

High Tech - No Rights?

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

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By

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HIGH TECH - NO RIGHTS?

A ONE YEAR FOLLOW UP REPORT ON WORKING CONDITIONS IN CHINA'S ELECTRONIC HARDWARE SECTOR

EXECUTIVE SUMMARY

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

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

Electronics Factories: Labor Abuses Remain

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

OVERTIME WAGES

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

WORK HOURS

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

HEALTH

As far as health is concerned, preventive and protective measures are not taken. Insufficient ventilation in soldering rooms, handling of toxic products with no masks or gloves, standing during the entire workday, and unrealistic production quotas are all recurring phenomena. Many workers surveyed suffer from allergies, eye irritation,

headaches and back pain, yet there are no medical check-ups. Not one of the factories surveyed had provided systematic training for workers on handling procedures for toxic products, measures to protect them against accidents, or workplace health and safety in general.

LABOR CONTRACTS

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

WORKERS' RIGHT TO LEGAL INFORMATION

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

Some Improvements

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

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

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

The Brand Response: Varying Levels of Commitment and Transparency

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

HEWLETT PACKARD: SETTING THE PACE

Commitment: High

Transparency: High

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

DELL: SLOWING DOWN

Commitment: Average

Transparency: Average

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

APPLE: RIPENING TO MATURITY

Commitment: Average

Transparency: Low

In the past few months, Apple has stepped up its efforts to increase control over its production chain. Their social responsibility team has grown from one member in 2007 to eight in early 2008. The company states that it has increased the number of audits in China and implemented training courses not only for factory managers but also for workers. However, Apple remains non-transparent. The company refuses to confirm their supplier list and gives no concrete figures for the number of audits and

training sessions completed in China. It is therefore difficult to be certain about the credibility of its statements. Apple also refuses to engage in any public discussion about their social responsibility, or to enter into cooperative relationships with non-governmental organizations (NGOs) or unions.

FUJITSU SIEMENS: LAGGING BEHIND

Commitment: Low

Transparency: Low

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

ACER: CHANGING COURSE...KEEP WATCHING!

Commitment: Low, but Improving

Transparency: Low

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

Recommendations for Sustainable Electronics

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

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