

**An Investigative Report on Labor Conditions of the ICT Industry:  
Making Computers in South China**



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**Important: an updated version of this report will be available soon on the SOMO website, including the comments of some of the Chinese supplier companies on the research findings.**

**Submitted to SOMO**

\* Part II of the two-series studies of the ICT Industry in South China \*

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## **Contents**

	List of Illustration: PRD Cities in Guangdong Province, South China	2
1	Introduction: Computer Production in Guangdong Province	3
2	Methodology	6
3	Case Studies of Supplier Factories	7
3.1	Jiangmen Gloryfaith PCB Co., Ltd.	
3.2	Dongguan Primax Electronic Products Ltd.	
3.3	Tyco (Dongguan) Electronics Ltd.	
3.4	Dongguan Celestica Electronics Ltd.	
3.5	Volex Cable Assembly (Zhongshan) Co., Ltd.	
3.6	Shenzhen Yonghong Factorylex Cable Assembly (Zhongshan) Co., Ltd.	
4	Analyses and Discussions	29
4.1	Wages Underpayment and Excessive Working Hours	
4.2	Occupational Diseases and Industrial Injuries	
4.3	Limits of Corporate Codes of Conduct	
5	Conclusion	29
	References	31
	Appendix: Contact SACOM	32
	Appendix II Minimum Legal Wages in Guangdong Province, South China, 2006 - 2007	



## List of Illustrations: PRD Cities in Guangdong Province, South China



Dongguan, Zhongshan, and Jiangmen Cities – selected research field-sites

Source: Pearl River Delta Cities [http://www.teamone.com.hk/prd\\_glance.php?s=](http://www.teamone.com.hk/prd_glance.php?s=).

## 1. Introduction: Computer Production in Guangdong Province

Today many computer parts and desktop / laptop computers are manufactured and assembled in low-wage China for global consumption. In Guangdong Province in South China, the computer, telecommunications, and consumer electronics industry have been growing tremendously. Table 1 shows the gross industrial output value of nine major industries in the province in 2003 and 2004. Under the categorization of the Guangdong Provincial Bureau of Statistics, the three ‘new industries’ (Electronic Information, Electric Equipment, Special Purposes Equipment, and Petroleum and Chemistry), contributed the majority of the region’s gross industrial output, compared with the ‘three traditional industries’ and the region’s ‘three potential industries’. In 2003, the gross industrial output value of the ‘three new industries’ was 1,100,992 million yuan. By the end of 2004, it increased to 1,373,558 million yuan giving it a growth rate of 27.6 percent in the 12-month period.

**Table 1: Gross Industrial Output Value of 9 Industries in Guangdong, 2003 - 2004**

Industries	Gross Industrial Output Value (100 million yuan) 2003	Gross Industrial Output Value (100 million yuan) 2004	Growth Rate in 2004 over 2003 * (%)
<b><i>Three New Industries</i></b>	<b>11,009.92</b>	<b>13,735.58</b>	<b>27.6</b>
Electronic Information	5,932.21	7,454.33	30.9
Electric Equipment & Special Purposes Equipment	3,033.04	3,831.33	27.5
Petroleum and Chemistry	2,044.66	2,449.93	17.5
<b><i>Three Traditional Industries</i></b>	<b>3,607.67</b>	<b>4,447.50</b>	<b>16.5</b>
Textile and Garments	1,593.85	1,839.53	10.3
Food and Beverage	1,161.84	1,538.92	20.0
Building Materials	851.98	1,069.05	23.4
<b><i>Three Potential Industries</i></b>	<b>1,536.22</b>	<b>1,875.65</b>	<b>23.6</b>
Logging and Papermaking	538.44	633.24	17.2
Medicine	246.56	239.75	19.0
Motor Vehicle	751.23	1,002.67	34.1

Note\*: The growth rates in this table are calculated at comparable prices.

Source: *Guangdong Statistical Yearbook 2005*:301.

The ‘electronic information’ or sector (computers, telecommunications and other electronic equipment manufacturing) showed the highest growth (see table 1). Its gross industrial output value was 593,221 million yuan in 2003 and it reached a record high of 745,433 million yuan in 2004, which is an increase of 30.9 percent.

In terms of quantity of specific industrial outputs, Table 2 shows the large increase in micro-computers and semiconductor integrated circuit production between 2003 and 2004. The output of micro-computers was 12,184,100 units (an increase of 44.2 percent) and semiconductor integrated circuit was 3,132 million pieces (an increase of 50.3 percent).

**Table 2: Output of Selected Industrial Products in Guangdong, 2003 – 2004**

Item	2003	2004	Growth Rate in 2004 over 2003 (%)
Micro-computers (10,000 units)	845.23	1,218.41	44.2
Semiconductor Integrated Circuit (100 million pieces)	31.23	46.95	50.3

Source: *Guangdong Statistical Yearbook 2005*:339.

In the Pearl River Delta (PRD) economic regions of the Guangdong Province, the local governments of Jiangmen, Dongguan, and Zhongshan as well as business investors have pooled resources to develop the high-tech, high-value added electronics sector, in addition to other industries. Over the past decade, the PRD has become one of the world's fastest growing export-oriented manufacturing regions.

In this research report, we will investigate five electronic factories in the three largest cities in the PRD, which supply parts to transnational corporations such as IBM, HP, Dell, Apple Mac, Compaq, Canon, Sony, and Philips. A summary of the research carried out is listed below (see section 3 of this report for detailed labor conditions):

Computer Factories	Year	Foreign Capital	Major Products
1 <b>Jiangmen Gloryfaith PCB Co., Ltd.</b>	2001	Hong Kong	Printed circuit boards
2 <b>Dongguan Primax Electronic Products Ltd.</b>	1989	Taiwan	PC mouse and computer peripherals
3 <b>Tyco (Dongguan) Electronics Ltd.</b>	1990	United States	Wire and cable and computer parts
4 <b>Dongguan Celestica Electronics Ltd.</b>	1999	Canada	Systems and surface mount assembly
5 <b>Volex Cable Assembly (Zhongshan) Co., Ltd.</b>	2000	Britain	Plugs, cables and connectors

The major finding of our primary research between February and August 2006 is that Chinese workers' labor and human rights are violated. None of the 40 worker interviewees (see the next section of this report for methodology) have been informed of either the factory buyers' codes of conducts or the Electronic Industry Code of Conduct (EICC). At the workplace level, we find the following systematic infringements of workers rights:

- (a) **Illegally Low Wages:** Basic monthly wages are well below the legal minimum levels of 494 yuan in Jiangmen City (Gloryfaith) and 574 yuan in Dongguan City (Primax Dongguan). In the two factories overtime wages are not paid at the levels of 1.5 times the normal rate on weekdays, 2 times on Saturdays and Sundays, or 3 times on statutory holidays. A worker earns only 600 to 900 yuan in a month, depending on specific basic and overtime wage rates, work positions, and actual amount of working time.
- (b) **Excessive Working Hours and Forced Overtime:** The management arbitrarily sets a “normal” work month of 26 days and working day of 11 to 12 hours (Gloryfaith). Meal time is cut to only 30 minutes when meeting production deadlines.
- (c) **Delay of Wage Payments:** Workers are paid for their first month of work until the 15<sup>th</sup> of the second month (Celestica Dongguan), between the 20<sup>th</sup> and the end of the second month (Volex Zhongshan), or on the last day of the second month (Gloryfaith).
- (d) **Fines and Punishments:** Absenteeism is penalized by a fine of 70 yuan, “misdemeanor offenses” and “disruptions to production” workers are charged between 10 to 300 yuan (Gloryfaith), and loss of staff cards costs 100 yuan (Primax Dongguan).
- (e) **Poor Health and Safety:** Workers are not provided appropriate personal protective equipment in hazardous workshops. No chemically-resistant gloves, facemasks, or safety glasses. Workers suffer skin redness and pains over their hands, shoulders, faces, eyes, and throats. Pre-service and on-job health checks are none (Gloryfaith).
- (f) **Non-Provision of Social Insurance Benefits:** Lowest-rank workers are excluded from insurance schemes. No medical or industrial injury insurance is provided (Gloryfaith).
- (g) **Managerial Disciplines:** Installation of 24-hour surveillance cameras on the shop floors (Gloryfaith); a 10-minute break every two-hours – not earlier or later, even when the workers are in need of going to the toilet (Primax Dongguan).
- (h) **Food and Dormitory:** A dorm room houses 10 to 20 persons on average, where personal space are extremely limited (Tyco Dongguan). Accommodation and food are deducted from workers’ wages, which amount to 172 yuan (Volex Zhongshan).

