

# GAME CONSOLE AND MUSIC PLAYER PRODUCTION IN CHINA

A follow-up report on four suppliers in Guangdong

Finnwatch, SACOM & SOMO  
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Game console and music player production in China: A follow-up report on four suppliers

**AUTHORS:**

Päivi Pöyhönen and Debby Chan Sze Wan

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This report is published as part of the makeITfair campaign, a Europe-wide project on consumer electronics. MakeITfair aims to inform young consumers about human rights, as well as social and environmental issues along the supply chain. It also addresses consumer electronics companies that are in a position to contribute to change.



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**CONTACT DETAILS:**

Finnwatch

Research partner of makeITfair

Tel: +358 (0)9 2280 8349

[info2@finnwatch.org](mailto:info2@finnwatch.org)

[www.finnwatch.org](http://www.finnwatch.org)



MakeITfair is a Europe-wide project on consumer electronics, aiming to inform young consumers about human rights violations, as well as social and environmental issues along the supply chain, and life-cycle of electronics. MakeITfair-project is co-ordinated by the Dutch organisation SOMO. Project partners are Swedwatch, Fair Trade Center and Church of Sweden from Sweden, Finnwatch and Pro Ethical Trade from Finland; DanWatch from Denmark, Germanwatch from Germany, Association for Conscious Consumers (ACC) from Hungary, ACIDH from the DR Congo, CIVIDEP from India, Workers Assistance Center from the Philippines and Civil Society Research and Support Collective from South Africa. Website: [www.makeitfair.org](http://www.makeitfair.org).

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Finnwatch observes and researches Finnish companies operating in developing countries, focussing on human and labour rights, the environment and social development. The member organisations of Finnwatch are: Service Centre for Development Cooperation (Kepa), Trade Union Solidarity Centre of Finland (SASK), Friends of the Earth Finland, Finnish Association for Nature Conservation, FinnChurchAid and Attac Finland. Website: [www.finnwatch.org](http://www.finnwatch.org).



The Centre for Research on Multinational Corporations (SOMO) is a non-profit Dutch research and advisory bureau. SOMO investigates the policies of multinational enterprises and the internationalisation of business worldwide. Focus is placed on research into labour conditions in the global South and cooperation with local organisations and trade unions. Website: [www.somo.nl](http://www.somo.nl).



SACOM is a Hong Kong-based non-profit organization founded in June 2005, which aims to bring concerned students, scholars, labour activists and consumers together to monitor corporate behaviour and to advocate for workers' rights. SACOM originated from a student movement devoted to improving the working conditions of cleaners and security officers under various universities' outsourcing policies. The movement created an opportunity for students to engage in activism surrounding local and international labour issues. Website: [www.sacom.hk](http://www.sacom.hk).

# **EXECUTIVE SUMMARY**

In recent years, the growth of both the market for and production of portable music players and video game consoles has been dramatic. Multimedia phones with music players and game consoles are becoming commonplace among teenagers and adults in wealthy societies. Most game consoles and portable music players as well as one of every two mobile phones are manufactured in China. Many workers in China's electronics sector are denied many of their basic rights.

In 2008, the makeITfair project researched working conditions at four factories operating in the Guangdong province in China, namely Celestica Technology, Flextronics International (incl. Vista Point Technologies/Multek), and Hong Fu Jin Precision of Foxconn. They manufacture or deliver components to portable music player, multimedia phone and video game console companies, namely Apple, Microsoft, Motorola, Philips and Sony. This follow-up report re-examines working conditions at these four factories two years after the first research. The findings are:

- **STUDENT INTERNS STILL USED.** All the four factories hired 16–18 years old student interns from a few months to one year in 2008. In 2010 one factory had reduced the amount of student labour significantly and another claimed that the percentage of interns has been less than two percent since 2010 (both belonging to Flextronics). One company (Foxconn) still hired a large number of students for periods of three to six months. Student interns are required to perform night shifts and work overtime like regular workers. Since student interns are not entitled to standard social insurance (except occupational accident insurance) in China, employers save money through hiring them.
- **LABOUR AGENCIES MONITORED.** It seems that two out of four factories (Celestica and Foxconn) have stopped using labour agencies – or at least paid salaries directly to contract workers without intermediate agencies in between. The other two factories (both belonging to Flextronics) have started to monitor the fees collected by the agencies more carefully by, for example, conducting regular discussions with workers to verify the collected amounts. One factory has even set a lower maximum for agency fees than the Chinese regulations. These actions show that there have been problems related to unauthorised agency fees as reported by makeITfair.
- **DISCRIMINATION AGAINST HEPATITIS B CARRIERS DECREASED.** All four factories required job applicants to undergo a medical check-up, as in 2008. In 2008, diagnosis of Hepatitis B led to a rejection of applicants by at least three out of four factories. In 2010, all four factories advised that they have strict policies against carrying out Hepatitis B tests on workers and that they are in full compliance with the Chinese directive banning discrimination against job seekers on the grounds of Hepatitis B. This discriminative practice has been common in many multinationals and employers in China. About 10 percent of the Chinese population carry the Hepatitis B virus.
- **WAGES INCREASED, BUT STILL NOT SUFFICIENT.** All four factories have increased their basic wages for entry-level workers by around 20–40 percent from the levels of 2008, paying 1,080–1,243 yuan or 124–142 euros (or 9–17 percent above the legal minimum wage) per month for full-time work. After completing assessment, the basic wage is increased slightly. Foxconn has raised the basic wage in its Shenzhen factories to 2,000 yuan (229 euros) per month for workers who have been with the company for more than six months, conspicuous in being the highest paying of the four factories. Chinese legal minimum wages have also increased, but the wage levels remain very difficult to live on.

- **EXCESSIVE WORKING HOURS DECREASED A LITTLE.** In China workers often take on extra hours to try to raise their wages. In three factories, workers were employed for 60–100 hours overtime per month during the peak season. In one factory (Celestica), up to over 120 hours overtime was worked; a gross violation of Chinese labour law that limits overtime to 36 hours per month. As an aftermath of the suicide tragedies, Foxconn has reduced overtime significantly and guaranteed workers one day-off every week since mid-2010. It is the only company which sets a clear goal of meeting the target of legal overtime of 36 hours within 2011.
- **NEGATIVE EFFECTS ON HEALTH.** All four factories required workers to work day and night shifts lasting usually one month, the same practice as in 2008. Workers found it difficult to adapt to month-long night shifts. Also, those two factories (Celestica and Flextronics) that required assembly line workers to stand through entire shifts, still do not allow staff to sit whilst working. If they needed to go to toilet in 2008, workers had to ask for permission and a so-called ‘off-duty card’. In 2010, all four factories informed that they do not limit toilet breaks anymore, but most of them had not removed off-duty cards. Workers handling chemicals at one factory did not know about potential health hazards of the solvents.
- **LESS STRICT DISCIPLINE, UNPAID WORK MEETINGS.** Wage (or bonus) deductions, due to punitive fines were evident in three out of four factories researched in China in 2008. For example, workers were fined for falling asleep while working. It seems that the factories have subsequently abolished the monetary fines, although there remained many factory regulations and disciplinary practices in place. Workers at two factories (Multek and Foxconn) felt less stressed and considered discipline less strict than before. Workers at three factories reported about 10–20 minutes long unpaid “work meetings” before their shift starts. Although two factories denied this practice existed, one factory stated it is a common practice for the industry.
- **DISRESPECT OF UNION RIGHTS.** Three factories out of four claimed to have established labour unions in 2007–2008. In China, the All China Federation of Trade Unions (ACFTU) continues to hold a monopolistic position. The ACFTU is controlled by the Communist Party and is normally loyal to the employer and the government, instead of representing workers. In all four factories, the workers interviewed either did not know whether there was a union in place or regarded it as favouring management’s interests, as in 2008. According to the companies, hotline mechanism has become one of the most effective ways to help workers solve their problems. However, none of them provided statistical data of the nature of complaints lodged through these channels.

