparent where social responsibility in China. In normative terms, Fujitsu Siemens' code of conduct remains very incomplete. In terms of implementation, Fujitsu Siemens says that they evaluate their suppliers' performance at semi-annual meetings, but it has no one in charge of social responsibility issues either at the international group level or in China. Finally, as far as training is concerned, the company says they feel that training the suppliers about the code of conduct is not its responsibility!

Recommendations for Sustainable Electronics

Respect for workers' rights in Chinese factories remains a distant dream for most electronics workers. To improve the implementation of Chinese law and the codes of conduct adopted by the leading brands and their suppliers, change must occur quickly. Bread For All, the Swiss Catholic Lenten Fund and SACOM believe this acceleration can be achieved mainly in two ways:

a. by laying the foundations for a true social dialogue with the NGOs and worker representatives. Concrete communication mechanisms that encourage worker training and participation are recognized in the Electronic Code of Conduct and they 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 participation process is the key to continuous improvements on the ground.

b. by adopting responsible and 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 effects of a progressive social responsibility policy by pressuring the suppliers, such as by shortening delivery time, systematically cutting prices, and henceforth indiscriminately causing the various suppliers to compete with each other. Communications and strong partnerships between brands and suppliers are favorable to create sustainable electronics worldwide.

CHAPTER 1 INTRODUCTION

1.1 Research Objectives

This one year follow up research investigates working conditions in seven electronics hardware supplier factories in South China. Four of these seven suppliers to Hewlett Packard, Dell, Acer, Apple, and/or other brands, namely, Yonghong, Primax, Tyco Electronics, and Volex, were first brought to our attention in the year of 2006 to 2007.

To determine whether the initiatives taken by the concerned brands, after the publication of our first report, have contributed to continuous improvements at their suppliers, we returned to the facilities and carried out this study during 2007 and early 2008. Three factory cases belonging to the Lite-On Group presented in this report are new: Lite-On Electronics (Dongguan) Co., Ltd., Lite-On Computer Technology (Dongguan) Co., Ltd. and Lite-On Xuji Electronics (Dongguan) Co., Ltd.

Our purposes are two-folded:

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

1.2 Supply Chain Labour Responsibility

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

To maintain overall competitiveness, an increasing number of Chinese factory management staff at electronic hardware manufacturing sector is also trying to improve their social and working conditions. It is widely acknowledged that a corporate citizen should treat their workers with respect and dignity, ensure that manufacturing processes are environmentally responsible, and abide by the local as well as international laws.

1.3 Organization of Chapters

In the following report chapters, we will first introduce the computer market globally and in China. In the second chapter we will then present the findings grounded from our first-hand field study in the seven 7 supplier factories. In the third chapter, we will evaluate the effectiveness of selected brands' efforts in guiding their suppliers to work towards conformance of their own corporate codes of conduct and the industry standard code. Finally, in the conclusion and recommendation chapter, we advocate sustainable electronics development and grassroots worker participation in a global economy

1.4 Growing Global Personal Computer Market

Worldwide PC market grew 13.4% in 2007 with shipments reaching 271.2 million units in the year.² HP (NYSE: HPQ) has supplanted Dell (NASDAQ: DELL) as the world's largest seller of personal computers. Taiwanese-owned Acer³ (LSE: ACID) has acquired Gateway's consumer business and now comes to the third place vendor. Chinese firm Lenovo (SEHK: 0992), after purchasing the personal computer business of IBM in 2005, grows into the fourth largest computer maker in the world. In total, these four brands make up nearly a half of 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 desk-based PCs, mobile PCs, and X86 servers).

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

1.5 China's Electronic and Information Technology Industry

The Chinese government has been investing into hi-tech industrial parks and information and communication technology infrastructure to develop the national economy. The strategy is to leverage IT to raise industrial level and to transform traditional industries in the course of digitalization. Under favorable government policies, the attraction of both domestic and foreign capital in building a new market economy is remarkable.

In Guangdong Province in southern China, the "electronic and information technology" industry – including computers, telecommunications, and other electronic equipment manufacturing – has become the most important pillar of the "fresh industries." In Table 2, with reference to statistics of *Guangdong Statistical Yearbook 2007*, we see that the gross industrial output value of the industry was 983,134 million yuan in 2005, and it reached a record high in 2006, i.e., 1,189,108 million yuan. The growth rate in 2006 over 2005 was as high as 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
Electronic & 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 (PRD), especially of consumer electronics, has made Guangdong the largest electronics producer on 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 AFTER: FIELD RESEARCH IN COMPUTER MANUFACTURING FACTORIES

2.1 Geography and Methodology of Research

Beginning 2006, SACOM's research team has been 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, in the Pearl River Delta region in Guangdong Province, southern China, for continuous investigation. We are interested to see how these contract electronics makers communicate their own as well as their major customers' labor protective codes to the Chinese workers, and hence ensure their enjoyment of basic rights and benefits. In our survey, we identify 32 major buyers of various electronic hardware products at the factories, 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, wire-cutting, packaging, and quality testing departments.

By employing open-ended interview guideline, field researchers initiate discussions with one to two workers about labor laws, women workers' rights, and occupational health and production safety. We approached them – who are easily recognized by their uniforms – during their meal breaks and off-work hours in their dormitories, in food stalls nearby the facilities, parks, or job agencies. Most workers intuitively talked about their low wages, long working hours, and unsatisfactory working and living conditions. Contact numbers were further exchanged with the workers to learn about the specific changes of labor conditions over the year from 2007 to early 2008. To supplement the interviews, some workers were willing to provide copies of employee handbooks, wage stubs, dorm rules, and other documents. Most pictures were also taken by the workers.

SACOM chooses to interview *workers* to gauge into the effectiveness of the implementation of corporate codes of conduct and the laws at the workplace level. While the workers concerned from the 7 factories might not frame their lived experiences in terms of “corporate social responsibilities” or “legal rights,” they could tell precisely their labor contracts, monthly basic wages, overtime compensations, disciplinary fines, deduction of bonuses for product quality issues, assignment to hazardous or physically demanding work positions, participation in safety and health training, provision of regular health check-ups, and freedom of resignation. All these are major indicators we use to discuss about the improvements or degradations of the workplaces over time.

⁶ Of the 102 interviews, 61 workers are female and 41 are male, aged between 14 and 35 years old. All of them are migrant workers, whose homes are outside Shenzhen, Dongguan, or Zhongshan Cities.

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

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



The Seven Surveyed Electronics Factories (see detailed contacts 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	Voilex Cable Assembly	Zhongshan	Voilex Group	London (LSE:VLX.L)

The Seven Factories and their Buyers:

Each of these seven factories supplies its products to many different brand-named buyers. Supply chain labor responsibility is significant amidst a highly overlapping, multi-tiered production network.

This table is not exhaustive: at those factories might supply some more brands, that we have not been able to identify. Nevertheless it shows the similarity of the suppliers of different brands. Lite-On Electronics for example is a supplier of ACER, Apple, Dell, Foxconn, Hitachi, Hewlett Packard, IBM, Lenovo, Motorola, NEC, Nokia, Sony and Toshiba.

	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	Volex
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 order from Yonghong after the publication of SACOM report in November 2006 (the 15-page English report of Yonghong is downloadable from www.sacom.hk). SACOM issued a public statement to condemn Dell's cutting and running on the 1st May 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 FSP Group is shortening delivery time in power supply industry. 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 Report⁸ in November 2006, Dell withdrew its order from the factory. SACOM issued a public statement on the 1st May 2007, the International Labor 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, Yonghong was found employing over 200 child and student workers aged below 16 in the year of 2006, in blatant violation of Chinese Labor Law and the Electronic Industry Code of Conduct (EICC).

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

In late December 2006, SACOM lost contact with all 7 child workers from Yonghong all of a sudden.

SACOM suspected that Yonghong had laid off the child workers after the publication of the report in November 2006. We were concerned whether the workers' owed wages and overtime premiums, and economic compensations, were properly paid. More importantly, we could not tell if each and every child worker has returned home and school safely.

Between February 2007 and March 2008, SACOM re-visited Shenzhen-based Yonghong. The use of child workers and under-aged students seemed no longer in practice. Teenage (between 16 and 18 years old) and adult workers (above 18 years old) said that Yonghong

⁷ YouTube FSP Power Your Life (a 1 minute and 50 seconds online video) at http://www.youtube.com/watch?v=F5jNqljK2ZY&eurl=http://www.fsp-group.com.tw/english/4_about/1_brand.asp?id=14.

⁸ Yonghong Report is downloadable from www.sacom.hk. See also a report summary at www.business-humanrights.org.

nowadays checks identification papers and school diplomas in a very strict manner. New workers employed there must be at least 16 years old.

(2) Working Hours

In 2006, SACOM found that Yonghong did not provide rest day and workers were mandated to work 7 days a week and 13 hours a day (in which as many as 5 hours are 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 in a week. Moreover, Article 41 of the Chinese Labor Law specifies that the extended hours shall not exceed 3 hours a day.

Day-shift work timetable at Yonghong Electronics, 2008

A department	Working hours	
Morning	7:30 – 12:00 am	4 hours and 30 minutes
Lunch	12:00 – 1:00 pm (1 hour)	
Afternoon	1:00 – 5:00 pm	4 hours
Rest Break / Dinner	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)

In 2007 – 2008, filling in rush orders, Yonghong workers were required to do routinely 3 hours overtime work, in addition to the normal 8-hour work shift. In a week, they work 6 to even 7 days. Workers feel extremely tired and exhausted. In a month, they are forced to work up to some 100 to 200 hours of overtime work, which is in serious violation of the law (the legal maximum allowable limit is 36 hours a month).

During the peak season, Yonghong workers do overtime work every night till very late. A young worker complained, “Our production manager just raised the daily production quota...no use to report to senior managers.” There seems no way for workers to meet the quota until 11:00 pm or even mid-night. Most the workers yet have started to work as early as at 7:30 am. In total, they toil day and night for 13 to 15 hours a day (sometimes the meal breaks are cut short to only 30 minutes). “The next morning, we have to get up and work again...”

(3) Wages

Despite very long working hours, Yonghong workers are consistently underpaid. Those who are on probation, as evident in our findings, are even paid below the legal minimum wages.

According to Article 20 of the Labor Contract Law, “the wage amount of a worker during her/her probationary period shall not be less than the local minimum wage standard.” In Yonghong, however, workers on the first three-month probation receive basic wages of only 700 yuan per month, not the legal minimum level of 750 yuan per month in the region. In other words, new employees are not effectively protected by the law.

Legal minimum wages of Shenzhen City (the 2 districts outside the SEZ)

	Monthly Wages	Basic Hourly Wages	Overtime Hourly Wages (weekdays)	Overtime Hourly Wages (weekends)	Overtime Hourly Wages (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 wages in Shenzhen (outside the Special Economic Zone) was still 750 yuan per month.