In summary, the five factories do not uphold international standards on labor, social and environmental responsibilities. Brand-name computer corporations fail to ensure the exercise of workers’ rights in their supply chains in China.

## 2. Methodology

Our research team selected five mainland Chinese supplier factories of brand-name computer corporations. By reviewing website information, journalistic articles, company notices, press statements, and annual work reports, we gained a general understanding about the supply chains. The factories of Celestica, Tyco, Volex, and Primax are household names in the global electronics manufacturing service sector, while Hong Kong-based Kingboard Chemical (owner of the Gloryfaith factory)<sup>1</sup> is expanding its operations in South China to take advantage of economies of scale in production and export trade.

Between February and August 2006 we conducted field investigations and interviews with 40 production workers outside their plants. We approached the young male and female migrant workers individually rather than in focus groups. We explained that we were students and labor support workers conducting research about working conditions in the electronics industry. While some refused to help others were willing to share with us their concerns. We managed to do several follow-up interviews with those who trusted us most.

The seven-month interview schedules, the field sites and the number of interviewees are specified as follows:

Computer Factories	Field work	Field sites	Number of workers
1 <b>Jiangmen Gloryfaith PCB Co., Ltd.</b>	Aug	Hi-tech Industrial Zone, Jiangmen	10
2 <b>Dongguan Primax Electronic Products Ltd.</b>	Feb	Shijie Town, Dongguan	10
3 <b>Tyco (Dongguan) Electronics Ltd.</b>	Apr	Changping Town, Dongguan	6
4 <b>Dongguan Celestica Electronics Ltd.</b>	Apr	Changping Town, Dongguan	7
5 <b>Volex Cable Assembly (Zhongshan) Co., Ltd.</b>	May	Hi-tech Industrial Zone, Zhongshan	7
			<b>40</b>

The workforce of the five factories ranges from 2,000 to 5,000 people. Production workers are sub-divided into many different departments, units, and assembly lines. While it was technically impossible for us to gain the consent of the management to generate a random sample, our research data is illustrative in the sense that they reveal hidden but shared labor problems. Let us examine the empirical findings in the next section.

<sup>1</sup> Since the opening up of China to global capital in the 1980s, many Hong Kong manufacturers have moved operations into the cross-border Pearl River Delta region of southern China. Hong Kong based companies with manufacturing operations in the Pearl River Delta (PRD) have further scaled-up their operations in the late 1990s and mid- 2000s (see for example, Federation of Hong Kong Industries 2003).



### 3. Case Studies of Supplier Factories

The five foreign-invested enterprises are supplying computer components and parts for major global brands:

Computer Factories	Brands
1 <b>Jiangmen Gloryfaith PCB Co., Ltd.</b>	IBM, HP, Philips, TCL, LG, Sharp, Samsung, Sony
2 <b>Dongguan Primax Electronic Products Ltd.</b>	IBM, HP, Philips, Dell
3 <b>Tyco (Dongguan) Electronics Ltd.</b>	IBM, HP, Dell
4 <b>Dongguan Celestica Electronics Ltd.</b>	IBM, Lucent
5 <b>Volex Cable Assembly (Zhongshan) Co., Ltd.</b>	Apple Mac, Dell, Compaq, Canon, Nortel, Ericsson

#### 3.1 Jiangmen Gloryfaith PCB Co., Ltd.



[www.gloryfaith.com](http://www.gloryfaith.com) and [www.kingboard.com](http://www.kingboard.com)

##### Jiangmen Gloryfaith PCB Co., Ltd.

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China

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Email: [gloryfaith@gloryfaith.com](mailto:gloryfaith@gloryfaith.com)



Jiangmen Gloryfaith PCB Co., Ltd. (hereinafter Gloryfaith) is owned by Hong Kong investors and established in 2001. Foreign investors including those from cross-border Hong Kong are granted preferential policies in the 47.1-square-kilometer hi-tech industrial zone in Jiangmen City, Guangdong Province (Jiangmen Daily on June 9, 2003). Kingboard Chemical Holdings Ltd., a company listed in the Hong Kong Stock Exchange, strategically selected the production site: “Jiangmen enjoys a natural geographical advantage as it is close to Zhongshan and Zhuhai where a lot of consumer electronic and components factories are located,” (Kingboard Chemical’s Press Statement on December 21, 2003). Kingboard Chemical has pooled a capital of over HKD 600 million into its production facilities based in Jiangmen, which manufacture printed circuit boards (PCBs), laminates, copper foil, glass fabric, bleached craft paper, and specialty chemicals (Jiangmen Daily on April 27, 2006). It plans further to

construct its own industrial park to compete in the global electronic industry.

By the end of 2004, the gross product values of Gloryfaith reached 300 million yuan ([www.gloryfaith.com](http://www.gloryfaith.com)). With its initial business success, the management invested to expand its manufacturing plants to a floor area of 103,000 square meters (Phase I and Phase II development) which greatly enhanced production capacity.

Nowadays, Gloryfaith's average monthly production output is 180,000 square feet of single-side and 150,000 square feet of multi-layer (up to 50 layers) printed circuit boards (PCBs). Various types of PCBs are further processed by other factories in the upper stream of the supply chains. Finished products include desktop and laptop computers, LCD and magnetic products, household electrical appliances, audio-visual devices, and digital consumer electronic products. Brand-name corporations such as IBM, HP, Philips, TCL, LG, Sharp, Samsung, and Sony are major buyers.

Recently, Gloryfaith has successfully obtained ISO / TS 16949, ISO 14001, ISO9001, OHSAS 18001 and QS 9000 standards for its quality management, occupational health and production safety, and environmental management systems. Behind this façade of success, we came up with a different and disturbing picture after interviewing 10 of its production workers (seven male and three female young migrant workers in individual interviews) outside the plant in August 2006.

### **3.1.1 Wages and Working Hours**

Gloryfaith has a large workforce of more than 3,000 persons. About 60 percent are young male migrant workers aged between 16 and 25 years old. They work mainly in PCB-moulding, paint-spraying, chemical-diluting and PT departments. Female workers mainly work in the quality assurance and packaging units. Gender segregation by specific work tasks is obvious. According to our three female interviewees, some of their male colleagues have slightly higher monthly income because they are granted subsidies (50 yuan as of August 2006) for working in high-temperature workshops.

Gloryfaith operates on a two-shift system. A newly recruited worker is subject to a three-month probation period and is assigned to either shift. The day shift begins at 8 AM until the 12 PM followed by a 30-minute lunch break. Then work continues between 12:30 to 4:30 PM. The wage for an eight-hour workday is 20 yuan. The major problem is that the factory adheres to a 'normal' work month of 26 days, instead of five-day weeks (or 20.92 days in a month in Jiangmen City). The workers only earn 520 yuan a month (20 yuan x 26 days). While

the actual working hours barely fall within the legal boundary of at least one day off in a week (Article 38 of the Chinese Labor Law), and more importantly the workers are underpaid.

Between 2005 and August 2006, the local minimum wage in Jiangmen City was 494 yuan per month (hourly wage is 2.95 yuan; 494 yuan / 20.92 days / eight hours).<sup>2</sup> For overtime work on Saturdays (and sometimes also on Sundays), Gloryfaith only remunerated the workers at the normal rate (i.e. 20 yuan per eight-hour work day). In accordance with the labor law, the factory should have instead paid double on weekends (i.e., at 47.2 yuan / day). Each worker is thus deprived of both basic and overtime wages.