The makeITfair project asked for comments from the factories researched, as well as the relevant brand companies. Apple did not respond, as in 2008, but other brand companies replied. In addition, as in 2008, all the supplier companies sent detailed comments, some of which proved very useful. The information provided by SACOM were generally accurate. As to the suppliers, all of them appreciated the work done by the makeITfair project, but many of them considered the research findings partly inaccurate.

More profound changes and overall improvements are unlikely to take place until workers become informed and aware of their rights and are given full and unrestricted rights to organize and express themselves.

# **1. BACKGROUND AND METHODOLOGY**

In March 2009, the makeITfair project published a report entitled “Playing with Labour Rights: Music player and game console manufacturing in China”, in which four factories in Guangdong producing gadgets for the world’s leading electronics companies were examined. Problems found included high percentage of student interns and contract labour, discrimination against Hepatitis B carriers in the recruitment process, excessive working hours, low wages and negative effects on health. Workers were punished with bonus deductions, if they failed to follow many of the company regulations. Behind the success stories of some brand companies, such as Apple (iPhone) and Microsoft (Xbox 360), the reality is harsh for many electronics workers.

As a follow-up to this report, Students and Scholars Against Corporate Misbehaviour (SACOM) interviewed over 100 workers at these four factories during the period of July to September 2010. Workers were interviewed individually or in small groups at secure locations outside the factory independent of their supervisors and employers. Workers were randomly selected by the researchers with the aim of reflecting the general composition of the work force at the factories with regards to age and gender. The research results are presented in Chapter 4.

Both the owners of the supplier factories and brand companies that buy their products and components have been given the opportunity to comment on the factory findings and notify Finnwatch of any factual inaccuracies. Their responses were incorporated in Chapter 5 of this report. The makeITfair project would like to stress that this research does not present a full evaluation of any company mentioned in this document. Instead, this follow-up report merely provides examples of current problems and improvements made at the four factories in the supply chains of the biggest consumer electronics brands. Problems described should be further investigated by the factories’ customers.

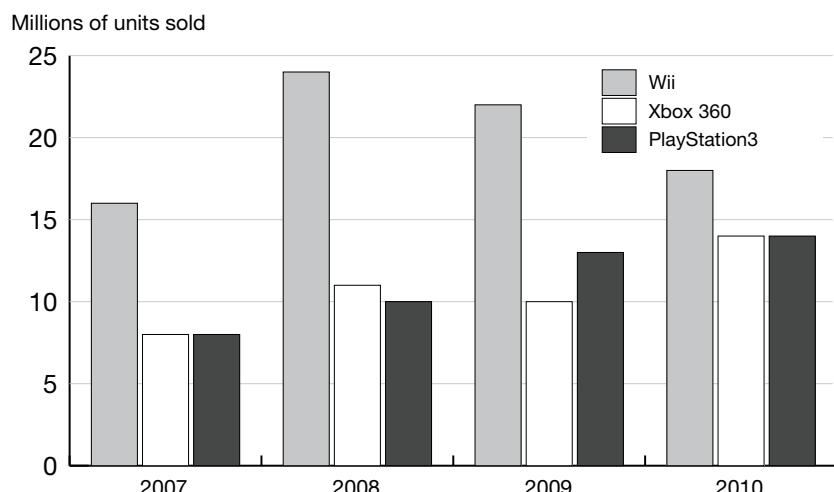
## 2. THE GLOBAL MUSIC PLAYER AND GAME CONSOLE PRODUCTION

Nokia has said it is one of the world's biggest MP3 player producers, due to its huge sales of multimedia phones.<sup>1</sup> Global sales of wireless handsets with music playing functionality have grown significantly, from 48 million in 2004 to 794 million units in 2009. Sales of dedicated digital music players were 141 million units in 2009.<sup>2</sup> Apple's iPod has a clear lead in the market. Apple sold 50 million iPods and 40 million iPhones in its 2010 fiscal year, securing the position of the world's third biggest supplier of smart phones.<sup>3</sup> Sony sold nearly 6 million portable music players during the year ending March 2008.<sup>4</sup>

The video game console market is dominated by the "Big Three" giants, namely Nintendo selling Wii, Microsoft and its Xbox, and Sony selling PlayStation. Worldwide console sales figures grew 4 percent in 2010 compared to those in 2009. The sales breakout by console in 2010 was 18 million to the Wii, 14 million to the PlayStation 3 and 14 million to the Xbox 360.<sup>5</sup> As for life time sales, Nintendo Wii has sold 85 million consoles worldwide, compared with 51 million Xbox 360 units and 46 million PlayStation 3 units sold.<sup>6</sup>

Many consumers believe that it is the brand company that has manufactured the gadget they purchase. This is, however, not always true. Outsourcing music player, game console and mobile phone manufacturing is very common. For example, the manufacture of parts and the assembly of all Nintendo Wii game console hardware are outsourced to production partners.<sup>7</sup> This is also likely to

**Global sales of Wii, Xbox 360 and PlayStation3 from 2007 to 2010**



(source: <http://vgchartz.com>)

1 Tekniikka&Talous article, 'Varjoki: Nokista maailman suurin gps-valmistaja', 15 November 2007

2 TheWhereBusiness article, 'Google's free nav won't sink navigation suppliers', 5 November 2009 (<http://news.thewherebusiness.com/content/google%E2%80%99s-free-nav-won%E2%80%99t-sink-navigation-suppliers>)

3 Macworld article, 'Apple sales top \$20 billion in fiscal fourth quarter', 18 October 2010 ([http://www.macworld.com/article/154967/2010/10/4q\\_earnings.html](http://www.macworld.com/article/154967/2010/10/4q_earnings.html))

4 E-mail from Sony CSR-department, Asako Nagai, 8 January 2009

5 PCWorld article, 'Analyst: PlayStation 3 to smoke Xbox 360 and Wii', 8 March 2010 ([http://www.pcworld.com/article/191053/analyst\\_playstation\\_3\\_to\\_smoke\\_xbox\\_360\\_and\\_wii.html](http://www.pcworld.com/article/191053/analyst_playstation_3_to_smoke_xbox_360_and_wii.html)); VGChartz Hardware Annual Summary 2010 ([http://www.vgchartz.com/hw\\_annual\\_summary.php](http://www.vgchartz.com/hw_annual_summary.php))