Those who are on probation thus make up the lowest rank of workforce in Yonghong. For other production workers, they could receive the legal minimum wages of 750 yuan/month. In terms of overtime premiums, however, Yonghong was very tricky. The system in place was illegal: During the weekdays, Yonghong pays workers compensation only for the first 3 hours of the overtime work, after which no overtime compensation is given. That means from the fourth hour of the overtime work onward, workers are forced to do “voluntary work” until they have finished the daily production quota. Some Yonghong workers have expressed their grievances by complaining to their managers but in vain. Obviously, 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 to 200 hours of overtime work a month, an average worker earns only 1,500 to 2,000 yuan in total – overtime premiums are *not* paid in accordance to the legal standards.

(4) Occupational Health and Safety

It is common to find workers at Yonghong suffering from pain in the neck, shoulders, back, etc. Long hours of work in fixed sitting positions for more than 11 hours a day results in repeated strain injuries and other ergonomical 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 drawn on the floor. Part of the supervisors' job is to ensure that no worker would move the seat beyond the line or the worker would be fined. In this way, the seats are fixed and workers cannot adjust the seats to maintain comfortable distance from the working tables and the conveyor belt according to their different body build up. Some smaller-built workers said their arms were not supported when they worked as the seats were not moved close enough to the working tables. They always have sore arms and shoulders after work.

Workers are not provided with face masks or proper safety training about the hazards of soldering. 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 the laborers with the individual-used occupational disease prevention articles. Any such kind of articles 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 without face masks.

(5) Contracts and Freedom of Choice of Employment

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

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

(6) Dormitory and Canteen

Accommodations charges were slightly raised from 40 to 50 yuan per month. Water and electricity fees are added up to the rent, depending on the actual usage. In total, a worker is deducted around 100 yuan a month in the summer.

A dorm room houses a maximum of 12 persons in double bunks.



Yonghong dormitory.



A male worker dormitory

In terms of the price of food, an average worker spends between 120 and 180 yuan on meals inside the factory canteens per month. Workers in general comment that the food is of “bad tasting.” Cleanliness of the food is also their concerns.



Leftovers are disposed everywhere, affecting public health.

(7) Knowledge of Corporate Codes of Conduct

None of the worker interviewees are aware of the corporate codes of conduct of Acer, Fujitsu, Lenovo, Motorola, NEC, Samsung, and Siemens, or the EICC code.

Concluding Remarks

Some Yonghong workers want to quit yet feel they could not afford to lose the wages. All the interviewed workers voiced complaints of illegally low wage payments (overtime premiums are not paid in full), disciplinary fines, bodily fatigue, and poor safety and health conditions. Despite the researchers' repeated requests for Dell's detailed explanation of cutting and running from Yonghong, and Acer's audit as well as remediation reports, none of these companies provided answers to us. Similarly, mobile phone giant Motorola, a direct buyer of Yonghong, refused to set up a meeting between Yonghong managers and SACOM. Over the year, there seemed no improvements at all on the ground.

2.3 Factory case two: Primax Manufacturing Limited

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

Primax has headquarters in Taiwan and manufacturing operations in China, sales and marketing offices in Hong Kong, Japan, Europe and the United states. Primax Manufacturing Limited, established in November 1989, is its first offshore manufacturing site in China.

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, Shijie Town, and Dongguan City. Primax Dongguan has approximately 2,500 workers.

(2) Working Hours

Day-shift work timetable at Primax

A department	Working hours	
Morning	7:50 – 12:00 am	4 hours and 10 minutes
Lunch	12:00 – 1:30 pm (1 hour and 30 minutes)	
Afternoon	1:30 – 5:30 pm	4 hours
Rest Break / Dinner	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 the working hours, Primax workers are required to do overtime work from 80 to 100 hours a month, in addition to the normal 168 working hours a month (8-hour work day x 22 days). Against the local labor law, Primax imposes excessively long working hours on production workers (Article 41 of the Chinese Labor Law stipulates that the total extended working hours in a month shall not exceed 36 hours).

Workers said that overtime work on weekdays and Saturdays was mandatory. During peak seasons, they also have to work on Sundays, without one day of rest (in violation of the Chinese Labor Law Article 38).

(3) Wages

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

Legal minimum wages of Dongguan City

	Monthly Wages	Basic Hourly Wages	Overtime Hourly Wages (weekdays)	Overtime Hourly Wages (weekends)	Overtime Hourly Wages (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 wages in Dongguan was still 690 yuan per month.

Compared to 2006, Primax has improved its wages policy as it used not to pay minimum wages. Nevertheless a problem remains concerning payment of overtime according to the law on national holidays.

Primax provides a detailed wage stub to each and every production worker:

2008 年 02 月 薪資清單 第 1 頁

公司: PCH2 部門: 姓名: IDD-IPQC/FQC 成本中心: C2102 Private & Confidential
工號: 職等: 私人密函

=應支金額=		=應扣金額=		=請假及加班明細=	
基本工資:	690.00	住房扣款:		加班(1):	
職務加給:		懲罰扣款:		加班(2):	
崗位津貼:		儲蓄扣款:		加班(3):	
輪班津貼:		暫住證扣款:		應上班天數:	
週末津貼:		委培扣款:		實上班天數:	
異地津貼:		總務扣款:		應上班時數:	
績效獎金:		伙食費:		實上班時數:	
獎勵獎金:		財務扣款:		未足月:	
效率獎金:		互助金:		事假:	
其他加項:		其他扣款:		病假:	
備調薪差額:		請假扣款:		曠工:	
夜班津貼:		所傳晚:		遲到早退:	
加班費:		保險扣款:		有薪產假:	
待增加項目:		未足月扣款:		停工待料1:	
待增加項目:				停工待料2:	
				周末假:	
				夜班天數:	
				調休假:	
應付總額		應扣總額		實付金額	

February 2008 Wage Statement Page: _____

Company: PCH2 Department: _____ IDD-IPQC/FQC Cost Centre: C2102
Staff No. _____ Name: _____ Grade: _____ Private & Confidential

= Wages =	= Deductions =	= Leave & Overtime Work =
Basic wages 690.00	Dormitory	Overtime work (1)
Additional responsibilities	Penalties	Overtime work (2)
Position subsidies	Savings	Overtime work (3)
Work shift subsidies	Temporary residential permit	Mandatory working days
Weekend subsidies	"Wei pei" deductions	Actual working days
Work trip subsidies	General affairs	Mandatory working hours
Productivity bonus	Canteen	Actual working hours
Recognition bonus	Financial affairs	Short notice of resignation
Performance bonus	Mutual-aid fund	Leave
Other allowances	Other deductions	Sick leave
Adjustment of wages	Non-paid leave	Absenteeism
Night shift subsidies	Salary tax	Lateness / Early Leave
Overtime premiums	Insurance premiums	Paid maternity leave
Miscellaneous item	In lieu of resignation	Work stoppage for material refill 1
Miscellaneous item		Work stoppage for material refill 2
		Rest days on Saturdays and Sundays
		Night shift attendance
		Swapping weekends & weekdays at work
TOTAL:	TOTAL:	NET TOTAL:

On average, Primax assembly workers are paid 1,300 to 1,500 yuan a month in total during the peak season. Quality controllers earn around 1,600 yuan a month. "Productivity bonus" [rewards to those workers who exceed the production targets], "add-up for one's additional responsibilities" [take reference to one's seniority], and "overtime premiums" account for higher wage levels.

(4) Occupational Health and Safety

Workers in the Surface Mount Technology (SMT) and Chip on Board (COB) departments expressed concerns about their health and heavy workloads. Back pains, eye-sores, muscle strains, and work stress are shared experiences.

In a Primax computer mice-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 the parts, and complete 1,000 units of mice in one hour. Our fingers are stiffed because of doing the repetitive work.... A production manager sets the production quota. If we fail to achieve the hourly output quota, we will be forced to do overtime work.”

In a shift (putting together a number of assembling lines), the total output of Dell-logo mice is approximately 60,000 units and HP-logo mice 32,000 units, varied by specific models and designs.

In the product testing workshop, Primax workers suffer eye-sight deterioration. Their duty is to connect an assembled electronic mouse to a computer for testing. They often keep looking at the computer monitor for 11 hours a shift and feeling pain in their eyes. No protective glasses are provided to the concerned workers. In addition, the management fails to arrange eye-sight test 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. Most workers suffer from ergonomical hazards. Workers told us that their work is exhausting,

“The size of the label is very small. We have to take a label out from the sticker sheet between our thumb and first finger, and place it onto the exact position on the mouse. Sometimes, it is difficult to take the tiny labels out from the sticker sheet. As long as you start to slow down, and the semi-finished products keep running on the assembly line, you’d end up with a load of electronic mouse in front of you. Definitely, you’d have trouble. Our line leader would scold us. Worse still, we won’t receive a bonus for the month. So you’ve to work very fast. At the end of the long day, your neck, shoulders, hands, and waist ache.”

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

“When the production order volume is big, and the mice start to pile up in front of you, you become nervous and make more mistakes. If the inspector finds out that you have many mice not yet done, and there are many wasted labels in your dust bin, you will be fined for half-day salary! Our work is indeed very stressful. When we punch out our cards at night, we are totally exhausted.”

Disciplinary fines and wage deductions for product quality issues constitute worker’s grievances.

(5) Labor Contract and Social Insurance

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

In the interview, Primax workers also expressed that they would like to keep their own copies of the contracts. In the event of disputes, they could provide evidence of the labor relation and protect themselves.

Our interviewees started working in Primax since the 2000s but even until March 2008, they were not provided with medical insurance, industrial injury insurance, or old age pensions, which was a serious violation of the law (Chinese Labor Law Article 73).

(6) Canteen and Dormitory

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



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

Primax's dormitory houses 12 to 14 persons in a room. A male worker said:

"I want to go to bed a bit early because I've to punch in around 7:30 AM. At mid-night to 1 AM, however, my roommates got off from their work and came back. They took shower and then had some snacks. Some even turned on the radio for a while....I dreamt of having a quiet sleeping place...."

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

(7) Code Awareness

Workers are aware of the recent visits by some factory buyers. For example, in July 2007, assembly workers of HP computer mouse lines learnt that HP representatives came to the facility to interview their managers. HP confirmed that they commissioned a 3rd party audit firm to do an on-site visit at Primax. HP advised Primax to provide appropriate breaks to workers during regular working hours, and to ensure the overtime work hours in a month not exceeding 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 higher consciousness of their corporate social responsibility. Until early 2008, however, none of the Primax worker interviewees have been communicated the corporate codes of conduct or the EICC code.