When we conducted the interviews in August 2006, the workers commented that their wages at 520 yuan / month were pitifully low. Worse still, Gloryfaith arbitrarily and illegally set the hourly overtime wage at 3.5 yuan, regardless of proportional increases on weekdays (this should be 1.5 times the normal hourly rate, i.e., 4.43 yuan), on Saturdays and Sundays (2 times at 5.9 yuan / hour), and on statutory holidays (3 times at 8.85 yuan).

We learnt that day-shift workers typically do three hours overtime work for everyday between Mondays and Saturdays. In other words, for a 26-day work month, the overtime working hours are as many as 110 hours (3 hours x 22 week days + 11 hours x 4 Saturdays = 110 hours; which far exceeds the maximum legal limit of 36 overtime hours in a month). Night-shift workers even have to do overtime work for four hours, by starting at 8 PM and finishing at 8.30 AM with only a 30-minute break at midnight. During peak production seasons workers are further required to work on Sundays. Overtime work is mandatory. Our interviewees felt stressed because the working hours were extremely long (Articles 36, 38, and 41 of the Chinese Labor Law on working time are not enforced). One worker of the PT department testified that he did not have a rest day for an entire month.

By the end of a month, an average production worker earns only about 800 yuan in total (a “basic” payment of 520 yuan plus overtime wages of on average three to four hours a day at a fixed hourly rate of 3.5 yuan).

For a majority of the workers at Gloryfaith, the 30-minute lunch break and the another 30-minute evening break were too short. The work pace was very fast and production volume high. In everyday production, many workers had to rush all the way back to work from the factory canteen. A young 17-year-old female worker shared with us:

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<sup>2</sup> See People’s Government of Guangdong Province at <http://big5.gd.gov.cn/gate/big5/www.gd.gov.cn/govpub/dfzw/0200608080016.htm>.

“The management deducts 60 yuan for the food from our wages every month, i.e., 2 yuan per day. It is fine. But I feel really angry when I have to finish my food as quick as possible. Otherwise, I will be late for work and penalized. No one has really cared about our basic needs. We have to queue up for food and then clean up our utensils. How many minutes are then left for us then to eat? Before I get into the shop floor, I also need to go to a toilet, right?”

Hectic work schedules, long overtime work, and low wages sum up their daily routines.

“The first few months at work were really tough,” commented a Sichuan male worker. When the probation is ended, the supervisor will evaluate the performance of the worker in question. Our interviewees found that the daily wages might remain the same, which was disappointing. In some special cases, the wages might be adjusted to 23 yuan per day. Even so, the overtime payment will be kept at a standardized and illegal level of 3.5 yuan per hour.

A 19-year-old young male Hunan migrant worker, who graduated from a rural vocational school, complained about the wage system and the company hierarchy:

“Those fresh university graduates know nothing (about making PCBs on the shop floors) but they earn a monthly salary of at least 1,800 yuan. Why do they deserve much more than me? Am I not working diligently?”

In addition to the serious problem of illegally low wages, Gloryfaith pays the workers for the first month of work only until the end of the second month. Such deliberate delay in wage payment is a violation of workers’ legal rights (Article 50 of the Chinese Labor Law).

Last but not least, our interviewees recalled the unfair treatment during the International Labor Day this year. Not every one of the production workers was given the three full days of rest in accordance with the Labor Law. Some production and packaging departments had to meet the delivery deadlines and worked overtime. As mentioned above, the overtime hourly wages were arbitrarily kept at 3.5 yuan, which was not a triple of the legal hourly rate.

### **3.1.2 Managerial Control and Discipline**

Besides written factory rules and regulations, the management has installed a number of micro-cameras for 24-hour surveillance on the shop floors. A story about a dismissed male worker was widely quoted:

“I heard that an assembly worker disliked being looked at all the time (by the micro-cameras). One day, he decided to resist by turning the camera closest to him to an opposite direction. Later, he was found ‘committing a serious mistake.’ He was fined 500 yuan and laid off with immediate effect.”

It seemed that since then no one had challenged openly the disciplinary system and hence the managerial control.

A male Hubei worker told us that he was fined 100 yuan because he was found “not attentive at work” during the night shift. Absenteeism would be penalized 70 yuan. Other interviewees confirmed that the managers often imposed on them monetary punishments for “misdemeanors” and “disruptions to production,” which ranged from 10 yuan to as much as 300 yuan. From the workers’ point of view the managers are subjective and abusive in exercising their power. According to Article 50 of the Chinese Labor Law, workers wages cannot be deducted without justification.

Gloryfaith houses its some 3,000 migrant workers and staff in four dormitories close to the plant. Ten to 12 production workers are allocated per dormitory room with two fans. Facilities are virtually absent except the double-bunk beds. When a worker needs to take a shower, he or she goes to either one of the two public bathrooms at the end of the corridor. According to our interviewees, the only good point about the dormitory is the fact that it is provided free-of-charge. However, they do not enjoy a high degree of freedom because cooking and smoking are forbidden.

### **3.1.3 Social Insurance and Workers’ Welfare**

Articles 72 and 73 of the Chinese Labor Law specify the provision of social insurance benefits as follows:

“The employing entity and employees must participate in social insurance and pay social insurance premiums in accordance with the law. Employees shall then enjoy the benefits upon their retirement, illness or injury, and disability caused by work-related injury or occupational disease.”

At the Gloryfaith factory the lowest-rank employees are excluded from the insurance scheme.

Whenever the assembly workers are sick, most of them either pay for the medical service at the factory clinic or seek help from nearby drug stores. They alone take care of all the expenditures even when they are seriously injured. In June 2006, according to a witness, a

male machine operator's hand was completely cut off in an accident. He was hospitalized but without industrial injury insurance.

In the workers' opinion, both the employer and the government officials should have safeguarded their rights. In reality, collusion between enterprise and local government seems to be the case. One male worker remarked:

“Our employer might have bribed the inspectors sent by the Jianghai Labor Bureau (a district-level labor department in the Jiangmen City).”

The worker has not decided whether to take the complaint about the non-provision of social insurance to the labor bureau.

### **3.1.4 Occupational Health and Safety**

Gloryfaith is equipped with tin spraying, anti-oxidizing coating, and gold, tin and silver emulsion processing capabilities. One of the PCB assembly lines on the shop floor is IIDIPCB (a company notice, August 2006). What is deeply worrying is that none of the workers have received any training on the potential hazards of using industrial chemicals. How can the production workers effectively prevent workplace accidents from happening? How can they protect themselves from the danger? Worse still, the management has not provided the workers with chemically-resistant gloves (made of neoprene, butyl rubber, natural rubber, or polyethylene), facemasks, or safety glasses in the production processes.

Two out of the seven male workers interviewed at the factory were able to name the chemicals they used frequently: sulphuric acid and nitric acid – both are strong oxidizing agents. Sulphuric acid is a colorless oily liquid when concentrated and colorless liquid when diluted. Concentrated solutions of acid are extremely corrosive. Contact with the eyes or skin can cause serious permanent damage. The workers all suffered skin redness and pains (hands, face, and shoulders) and have called for medical aid. Similarly, nitric acid is a highly corrosive liquid, which is a toxic acid that cause severe burns. It carries a choking odor and may be fatal if inhaled (in high concentrations). Inhalation of vapors may cause breathing difficulties and lead to pneumonia and pulmonary edema. Vapors may also cause damage to the eyes. Other symptoms may include coughing, choking as well as irritation of the nose, throat, and respiratory tract. According to our interviewees the technicians would cover their noses with their hands whenever they entered into the workshop.

Occupational health and safety measures are neglected in Gloryfaith. There is also no

provision of regular health check services to the production workers. They have long been exposed to a hazardous environment without any protective gear. Some of them who felt they could no longer tolerate the working conditions resigned.