6 VGChartz Worldwide Hardware Total -chart (<http://www.vgchartz.com>, accessed 12 January 2011)

7 Nintendo's response to the makeITfair-questionnaire, 23 January 2009

be the case with consoles from Microsoft and Sony. Apple's iPad, iPhone, and other Apple products are assembled in China by a company named Foxconn.<sup>8</sup>

China is the world's largest manufacturer of consumer electronics. The world's biggest electronics contract manufacturers have established a firm operational base in China, with several factories. This report takes a look at three of them, namely Canadian Celestica, Singapore-based Flextronics International and Taiwan-based Hong Fu Jin Precision Industry, under the trade name Foxconn. Foxconn and Flextronics are the world's largest makers of electronic components and products. As of August 2010, Foxconn had 920,000 employees and is on the way to increasing headcount to 1.3 million by August 2011.<sup>9</sup>



**Mobile phone manufacturing in China.**

### **FOXCONN SUICIDE TRAGEDIES<sup>10</sup>**

Labour rights groups reported that there were at least 18 suicide attempts at Foxconn factories across China in 2010. Fourteen Foxconn workers, mostly in Shenzhen, have died after jumping from buildings in the company's plants. Many of these were young migrant workers, among the millions who leave the poor hinterlands of China for the booming factory towns of coastal areas in search of work and higher wages. The deaths threw an awkward spotlight on the labour practices of Foxconn, whose clients include Apple, Hewlett-Packard, Nokia and Sony Ericsson. Since then, the company has pledged to improve work conditions, increase pay, reduce overtime hours and build a string of giant new manufacturing complexes in inland provinces to allow workers to live closer to home, and tap cheaper labour costs.

The knock-on effects of Foxconn's wage increases (though not for all workers) in other Shenzhen enterprises have been limited. Basic wages for production line workers are still barely higher than the legal minimum; although with overtime and other benefits, employees can now earn between 2,000 yuan and 2,500 yuan a month. The first point to note is that Foxconn's highly publicized wage increases are not quite what they seem. While increasing wages in its Shenzhen facility, which currently employs more than 400,000 workers, Foxconn is transferring the bulk of its production inland to new and upgraded facilities in Henan, Sichuan etc, where wage levels will be lower.

8 ZDNet article, 'Is Apple's suicide factory outsourcing to even cheaper Chinese peasants?', 18 October 2010 (<http://www.zdnet.com/blog/government/is-apples-suicide-factory-outsourcing-to-even-cheaper-chinese-peasants/9537>)

9 Focus Taiwan article, 'Foxconn plans to increase China workforce to 1.3 million', 19 August 2010 ([http://focustaiwan.tw>ShowNews/WebNews\\_Detail.aspx?ID=201008190012&Type=aECO](http://focustaiwan.tw>ShowNews/WebNews_Detail.aspx?ID=201008190012&Type=aECO))

10 Reuters article, 'Foxconn worker plunges to death at China plant: report', 5 November 2010 (<http://www.reuters.com/article/idUSTRE6A41M920101105>); China Labour Bulletin articles (<http://www.clb.org.hk/en/node/100960>, <http://www.clb.org.hk/en/node/100918>), SACOM (<http://www.sacom.hk>)

### **3. LATEST DEVELOPMENTS REGARDING WORKERS' RIGHTS IN GUANGDONG PROVINCE**

The Guangdong province has been shaken since 2010 by strikes, protests and worker suicides; and the government has become increasingly anxious to forestall further social unrest by establishing a mechanism that may be able to help resolve labour conflicts peacefully within enterprises, without the need for costly government intervention. For such a system to work, however, China Labour Bulletin (CLB) argues that the government needs to recognize the reality of labour relations in China today. The interests of labour and management are now clearly in opposition to each other, and, as such, conflicts are inevitable. According to CLB, the best way to resolve these conflicts is through collective bargaining.<sup>11</sup>

Against this backdrop, the Standing Committee of Guangdong Province People's Congress in July 2010 convened to discuss the draft of its *Regulations on the Democratic Management of Enterprises*. The guideline states that at least 30 percent of a factory's workers can request collective salary negotiations. Just before the year end, a senior government official in Shenzhen said new guidelines that could allow employees to appoint their own union representatives were "almost approved" and would be launched "as soon as possible". The statement was another sign that the balance of power has started to shift away from factory owners in favour of their employees.<sup>12</sup>



**Map of Guangdong province. Guangdong has become the center of electronics production in China. The factories discussed in this report are located in Shenzhen, Dongguan and Zhuhai.**

11 China Labour Bulletin article, 'Swimming against the tide: How the government has tried to control labour conflicts in China', 13 October 2010 (<http://www.clb.org.hk/en/node/100897>)

12 China Labour Bulletin article, 'CLB's analysis on Guangdong's regulations on the democratic management of enterprises', 9 August 2010 (<http://www.clb.org.hk/en/node/100849>); Financial Times article, 'Shenzhen workers feel shift in dynamics', 5 January 2011 (<http://www.clb.org.hk/en/node/100960>)

## **MINIMUM WAGES INCREASED – BUT STILL FAR FROM SUFFICIENT<sup>13</sup>**

Government officials are caught between the realities of labour shortages and higher inflation in the industrial hinterland of Guangdong. According to Guangdong's labour department, the province may have to raise the minimum wage in early 2011 from its current 1,030 yuan (118 euros) a month. In December 2010, Beijing's municipality announced a 21 percent rise in the minimum wage, effective from January 2011. Regardless of the precise definition of collective bargaining in the labour laws expected soon, a belief in annual wage increases among Guangdong's millions of migrant workers is likely to become a powerful, self-reinforcing dynamic.

So far in 2010, all but one of China's provinces have increased their legal minimum wage by an average of 24 percent, the first genuinely significant increase since the minimum wage system was introduced nationally in 2003. The minimum wage increases in different provinces and cities from 80 to 220 yuan per month have helped ease some of the pressure felt by workers at the lowest end of the pay scale, but even the new minimum wage levels cannot be considered, by any stretch of the imagination, to be a living wage. In major cities like Shenzhen, the minimum wage is now around 1,100 yuan a month, but this is still barely enough for a subsistence existence in cities where the cost of living, and particularly the cost of housing, continues to rise.

The huge gap between factory workers' actual income and what could be considered a decent income means that even if local governments raise the minimum wage by an average of 20 percent each year, as some in the central government are suggesting, it will be at least five years before wages could begin to approach a reasonable level. For example, food prices increased eight percent nationally year on year in September 2010. In this regard the wage increases implemented by the four studied factories have not improved workers' standard of living appreciably.

In this regard, the chairman of the Committee pointed out that "the main objective of this legislation is to resolve the problem of inhumane conditions and excessively low wages at enterprises. For the stable development of that society, it is essential to ensure that enterprises establish democratic management, normal mechanisms for wage increases and harmonious industrial relations." The ACFTU has spent nearly two decades promoting the collective contract system. But it has failed to bridge the enormous gap that persists between the very distinctive collective bargaining system China has evolved and the reality of industrial relations on the shopfloor.<sup>14</sup>

Pun Ngai, a professor at the Hong Kong Polytechnic University, says that, since the labour unrest in 2010, the Shenzhen government and the ACFTU are moving more on to the side of workers.