Concluding Remark

In general, compared to 2006, Primax has improved its wages policy. Nevertheless our research shows that a problem remains concerning the payment of overtime according to the law on national holidays. In a dialogue with HP, Primax committed that they would pay workers basic and overtime wages (on weekdays, weekends, and national holidays) in strict accordance with the law, beginning the 1st April, 2008.

Major problems of the non-provision of the copies of labor contracts, disciplinary wage deduction for quality issues, high production quota, non-entitlement to eye-sight test and regular health check-ups, and non-provision of social insurance persist.

In April 2008, the research team received answers that show that HP has been monitoring the situation at Primax. The other concerned brands, for example Dell and Apple, refused to answer questions on this specific factory case. Our research team argues 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 case three to five: Lite-On

Lite-On Technology Corporation (www.liteon.com; 2301 TW), founded in 1975, is one of the leading groups in opto-electronics and digital converged devices. In 2007, the Group reported worldwide consolidated revenue of NT\$184.5 billion (corporate news, January 9, 2008). Core products, including Power Supplies, Enclosure, Imaging, Digital Display, and LED, contribute to the growth of the Group's global sales. In April 2008, the Board of Directors approved the transfer of the Digital Display business to Wistron Corporation. In the future, the Group continues to enhance its global market share in Power Supply business.

Lite-On Corporate Social and Environmental Responsibility (CSER) Committee manages its supply chains. Findings on labor conditions at its three Dongguan-based subsidiaries, namely, Lite-On Electronics, Lite-On Computer Technology, and Lite-On Xuji, are presented in the follows

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 Changan Town in 2006 and learnt that there were approximately 8,000 employees. By early 2008, it had expanded to around 10,000 persons. Young people (aged between 17 and 24 years old) and those who have good eyesight are most welcome.

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 in March 2008: fresh graduates from a village vocational school are queuing up before going into the facility to take a job test. They are carrying their personal belongings – in travel bags and cases – no longer in red plastic buckets as in the 1990s.

(2) Working Hours

Lite-On Electronics imposes some 100 – 120 hours of overtime work on workers in a month, far exceeding the 36-hour limit of the Chinese Labor Law (Article 41). Workers are not given 1 day of rest during the peak season (against the Article 38). Every day, workers complete a shift of 10 hours in total, or even longer.

Day-shift work timetable at Lite-On Electronics

NB department	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
Rest Break / Dinner	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 a very long working shift:

“Whenever the raw material supplies are short, we’ve to wait until the production lines are ready. The waiting time could take 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

Between September 2006 and March 2008, according to the local legal standard, the minimum wages for a 168-hour work month (8 hours/day x 22 days/month) in Dongguan should be 690 yuan. At Lite-On Electronics, however, the management pays workers the full amount only when they did not take any leave throughout the month. Otherwise, a ‘full attendance bonus’ of 60 yuan will *not* be given. The basic wages were thus left only 630 yuan a month, below the minimum statutory level.

Legal minimum wages of Dongguan City

	Monthly Wages	Basic Hourly Wages	Overtime Hourly Wages (weekdays)	Overtime Hourly Wages (weekends)	Overtime Hourly Wages (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 wages in Dongguan was still 690 yuan per month.

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

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

	Overtime Hourly Wages (weekdays)	Overtime Hourly Wages (weekends)	Overtime Hourly Wages (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	8.68	12.36

Grades 1 and 2 workers found illegally underpaid overtime wages the most intolerable – even when they do overtime work on Saturdays and Sundays, they receive merely the same overtime pay as weekdays, i.e., 6.18 yuan/hour. In other words, they are not paid a double of 8.24 yuan (against the Chinese Labor Law Article 44).

Grades 3 and 4 workers also expressed dissatisfaction about underpayments on Saturdays and Sundays – they were paid only 7.14 yuan/hour and 7.68 yuan/hour respectively (against the Chinese Labor Law Article 44).



Lite-On Electronics at Changan Town, Dongguan City – the factory gate and reception counter.

At Lite-On Electronics, “bonus deductions” happened on poor performance workers. For example, if the workers were found missing or wrongly place components, or did not test out failure products from test station, they will be punished 2 to 10 “points” for each mistake. A worker’s bonus of the month will be rendered “zero” if he or she is held responsible for poor product quality.

A record of production proficiency dated the 3rd September 2007, Lite-On Electronics (Dongguan), Co., Ltd

In the “white-glue adhesion” workshop, workers have to use adhesive glue to affix small components onto PCBs. An assembly worker has to finish 7 adhesive points in total. A female worker expressed worries about occupational health because she did not know what those glue in white colour are. Moreover, she finds the job stressful as the production speed is high.

In the ADD production department, standing at work is mandatory. A female worker said, “I have to keep standing for 11 hours a day to finish my quota. My lower back is aching. My legs are swollen. The only thing I want to do now is to go to bed in my dormitory.”

On the shop-floor of a moulding department, ventilation is not adequate. Internal temperature is high, especially when the heavy machines are operating. A male worker said, “I’ve not stopped sweating once I start to work. My skin is infected and I’ve got lots of ‘red spots.’ They are itching.”

These workers prefer to take night shifts because of less heat stress.

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

(6) Restriction of Freedom of Employment

Lite-On management does not approve workers’ resignation during the peak season. Workers have no choice but 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. A female worker said, “I’m fine with the dorm cost. But here [in the dorm] the security must be improved. I’ve lost my valuable items, so do my co-workers.”



Worker dormitories are located in the Lite-On Electronics facility.

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

- | |
|--|
| <ol style="list-style-type: none"> 1. Do not litter 2. Do not spit 3. Flush the toilet after use 4. Do not eat melon seeds or peanuts on the fields 5. Do not damage public properties 6. Smoke only in the designated zone; Strictly forbidden smoking in other areas 7. Do not forget switching off the tap 8. Do not leave food residues on the water drinking dispenser, or washing hands |
| <ol style="list-style-type: none"> 9. Do not stand or lie down on stony chairs 10. Do not pour water out 11. Do not jump the queue for eating or punching card for payment 12. Do not leave food residues on the dining table or the floor 13. Save food, do not leave over rice 14. Do not eat while walking 15. Place blankets, clothes, or shoes in your dormitory balcony under the sun only on Sundays or national holidays, not at any other time |

In the event of breaking any of the 15 above-mentioned dorm rules:

- 1) for the first time - condemnation and a fine of 5 yuan; for the second time – condemnation and a fine of 15 yuan; for the third time – condemnation and a fine of 45 yuan; for the fourth and final time – dismissal and a fine of 90 yuan.
- 2) charge the full amount for the property damaged.
- 3) fine for 45 yuan and a written warning for smoking in non-designated areas.

Workers hope for a better living environment and more freedom, instead of being controlled most of the time.

(8) Employee-Employer Communication

Lite-On 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.”

Lite-On worker interviewees however do not have any ideas about 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 show knowledge about their labour rights as described in the Lite-On Corporate Social and Environmental Responsibility manuals, the EICC, and 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 complaint to Dell with regard to working conditions at Lite-On, its direct supplier and long-term business partner. However, the long-term corrective action plan, if any, is not made accessible to SACOM or the frontline workers.

From the 1st April 2008 onwards, the Dongguan government slightly increased minimum wages from 690 yuan to 770 yuan a month. Lite-On workers demanded that their factory management strictly follow the law, in terms of both the basic and overtime pays. Moreover, comprehensive health and safety training for PCB and moulding 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 in Dongguan in 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 approximately has 4,000 employees. By the early 2008, the workforce has slightly increased to around 5,000 persons.



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

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



Shijie Town job ads display boards and recruitment counters.

(2) Working Hours

Day-shift work timetable at Lite-On Computer Technology

A department	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
Rest Break / Dinner	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)

In terms of working hours, Lite-On Computer Technology follows a normal 8-hour work day. Two 10-minute breaks are provided in the middle of mornings and afternoons respectively, which are however unpaid. Overtime work lasts for 2 to several hours. On Saturdays (and sometimes Sundays), workers are required to fill rush orders for 10 to 12 hours a day in total.

In a month, Lite-On Computer Technology imposes around 70 overtime working hours during low season (marginally comply with the EICC standard) and 100-some hours during high season (in violation of both the Chinese Labor Law and the EICC standard).

(3) Wages

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

Legal minimum wages of Dongguan City

	Monthly Wages	Basic Hourly Wages	Overtime Hourly Wages (weekdays)	Overtime Hourly Wages (weekends)	Overtime Hourly Wages (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 wages in Dongguan was still 690 yuan per month.

It was not until mid-to-late 2007 did Lite-On Computer Technology paid workers a double of their normal wages on Saturdays and Sundays, i.e., 8.24 yuan / hour.

Production workers earn 1,000 to 1,300 yuan a month in total, depending on their actual number of overtime working hours.

(4) Health and Safety

PCB assembling, soldering, screwing, packaging, and quality checking are perceived physically-demanding job positions.

In May 2007, a 21-year-old Shaanxi male worker resigned from Lite-On Computer Technology. He complained that overtime hourly wages of 6.12 yuan was so low that he preferred taking rest on Sundays. He continued to say,

“My line [at Manufacturing II] is responsible for assembling Dell monitors. I feel very tired and bored at work. I then quit and helped my father back home instead.”

Production safety is also workers' major concern. In the 2008 Chinese New Year weeks (on the 3rd February), Lite-On Computer Technology broke out a fire, damaging as many as 14 assembly lines. The cause was short cut in electricity networks. Workers told us that they were worried about the shop floor safety.

(5) Dormitory and Canteen

In the factory canteen, workers pay for the meals by using their e-cards. The price ranges from around 3.5 to 4 yuan per meal. In total, a worker spent around 150 to 200 yuan a month for food in the canteen.

A dorm room houses a maximum of 16 persons. Workers' wages are each deducted 60 yuan for water supply and electricity a month.

(6) EICC Knowledge

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

Concluding Remarks

Lite-On Computer Technology takes time to resume its full production capacity since the outbreak of the fire in February 2008. Workers are very concerned about their safety.

Between late 2007 and January 2008, SACOM made a strong complaint to Dell with regard to working conditions at Lite-On but in vain. Nowadays, as the ownership of the LCD display

business is transferred to Wistron, we will continue to hold Wistron and other buyers from Lite-On Computer Technology 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 instance, the production line specializes in producing Dell-180 keyboards is capable of producing 200 pieces an hour; whereas the more complicated Dell-7250 model are produced in less quantities of about 100 pieces an hour.

(1) Workforce

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

(2) Working Hours

Day-shift work timetable at Lite-On Xuji

A department	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
Rest Break / Dinner	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 Laser Printing department starts only at 7:40 am. Overall, the daily working hour ranges between 10 and 12 hours, which include 2 to 4 overtime working hours.