### 3.1.5 Concluding Remarks

Gloryfaith's major clients such as IBM, HP, and Sony should have enforced their protective codes of conduct in the workplace. However none of our interviewees was aware of the relation between the codes and their labor rights. On the one hand, the managers have not informed them about code compliance or factory monitoring. On the other the transnational computer corporations fail to uncover the poor labor conditions. No corrective action plans are taken at all.

Our research team was prohibited from going into workers' dormitories for more in-depth interviews. But we have saved the contact numbers of several workers and planned to re-visit them to investigate into the prominent problem of illegal wage payments. Gloryfaith's parent company is based in Hong Kong and it is possible for us to organize labor campaigns to urge the factory management to improve workplace conditions. Meanwhile we have distributed leaflets on legal minimum wages, social insurance, paid leave, and occupational diseases to the workers. Some of them might demand in-plant OSH training and we would like to support their organizing initiatives.

## 3.2 Dongguan Primax Electronic Products Ltd.



[www.primax.com.tw](http://www.primax.com.tw) and <http://cn.2292.cnele.com/>

### Dongguan Primax Electronic Products Ltd.

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Taiwan-owned Primax Electronics Ltd., is a supplier of consumer and business electronics,

founded in 1984 and listed on the Taiwan Stock Exchange in January 1995. It is certified for meeting the product quality, occupational health and safety, and environmental protection standards stipulated in ISO 9001, 2000, QS 9000, ISO 14001, and OHSAS 18000. Currently it has major production facilities in Taiwan and mainland China.

Dongguan Primax Electronic Products Ltd. (hereinafter Primax Dongguan), established in 1989, is the first foreign manufacturing site of Primax Electronics Ltd.<sup>3</sup> Its plants and workers' dormitories are located in industrialized Shijie Town, northeast Dongguan City ([www.shijie.dg.gov.cn](http://www.shijie.dg.gov.cn)).<sup>4</sup> The main plant has a large workforce of over 3,000. If we include its branches, it employed tens of thousands workers at the time of our field investigation in February 2006. They supply computer peripherals (such as wired or optical wireless "PC mouse") and imaging products (such as scanners and printers) for IBM, Dell, HP, and Philips. They also manufacture other office equipment (such as shredders) and communication devices (for example, MP3 players).

### 3.2.1 Wages and Working Hours

At Primax Dongguan, in addition to the normal 168 working hours a month (8-hour work days x 20.92 days), workers are required to do overtime work from 80 to 100 hours a month. Our 10 interviewees (six female and four male workers) shared with us that overtime work on weekdays and Saturdays was mandatory. During peak seasons, they also had to work on Sundays, without one day of rest. This far exceeds the maximum overtime limit of 36 hours a month (Article 41 of the Chinese Labor Law).

The management also hire short-term or casual laborers to fill rush orders. These workers have to complete a standardized 11-hour work shift, six to seven days a week. Their wages are fixed either at 700 or 800 yuan a month, depending on their work positions. They are seriously underpaid. The legal minimum wages in Dongguan City between 2005 and August 2006 should at least be 574 yuan / month (hourly wages = 3.43 yuan).

For example:

A casual worker is required to do overtime work for three hours on weekdays (overtime wages at 1.5 times the normal wages) and for 11 hours on Saturdays (2 times the normal wages).

- Basic wages: 574 yuan
- Overtime wages on weekdays: 5.14 yuan x 3 hours x 20.92 days = 322.57 yuan
- Overtime wages on Saturdays: 6.86 yuan x 11 hours x 4 days = 301.84 yuan

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<sup>3</sup> In addition to manufacturing bases, Primax Electronics Ltd. has extensive sales and marketing network in Hong Kong, Europe, Japan, and the US.

<sup>4</sup> Shijie Town in Dongguan City is renowned for its thriving electronics and information technology industries (see in Chinese *Zhongguo Jingji Zhoukan* [China Economics Weekly] vol. 44, 2005).



- Total: 1,198.41 yuan

Obviously, even if the worker at Primax Dongguan could receive the highest possible monthly payment of 800 yuan, it still falls short of 398.41 yuan. The profits are accumulated at the expense of the workers.

In the contract workers' opinion, a work day at Primax Dongguan was excessively long. A female worker remarked:

“On the assembly line, no one will replace me even if I want to go to the toilet because of menstrual pains.”

Assembly workers are given a 10-minute break in every two hours of intensive work, not earlier or later. There is no sensitivity to their biological or specific needs. Bottom-rank production workers are treated alike appendages of machines. This is one of the main sources of alienation.

### **3.2.2 Management Style and Labor Disciplines**

Taiwanese-invested enterprises such as Primax Dongguan are generally characterized by a militaristic style of management. Dress codes and work attire, in accordance with the organizational hierarchy, are categorized as follows:

- Yellow shirts without shoulder badges: production workers / machine operators
- Yellow shirts with green-color shoulder badges: line leaders
- Yellow shirts with red-color badges: quality controllers
- Yellow shirts with dark yellow-color badges: supervisors

Inappropriate attire will result in fines and deductions. A worker will be fined 100 yuan if he or she loses the staff card, which is part of the work uniform.

In Plant No.2, Primax Dongguan's "computer mice-making" line has 40 workers. An Anhui female worker describes her work process:

“Our line is responsible for making optical wireless mice for exports. On average, we need to assemble the parts and pack 1,000 completed units of mice in one hour. Our production manager sets this target for us. If we fail to achieve the hourly output quota, we will be forced to work overtime without pay.”

In the Surface Mount Technology (SMT) and Chip on Board (COB) shop floors, workers expressed similar concerns over unrealistic work demands.

The just-in-time global shipment schedules dictate the production rhythms. According to

our worker interviewees, Primax Dongguan has also been placed under huge pressure in meeting the ever shorter lead time over the past decade.

### 3.2.3 Canteen and Dormitory

There are provisions of factory canteens in Primax Dongguan. The cost for three meals a day is 5.2 yuan (Breakfast at 1.2 yuan; Lunch and Dinner each at 2 yuan). For 31 days in a month, then, the amount for food is 161.2 yuan. Plus the charges for dormitory living at 60 yuan per month, the minimal expenditure on food and basic accommodation is around 220 yuan. This amount is deducted from workers' wages.

To save money for personal uses, the workers told us that they seldom went out for fun but stayed in the dormitory village.

Some dormitory rooms are big enough for 20 persons, while the others are smaller (for 15 to 16 persons). In general, our worker interviewees were satisfied with the hygienic conditions. It would however be better if there was no disturbance at night. A male worker elaborated as follows:

“Around 10 people needed to go to bed because we had to punch our cards before 8 AM. At mid-night or 1 AM, however, some of our 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 quieter sleeping place....”

Working in Primax Dongguan is tough and hard. A collective dormitory is provided for the workers at low cost, otherwise, the workers may have demanded wage increase.

### 3.2.4 Subcontractors and Codes Compliance

Minfeng Plastic Products Ltd. (hereinafter Minfeng)<sup>5</sup> provides Primax Dongguan – a supplier to IBM, Dell, HP, and Philips – with plastic parts for computer assembly. While the labor conditions and social compliance at this lower production level are often hidden, it is important for us to highlight the issues of corporate social responsibilities (CSR) further down the supply chain.

According to our interviewees, Minfeng, a smaller Taiwan-owned plastic factory, is a subcontractor of Primax Dongguan. In the Lunar New Year Festival 2005, hundreds of workers at Minfeng protested over extremely low wages and excessively long working hours. Instead of investigating into the labor disputes, the management dismissed the workers' leaders and thus

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<sup>5</sup> Minfeng Plastic Products Ltd. is a subsidiary of Taiwan-owned Cheng Loong Corp. For details, please surf [www.clc.com.tw](http://www.clc.com.tw).

the working conditions remained poor. Soon after the protest, Primax Dongguan “cut and run” (no longer engaged in any business relation with Minfeng). In this example, neither the brand-name computer corporations nor Primax Dongguan protected workers’ rights at the bottom-level of the supply chain.