If the new Guangdong regulations are passed into law, they could indeed open the door to worker participation in collective bargaining.<sup>15</sup>

<sup>13</sup> Financial Times article, 'Shenzhen workers feel shift in dynamics', 5 January 2011 (<http://www.clb.org.hk/en/node/100960>); China Labour Bulletin article, 'Wage increases quiet worker protest – for the time being', 3 November 2010 (<http://www.clb.org.hk/en/node/100918>)

<sup>14</sup> China Labour Bulletin article, 'CLB's analysis on Guangdong's regulations on the democratic management of enterprises', 9 August 2010 (<http://www.clb.org.hk/en/node/100849>)

<sup>15</sup> China Labour Bulletin article, 'Swimming against the tide: How the government has tried to control labour conflicts in China', 13 October 2010 (<http://www.clb.org.hk/en/node/100897>)

## **4. MANUFACTURING MUSIC PLAYERS, MULTIMEDIA PHONES AND GAME CONSOLES: FOUR FACTORIES IN CHINA**

Four factories in China were re-examined to find out about working conditions there. One of them produced video game consoles, one circuit boards, one parts for MP3 players and another smart phones with MP3 playing ability. The four factories are owned by the world's biggest electronics manufacturing service providers and suppliers. They are all members of the Electronic Industry Code of Conduct (EICC).<sup>16</sup> The four factories produce for Apple, Microsoft, Motorola, Philips and Sony, among others. In total, over 100 workers were interviewed in mid-2010 by SACOM.

These four factories are:

- Celestica Technology – produces circuit boards for IBM, Whirlpool, ZTE etc. (produced Xbox 360 video game consoles for Microsoft until early 2010)
- Flextronics – produces Xbox 360 video game consoles for Microsoft.
- Flextronics/Multek – produces LCDs for Sony MP3 players and other products of Motorola, Philips etc.
- Hong Fu Jin Precision Industry (Shenzhen) Ltd./Foxconn Technology Group – produces iPhones for Apple and other products.

**Table 1: Overview of findings at Celestica (factory 1)**

Production and workforce	Customers	Problems reported in 2008	Improvements made in 2010	Remaining issues to address according to workers interviewed
Printed circuit assembly.  Based in Dongguan.  1,200–1,900 employees.	IBM, Whirlpool, ZTE & others (Microsoft until January 2010).	High number (50%) of non-permanent contract workers.  Discrimination in hiring against Hepatitis B carriers.  Legal but low basic wage (770 yuan/72 euros per month).  Unclear salary and bonus deductions by labour agencies.  Mandatory overtime (according to some workers).  No trade union.  Standing long hours whilst working.  “Off-duty cards” shared among 20 workers to go to toilet.  Inhaling toxic fumes in the soldering section.  Bad hygiene in dormitories. Workers must clean their own dormitory rooms.	No Hepatitis B tests on job applicants.  Increase of basic wage (up to 1,080 yuan/124 euros per month).  Salaries paid directly to workers, not through labour agencies.  “Off-duty cards” shared among 10 workers. No limit for “off-duty” break.  Health and safety refresher training courses for workers.  Improvements to dormitories and canteen. Satisfactory hygiene level. Third party cleaners clean dormitories. Improved quality and quantity of food served.	Delays of resignations during peak season.  Basic wages are legal but problematically low for workers.  Illegal and excessive overtime hours (up to over 120 hours per month).  Difficulties in getting a permission not to perform overtime.  Unpaid “work meetings” before shift starts.  Strict discipline in tolerance for late-in/early-out.  No trade union.  Standing long hours whilst working.  Too short (30-minutes long) lunch break to eat properly (Celestica has only taken steps to reduce queues).  Workers using chemicals did not know about the health hazards.

<sup>16</sup> <http://www.eicc.info/membership.html>. The Electronic Industry Code of Conduct (EICC) is a code adopted and implemented by some of the world's major electronics brands and their suppliers. The goal is to improve conditions in the electronics supply chain.

**Table 2: Overview of findings at Flextronics (factory 2)**

Production and workforce	Customers	Problems reported in 2008	Improvements made in 2010	Remaining issues to address according to workers interviewed
Xbox 360 game consoles. Based in Zhuhai. 4,000–8,000 employees. 60 % of workers employed through labour agencies.	Microsoft & others.	High number of student interns (not provided with social insurance – thus cheap labour). Discrimination in hiring against Hepatitis B carriers. Legal but low basic wage (935 yuan/87 euros per month). Excessive overtime (150–180 hrs/month) until June 2008. Trade union unawareness. Standing long hours whilst working. High production quotas causing stress. “Off-duty cards” shared among 100 workers to go to toilet (subsequently among 40 workers). Long distance between the shop floors and factory canteens.	All workers permanent workers (no student interns since mid-2010). Decreased placement fee of labour agencies. Flextronics' max. allowed fee 100 yuan. Strict policy against Hepatitis B tests on job applicants. Increase of basic wage (up to 1,100 yuan/126 euros per month). Decreased overtime (but OT still as high as 84–99 hrs/month). One rest day in a week ensured since July 2010. “Off-duty cards” removed. Quality of food improved, dormitories upgraded.	Many workers hired through labour agencies. Unclear promotion criteria. Delays/problems in resignation during peak season. Basic wages are legal but problematically low for workers. Difficulties in getting a permission not to perform overtime and in taking leave. Occurrence of unpaid “work meetings” before shift starts. No short breaks between meal breaks. Strict discipline and punishment by reducing “points”. Lack of awareness about trade unions Standing long hours whilst working. High production quotas causing stress. Some workers suffer from irritating smell and skin rash. Long distance between the shop floors and factory canteens.

**Table 3: Overview of findings at Multek / ex. VPT (factory 3)**

Production and workforce	Customers	Problems reported in 2008	Improvements made in 2010	Remaining issues to address according to workers interviewed
LCD-displays. Based in Shenzhen. 3,000 employees.	Motorola, Philips, Sony & others.	Many student interns hired. Difficulties in resignation. Legal but low basic wage (902 yuan/84 euros per month) very difficult to live on during low season. Mandatory overtime (according to some workers). Trade union favouring the management's interest. “Off-duty cards” shared among 30 workers to go to toilet. Skin irritation from contact with liquid crystal. 44 worker regulations involving disciplinary measures such as fining. Poor quality of food.	Number of student interns dropped significantly. Strict policy against Hepatitis B tests on job applicants. Increase of basic wage (up to 1,243 yuan/142 euros per month). Less overtime than in 2008 and than in other factories. Less work related stress. “Off-duty cards” shared among 10 workers. Less serious accidents and injuries. Abolishment of the practice of monetary fines and salary deductions.	Delays of resignations during peak season. Basic wages are legal but insufficient for a decent living in Shenzhen. Difficulties in getting a permission not to perform overtime. Lack of awareness of, and trust in, trade union Many worker regulations involving disciplinary measures. No food allowance provided, food cost increased. Workers must clean dormitory rooms by themselves.