(3) Wages

Lite-On Xuji paid workers merely a basic wage of 650 yuan per month in 2006 and 2007, which was illegal. Overtime premiums on Saturdays and Sundays were merely 6.18 yuan per hour, not a double pay of 8.24 yuan as required by the law. It was not until these recent months did the management adjust the monthly pay to the local legal minimum standard of 690 yuan in Dongguan. Workers testified that they finally receive 1.5 times, 2 times, and 3 times the normal hourly wages for their overtime work on weekdays, weekends, and national holidays respectively.

Legal minimum wages of Dongguan City

	Monthly Wages	Basic Hourly Wages	Overtime Hourly Wages (weekdays)	Overtime Hourly Wages (weekends)	Overtime Hourly Wages (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 wages in Dongguan was still 690 yuan per month.

Working overtime for more than 100 hours a month (far exceeding the 36-hour legal maximum limit), Lite-On Xuji workers earn 1,000 to 1,300 yuan a month on average.

(4) Occupational Health and Safety

Major production departments include MP, MGF, MFT, MFC, and SMT. Lite-On Xuji does not have a program to identify, evaluate, and control the hazards of physically demanding work.

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

"The odour of the paint is irritating. I don't know what exactly the chemical compositions are. But I feel sickening. We also need to use thinner to clean up the printing machines. Despite the provision of gloves, we doubt their usefulness."

At the MFC department, the packaging workers have to stand as many as 12 hours at work. Workers perform repetitive tasks, especially in key cap assembly. It is common to hear workers complaining about 'swollen legs and back pain due to long time standing.'

A worker's story is shared:

A 17-year-old Henan female worker is in charge of fixing the keys on the keyboards. She felt having a lot of pressure because the work speed was very high. The management set a minimum quota of finishing thousands of keyboards a day per production line (varying by different models or brands). In reality, due to the high turnover rate and hence a relatively large portion of new workers – who were not familiar with fixing the keys to the right positions – the rhythm of the whole production line was slowed down. Behind the glamorous production record, however, the shape of her middle fingers has been slightly deformed. Work intensity was simply too high to a young girl.

Shop floor managers often warned everyone that there were too many unacceptable errors in the assembling process. They even said that the factory clients might withdraw the orders any time, and the workers would be out of job.

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

The time for going to the toilet is restricted to 5 minutes. Lite-On Xuji workers experience verbal abuses on the shop floors as a result of breaking the rules.

(5) Dormitory and Canteen

Despite the recent upward adjustments of the basic and overtime wages, Lite-On Xuji workers are required to pay a higher accommodation fee of 90 yuan per month, a 1/2 raise from previous level of only 60 yuan.



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

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

The factory canteen provides 3 meals a day to workers. Workers' e-cards record the cost (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 show knowledge about their labour rights as described in the Lite-On Corporate Social and Environmental Responsibility manuals, the EICC, and corporate codes of Acer, Apple, Dell, Foxconn, Gateway, HP, IBM, Lenovo, Logitech, Microsoft, NEC, Sony, and Toshiba.

Concluding Remarks

After SACOM made a strong complaint to Dell in late 2007 and January 2008, Lite-On Xuji workers informed us that their wages could then measure up to the legal minimum standards. However, a long-term corrective action plan, if any, is not made accessible to any frontline worker. Workers expressed their urgent needs for production safety training (to learn about

chemical hazards of the paint at use in keyboard manufacturing and preventive measures), and shortening the hours for standing at work (or to provide them at least 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 2007 global sales of US\$13.5 billion to customers in more than 150 countries.

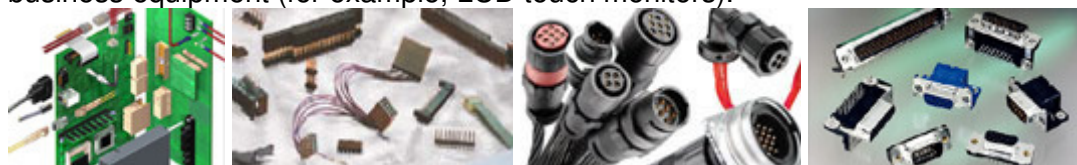
Nowadays, Tyco Electronics widely adopts a cost-sensitive procurement model, (1) to reduce the cost of purchasing products and services; and (2) to reduce Total Acquisition Costs (TAC) of purchased products and services, which could however produce negative impacts on its suppliers worldwide. Such cost-cutting strategy, however, could bring about negative impacts on its 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 at http://changping.gov.cn/NewVer/01changgai/01xgbd_14.htm).

(1) Workforce

Tyco Electronics Dongguan plant currently has a workforce of some 6,000 persons. Workers are recruited directly via advertisements at the gate of the facility, from job agencies in the region, and from vocational schools. A novice worker goes through two months probation. 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, which are widely used in computers, servers, disk drives, engineering workstations, mass storage systems, and touch screen business equipment (for example, LCD touch monitors).



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

(2) Working Hours

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

Day-shift work timetable at Tyco Electronics

A department	Working hours	
Morning	8:30 – 12:30 am	4 hours
Lunch	12:30 – 1:30 pm (1 hour)	
Afternoon	1:30 – 5:30 pm	4 hours
Rest Break / Dinner	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 working hours vary by production departments (the earliest shift starts at 8 AM). Our worker interviewee shares with us: His *day shift* begins at 8:30 AM and works until 12:30 PM, is given a 1 hour lunch break, and then works from 1:30 to 5:30 PM. Overtime work begins at 6:30 PM and works until 8:30 PM or late night. In a week, workers usually work for 6 to 7 days.



Tyco Electronics workers, in their blue-colour uniform, go to work.

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

(3) Wages

Legal minimum wages of Dongguan City

	Monthly Wages	Basic Hourly Wages	Overtime Hourly Wages (weekdays)	Overtime Hourly Wages (weekends)	Overtime Hourly Wages (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 wages in Dongguan was still 690 yuan per month.

In terms of wages, in July 2006, the basic wages at Tyco Electronics were 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 their actual amount of overtime work, productivity, performance, seniority, and other factors.

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

On average, in early 2008, production workers at Tyco Electronics earn 1,300 to 1,400 yuan a month in total during the peak season (including a monthly living subsidy of 100 yuan; given to workers between January and June 2008).

(4) Health and Safety

At Tyco Electronics, a group of workers have to constantly apply a kind of colorless glue in assembling. A 19-year-old Hunan worker, despite working in the factory since 2006, could not tell the precise chemical composition. Most of her co-workers do not wear gloves to work faster, given the requirement of high daily production quota. As a result, workers develop itching red spots or measles on their hands. Still, health check-ups are not provided.

Soldering work positions are also very demanding. An 18-year-old Henan female worker said, “The fumes released during soldering make me very sick. I’ve severe headache, especially on night shifts.” She is required to attend day and night shifts on alternate month.

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

“The production target is set high. If we haven’t finished the production target, we have to work extra time. We never stop working once we are sitting in the production line. We focus our eyes onto the plate and solder on it through the lens. By the time we finish work, our eyes sore and become very painful. We are using 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 change for another job later.”

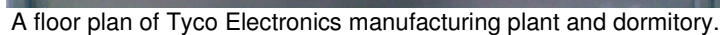
Workers feel irritation in their eyes. Although line leaders deliver eye drops to workers but the root cause of shop floor ventilation (and the control of soldering fumes) is not dealt with. Moreover, no eyesight test is ever conducted for the soldering workers.

In the PCB processing workshop, a 19-year-old male Henan worker informed us that he suffered acute eye pains after working intensively under a microscope. His eye-sight is deteriorating, a symptom shared among his co-workers. Another 23-year-old Shaanxi male worker 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 at the first place.

(5) Dormitories and Canteens

There are altogether 9 collective dormitory buildings in a proximity to Tyco Electronics. Some are cleaner and newer than the others. Every dormitory room houses 10 to 12 persons. There are basic facilities such as fans, bathrooms, showers, basketball courts, a mini library, and a TV room. Our interviewed workers in general find the dormitory conditions acceptable. Accommodation, water, and electricity are provided without charge to workers. But some workers have complaint about the noisy and overcrowded conditions. Although they have expressed their concerns, they received no answers from managers.



“Our monthly wages 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 a month. I usually have a steamed bun in the morning, fired noodles in the afternoon, and noodles or rice at night. I seldom have fish.”

Some Tyco Electronics workers have ever complained the “bad taste” of their canteen food, in an anonymous way, by using the suggestion boxes. However, there seems no significant improvement so far.

Based on the audit report dated June 2007, which was shared with the researchers by HP, Tyco Electronics factory management demonstrated a good awareness of the EICC code. However, worker interviewees informed us that they were not communicated the code. Factory managers, in their corrective action plan, expressed that they would ensure workers' adequate understanding of the protective provisions.

Tyco Electronics has put in place mechanisms to review and reduce the working hours. In the next step, they plan to recruit more people to cope with their fast expansion. All workers shall enjoy their right to copies of employment contracts, wages, and social insurance. These changes are encouraging. Nevertheless, health and safety of the production workers remains very worrying. Personal protective equipments have not been adequately provided to all workers in needed. Specialized training on chemical hazards is also not available. Worse still, health check-ups are not entitled to workers doing dangerous work. As a result, workers themselves may suffer chronic illnesses, which could have been preventable.

2.6 Factory case seven: Volex Cable Assembly Co., Ltd.

The Volex Group (www.volex.com) is listed on the London Stock Exchange and Volex is its trademark. Volex is a global producer of electrical and optical fibre cable assemblies and power cords (plugs, cables and connectors). The Group currently operates offshore manufacturing facilities located in Asia, Europe, North and South Americas. In Asia, the Volex Group nowadays has 3 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 more than 30 production centers worldwide. In its opening paragraph in *Marketing Review* dated June 2006, the Group mentions that the 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. Volex Zhongshan occupies 80,700 square meters in the new development zone. Its products such as angled plugs and straight plugs, connectors, data cords, and power cables are widely applied to desktop PCs, notebook PCs, printers, and audio video and game consoles.



Volex facility in Zhongshan City.

(1) Workforce

Volex Zhongshan currently has a workforce of around 1,500 to 2,000 employees. SACOM learnt from an online advertisement⁹ and worker interviews that Volex Zhongshan has engaged in business relations with Apple, Brother, Canon, Dell, Epson, Ericsson, Flextronics, Hitachi, HP (Compaq is acquired by HP), Microsoft, Nortel, Philips, Pioneer, Siemens, and Sony.

⁹ The online ad at www.jobcn.com/Person/Companycontent.jsp?ComId=231682.