Primax Dongguan did not out source from Minfeng alone. On the notice board outside the main plant, our field researchers jotted down other supplier factories’ names including Jiahe, Yongcheng, Yingji, Jiafa, and Jinke. Without workers’ democratic participation in the corporate monitoring system, there seems a slim possibility for significant improvements in workers’ rights.

### 3.2.5 Concluding Remarks

At Primax Dongguan workers commented that tensions between them and the management would likely increase. Finishing the high daily production quota (to assemble and pack 1,000 computer mice in 1 hour) is very tiring and exhausting. Wages, including overtime work, are at most 800 yuan a month. Workers’ discontentment is increasing.

## 3.3 Tyco (Dongguan) Electronics Ltd.



[www.tycoelectronics.com](http://www.tycoelectronics.com) and [www.tyco.com](http://www.tyco.com)

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Tyco (Dongguan) Electronics Ltd. (hereinafter Tyco Dongguan) is one of the 16 mainland China-based manufacturing facilities wholly owned by American Tyco International Ltd. (Tyco International Ltd. Annual Report 2005:2). Tyco’s interconnection and circuit protection

technology is applied in computer and consumer electronics, aerospace and defense, telecommunications, automotive, and household appliance industries ([www.tyco.com](http://www.tyco.com)).

Tyco Dongguan is a very large enterprise with a workforce of some 5,000 people. It was founded in 1990 in Jinmei Village ([www.jinmei.gov.cn](http://www.jinmei.gov.cn))<sup>6</sup> in Changping Town, eastern Dongguan City. Over the past 15 years, its plant and dormitories have expanded to a size of more than 50,000 square meters ([www.changping.gov.cn](http://www.changping.gov.cn)). It was certified in 2002 for meeting the product quality and environmental protection standards stipulated in TUV ISO9001. Its major electronic output includes wire and cable, data connectors, printed circuit boards, magnetics, resistors, and circuit protection devices, which are widely used in IBM, HP, and Dell's notebook and desktop computers, servers, disk drives, engineering workstations, mass storage systems, and touch screen business equipment (for example, LCD touch monitors).

According to our six interviewees (we did not know the production workers beforehand but approached them outside the plant in April 2006), they were preparing for the upcoming government-sponsored "Computer, Communication and Consumer Electronic Products Exposition" (3C Expo) held at the Dongguan International Conference and Exhibition Center between October 17 and 20, 2006.<sup>7</sup> One of the impacts was that managerial supervision on the shop floors had become tighter than normal. Moreover, workers needed to work longer than previous months.

### 3.3.1 Wages and Working Hours

A novice worker is subject to a two-month probation at Tyco Dongguan. Each worker is entitled to a labor contract, which is renewed on a yearly basis. Usually, production, packaging, and transportation workers have to do overtime work for two to three hours per shift, in addition to the eight-hour work shift. The day shift begins at 8 AM work continues until 12 Pm when workers have a one hour lunch break, work then continues until 5 PM. Overtime work begins at 6 PM until 8 or 9 PM. The night shift starts at 8 PM, there is a one hour break for snacks and refreshments at 11.45 PM, the shift ends at 5 AM. Usually, there is another one hour break. Overtime work begins at 6 AM until 8 AM. In other words. Occasionally, overtime work exceeds the maximum limit of 36 hours in a month (Article 41 of the Chinese Labor Law).

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<sup>6</sup> There are tens of foreign-invested enterprises (mainly American, European and Hong Kong investors) and over 1,000 private firms based in industrialized Jinmei Village, Changping Town, Dongguan City. For Jinmei's industry in a short online video clip (in Mandarin), please click [http://www.jinmei.gov.cn/yinwen/NewVer/03xinwen/video\\_liist.asp#](http://www.jinmei.gov.cn/yinwen/NewVer/03xinwen/video_liist.asp#).

<sup>7</sup> For details about the "8<sup>th</sup> International Computer Communication and Consumer Electronic Products Exposition (Dongguan, China)" and "2006 Transnational IT Sourcing Seminar," see in Chinese at <http://211.147.225.34/gate/big5/www.3cexpo.com/chs/newsCenter/printpage.asp?ArticleID=134>.

The basic wages at Tyco Dongguan was 574 yuan per month (and hourly wage is 3.42 yuan; 574 yuan / 20.92 days / 8 hours), which was in line with the legal minimum wage level in Dongguan between 2005 and August 2006. Overtime wages were also paid in accordance with Chinese Labor Law. Our worker interviewees received monthly wages between 600 and 900 yuan, depending on their actual amount of overtime work. Deductions from wages are rare except a fine of 30 yuan for the loss of staff cards.

### **3.3.2 Dormitories and Canteens**

There are altogether nine collective dormitory blocks in a close proximity to the plant. Some are cleaner and newer than the others. Every dormitory room houses 10 to 12 persons. There are basic facilities such as bathrooms, shower halls, basketball courts, a mini library, a clinic, and a TV room. But the living places are far from satisfactory. Some workers have complaint about the noisy and overcrowded conditions but there is no answer. For those who have decided to stay away from the “restrictive environment” of the factory dormitory, they rented small apartments on their own in the neighborhood. According to our worker interviewees, they were lower-to-middle level managing staff who could afford a monthly rent of about 200 yuan.

For safety and hygienic reasons, cooking is not allowed in the dormitories. A worker usually has three meals a day in the factory canteen. Breakfast costs 0.6 to 1 yuan, while lunch and dinner around 1.7 to 2.5 yuan. A young female worker’s remark is illustrative:

“Our monthly salary is quite low and this is why I try not to spend more than 200 yuan on food and snacks. I usually have a steamed bun in the morning, fried noodles in the afternoon, and noodles or rice at night. I seldom have fish or meat.”

The Henan girl looked too thin. She noted that the food quality was poor. Vegetables were half-done with worms and dirt still in them. But she also understood that Tyco Donggguan was slightly better than other factories where there was no canteen. It would take her much more to consume in nearby restaurants or fast food outlets such as McDonald’s and KFC.

### **3.3.3 Social Insurance and Welfare**

Most of the rural migrant workers at Tyco Dongguan are young, aged between 17 and 30 years old. Even though they may not secure long-term, permanent contracts in the factory, they

do enjoy various kinds of social insurance including medical, industrial injury, and old age pensions. Insurance premium is calculated as a percentage of their wages.

The six worker interviewees also shared with us that they were allowed up to five paid rest days during the International Labor Day, three on Chinese National Day, and other statutory holidays. Welfare benefits seemed quite good.

### 3.3.4 Concluding Remarks

Tyco Dongguan is a large US-invested enterprise based in Jinmei Village in Dongguan supplying various electronic and computer components for global consumption. It is one of the participants in the 3C Expo, an annual event. There, the factory management can extend further its business ties with international brands. The interviewees hope that there will be improvement in their dormitory and working conditions too.

## 3.4 Dongguan Celestica Electronics Ltd.



[www.celestica.com](http://www.celestica.com)

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Celestica Inc., one of the global leading firms in the delivery of electronics manufacturing services, has adopted a core development strategy of “increasing manufacturing efficiency” to achieve economic growth (Celestica CEO’s Letter to Shareholders, 2005). Its goal is to continue to “drive the lean culture in each of the regions and in all areas of the business” (ibid.). Substantially, it refers to a large-scale capital and factory relocation project at an international

level. The corporate management has drastically reduced production facilities in the higher-cost regions such as the Americas and Europe. As such business expansion has taken place in Asian and South-East Asian countries including notably mainland China, Hong Kong, Malaysia, the Philippines, Thailand, and India. Dongguan Celestica Electronics Ltd. (hereinafter Celestica Dongguan) is one of the mainland China-based manufacturing plants owned by Celestica Inc., founded in Changping Town in Dongguan City in 1999.