**Table 4: Overview of findings at Foxconn (factory 4)**

Production and workforce	Customers	Problems reported in 2008	Improvements made in 2010	Remaining issues to address according to workers interviewed
iPhones. Based in Shenzhen. Thousands of employees.	Apple.	High number of contract and student workers.  Difficulties in resigning during peak seasons.  Legal but low basic wage (900 yuan/84 euros per month).  Compulsory and excessive overtime (120 hrs per month).  Sometimes only one day off in two weeks.  Lack of awareness of trade union.  Strict discipline on the shop floor.  Use of punitive fining.  Workers must clean their own dormitory rooms.	Hepatitis B carriers not discriminated against.  Increase of basic wage (up to 1,200 yuan/137 euros per month).  Wage raised to 2,000 yuan per month for workers being with the company more than six months.  Significantly decreased overtime (still 75–80 hrs per month). Goal to meet OT 36 hrs per month in 2011.  No labour agencies used in recruitment.  Less strict discipline.  Punitive fining believed to have stopped.  Third party cleaners clean dormitories.	High number of student interns.  Difficulties in refusing to perform overtime work and getting unpaid leave.  Basic wages are legal but problematically low for workers (especially if there is no overtime).  Unpaid “work meetings” before shift starts.  Lack of awareness of trade union and code of conduct.  Standing long hours whilst working.

#### **4.1 CELESTICA TECHNOLOGY – PRODUCING CIRCUIT BOARDS (PREVIOUSLY PRODUCING MICROSOFT XBOX 360 GAME CONSOLES)**

Celestica, with its headquarters in Canada, used to be a major manufacturer of Microsoft’s Xbox 360 game consoles, but not any more since January 2010. Celestica operates in Asia, Europe and the Americas, providing services to leading brand companies.<sup>17</sup> MakeITfair has examined the working conditions at the company’s Dongguan-based production facility at Songshan Lake, which began operating in 2005 and provides printed circuit assembly etc.<sup>18</sup> IBM, Whirlpool and ZTE (one of China’s largest telecommunications manufacturers) belong to current customers of the factory.

#### **RESEARCH**

MakeITfair’s Hong Kong-based partner Students and Scholars Against Corporate Misbehavior (SACOM) interviewed 15 workers outside and a few more inside the factory in July and August 2010.

#### **WORKING CONDITIONS**

##### **Workforce**

The workers are mainly migrant workers coming from different provinces of China. In addition, the factory employs student interns through vocational schools, a practice permitted under the China labour law. According to discussion with student interns from Jing Gang Shan vocational school in

17 <http://en.wikipedia.org/wiki/Celestica>

18 <http://www.celestica.com/>

Jiang Xi province, they were required to do overtime like other regular workers and the work was not related to their studies. According to Celestica, the factory hired a group of 100 students from Jing Gang Shan vocational school for a three-month internship programme and the work was related to their studies for the majority of the students hired. Celestica adds that the factory is not facing a labour shortage and the internship programme is aimed at providing real work experience at the request of the schools. However, since student interns are not entitled to standard social insurance in China, employers save money through hiring them. The number of workers ranges from 1,200 in low season to about 1,900 in peak season.

### **Medical check-up results not known**

This factory continues to require job applicants to undergo medical screening. According to Celestica, it is a standard practice for all companies in the electronics industry to conduct medical check-ups. SACOM's researchers did not find a proof to determine whether diagnosed Hepatitis B leads to rejection, as in 2008. After the publication of "Playing with Labour Rights", the Chinese government issued a directive that nobody should be denied employment on the grounds of Hepatitis B.<sup>19</sup> Celestica says that the company has fully complied with this directive. Job applicants must still pay the cost of medical check-ups (40 yuan/4 euro)<sup>20</sup> by themselves. Many workers did not get to know the results of their medical check-ups. Celestica says that any applicant who has received a medical check-up with issues is notified immediately and that the new hires can pick up the results from the human resource department. Celestica, however, promises to give the results to all workers immediately in the future.

### **Resignation still complicated**

According to the interviewees, supervisors can sometimes delay an approval of resignation for even a month, as in 2008. One worker had witnessed harassment towards a young woman who could not adapt herself to long working hours and wanted to resign. According to Celestica, the company recognises the right of every worker to resign at their own free will; and supervisors employed by Celestica do not have any authority to reject or delay any resignations. Despite this recognition, contrary practices still occur. After receiving an approval to resign, workers have to spend a day to return a clean uniform and fill in different forms. Celestica explains that, under China labour law, all resigning employees must be paid their final wages on their last working day and the employee is paid for this final procedure as a full day work. The factory continues to pay monthly wages in the middle (12th) of the following month. Celestica claims that additional time is required to accurately compute the payroll.

### **Slight increase in basic wage, but still low**

The basic monthly wage of assembly workers has increased from 770 yuan (72 euros) in April 2008 to 1,080 yuan (124 euros) in August 2010. The factory pays 17 percent more than the Dongguan legal minimum standard (920 yuan). In 2008, the basic wage was the same as the legal minimum standard of the locality. This factory adjusted the basic wage from 920 yuan to 1,080 yuan only in August 2010. Before February 2008, workers at this factory found it very hard to live on the offered wage of 600–700 yuan per month during low season. According to Celestica, workers with seniority can earn up to 1,400 yuan per month, much more than the starting salary and 30 percent more than the Dongguan minimum wage.

<sup>19</sup> A string of anti-Hepatitis B discrimination lawsuits over the last five years eventually led to China's Ministry of Public Health announcing in October 2009 that the mandatory testing of new employees for Hepatitis B would be discontinued. (<http://www.cib.org.hk/en/node/100020>)

<sup>20</sup> European Central Bank average exchange rate for April-August 2008 (1 € = 10,73 yuan) and for July-September 2010 (1 € = 8,74 yuan)

Production workers, on average, earn between 1,800 and 2,500 yuan (206 to 286 euros) a month during peak season, including basic wages, overtime premiums and subsidies. This earning is 20–25 percent more than in 2008. According to the interviewed workers, their minimum living costs are around 1,000 yuan per month, covering food, clothes, mobile phone, internet and leisure activities. After sending money to their families, they may be able to save around 500 yuan per month at the maximum. However, workers cannot afford to live as urban citizens with a family on this wage. According to Celestica, the wage offered by the factory exceeds the minimum wage requirements by more than 17 percent, which shows that the company is actively working to improve the welfare of the communities in which they operate.

In 2008, Celestica used two labour agencies which deducted a monthly “management fee” from workers’ salaries. In 2010, jobs could be applied directly from Celestica and no labour agencies were contracted. Celestica confirms this finding by reporting that the factory pays salaries directly to contract workers, with no intermediate agencies in between, in order to prevent any such unauthorised deductions.

### **Overtime work over 120 hours, plans to meet EICC’s limits remain a question mark**

Celestica’s factory uses a double-shift work model. Both shifts often last 11.5 hours (plus lunch break of 30 minutes), for six to seven days a week, as in 2008. This includes 3.5 hours overtime per week day; on Saturdays and Sundays, overtime counts at 11.5 hours. This greatly exceeds the maximum legal overtime limit of 36 hours per month, as stipulated by the China labour law. As such, the monthly overtime in the factory totals over 120 hours.