(2) Working Hours

In SACOM's first visit in May 2006, we summarized the major problem of very long working hours and mandatory overtime work on Saturdays and Sundays (workers are not provided with at least 1 day off every 7 days) at Volex plant. Overtime hours on average were 100 to 140 hours per month, which significantly exceeds the 36-hour legal limit and the EICC allowable level. In the re-visits, we found that the work hours have improved slightly. Between 2007 and March 2008, Volex workers did overtime work ranging from 80 to 110 hours on average in a month.

Day-shift work timetable at Volex plant

A department	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
Rest Break / Dinner	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 fulfilling the corporate promise of “quality delivery and quality service,” the Volex management demands its production and transportation workers to work from 8 AM to 8 PM, with only two breaks of 45 minutes each for lunch and dinner. A shift lasts for 12 hours, and actual work time takes as long as 10.5 hours. In addition to normal 8-hour work stipulated by Chinese Labor Law, the 2 hours and 30 minutes are overtime hours.



Volex workers take rest during a long working day.

During the peak seasons, Volex workers are not given any day off. The Labor Law however stipulates that at least one holiday should be provided in a week.

(3) Wages

In terms of wage payment, Volex pays wages to workers through bank transfer. Wages are paid on the 28th of the month (for the period from 21st of the last month to 20th of the current month).

Legal minimum wages of Zhongshan City

	Monthly Wages	Basic Hourly Wages	Overtime Hourly Wages (weekdays)	Overtime Hourly Wages (weekends)	Overtime Hourly Wages (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 wages in Zhongshan was still 690 yuan per month.

The basic monthly wages at Volex was 574 yuan in May 2006, which was in accordance with the legal minimum level in Zhongshan City between 2005 and August 2006. Added with overtime wages, the interviewees received about 800 to 900 yuan a month. A 21-year-old Hunan assembly worker remarked,

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

Effective September 2006, the Zhongshan government raised the legal minimum wages from 574 yuan to 690 yuan a month. Including overtime premiums and other allowances, Volex workers currently receive around 1,100 to 1,300 yuan a month (fulfilling approximately 80 to 110 hours overtime work).

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

(4) Health and Safety

SACOM re-visited our worker interviewees after the Lunar New Year holidays in late February 2008, when they travelled back from their home villages. Production resumed to normal to high levels at Volex. On the shop floors, machines make high level of noises.

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

“I feel very 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 could 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. They comment that the expenses for dormitory, including rent (a fixed cost of 70 yuan per month), water, electricity, and miscellaneous costs, are high. Workers are required to pay extra fee for electricity and water usage in summer, which is not offset by savings in winter.



Volex Canteens: on the first floor (left) and on the second floor.

Dining in factory canteens, each Volex worker is charged 102 yuan per month for food. In the past, even when workers chose to eat outside, they were deducted 102 yuan from their wages! The system has recently been abolished. The fee (1 yuan for breakfast, 1.2 yuan for lunch, and 1.2 yuan for dinner) will no longer be deducted as long as they do not eat in the canteens.

(6) Communications between Managers and Workers

Volex specifies company rules and regulations, workers' rights and welfare, and communication mechanisms between managers and workers in its "employee handbooks." Worker interviewees however reflected to us they felt difficult to bring about issues regarding working hours, wages, and worker representation.

(7) Knowledge of Corporate Codes of Conducts

According to Volex's QA manager, it was only until mid-2007 did factory management present the EICC provisions to the employees for the first time. In our visit in March 2008, workers still were not aware of the implementation of the code.

Concluding Remarks

Volex's management stated that they are going to recruit new employees to ensure that all production workers could at least have one day of rest per week. Human resource managers believe that they can further reduce the overtime working hours to 80 hours or less a month. In terms of employer-employee communication, Volex management staff said they would be more responsive to workers' concerns about wages and welfare. Those would be positive steps that need close monitoring and wide support by the brands. The research team received answers that show that HP is closely monitoring the progress of the EICC induction training at Volex. The other concerned brands, Dell and Apple, did not answer questions on this specific factory case. The other member customers of the Electronic Industry Citizenship Coalition, namely, Apple, Dell, Flextronics, Microsoft, Philips, and Sony, should also ensure respect of the industry code by Volex factory management.

2.7 Summary of Major Findings

The seven electronics hardware suppliers, at varying degrees, have violated Chinese labor laws and regulations. Over the past year researchers mainly found improvement regarding the payment of legal minimum wage: we found compliance to local minimum wage policies at almost all the factories (Yonghong workers put under the probation are the only exception). Other improvements that we found in the factories were hit-or-miss. Examples include the reductions of overtime hours at Primax or, for example, the elimination of food deduction of 102 yuan at Volex (charged before even when workers did not consume in the canteens). Moreover, at Volex, the management says it presented the code of conduct to the workers (though none of the interviewees were aware of it). Furthermore, there are no longer minors aged 14 to 16 years old working at Yonghong. Unfortunately, neither the buyers (Acer, Fujitsu, Lenovo, Motorola, NEC, Samsung, Siemens, etc.) nor the factory owner has ever communicated with SACOM about the whereabouts of the 200 under-aged workers, with the youngest ones only 14 years old.

In areas such as working hours, overtime pays, and occupational safety and health important problems remain. In this section, we highlight the yet-to-resolved labor problems identified in Yonghong, and other 6 facilities, namely, Primax, Lite-On Electronics, Lite-On Computer Technology, Lite-On Xuji, Tyco Electronics, and Volex.

Let us emphasize that we are *not* going to rank the working conditions between the 7 electronics hardware factories. The examples are drawn from diverse product segments, such as power supply and printing and imaging. By presenting systematically the findings of the case studies, what we really want to do is to generate meaningful discussions about corporate responsibilities of technology giants to production workers in their supply chains in South China.

Unresolved Labor Problems

1. Labor Contract

A labor contract shall be subject to negotiation and consensus between the employment unit and a worker. It shall come into effect upon signing or affixation of seal by the employment unit and the work on copies of the labor contract. The terms of the contract, including wages and benefits, should be specified in accordance to the law. Moreover, workers shall exercise their right to resign. They are free to leave upon reasonable notice or to revoke the labor contracts when certain conditions are met. They should be adequately compensated for all hours worked prior to leaving.

Primax workers are <i>not</i> given copies of labor contracts.	<i>Article 16, The Labor Contract Law</i> The employment unit and the worker shall each hold a copy of the labor contract.
New workers at Yonghong receive basic monthly wages of only 700 yuan, which is below the legal minimum level.	<i>Article 20, The Labor Contract Law</i> The wage amount of a worker during her/her probationary period shall not be less than the local minimum wage standard."
Yonghong management does not even look at the resignation application forms workers hand in to them.	<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.
Lite-On Electronics management does not approve workers' resignation during the peak season, or workers forsake a portion of their wages if they quit.	

2. Overtime Working Hours

During the peak season, of all 7 surveyed factories, overtime working hours in a day routinely exceed 3 hours or far exceed the 36-hour maximum legally allowable limit.

a. A work day typically lasts from 9.5 to 15 hours (of which 8 hours are normal working time).	<i>Article 41, The Chinese Labor Law</i> The extended working hour for a day shall generally not exceed 3 hours.
b. Workers are not provided with at least 1 day off every 7 days.	<i>Article 38, The Chinese Labor Law</i> The employment unit shall guarantee that its staff and 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, The Chinese Labor Law</i> The total extended working hours in a month shall not exceed 36 hours.

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.

During the weekdays, Yonghong paid workers only the first 3 hours' overtime work, but forced them to continue to work until they have finished the daily production quota – without rewards for all subsequent overtime hours for the day.	<i>Article 44, The 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.
Primax paid 19.1% less than the local minimum level for overtime work on national holidays (i.e. only 10 yuan/hour, Dongguan).	<i>Article 91, The 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.
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 all 7 surveyed factories, occupational health and safety problems, some are more serious than the others, are documented.

a. Yonghong soldering workers are not provided with face masks or proper safety training about chemical hazards.	<i>Article 54, The Chinese Labor Law</i> The employing unit must provide workers with occupational safety and health conditions conforming to the provisions of the State and necessary articles of labor protection, and providing regular health examination for workers engaged in work with occupational hazards.
b. Primaxi PC mice testing workers are not entitled to regular eye-sight test, even when they have to look at the computer monitors for very long hours every day.	<i>Article 20, The Code of Occupational Disease Prevention</i> The employing unit should deploy effective occupational disease prevention facilities and provide the workers with the individual-used occupational disease prevention articles. Any such kind of articles 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 want to know of the chemical composition of the glue, and they are concerned about the harmfulness to their bodies (the glue is used to affix small components to PCBs).	
d. In Lite-On Computer Technology, a fire broke out on the 3 rd February, damaging as many as 14	

assembly lines.	
e. In Lite-On Xuji, workers stand 12 hours at work (only with meal breaks), assembling key caps, developing swollen legs and back pains.	
f. Tyco Electronics deliver eye drops to workers but the root cause of poor shop floor ventilation, and hence the weak control of soldering fumes, is not dealt with.	
g. In the Volex wire cutting department, female workers each squeeze together the two handles of a pair of pliers in their hands to cut wire – and their skin rubs off.	

5. Social Insurance

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

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

All 7 supplier factories of tech companies are found deviating from the global industry code and/or individual company codes in one or multiple ways.

The Electronic Industry Citizenship Coalition (EICC) attempts to enforce a Code, which outlines standards 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-conformances in “labor” and “health and safety” are evident.

Meanwhile, based on workers’ testimonies, we also find that individual companies’ codes were either neglected or enforced. There are as many as 14 companies, in 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.¹⁰ The protective codes in question were not communicated by the factory managers at the workplace level.

Analyses

First and foremost, order prices and the percentage of labor costs remain hidden from SACOM researchers, but we can be certain about the weakness of brand-name companies in ensuring their suppliers to pay the workers properly. While there has been a general increase in workers’ wages (an average worker earns approximately 1,300 yuan in total for doing around 100 hours of overtime work in a month), the inflation rate in the Pearl River

¹⁰ For EICC membership, as of January 2008, see <http://www.eicc.info/membership.html>.

Delta regions has also climbed to a new high. In addition, the charges by factory managers for accommodation and food have also been adjusted upward. Wherever we conducted field investigations in Shenzhen, Dongguan, or Zhongshan, we have heard of complaints about low wages. Worse still, there are serious cases of workers being paid below the legal minimum wages during the probationary period (only at 700 yuan a month), given much less overtime premiums than the government requirements, or even not paid overtime premiums. Basic economic interests of workers are not safeguarded.

Second, of all 7 surveyed factories, the working hours are excessively long during the peak season. An average worker has to do a 10.5 to 15 hours work shift, 6 to 7 days a week, and some 80 to 200 hours of overtime work in a month. This far exceeds the 36-hour legal maximum allowable limit. Pressured by an ever shorter delivery schedule, workers' meal break is often cut short to only 30 minutes to fill the rush order, sacrificing workers' health. A mechanism of worker feedback or two-way communication on controlling working hours is however not existed. This condition is worrying especially when workers are required to meet high production quotas.