For three consecutive years between 1999 and 2001, Celestica Dongguan ranked among the top 500-strong enterprises in mainland China (Dongguan Daily on September 1, 2004). It has a workforce of some 2,000 persons. The factory production and management systems have met both ISO 9002 and ISO 14001 standards. It has business contracts mainly with IBM and Lucent Technologies. On everyday production, the supply chain managers of the Dongguan plant often exchange information with those from the Hong Kong regional office.

Outside the plant, our research team successfully completed seven one-on-one interviews during two evenings in April 2006. We did not know any of the workers (five female and two male workers) and therefore could not set up a focus group interview for more interactions. But we learnt that the workplace specializes in printed circuit board assembly, systems assembly, and surface mount assembly. A team of engineering staff including manufacturing engineering managers, IT application specialists, IT infrastructure advisors, program managers, facility engineers, equipment engineers, SMT process engineering managers, and PCBA process engineers are responsible for product design and technological development. The majority of the production staff including production supervisors, QC inspectors, foremen, machine operations, assembly workers, and storekeepers are divided into sub-units and different assembly-lines.

### **3.4.1 Wages and Working Hours**

The guiding principle of Celestica Dongguan is lean manufacturing. Production workers were paid 574 yuan a month between 2005 and summer 2006 (for a five-day workweek of eight-hour workdays). As we will see, working on Saturdays is rare and Sundays are almost always rest days. Perhaps this is related to the overall cost control mechanism.

A normal 8-hour work shift is put into practice. The day shift begins at 8 AM with a one hour lunch break at 12PM work then continues until 5.00 PM. The lunch break is cut short to 30 minutes if and only if there is a rush order. Production workers were willing to do occasional overtime work between 6.00 and 8.00 PM because they would be paid properly, i.e., at 1.5 times the normal hourly wages ( $574 \text{ yuan} / 168 \text{ hours} \times 1.5 = 5.12 \text{ yuan}$ ; at 5.12 yuan per



hour from Mondays to Fridays).

Celestica Dongguan withholds workers' wages for the first month of work till the 15<sup>th</sup> of the next month, which is then deposited into workers' personal bank accounts. Even when the payment is delayed, there seems no general discontent but a tacit acceptance. One of the reasons is that the payment of wages – including both basic and overtime wages – is on a very regular basis. Moreover, the calculation of wages is legal. The worker interviewees were thus able to make their budgets and plans effectively.

### **3.4.2 Social Insurance and Welfare**

Celestica Dongguan enforces social insurance regulations stipulated by the local government. The supervisors facilitate the production workers to enroll in the insurance scheme upon their completion of the three-month probation.

Our worker interviewees specially mentioned the in-factory computer and vocational training courses. Every worker was given an equal opportunity to attend skills enhancement classes free of charge. Three designated rooms were used for teaching and learning purpose. If a worker passed a test, he or she would be recommended to a higher-graded course. There were 20 different levels in all. This kind of human resources training was believed to enhance corporate competitiveness and production efficiency.

### **3.4.3 Concluding Remarks**

The production workers at Celestica Dongguan are mainly young female rural migrants aged between 18 and late 20s. Our seven worker interviewees said that they want to work for some more years before they move on to new life stages. They were quite satisfied with the working and dormitory conditions.

### 3.5 Volex Cable Assembly (Zhongshan) Co., Ltd.



[www.volex.com](http://www.volex.com) and [www.volexasia.com](http://www.volexasia.com)

#### Volex Cable Assembly (Zhongshan) Co., Ltd.

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The Volex Group ([www.volex.com](http://www.volex.com)) is listed on the London Stock Exchange, 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 overseas manufacturing facilities located in Asia, Europe, North and South America.<sup>8</sup> In its opening paragraph in *Marketing Review* dated June 2006, it 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. (hereinafter Volex Zhongshan), a subsidiary of Volex Asia ([www.volexasia.com](http://www.volexasia.com)),<sup>9</sup> was founded in October 2000 at the Torch Hi-Tech Industry Development Zone in Zhongshan City, Guangdong Province ([www.zstorcht.gov.cn](http://www.zstorcht.gov.cn)). It has been certified under ISO 9001, ISO 14001, and OHSAS 18000. Moreover, the China Quality Certification Centre (CQC), a national certification body, certified Volex Zhongshan for meeting the standards and technical requirements for its innovative product models. The products such as three-wire angled plugs and straight plugs are widely applied to desktop PCs, notebook PCs, and printers.

<sup>8</sup> In Asia, the Volex Group nowadays has 3 manufacturing facilities based in mainland China, 1 in India, 2 in Indonesia, 1 in Singapore, 1 in Thailand, and 1 in Vietnam. Globally, the Group manages 23 production centers (*Volex Group plc Annual Report & Accounts 2005:5*).

<sup>9</sup> Volex Asia is headquartered in Singapore.

In terms of supplier relationships we learnt from an online advertisement (in Chinese at [jobs.cn.com](http://jobs.cn.com)) that Volex Zhongshan is supplier of Apple, Dell, Compaq, Canon, Nortel and Ericsson (<http://218.16.124.68/Person/Companycontent.jsp?ComId=231682>).<sup>10</sup> The corporate codes of conducts, if at all, have not been shown to the production workers.

### **3.5.1 Wages and Working Hours**

Volex Zhongshan occupies 80,700 square meters in the Zhongshan Hi-Tech Industry Development Zone (Asian Manufacturing / Distribution Facilities at [www.volex.com](http://www.volex.com)). Based on our interviews with seven production workers in May 2006, the factory has a workforce of about 2,000. In fulfilling the corporate promise of “quality delivery and quality service,” the 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. In other words, a typical work day lasts for 10.5 hours, which almost reaches the limit of three hours’ overtime work in a day (Article 41 of the Chinese Labor Law).

The basic monthly wage at Volex Zhongshan 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 those molding machine operators are given an allowance, they rarely earn more than 1,000 yuan a month.”

Volex Zhongshan withholds the assembly workers’ wages for the first month of work. The management pays them only until the 20<sup>th</sup> the next month. Occasionally, it can go without explanation until the 30<sup>th</sup>. This makes budgeting more difficult for the workers.

### **3.5.2 Canteen and Dormitory**

The dormitory is about 10 minutes walk from the plant. The workers found it very convenient. They rather commented that the utilities charges including water and electricity were expensive i.e. 70 yuan per month. This amount was deducted from their wages.

There is also a canteen at Volex Zhongshan. Each worker was charged 102 yuan per month for food. A 19-year-old Henan woman worker shared with us:

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<sup>10</sup> The factory based in Zhongshan has no website.

“There’re not many choices. Either I eat or I don’t, right? In the past, there were food allowances specially provided for night-shift workers. Nowadays, there is none. And everyone of us is deducted 102 yuan for food from wages.”

As in many other factories, cooking is straightly forbidden in workers’ collective dormitories.

In other words, the share of food and accommodation (102 + 70 yuan = 172 yuan) was about 20 percent of the workers’ wages.

### **3.5.3 Auditing and Falsification of Documents**

The vast majority, if not all of the audited factories, receive prior notification before the actual date of the audit. Since the management of Volex Zhongshan can have time to prepare by coaching the workers beforehand, this corporate-led, top-down monitoring model is obviously not a viable way to assure factory compliance with the legal and ethical standards, local labor laws and regulations, or human and social rights norms. Our worker interviewees dared not to report openly about the long working hours (sometimes they have to work for seven days a week to meet the production deadlines) and the problem of delay in payments (between 20<sup>th</sup> and 30<sup>th</sup> of the second month). They were forced to keep up a good appearance in front of the inspectors.

### **3.5.4 Concluding Remarks**

Our seven interviewees have expressed work stress but they would keep on doing their jobs. The Volex Group initiated the use of lead-free injection molding compound in the manufacturing processes from 2003 (Volex Group plc Annual Report & Accounts 2005:3). The working conditions are generally believed up to international safety standards.