In June 2008, Celestica’s factory had reduced overtime (from that of 3.5 hours per day) and had plans in place to meet the legal and EICC<sup>21</sup> prescribed limits on overtime. However, in 2010 a workweek at Celestica clearly exceeded even EICC’s limit of 60 hours per week. Celestica replies that the company continues to target the EICC limit, but does not give any time frame for reaching this target. Celestica adds that, in China, the company has obtained approval for an “Integrated Hours Policy” permit from the labour bureau which allows flexibility for increasing the overtime based on production needs.

### **Tiring shifts, unpaid “work meetings”**

Workers change from day shifts to night shifts and vice versa once every month, as in 2008. They get the same supplement of 4 yuan (46 cents) per day for working at night as in 2008. The majority of workers still find it difficult to adapt themselves to night shifts.

Overtime duration and dates are still determined by the factory without any consultation with workers. According to some interviewees, it is difficult to get a permission not to perform overtime from supervisors and they may risk being punished for it by not getting overtime work again. According to Celestica, overtime is given on a voluntary basis; and overtime duration and dates are determined by production requirements and suitability of workers. It is recommended that Celestica investigate the alleged punishments.

According to the information received by SACOM, workers are required to attend ”work meetings” for around 10 to 20 minutes long on a daily basis before their shift starts without being compensated. In these meetings, supervisors give workers feedback on the quality of products, remind them of tasks and criticise them of mistakes. According to Celestica, it is clearly stated in the Celestica

<sup>21</sup> The Electronic Industry Code of Conduct limits a workweek to the maximum set by local law, however not to exceed 60 hours per week, including overtime, except in emergency or unusual situations.

employee handbook that any unpaid work, including unpaid attendance at such meetings, is strictly forbidden. Celestica should investigate why workers must often arrive at the shop floor at 7:20 am, even sometimes at 7:10 am, although their shift begins at 7:30 am.

### **Disciplinary measures unchanged**

Managers still implement strict rules to control the shop floor. According to the information SACOM received, workers can be fined for making mistakes, such as dozing off, etc. Celestica denies this information, saying they prohibit any form of deductions and supervisors are not authorised to fine an employee for performance issues. It appears that Celestica's factory has increased a 20-minute tolerance for late-in/early-out for all workers every month to 30 minutes (i.e. around a minute every day). The interviewed workers reported that they are fined 80 yuan when they fail to keep to the tolerance limit. According to Celestica, this 80 yuan fine is actually the monthly rental fee of workers' dormitory, which is waived, if the employee does not have any attendance problems. Otherwise, workers will lose this waiver.

One worker told SACOM that she was kicked and scolded by supervisors because she fell asleep during her first night shift in the factory when there was no urgent production. Sharing information of wages is also prohibited. One interviewed worker told SACOM about an incident where his fellow worker had seen his wage slip and started arguing with his supervisors. Afterwards, the supervisors accused the interviewed worker of causing problems. According to Celestica, the factory has not received any such complaints and is unable to validate these specific allegations.

### **Lack of awareness of union or the EICC Code**

The interviewed workers did not know whether there exists a labour union or not, as in 2008. According to Celestica, all departments have an employee representative responsible for company communications, canteen and environment, and safety and health. Yet, this does not amount to genuine trade union activity or representation. The factory provides workers with, among others, "ethics hotline" (a phone number to provide anonymous feedback to management) and feedback boxes. Although workers knew about them, they were not seen as efficient mechanisms to lodge complaints. None of the interviewed workers had used them. Celestica says that the company is able to provide evidence of complaints/feedback received from workers through these channels and, in fact, has made demonstrable improvements to the dormitories and canteen.

In the orientation training, workers were briefly told about the Electronics Industry Citizenship Coalition (EICC) Code of Conduct, but most of the interviewees did not remember what it was about. According to Celestica, the EICC Code is part of employee orientation training and forms part of the testing procedures examination for new employees at this site.

### **Exhausting work, limited breaks**

Majority of the interviewed assembly line workers complained about having to stand throughout a long shift of almost 12 hours and suffering from body aches, as in 2008. (Workers at Whirlpool production lines are allowed to sit whilst working). Celestica says that their manufacturing processes are based on the Lean Six Sigma concept which advocates standing and is practiced world-wide in manufacturing industry. According to Celestica, in 2008, when the factory was running high volumes for Microsoft, it employed many workers on the high-volume line. At present, the factory is no longer running high-volume lines; therefore the number of workers and speed of work has reduced. However, workers continue to feel pressured from the high speed production work.

Celestica has reduced the number of workers sharing one “off-duty card” permitting an operative to visit toilet from 20 to 10 workers between the period of 2008 and 2010, and no longer limits off-duty breaks. Within the shift of 11.5 hours, there was only one 30-minute lunch break. After queuing for security checks, punching time cards and taking off uniforms, workers usually had only 10 minutes left for finishing their meals. According to Celestica, in a recent survey, the majority of workers would rather keep the 30-minute break than increase the paid break to 45 minutes (reducing overtime by 15 minutes). Celestica has, however, recently decided to implement an additional mandatory break before the commencement of an overtime shift and reduced queue times by, for example, increasing the number of security guards.

In 2010, many interviewed workers reported that masks were only provided upon request and the ventilation system was poor. According to Celestica, if a work station requires masks, then it becomes a mandatory working requirement; and the production floors provide adequate ventilation, a claim which has been validated by both internal and external auditors. Some workers felt irritated by the smell of chemicals and suffered from skin allergies. Workers cleaning printed circuit boards using industrial alcohol told that they did not know about potential health hazards of using the toxic solvent. According to Celestica, the material safety data sheets are posted at work stations in Chinese. Celestica adds that it is a requirement that workers working at work stations that may be hazardous or exposed to health risks, undergo training and a medical check-up before they can start work.

Although Celestica provides, in compliance with the Chinese law, health and safety training for new employees, workers cannot usually remember the details of the training. Therefore, more training should be conducted regularly. Celestica agrees with this recommendation and, in October 2010, has changed its policy to hold EHS refresher training once every 12 months. As discussed above, Celestica should also organise refresher training sessions for workers handling chemicals.

### **Question marks around sick leave**

Celestica workers are covered by social insurance, including pension, occupational injury and medical insurances. Chinese labour regulations state that 8 percent of the average of a person’s previous 12 month salary should be contributed by the employee and 12 percent by the company for social insurance. According to a Chinese regulation, an employer is obliged to pay at least 80 percent of the minimum wage during sick leave. Most interviewees had not taken sick leave and felt that approval from the management for it would not be easy to obtain. According to Celestica, it is clearly stated in the employee handbook that all workers are entitled to a sick leave as long as a medical certificate from a doctor is produced.

There is a clinic in the factory, but the interviewed workers had doubts about how professional the staff are. The clinic is closed during night times. According to Celestica, the factory clinic has a qualified nurse to treat minor illnesses. Any major problems are referred to a nearby hospital. At night, Celestica says, there is a driver and car on standby to bring any worker to the hospital in the event of an emergency.