Third, across all 7 researched factories, production workers are not provided with regular health check-ups. Systemic training for frontline workers on occupational safety and health in general, and toxic chemicals and industrial hazards in particular, are absent. Workers' health is further complicated at departments such as PCB assembly and soldering, mice assembling, mice-logo labeling, wire-cutting, keyboard laser printing, and keyboard packaging, where output volumes and production speed is very demanding. As a result, workers tend to suffer eye-sight deterioration, chronic back pains, leg pains, headaches, and skin allergies that are related to their jobs. When there is no provision of social insurance against illness or disease to workers in need, the workers could be thrown into a difficult situation.

Fourth, workers' rights to employment contracts and social securities 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 in Yonghong, and restriction of resignation in Yonghong and Lite-On Electronics.

Fifth and last, of all 102 worker interviewees from the surveyed factories, none of them has heard of the EICC Code or individual companies' ethical guidelines. They were not aware of the protective provisions and their direct relations to them. On the shop floor, workers have not noticed of any postings or trainings about the corporate social responsibility systems in a board sense.

CHAPTER 3

SOCIAL RESPONSIBILITY IN CHINA: RESPONSES BY COMPUTER BRANDS

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

In China, for example, the new labor laws that took effect in January 2008 resulted in important improvements to worker protection. However, this change in the legal texts, or framework conditions, is not sufficient to guarantee change in the factories. The national laws are in fact supplemented by local government regulations and policies. And government authorities in the industrial zones are engaged in ruthless competition to attract direct foreign investment. This competition sometimes benefits workers. For example, in 2007 minimum wages were increased in most cities in southern China due to a labor shortage. Still, in most cases, it is not in the workers' best interests: to avoid scaring off potential investors, local authorities and labor bureaus do not hesitate to turn a blind eye to workers' rights violations that occur in the factories.

In this context, companies bear a heavy responsibility. Western companies, which are powerful investors and sought-after buyers, must adopt consistent practices and policies to support implementation of both national and local labor laws, and to guarantee Western consumers that the manufacture of the goods they sell respects workers' rights. In the third chapter of this report, we will turn our attention to the responsibility of Western companies and their attitudes and practices in China.

3.1. Methodology

In order to evaluate the social responsibility policies of Hewlett Packard, Dell, Acer, Apple and Fujitsu Siemens in China, we sent these companies a questionnaire. We asked them what they had done *in China*, between *January 2007 and March 2008*, to improve the working conditions in their supplier's factories.

The questions focused on five aspects of social responsibility: the normative framework or code of conduct, the management structure, implementation policies for the code, monitoring measures used, and the steps taken to facilitate the social dialogue, that is, worker participation.

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

b. Management structure defines how many people are in charge of social responsibility issues within the company, whether these persons have real internal influence, and whether there are also local offices in the producing country. The answers are unequivocal: without human resources at headquarters and in the producing country, no improvement in working conditions and social management can occur. The code of conduct will be doomed to go unheeded.

c. Implementation considers the steps taken by Western brands to ensure that the code of conduct is enforced and obeyed in the factories. Such steps include, for example: requiring suppliers to sign a statement; asking them to undertake a self-evaluation; organizing discussion and training forums for Western and Chinese managers; diagnosing risks; doing more in-depth analysis of the problems faced by a given factory; adapting delivery deadlines and prices.

d. Monitoring must allow for an assessment of whether the code of conduct is truly being implemented in the producing factories—i.e., whether working conditions have concretely improved for the workers and whether the labor laws are being obeyed. Monitoring depends on various sources of information: factory visits, interviews of managers and workers, analysis of reference documents (pay stubs, time cards, management system, etc.). Audits can be done by the Western 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 participants (unions, NGOs in the producing country, etc.), in which case they are independent or multiparty audits.

e. Participation means the issue of worker participation in improving their working conditions, which is a crucial one. The workers are on the spot, day after day, and 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 the workers: suggestion boxes, complaint hotlines, posting the code of conduct in the local language, etc. Open and more participatory channels of communication must also be put in place: worker training on the code of conduct's content, regular meetings between factory management and employee committees, etc. The new Chinese labor laws encourage the creation of such mechanisms.

3.2 Brand's Answer

The answers the brands have given to our questionnaire are summarized below. The language is the one the brands themselves have used to describe their CSR policies in China. In the third part of this chapter we will analyze those answers.

1. CODE OF CONDUCT				
Hewlett Packard	Dell	Apple	Fujitsu Siemens	Acer
<p>HP's Electronic Industry Code of Conduct (EICC) is our social and environmental requirements for our suppliers and it is applied in China.</p> <p>HP has also supplemented the EICC with additional requirements related to freedom of association and worker management communications.</p>	<p>Dell requires all suppliers to embrace high standards of ethical behaviour and treat their employees with dignity and respect, consistent with local law and the Electronics Industry Citizenship Coalition Code of Conduct.</p>	<p>Apple's Supplier Code of Conduct applies to suppliers in China and throughout the globe.</p>	<p>At Fujitsu Siemens Computers the approach is guided by our membership of the United Nations Global Compact.</p> <p>FSC also has a separate, stand-alone Fujitsu Siemens Computers Supplier Code of Conduct.</p> <p>Fujitsu Siemens Computers also joined GeSI, <u>the Global e-Sustainability Initiative</u>, in early 2008.</p>	<p>ACER has applied for membership in the Electronic Industry Citizenship Initiative (EICC) and its application is being processed.</p>
2. MANAGEMENT STRUCTURE				
(General management structure, Ethical/social responsibility program manager(s) in the headquarters and in China)				
Hewlett Packard	Dell	Apple	Fujitsu Siemens	Acer
<p>HP has a Global Social and Environmental Responsibility team on the international level composed of 80 persons in total. The Managers of the Supply Chain Social and Environmental Responsibility are part of the Supply Chain board that meets monthly and reports directly to the HP Executive Council.</p> <p>HP has a team of auditors located in China, Taiwan and Hong Kong headed by Chi-Luen Lee, with offices in Hong Kong and Shenzhen China. Mr. Lee oversees an audit team of more than 35 auditors in Asia. The auditors have expanded roles beyond auditing that includes 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 on the international level. Dell also has a team member based in Singapore that spends 30% of their time in China supporting the suppliers by answering questions on the code and the first level of escalation for follow-up on any reports.</p>	<p>Apple has a Corporate social Responsibility team that has grown from one person beginning 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 a corporate level FSC individuals across the organization that represent the company in matters of Corporate Responsibility and Compliance, and support in the co-ordination and communication on this topic. The company is aiming to recruit a specific Corporate Responsibility Manager in 2008.</p>	<p>On the strategy level, Acer has set up an Executive Committee (CSR Executive Committee) which directly reports to the Chairman and the CEO. There are dedicated resources in the headquarters and in the regions in order to support the proper execution.</p>

3. IMPLEMENTATION

Hewlett Packard	Dell	Apple	Fujitsu Siemens	Acer
<p>HP follows the same approach to implementing labour standards with our suppliers globally. Our social and environmental responsibility (SER) program follows four phases that promote continual improvement in supplier companies:</p> <p>16. introduction: HP conducts preliminary risk assessment of suppliers.</p> <p>17. assessment: SER requirements are confirmed in the HP Supplier contract. Supplier completes an SER agreement and a self-assessment</p> <p>18. validation: HP conducts on-site audits of selected sites. After implementation, we re-audit (several times if needed) and verify that the non conformance and its causes have been addressed.</p> <p>19. continual improvement: We identify key education areas.</p> <p>In China, HP conducted supplier forums to introduce HP's requirements as well as had suppliers complete self-assessment questionnaires to determine where they may have gaps in their policies and practices.</p> <p>In 2007, we had four key capability-building initiatives:</p> <p>1. FISI: HP launched the Focused Improvement Supplier Initiative (FISI) with several organizations with experience conducting training in China (such as Verite, ENSR, WSP, ERM and GED). The FISI</p>	<p>Dell asked our key tier-one suppliers to sign a letter of commitment to the EICC Code of Conduct. In this letter, suppliers agree to develop infrastructure, training and systems to implement the EICC Code of Conduct in their own operations. In addition, we ask that they develop a plan to cascade the code into their supplier chain.</p> <p>The Global Citizenship team works directly with our Tier 1 suppliers to communicate and ensure understanding of our Global Citizenship requirements. Our team identifies those suppliers that are higher risk, and partners with them to address gaps in their processes to the EICC code. This partnership includes site visits, follow-up meetings and executive escalations (as needed) to discuss corrective actions.</p> <p>Dell also conducts quarterly business reviews with tier one suppliers requiring each supplier to submit evidence that they are implementing processes to align with the EICC code. Dell also has Global Operations Engineers onsite at our tier-one suppliers that escalate issues they see during their on-site visits.</p> <p>Finally, we also hold workshops for suppliers during the year to help communicate these requirements. In China, Dell hosted two supplier workshops in 2007, one in Shenzhen, one in Shanghai. The workshops covered topics ranging from using Business Process</p>	<p>Apple has incorporated social responsibility updates into their supplier business reviews and expects all of their suppliers to adhere to the principles in our Supplier Code of Conduct.</p> <p>When Apple discovers deficiencies they require corrective actions with a focus on prevention and systemic solutions. In cases where a supplier's efforts in this area do not meet their expectations, their contracts will be terminated.</p> <p>Apple has also invested in training and capacity building efforts for workers and managers at supplier facilities.</p>	<p>These FSC codes of conduct principles have been integrated into all our Master-Purchasing Agreements with our strategic and key suppliers. To date the majority of these key suppliers have now signed a confirmation letter showing their commitment to the standards within the Global Compact.</p> <p>In order to ensure our suppliers comply with our corporate requirements, we carry out bi-annual reviews. These reviews cover more than 80% of our purchase volume per annum and consider all aspects of the supply chain.</p>	<p>Acer implemented procedures and training material for managers in headquarters and in the region in order to teach and support the CRS standards. There will also be additional communication in June 2008 from Acer Inc. about our organisational structure and the actions and effort we put in place.</p>

<p>program provided monthly training sessions to approximately 30 of our manufacturing suppliers in China, who employ approximately 100,000 people, between June 2006 and June 2007. It is continuing with another 15 suppliers from the period of November 2007 to November 2008. Factory managers as well as managers in quality, human resources and environmental, health and safety attend the sessions. Each person receives between two and four days of mandatory training per month for a year. The FISI training sessions cover increasing productivity, working hours, wages and benefits, worker communications, management systems, root cause analysis, Chinese laws and regulations, the environment and health and safety.</p> <p>2. Verite Management Action Planning Sessions: HP employed Verite' to conduct Management Action Planning sessions with specific suppliers in China to help them develop corrective actions to address non-conformances that would be sustainable for their factory.</p> <p>3. The Foreign Investment Advisory Service (see under 5)</p>	<p>Improvement to how to address gaps to the Code to worker communication mechanism.</p>			
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4. MONITORING (monitoring measures, number of audits)