### 3.6 Shenzhen Yonghong Factorylex Cable Assembly (Zhongshan) Co., Ltd.

Name	Producing for these brands	Web site
Shenzhen Yonghong Factory [owned by Shenzhen Zhonghan Science & Tech Co. Ltd.]	Lenovo, Huawei, Founder, Tsinghua Tongfang, Greatwall, TCL, Ruijie (formerly Start), Evoc and Datang, Dell , NEC, Siemens, Motorola, Acer, Samsung and Fujitsu	<a href="http://www.fsp-group.com">http://www.fsp-group.com</a>

**Child labor and student workers:** Yonghong was found to be hiring more than 200 child workers under the age of 16, mainly students from rural villages looking for summer jobs. Out of the 25 workers interviewed by SACOM in October and November, seven of them were child workers. Many child workers were students from Henan and Shaanxi provinces. They were encouraged by teachers to come to work in Shenzhen-based Yonghong partly to pay off the school fees owed. Since they were considered ‘unskilled’, the factory required them to work an extra 1.5 hours daily without pay to compensate for the ‘lower than normal productivity.’ Normally, they worked 13 hours per day or 390 hours (for 30 days) per month. During peak seasons, they worked more than 400 hours and 60 of those hours were without pay per month.

One investigator pretended to be a teacher and inquired about job opportunities from a human resources manager of Yonghong, who said underage students would be hired as long as they looked ‘not so young.’ Xiaohong was aged 15, she just finished second grade in secondary school and was hired by Yonghong. She said she tried to resign in early September when the new term began. However, her resignation was not approved by the factory and the teacher who sent her there. As found out later, many teachers lived near the factory to ‘monitor’ the students. They required the students to report to them every night when the shift was finished.

**Excessive overtime and overtime pay below legal minimum:** The legal minimum for overtime pay is 6 and 8 yuan per hour respectively for normal days and holidays in Shenzhen City. Yonghong currently was found to be paying 4.5 and 5.8 yuan respectively. Workers who worked 150 overtime hours every month and beyond were not paid. A female worker complained that she had to work seven days a week and have overtime every day except on Fridays. She was forced to sign an agreement which said she “willingly agreed to work overtime according to the factory schedule.”

Yonghong had workers working 296 hours per month during low season and 374 hours during peak season, which were both way beyond the legal maximum of 210 hours (174 basic work

month in Shenzhen City plus 36 hours overtime work) per month.

**No social insurance:** China labor laws require employers to buy social insurance policies for workers, including industrial accident insurance, medical insurance and old age pension. Yonghong did not provide any of the legally required social insurance for workers.

**Occupational health risks:** Yonghong did not provide gloves, masks and proper ergonomics in the workplace, leading to injury on hands, eyes and other bodily injuries.

## **4. Analyses and Discussions**

The booming computer and electronics industry in China is characterized by its global competitiveness. Going beyond annual sales and profits figures, we are more interested to talk to factory workers and to understand their concerns at work. They did not use the language of corporate social responsibility or ethical investment to frame their issues. Instead, they pointed to the long-standing problems of underpayment of wages, excessive working hours, and poor safety and health.

### **4.1 Wages Underpayment and Excessive Working Hours**

The production workers at all the five researched factories worked long time per shift, with some working much longer than the others. Occasionally, an entire work shift of 11 to 12 hours is non-stopping except scheduled, short breaks. A “normal” work week lasts for five to six days, and up to seven days during peak seasons. The problem is that overtime work is not voluntary. Bodily fatigues and exhaustion are common shared working experiences.

Despite excessive working hours (overtime work of some 100 hours in a month at Hong Kong-invested Gloryfaith and Taiwan-funded Primax Dongguan), workers are paid less than the legal minimum wages at the local levels. A novice worker in Gloryfaith is required to work for 26 “normal” days in a month for only 520 yuan, while a short-term contract worker in Primax Dongguan is paid either at 700 yuan or 800 yuan a month. For Gloryfaith based in Jiangmen City, the workers should be entitled to 494 yuan for normal five-day work weeks, 8-hour work days in a month. For Primax Dongguan, the workers should be rewarded 574 yuan a month plus overtime wages.

Illegally low wages payment has become a crisis throughout cities and towns in China. Oftentimes, neither “basic” nor “overtime” wages are paid in accordance with the laws and regulations.

### **4.2 Occupational Diseases and Industrial Injuries**

The Chinese Government has enforced the *Law on Prevention and Control of Occupational Diseases* since May 1, 2002. In addition, the State Council issued the *Industrial Injury Insurance Regulations* on January 1, 2004. In accordance with these two labor laws and regulations, enterprises should buy the industrial injury insurance for their workers. Despite the fact that prevention is always better than cure, many enterprises neglect the industrial injury or occupational disease prevention for their workers. Some do not purchase any injury insurance

for their workers (such as the case study of Gloryfaith), while some deliberately hide the number of workers or the total salaries paid to workers to save on insurance premiums.

Most migrant workers in the computer industry (and other industrial sectors) do not know about their basic legal rights even though Article 73 of the Chinese Labor Law clearly stipulates that employees should enjoy social insurance benefits under the following circumstances: (a) retirement; (b) illness or injury; (c) disability caused by work-related injury or occupational disease; (d) unemployment; and (e) child bearing. Specifically, if workers contract occupational diseases or they are injured, their medical costs should be properly covered by insurance schemes (Article 29 of Industrial Injury Insurance Regulations). Moreover, if they are hospitalized, their employers should provide them with *food allowance* (the amount is varied by city) for the entire period of hospitalization.

Production workers (most of them are *not* insured) are often exposed to chemical hazards and other toxic substances in PCB processing units in computer workplaces. In Gloryfaith, for example, male workers using corrosive agents such as sulphuric acid are not provided with masks, eye-glasses or gloves. Article 30 of the Law on Prevention and Control of Occupational Diseases specifies that in the first instance:

“When signing with the workers labor contracts, the employer shall truthfully inform the workers of the potential occupational disease hazards and the consequences in the course of work, the measures for prevention of such diseases and the material benefits, and it shall have the same clearly put down in the contracts; it may not conceal the facts or deceive the workers.”

Article 20 further requires that the employer shall take at least the following two measures on the workshop floor: (a) to install effective facilities for prevention of occupational disease; and (b) to provide individual workers with articles for prevention of occupational diseases.

When the implementation of labor laws and regulations are generally weak, not surprisingly, the China’s Ministry of Labor and Social Security finds that more than 100,000 workers die of industrial accidents every year, and many more are injured (Chinese Government online news on May 12, 2006).<sup>11</sup> Over 500,000 workers contract occupational diseases (*ibid.*). These statistics are, however, underestimations. Oftentimes, employers shirk their responsibilities by not reporting the accidents to the local public health administration department. The huge costs of industrial injuries are borne by workers and their families.

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<sup>11</sup> Government of People’s Republic of China. May 12, 2006. “Job Injury Insurance Covers Over 86 Million Chinese.” [www.english.gov.cn/2006-05/12/content\\_278599.htm](http://www.english.gov.cn/2006-05/12/content_278599.htm).



### 4.3 Limits of Corporate Codes of Conducts

IBM and HP, major buyers of PCBs and other computer parts at Gloryfaith and Primax Dongguan, are also core members of the EICC Implementation Group. They are obliged to monitor adherence in their suppliers to the Code. According to our 20 worker interviewees (10 production workers from each of the two factories) neither IBM nor HP have ever conducted social compliance audits, let alone taking any corrective actions. The impact of the supplier codes for the workers remains unclear.

Regarding corporate social responsibility, IBM aims to build sustainable growth in emerging markets such as China, India and Brazil (*Innovations in Corporate Responsibility 2004-2005*:8).<sup>12</sup> It spells out a set of Supplier Conduct Principles.<sup>13</sup> The principles also serve as criteria in selecting and monitoring their suppliers. The corporate management do not “want merely to buy things through [their] supply chain” but they are “working to improve them” (*ibid.*:11). However, the cases of Gloryfaith and Primax Dongguan reveal that wages and legally mandated benefits, working hours, health and safety etc. are substandard.