### **Dormitories free of charge, no real leisure time**

The factory subsidises workers with an additional 195 yuan (22 euros) a month as a meal allowance, as in 2008. Some interviewees raised complaints in 2008 about the quality and quantity of the food served, but now it appears there is enough food for everybody.

Celestica’s factory has made accommodation at its dormitories “free” (subject to attendance issues: dormitory monthly rental fee of 80 yuan is waived, if the employee does not have any attendance



**Celestica's dormitory and computer rooms. Photo: SACOM**

issues) and provides a housing subsidy of 80 yuan for each worker residing outside the factory. According to the interviewed workers, the rooms are not crowded because many decide to live outside the factory and workers sharing the rooms work different shifts. However, there is still very little privacy in the factory dormitories. Many set up curtains around their beds. Bathroom facilities are adequate and hygiene level better than in 2008, according to the interviewees. Workers are not anymore responsible for cleaning their own dormitory rooms.

There are a supermarket, computer and TV rooms, etc. in the factory campus. However, there are only 24 computers in the computer room, some of which are not working. The interviewed workers stated that they do not have "a real life" outside work and they prefer sleep to leisure activities during their days off. Celestica recognises that workers in the dormitories are away from home and may experience difficulties associated with that. According to Celestica, the factory organises various sports and leisure activities (ping-pong, skateboards, karaoke, gym park, yoga, cycling etc.), movie screenings every Friday and Saturday, and other activities, such as company excursions, monthly birthday parties and sports competitions.

#### **4.2 FLEXTRONICS – PRODUCING XBOX 360 GAME CONSOLES FOR MICROSOFT**

Flextronics is another major manufacturer of Microsoft's Xbox 360 game consoles. MakeITfair has examined working conditions at the company's Xin Quing Science & Technology Industrial Park, Doumen campus-based production facility in Zhuhai city. In addition to Microsoft, this factory produces also to other brands.

## **RESEARCH**

MakeITfair's local partner SACOM interviewed 36 workers outside the factory campus of Flextronics (with a special focus on the issues at Building B17) producing the Xbox 360 consoles, in August and September 2010. In addition, some workers were interviewed at Multek (business unit of Flextronics) in the same industrial park in mid-2010.

## **WORKING CONDITIONS**

### **Workforce**

According to the information received by SACOM in 2008, many workers at Building 17 (from now on referred to as the factory) were temporary student interns from different provinces of China. In 2010, SACOM researchers met some student interns from Hubei province at the campus. According to Flextronics, all workers at Building 17 are permanent workers and there have been no student interns employed at this building since mid-2010. The percentage of interns at the campus has been less than two percent of the total workforce since January 2010, according to Flextronics. Those interns met by SACOM informed that they had to pay a management fee of 400 yuan per month for their schooling. Flextronics, however, forbids interns to pay any form of management fees and this policy has been clearly communicated to schools and labour agencies. Flextronics should investigate the reported fee payment.

### **Agency fees decreased, promotion criteria remain unclear**

Many workers at the factory are employed through labour agencies and have to pay a one-off fee of 160 yuan (18 euro) to the agencies to cover their administrative costs. The placement fee has, however, decreased. In 2008, the agencies charged from job applicants 400 yuan. Flextronics says that its Zhuhai's hiring policy clearly states that labour agencies are not allowed to collect more than 100 yuan for placement fee (excluding cost of transportation from point of recruitment to Zhuhai) and that labour agencies are regularly audited. Flextronics should investigate whether the difference lies in the cost of transportation or an unauthorised service fee. According to Flextronics, in 2010, 40 percent of workers are employed through direct hiring channels, including their employee referral programme.

Job applicants are still required to undergo medical check-ups. If they were diagnosed with Hepatitis B or other conditions in 2008, their application would be rejected. According to Flextronics, the company has a strict policy against administering Hepatitis B tests on workers in 2010. Flextronics says it follows the advice of medical professionals against hiring any individuals diagnosed with illnesses such as pulmonary tuberculosis for production jobs since it is imperative they seek immediate medical care.

The management positions can be achieved after working at the factory for six to seven years. Although a majority of production line workers are females, many production line leaders and managers are males. According to Flextronics, in Zhuhai, 65 percent of line leaders on average are female, except for the mechanical operations where female staff account for 35 percent of line leaders. At Building 17, 70 percent of line leaders are female, according to Flextronics. Flextronics argues that workers are promoted based on their performances as determined by the Flextronics Operator Skill Standard. Because the interviewed workers generally do not believe there are objective criteria for promotion, Flextronics should communicate their standards better to workers.

During their training, workers are informed that they are entitled to resign with a three days' notice when on probation, and a one month's notice after passing the probation period. However, according to the interviewed workers, the management says that those who cannot adapt to the work environment should resign in one week and others should stay at least one year. Although there are clear resignation rules in place, the procedure is often delayed due to various reasons. According to Flextronics, employees have the right to resign without any restrictions and that there has not been any complaint lodged so far by workers with Flextronics Ethics Point (operational from 2008 onwards) for having their resignation delayed by the company. Flextronics should find out the reason for this.

### **Slight increase in basic wages, but still low**

The factory offers 1,100 yuan (126 euros) as the monthly basic wage for entry level workers and 1,165 yuan (133 euros) upon completion of a three month probationary period for full time work, plus allowances and some other benefits. The wage increases gradually to 1,335 yuan (153 euro), which can be attained after working at the factory for 18 months. From the period of April 2008 to June 2010, the basic wage for new workers was 935 yuan. The recent increase was introduced after the news broke on a series of suicides at Foxconn. The legal minimum wage in Zhuhai has increased from 770 yuan (2008) to 960 yuan (2010). The monthly allowances for all workers include meal allowance (150 yuan per month), housing allowance (if any) (50 yuan per month) and night shift subsidy (if any) (5 yuan per night).

During the 2010 peak season, workers could make 2,000–2,500 yuan (229–286 euro) per month, including overtime premiums. According to Flextronics, income combined with overtime averaged 1,800 yuan (168 euro) per month in 2008. Workers get paid 20 days after one month's work.

### **A weekly day-off only recently introduced**

In mid-2010, workers worked 10–10.5 hours per day six days a week (excluding a daily meal break of 1–1.5 hour). This adds up to an overtime of 84–99 hours per month. In 2008, overtime at this factory added up to 150–180 hours per month during peak season until June 2008, when the factory reduced overtime to around 80 hours, due to decrease in orders.

In response to the news on suicides at Foxconn, the factory started to implement a day-off every week from July 2010 onwards, although it had promised to do so already since 2008. Before that workers worked at least some periods of time every day. One interviewed worker from the quality department said: *"I did not have a day off from April to June. Starting from July we now rest one day per week. I am glad we have a rest day, but as a result my monthly wage has decreased 500 yuan."* According to Flextronics, all workers are given at least one rest day in a week, and this policy is strictly enforced to ensure that their workers enjoy a good rest and remain healthy. Flextronics Zhuhai implements an automated overtime and rest day alert system (in accordance with EICC requirements).