Hewlett Packard	Dell	Apple	Fujitsu Siemens	Acer
<p>In 2007, HP conducted 80 audits in China and 5 audits in Taiwan. The supplier factories in China are often Taiwanese-owned and so we also audit their factories or headquarters in Taiwan. We have a fairly broad scope of suppliers included in our audit program. We audit our contract manufacturers as well as audit commodity parts suppliers.</p> <p>Through these audits, we examine suppliers' management processes and identify non-conformances with our SER program. The main non-conformances identified were working hours, wages and benefits, emergency preparedness, the handling and control of hazardous substances, and industrial hygiene.</p> <p>If HP receives allegations about suppliers that are deemed to be sub-tier suppliers or we have a specific business requirement, we will audit sub-tier suppliers by involving our first-tier suppliers in the process. We have audited several suppliers that are both 1st tier to HP as well as 2nd tier to our contract manufacturers since they supply to both customers. These suppliers are mainly our commodity suppliers. We have audited 3 sub-tier suppliers (without direct contracts to HP) through our first-tier suppliers during this timeframe.</p> <p>In addition to HP internal supplier audits and independent 3rd party audits, we are participating in the Electronic Industry Citizenship Coalition joint audit process.</p>	<p>In 2008 we made our own supplier visits to 15 key suppliers and 17 sites to assess EICC compliance in China. In addition, we sent letters to 80 first tier suppliers driving the expectation to comply with EICC code of conduct. Dell's belief is that collaborative audits are the most effective. We leverage the audits that are being conducted by the EICC. EICC completed over 20 audits, 14 of which were with Dell suppliers. In 2008 Dell's goal is to complete a total of 100 audits with EICC.</p>	<p>Third-party experts carry out comprehensive audits led by Apple employees. These audits cover working and living conditions including wages, work hours, health and safety and other practices at supplier facilities.</p> <p>When non conformances are discovered, a corrective action plan is established. Suppliers have three months to take the corrective measures. Usually one year later, a follow-up audit verifies whether corrective actions have been implemented.</p> <p>In addition, Apple is expanding their monitoring program beyond final assemblers to other suppliers deeper in their supply chain.</p> <p>In China Apple has realized an important number of audits in 2007.</p>	<p>Beginning in 2007 FSC started to carry out random independent audits across our key-supplier base dedicated to Corporate Social Responsibility. This is specifically to ensure adherence to the standards laid down in the Global Compact. The first wave of our random audit process in Asia took place in April 2007. The audit process for 2008 will shortly begin – in line with our financial year.</p> <p>Information's about the number of audits done resides with our suppliers and cannot be communicated by us</p>	<p>Acer started doing audits in November 2007 and performed them monthly since. Targets are particularly the large suppliers and the aim is monitoring the correct execution of the contracts in place with those suppliers.</p>

5. WORKER'S PARTICIPATION

Hewlett Packard	Dell	Apple	Fujitsu Siemens	Acer
<p>Suppliers have varying methods for communication with workers or handling complaints in their factories such as worker committees, councils and unions, worker representatives or liaisons, suggestion boxes, meetings with management, electronic voting devices and worker surveys.</p> <p>HP also engaged into pilot-projects to explore worker's training on the code of conduct.</p> <p>FIAS HP co-led a multi-stakeholder partnership for providing a capability-building strategy for the electronics sector in southern China. The FIAS pilot projects were launched after the completion of a detailed report. In a pilot project common 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>SACOM By the end of 2007, HP and SACOM started planning in more concrete terms for worker rights training program at two HP direct suppliers. In the long run, it is expected that such joint training initiatives will result in sustainable code compliance and democratic worker participation at the workplace level in China.</p>	<p>At the workshop in Shanghai, one of the topics presented was worker communication mechanism. This topic provided options for collecting feedback and implementing the feedback into processes. In an upcoming workshop, we will have a panel discussion on worker hotline and the benefits.</p> <p>We continue to leverage the collaborative efforts of EICC member companies. One of the pilots conducted was around worker training at suppliers. The goal will be to leverage the learnings from this effort and determine how best to implement across the supply chain.</p>	<p>Apple has invested in training and capacity building efforts for workers and managers at supplier facilities.</p> <p>In 2007 in China, Apple has trained over 2000 workers/employees in suppliers factories. This was done independently from the audit process. Those efforts to train supplier employees are aimed at increasing awareness of the standards in our Supplier Code of Conduct, with the ultimate goal of improving working conditions.</p> <p>In addition to the trainings, our auditors ensure that there are adequate grievance procedures available.</p> <p>We also require that our Supplier Code of Conduct be posted in the facility in the local language.</p>	<p>We, Fujitsu Siemens Computers, do not conduct trainings with our suppliers – that is not our role unless specifically requested to do so by our supplier, e.g., we trigger cross-company learning between non-competing suppliers – enabling the sharing of best practice.</p>	<p>No training</p>

3.3. A Critical Evaluation of the Company Responses

Hewlett Packard: Setting the Tone

Commitment: high

Transparency: high

Hewlett Packard was the first computer brand to take an approach to social responsibility, in 2002. It was also one of the originators of the Electronic Industry Citizenship Coalition (EICC), the 2004 sectoral initiative begun in response to the campaign by the English non-governmental organization CAFOD.¹¹ Today, Hewlett Packard is still a leader in this area.

First, the company has devoted significant resources, in terms of human and financial resources, to implementing its code of conduct in China. It has taken a systematic approach, which it makes public with precise details and numbers. *Second*, the American 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 Western computer brand that is making the greatest effort to enter into a multiparty dialogue, i.e., with outside and independent parties. In particular, in China the company has agreed to undertake a Chinese 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 uses an adapted version of the Electronic Industry Code of Conduct (EICC). The company has modified the paragraph relating to freedom of expression and collective bargaining.¹³ In contrast, it has not changed the other problematic paragraphs of the EICC, namely:

- hours of work: the text mentions a maximum of 60 hours of work per week, but allows exceptions,
- job security: not mentioned,
- living wage: the code talks about minimum wages.

b. Implementation: Hewlett Packard has appointed a team of substantial size for its Social and Environmental Responsibility program, both at its California headquarters and in the producing countries. In China, a coordinator with a team of 30 auditors is responsible for tracking implementation of the code of conduct by suppliers in this country.

The team members are in regular contact with the suppliers. They have the suppliers sign the code of conduct, and support a training and self-evaluation process. Since Hewlett Packard’s social responsibility activities in China began in

¹¹Catholic Agency for Overseas Development, “Clean up your computer,” www.cafod.org.uk.

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

¹³Hewlett Packard’s code mentions, in particular, “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.”

2003, the company has held fifty training courses and discussion forums for 150 suppliers.

In terms of verification, Hewlett Packard uses third-party audits. In 2007–2008, eighty audits were done in China. This is a large number. The American company also cooperates with the Electronic Industry Citizenship Coalition, but does not stop with the initiatives taken by this working group: it also actively undertakes its own evaluations, audits, and training.

c. Worker participation: In China, Hewlett Packard has taken three main initiatives in terms of worker participation, communication and training.

- FISI: This is very intensive training in which many Chinese managers participated in 2007. Its goal is to work on the general procedures for implementing the code of conduct, including mechanisms for communicating with the workers.

- SACOM: The company has agreed to participate in a pilot project suggested by NGOs (*Bread for All*, *Swiss Catholic Lenten Fund* and SACOM). The purpose of the project is to train workers on the code of conduct and mechanisms for social dialogue. The training is provided by independent NGOs based in Hong Kong and China.

- FIAS: A project that also aims to explore mechanisms for communicating with the workers.

Hewlett Packard is the only company that has attempted to begin a regular dialogue with community-based organizations in industrialized countries as well as in the producing countries – and that, building on this foundation, has agreed to test independent initiatives to train workers, and so to truly empower, them.

d. Transparency: Hewlett Packard makes its list of suppliers public. When asked about measures taken in China since January 2007, in the context of our survey, it responded with verifiable, quantifiable data. Finally, Hewlett Packard is the only company that answered the second part of our questionnaire concerning measures that have been taken in specific supplier factories in China.

Hewlett Packard has made implementation of the code of conduct a priority. Indeed, it is setting the tone in this area. In order to continue on this progressive path in China, the American company will have to meet two critical challenges in particular:

1. laying the foundations for a true social dialogue with the NGOs and worker representatives. There is a unique twist to the union issue in the “Middle Kingdom,” given that freedom of association is not recognized by the country’s laws. Even so, concrete communication mechanisms that encourage worker training and participation can be put in place. Such measures are encouraged by the new Chinese labor laws. They are also of central importance to the Western brands. The workers are in the factories every day. Between audits, they are the only ones that can keep an eye on the actual implementation of the code of conduct, and on the respect of their rights.

2. adapting purchasing policies: It is Hewlett Packard’s responsibility not to take with one hand while it gives with the other—i.e., not to cancel out the effects of a progressive social responsibility policy by pressuring the suppliers, e.g., by reducing delivery times, systematically cutting prices, and systematically and indiscriminately causing the various suppliers to compete with each other.

Dell: Slowing Down

Commitment: average

Transparency: average

The year 2007 was a turbulent one for Dell. After a loss of market share in portable computers in 2006, the American company returned Michael Dell, the founder, to the helm. Michael Dell repeatedly made announcements: introducing the system of indirect sales, restructurings, layoffs around the world. In terms of sustainability, the company announced concrete steps to reduce CO₂ emissions and increase recycling of used computers. But it did not display the same fervor where social responsibility measures were concerned: despite four years of experience in this area, Dell is struggling to convince. And the steps it has taken in China over the past fourteen months are disappointing: few innovations or changes, little concrete progress and few quantifiable measures for improving working conditions in its suppliers' factories. In reality, Dell has not given priority to improving working conditions and conditions for the production of its computers.

a. Code of conduct: Dell uses an adapted version of the Electronic Industry Code of Conduct (EICC). In particular, it has announced a change in the text concerning a major issue: the right to collective bargaining, as well as the need to promote channels of communication between management and workers, even in countries where freedom of association is not recognized. But in April 2008, this change still does not appear in the code of conduct that Dell presents on its website. It is therefore unclear whether Dell has enforced its freedom of association/collective bargaining policy towards its suppliers. Dell has not changed the other problematic paragraphs of the EICC, namely the issues of work schedules, job security and decent wages.

b. Implementation and verification: Dell has appointed a Global Citizenship Team at its headquarters, as well as a team member based in Singapore who spends 30% of the time in China. To support implementation of its code of conduct in China, Dell has its suppliers sign a contract. Quarterly meetings bring together the Dell teams and the suppliers so that issues related to code of conduct implementation can be brought up. These meetings are preceded or supplemented by self-evaluations, analysis of root causes and training sessions. In 2007, Dell set up two training sessions for its suppliers in 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 in the context of the EICC: fourteen of its suppliers have been audited by this project. These are positive steps, but are still modest considering that it has already been four years since Dell committed to working on social responsibility in its production chain.

c. Worker participation: Dell theoretically recognizes 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 modest: the subject was broached only once with Chinese suppliers in 2007.