Similarly, we have reservations and doubts about the implementation of HP’s ethical standards in their supply chains. According to HP’s online information on “global citizenship,” its top 500 suppliers represent 99% of the total amount HP spends on product materials.<sup>14</sup> As HP has not disclosed its entire supplier list, we have no way to tell if Gloryfaith and Primax Dongguan based in southern China are also the focus of HP’s Supply Chain Social and Environmental Responsibility Policy.

Global technology corporations claim to integrate social, environmental, and economic performance with their core business strategies. They have a responsibility to ensure that working conditions in their supply chains are safe, workers are treated with dignity and respect, and manufacturing processes are environmentally sustainable. But our findings on labor conditions at the computer hardware supplier factories highlight the weaknesses of the corporate codes of conduct.

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<sup>12</sup> IBM’s *Innovations in Corporate Responsibility 2004-2005* is downloadable from [http://www.ibm.com/ibm/responsibility/pdfs/IBM\\_CorpResp\\_2004-05.pdf](http://www.ibm.com/ibm/responsibility/pdfs/IBM_CorpResp_2004-05.pdf).

<sup>13</sup> *IBM Supplier Conduct Principles* (created in June 2004 and released in November 2004) at [http://www-03.ibm.com/procurement/proweb.nsf/objectdocswebview/fileibm+supplier+conduct+principles/\\$file/s\\_cp-v2.0.pdf](http://www-03.ibm.com/procurement/proweb.nsf/objectdocswebview/fileibm+supplier+conduct+principles/$file/s_cp-v2.0.pdf).

<sup>14</sup> HP’s *FY05 Global Citizenship Report* (the section on “supply chain”) is accessed online at <http://www.hp.com/hpinfo/globalcitizenship/gcreport/supplychain.html>.

## 5. Conclusion

Major corporations of information and communications technology (ICT) have outsourced production in the PRD, the export-oriented manufacturing powerhouse. IBM, taking a step forward, has recently moved its global procurement headquarters from Somers in New York to Shenzhen<sup>15</sup> in Guangdong. Development of supply bases in China (and other parts of Asia) has thus become strategically significant to corporate expansion in global computer and electronic industries.

Global corporations such as Celestica, Primax, Tyco, and Volex as well as Hong Kong investors have built their manufacturing facilities in Dongguan, Zhongshan and Jiangmen Cities in South China. Our core concern is that workers in their five supplier factories have not enjoyed the legitimate rights to wages, social insurance, occupational health and other basic welfare.

We demand computer corporations strictly monitor their supplier factories to make sure that they obey the local labor laws and protect the rights of the workers. We propose a new and effective monitoring model based on democratic participation of workers. We believe that the workers should have the basic rights as follows:

- (i) to take part in training programs coordinated by credible labor NGOs in their workplaces;
- (ii) to elect their representatives to take up a leading role in the monitoring process so as to improve the working and living conditions; and
- (iii) to establish a workers' committee to express their collective voices.

We support the empowerment of Chinese workers and stand with them to present these 10 demands:

1. Computer corporations should release the names and addresses of all of their direct and outsourcing suppliers. This is to enhance their transparency and accountability.
2. All finished products should visibly mark the name and address of the factory that produced them, to facilitate the consumers worldwide to be informed of the products produced.

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<sup>15</sup> Shenzhen is the third-largest port in China and the fourth-largest port in the world. IBM can possibly reduce its logistics costs.

3. Computer corporations should demand that its direct and outsourcing suppliers allow a publicly trusted, non-profit NGO inspect their facilities. Likewise, they should allow student activists who have received relevant training to make unannounced visits to the factories.
4. Computer corporations should demand that direct and outsourcing suppliers open their factories to allow publicly trusted, non-profit NGO third parties to provide systematic training for workers. Only a non-profit organization will avoid conflicts of interest that would otherwise risk the project.
5. Computer corporations should demand that its suppliers, after having provided workers with training, establish a representative “workers’ committee” to protect the legal rights, health, safety and welfare of workers.
6. Computer corporations should make public statistics on occupational injuries and violations of the labor laws and regulations on an annual basis to facilitate public monitoring of the factories and improvement of their conditions.
7. Computer corporations must raise the price of its manufacturing orders to account for reasonable labor and production costs. “To race to the bottom” is not at all a sustainable global development project.
8. Computer corporations should not cut and run, instead, they should actively provide suppliers with suggestions for improvement and give supplier factories deadlines for making those improvements.
9. Computer corporations should provide workers with a NGO third-party hotline for complaints.
10. Computer corporations need to demand its suppliers to establish living and cultural zones for workers, to provide workers with a humanized environment and leisure activities.

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## Appendix

### About SACOM

SACOM (Students and Scholars against Corporate Misbehavior) is a new nonprofit advocacy group founded in Hong Kong in June 2005. SACOM originated from a students' movement that was devoted to improving the labor conditions of cleaning workers and security guards under the outsourcing policy. The movement attained relative success and created an opportunity for students to engage in local and global labor issues. SACOM aims at bringing concerned students, scholars, labor activists, and consumers together to monitor corporate behavior and to advocate for workers' rights.

Selected research reports of SACOM are downloadable from our website at [www.sacom.hk](http://www.sacom.hk): *Looking for Mickey Mouse's Conscience: A Survey of the Working Conditions of Disney's Supplier Factories in China* (August 2005); *A 2<sup>nd</sup> Attempt in Looking for Mickey Mouse's Conscience* (forthcoming in December 2006); *'A World without Strangers' – A Report of the Working Conditions of Giordano Subsidiaries and Suppliers in China* (December 2005), and *Chinese Migrant Workers in Action: Bringing Wal-Mart to Global Corporate Responsibility* (Fall 2005) [this article is also available from *Social Policy: Organizing for Social and Economic Justice* (Fall 2005) at [www.socialpolicy.org](http://www.socialpolicy.org)].

SACOM's Ongoing Projects:

Looking for Mickey Mouse's Conscience – Disney Campaign (with Disney Hunter)

Clean Clothes Campaigns – Giordano, Bossini, and other garment brands

Mobile Telephone Handsets Supply Chains (with SOMO)

Ethical Computer Purchasing Campaign [in universities in Hong Kong]

Wal-Mart China Research and Labor Campaign

## Appendix II

### Minimum Legal Wages in Guangdong Province, South China, 2006 - 2007

The Shenzhen Special Economic Zone (SEZ) has the highest level of minimum monthly wage of 810 yuan nationwide, effective from 1 July 2006.

For other cities in Guangdong, a 5-category minimum wage system is applied. The monthly wages range from 450 yuan to 780 yuan.

For example, Guangzhou, the capital of the province, sets the minimum wage level at Category I, i.e., 780 yuan / month and 4.66 yuan / hour, effective from 1 September 2006. Guangzhou's wage level is much higher than Shanghai (690 yuan / month) and Beijing (640 yuan / month).

#### The Legal Minimum Wages in Guangdong Province, South China, 2006 - 2007

City	Monthly Wage (Yuan)	Hourly Wage (Yuan)	Effective Date
Shenzhen	810 (the 4 districts <i>within the SEZ</i> ) 700 (the 2 districts <i>outside the SEZ</i> )	4.66 4.02	1 July 2006
Guangzhou	Category I 780	4.66	1 September 2006
Dongguan, Zhongshan, Zhuhai, Foshan,	Category II 690	4.12	1 September 2006
Jiangmen, Shantou, Huizhou	Category III 600	3.59	1 September 2006
Shaoguan, Heyuan, Meizhou, Shanwei, Yangjiang, Zhanjiang,	Category IV 500	2.99	1 September 2006

Maoming, Zhaoqing, Qingyuan, Chaozhou, Jieyang, Yufu			
Other Counties and County-Rank Cities	Category V 450	2.69	1 September 2006

Source: *Zhongguo Wang* [China.com] (<http://big5.china.com.cn/chinese/difang/1274253.htm>).