The same holds true where worker training on the code of conduct is concerned. At the beginning of 2007, Dell stated that such training would be a priority in upcoming years, but it has not begun to take any steps of its own with its Chinese suppliers. The company has settled for working within the Electronic Industry Citizenship Coalition's pilot project.

d. Transparency: Dell does not make a list of its suppliers in China public. From time to time it will confirm the name of certain suppliers, but it refuses to comment on their status. Dell is making efforts to open a dialogue with the NGOs. In the context of the multiparty discussions, it shares useful information about its policies concerning social responsibility in the production chain. But the American company is not managing to cooperate in a structured and regular manner with these outside parties.

Apple: Ripening to Maturity

Commitment: Average
Transparency: Low

It took an article published in the English press in June of 2006 and a scandal caused by the revelation of the 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: its team for social responsibility issues has grown from one member in 2007 to eight in 2008. The company is increasing the number of audits in China and offering training classes not only for the managers but for the factory workers as well. Apple is unquestionably maturing. However, it continues to suffer from a major problem: opacity. Apple wants to control all communication that concerns its business. It gives incomplete answers to those who ask about its practices¹⁴ and refuses to engage in any public discussion on this topic. Will Steve Jobs perhaps announce spectacular social responsibility measures in a few weeks? It is conceivable, given the company's course change. That in itself would be good news. Still, Apple is forgetting that improving working conditions is not an issue that can be managed like a technical challenge. It requires more than just technological, scientific and cosmetic solutions: it requires transparency and expertise in conducting social dialogue. In this area, the company still has everything to learn.

a. Code of conduct: Apple has done some good work on the normative content of its code of conduct, which goes farther than the Electronic Industry Citizenship Coalition code that served as its model. Compared to the EICC, modifications were made on three important points:

- freedom of association: it supports the right to collective bargaining, and mentions that workers cannot be dismissed or prejudiced because of union membership,
- health and security: the code mentions training for workers and the creation of worker's health and safety committees,
- maximum working hours: the Apple code states that under no circumstances should workweeks exceed the maximum permitted under applicable regulations.

b. Implementation and verification: The number of people involved on the social responsibility team grew impressively from one person in 2007 to eight in 2008. Two employees are based in China and monitor the suppliers in that country.

Where implementation of the code of conduct is concerned, Apple requires signature of a contract, holds regular discussions with the supplier in the context of its business reviews and provides specific training for the factory managers. Apple says it has done "a significant number of audits" in China but refuses to give a figure. The audits are done by third-party companies.

¹⁴Also in the context of our questionnaire: Apple answered superficially and incompletely.

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 Chinese workers. The sessions were led by a specialized company and concerned the code of conduct and the improvement of working conditions. This practice is to be welcomed, and Apple quickly changed its approach to social responsibility to include the issue of worker training. However, its *modus operandi* is still based on a top-down or managerial approach, which does not take into account the conflicting aspects of the social dialogue. Apple trains its workers with no contact whatsoever with the organizations that represent worker interests...

Fujitsu Siemens Computer: Lagging Behind

Commitment: low

Transparency: low

Fujitsu Siemens 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 about half of its worldwide production. Fujitsu Siemens' components—and in the final analysis, about half of its computers—are now made in Asia, primarily in China. Under what social conditions? To answer this question, the company ought to have set up a strict social responsibility policy with regards to its suppliers. This is not the case. Fujitsu Siemens is lagging behind. And the answers to our questionnaire reveal that the company is not very committed and not very transparent where social responsibility in China is concerned.

a. Code of conduct: In normative terms, Fujitsu Siemens' code of conduct remains very incomplete. The version available on the Internet¹⁵ is based mainly on the United Nations Global Compact.¹⁶ Consequently, it lists five basic workers' rights: freedom of association, collective bargaining, prohibition of all forms of forced labor, prohibition of child labor, and non-discrimination. However, the code makes no mention whatsoever of the following rights: protective measures for workplace health and safety, job security, guarantee of a decent wage and compliance with work scheduling regulations. In this regard, it falls far short of the sectoral Electronic Industry Code of Conduct (EICC).

b. Implementation and verification: In terms of 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—"including in the area of social management," states the company. However, according to its answers, no one at Fujitsu Siemens is responsible for ethics, either at the top level (headquarters) or locally (posted to China). There are

¹⁵ Fujitsu Siemens Computers Supplier Code of Conduct, version dated 10 November 2007, www.fujitsu-siemens.de/Resources/194/1029327468.pdf.

¹⁶ The Global Compact is an initiative taken in 1999 by the United Nations Secretary-General at the time, 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.

plans to hire one person, but not until 2008. So implementation of the social responsibility policies by the suppliers has remained a marginal question until now.¹⁷

With regard to training factory managers on the code of conduct, Fujitsu Siemens states in its response to our questionnaire that “It is not our role.” So the company feels that it is up to the supplier to manage this and provide training, risk analysis, analysis of reasons for noncompliance, etc.—and to bear the costs of implementing the code of conduct. Fujitsu Siemens has settled for contractually requiring compliance with the social principles, which shows that the company refuses to consider respect for workers’ rights in its suppliers’ factories as a real shared responsibility.

c. Worker participation: In Germany, Fujitsu Siemens has an acknowledged tradition of social dialogue, negotiation with unions and their representatives. The electronics sector historically is not very unionized, so this fact should be mentioned. However, beyond the borders, Fujitsu Siemens feels that implementing the social dialogue is the responsibility solely of its suppliers. This reflects a minimalist and not very progressive idea of social responsibility.

d. Transparency: Fujitsu Siemens does not divulge the list of its suppliers. It also denies the results of independent surveys taken in its suppliers’ factories in Asia.

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 drawn up by International Consumer Research and Testing. The company 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 the Chinese factories.

Fourteen months later, Acer is still in the red zone but has made an important change in course: 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 denial of 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 taken the first steps to becoming a member of the Electronic Industry Citizenship Initiative (EICC). This process should be complete in June 2008, at which time Acer will adopt the EICC’s Code of Conduct. It gave no indication about possible enforcement of the EICC with regard to the sections that are incomplete, that is to say: freedom of association, collective bargaining, maximum working hours, the security of employment and the rights to a living wage.
- b. Implementation and verification:*¹⁸ Acer established a CSR Executive Committee to oversee improvement and implementation of its CSR policy. The Taiwanese

¹⁷ Fujitsu Siemens’ poor rating within the Global Compact also confirms this opinion: until January 2008, the company was listed among the non-communicating enterprises where implementation of the Global Compact’s measures is concerned.

company has not yet hired a person to take charge of social responsibility issues, but began auditing in November 2007. Training material on social issues has been developed for managers at headquarters and in the regions. Information on this subject is incomplete.

c. *Worker participation*: No information is available on this topic.

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 directors and workers.

¹⁸ This assessment is based on Acer's answers to the questionnaire. In June 2008, the company will announce new measures intended to refine its social responsibility policy. This information, which has not yet been made public, could not be included in this report.

CHAPTER 4

CONCLUSION AND RECOMMENDATIONS

This one year follow up research, from the perspective of supply chain labor responsibility, analyzes the relation between the policies of brands (mainly Hewlett Packard, Dell, Apple, and Acer) and the changes of 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 the positive inputs from more progressive brands beginning early 2007, long-term problems still persisted in their Chinese supplier factories. They include substandard wages, excessive work hours, poor occupational health and safety, no rights to employment contracts and resignation, and no communication of corporate codes of conduct to workers.

One year may be too short to see any significant achievements brought about by the concerned brands on the ground. To promote continuous improvement at the surveyed factories in China, and to advocate sustainable development in the electronic industry worldwide, we believe the brands and the supplier factory management should take the following pro-active steps:

1. to provide regular reports on the progress of corrective actions for public monitoring;
2. to raise workers' awareness and understanding about corporate codes of conduct in participatory workshops and other effective forms;
3. to engage in social dialog with Bread for All, Swiss Catholic Lenten Fund and SACOM, and the concerned public to facilitate workers to participate in CSR monitoring at the workplace level; and
4. to 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 consumption power to improve working conditions in supplier factories. Consumers can request detailed corporate information from the brands on how do they produce their products through global outsourcing and subcontracting systems. National and local authorities also have a special responsibility: by adapting their public procurement policies, they can give a crucial support to labour condition improvement. Respect of the core ILO Conventions and of the national labour laws should become a basic condition for any company to access a public market.

APPENDIX 1 : CONTACTS OF THE FACTORIES

1	Yonghong Electronics Juyuan Industrial Zone, Tangwei Village, Fuyong Town, Baoan District, Shenzhen City, Guangdong Province, China [within the compound of Zhonghan Electronics] Tel: 86 755 2730 9012 ext.120 Fax: 86 755 2730 9013 Email: computeren@behost.com.cn
2	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
3	Lite-On Electronics (Dongguan) Co., Ltd. No.1 Zhenan Road, Shangjian Industrial District, Changan Town, Dongguan City, Guangdong Province, China Tel: 86 769 541 6970 Fax: 86 769 5416970
4	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
5	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
6	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. Fu kevin.fu@tycoelectronics.com
7	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

APPENDIX 2

PRESENTATION OF THE ORGANISATIONS

Students and Scholars against corporate Misbehavior (SACOM)

SACOM, a Hong Kong-based non-profit organization founded in June 2005, aims at bringing 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 labor conditions of cleaning workers and security guards 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 surf our website at www.sacom.hk.

Bread for all (BFA)

Is the Swiss Protestant churches' development agency. Bread for All 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 citizens about North-South issues. And to participate in development policy activities aimed at achieving more equitable international socio-economic structures, protecting Creation and building peace.

Fair Trade and Fair labour conditions has 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 member of the independent monitoring initiative Fair Wear Switzerland. Every year, during the 40 days before Easter and in cooperation with the 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 about labour conditions in the ICT hardware production sector. BFA 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. Promoting self-empowerment! 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 in the South. We inquire into the causes of poverty that affects 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).

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