### **Involuntary overtime and unpaid work meetings**

The interviewed workers reported about difficulties in taking leave and declining overtime. *"If we request for leave or a permission to decline overtime, it is always difficult. We have to make up a story. If we say we are weary, our line supervisor simply thinks it is part of a working life."*, one worker told. According to Flextronics, overtime is voluntary and workers can always inform their line leaders in advance, if they do not want to work overtime. "A recent survey carried out by one of our major customers indicated that our employees are aware that they have the right to refuse overtime", says

Flextronics. It is possible that workers are aware of the factory policies in theory but face difficulties in practice.

When signing the contract, workers have also to sign a document stating that the signatory voluntarily accepts overtime arrangement to meet production quotas of the factory. Workers are not provided with a copy of this document. Flextronics promises that the site will look into providing a copy of the signed voluntary overtime document to employees.

According to the information received by SACOM, workers have to arrive at the shop floor ten to 15 minutes before their shift starts to attend a meeting and wait for some time before exit the factory floor. This unpaid "working time" could add up to half an hour each day. Flextronics explains that there have been a few occasions where line leaders requested workers to come in early for a meeting, but this practice has been stopped and line leaders reminded continuously of this policy. This confirms that such meetings have in fact taken place.

### **Strict control continues**

In its reply in 2008, Flextronics said that short breaks are regularly scheduled with music playing in the background, to help workers unwind and relax. According to the interviewed workers, there are no recesses during work shifts in 2010. According to Flextronics, for Building 17, the maximum number of working hours between meal breaks is four hours. The company does not explain why short breaks have been removed.

In May 2010 Flextronics removed "off-duty cards" to visit toilet. In 2008, one off-duty card was shared among 40 to 100 workers on one production line. Although the interviewees reported about the ten-minute limit on toilet breaks and possible warnings, if the limit is exceeded, Flextronics says no such limit is imposed for toilet breaks, and no worker has ever been given warnings due to time spent on toilet breaks. Flextronics, however, states that they will continue to remind line leaders and supervisors of their policies.

There are disciplinary measures in place at the factory. Workers on probation have two "points" and other workers have six "points" to lose before getting fired. For example, smoking in non-smoking area, dozing off and being late from work are prohibited and can lead to deduction of six, four and two points, respectively. In addition, two points are deducted, if a worker suffers from industrial injury. If a worker has lost three points, there will be no promotion or a pay rise within six months for him or her. According to Flextronics, there is a progressive disciplinary programme in place to maintain a positive working and living environment on campus. Workers face point deductions, if they do not follow factory policies and this is followed up by training and improvement plans. Flextronics argues that there have rarely been cases of termination after only one or two warnings.

### **Lack of awareness about trade union**

More than half of the interviewees were unaware of the existence of labour union at the factory, the rest did not know its mandate nor how to join it, as in 2008. None of them was a member of the union. According to Flextronics, all workers receive a membership application for the "Flextronics Zhuhai Industrial Park Federal Trade Union" as well as introductory presentation of union functions and activities. Flextronics adds that the union has established many communication channels such as bulletin boards, 24-hour hotlines, suggestion boxes, Union Open Day, and bi-monthly meetings. However, many interviewees felt that the union did not represent their interests. According to Flextronics, as per China labour law, the union plays a consultative and mediating role on behalf of

workers. In general, it must be remembered that Chinese labour unions are not necessarily supportive of workers' rights.

### **Unhealthy working conditions**

Flextronics' factory uses a double shift working system, changing the day shift to night shift and vice versa once a month, as in 2008. One interviewed worker told SACOM that when she finished the night shift at 7 am, she was ordered to work again from 11:30 am onwards. Some of her colleagues did not have a break at all between their shifts. This is exhausting for workers and affects their health. According to Flextronics, all workers are provided with sufficient rest between their work shifts. Flextronics, however, admits that there have been rare instances where workers were asked to return to work eight hours after ending their previous shift because of unexpected production demands.

Assembly workers were required to stand for the whole work shift of ten hours, as in 2008.

Flextronics refers to multi-tasking model they are promoting throughout the Zhuhai campus so that workers get a chance to move about when performing different tasks -- thus avoiding standing still in one place which could induce stress. Many workers understandably find it tiring to be standing and working for many hours. According to Flextronics, rest areas equipped with board games, books, magazines, Xbox games, TV, etc. are available on each production floor for workers to enjoy or relax during their breaks.

High production quotas also cause stress. One interviewed worker told SACOM that the workload made him completely exhausted. According to him, if workers could not complete the task during the allotted hours, they are ordered to continue working without extra payment – as in 2008. This is a breach of the China labour law. Flextronics says they do not impose any production quotas on their employees or withhold salary payment for not meeting production quotas. It is possible that the above mentioned orders took place without the threat of wage loss. According to Flextronics, most of their major customers are located on site and they have visibility over production scheduling and planning.

From August 2009 to July 2010, there were 85 cases of industrial injuries at Flextronics Zhuhai documented by the local human resources and social security bureau.<sup>22</sup> According to Flextronics, the Total Case Incident Rate for the entire campus stands at 0.29 and this is well below the electronics industry average of 2.0. In 2010, workers from the spraying department told SACOM that even with masks on, the smell is still irritating and that they suffered from skin rash, as in 2008. Flextronics says that workers working at workplaces or stations known to be hazardous are required to undergo relevant medical examinations annually and that job rotation is carried out so that workers are not assigned to hazardous locations permanently.

### **No social insurance for students**

Workers are protected with social insurance, including work-related accident insurance. Injured workers receive compensation, but they are sometimes harshly blamed. According to the Chinese regulations, student interns need not be provided with a social insurance, only with an accident insurance. All interns are covered by group accidental injury insurance (main insurance) and group accidental injury medical insurance (additional insurance).

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<sup>22</sup> Zhuhai human resources and social security bureau, name list of the industrial injuries determination (<http://www.zhldj.gov.cn/news/l0/objlist.do?pid=26&lbCode=38>)  
(in Chinese)

### Canteen and dormitory

The interviewed workers were more satisfied with the food offered at two factory canteens than in 2008. They get a monthly meal allowance of 150 yuan, increased somewhat from 2008. However, workers living in the northern campus raised complaints about the long distance between the shop floors and the canteens. Flextronics says they already have plans in the pipeline to build a new canteen near the shop floors. This new canteen is expected to be fully operational by mid-2011.

A total of 10 yuan (1 euro) was deducted from a worker's monthly wage for basic lodgings, as in 2008. Each dormitory room houses eight workers. The workers felt that the hygiene level was quite good and disciplinary rules were acceptable in the dormitories. However, a majority of workers reside outside the factory campus with their friends. In the private rental market, renting a room of 15 sq metres costs 150 yuan per month. The housing allowance is 50 yuan per month. According to Flextronics, they have invested more than USD7 million to upgrade all on-site dormitories in the campus.

Although some workers use the recreational facilities, many just sat and rest on the pavements or roadsides after a 10-hour long work shift. According to Flextronics, its Zhuhai campus provides workers with various recreational facilities free of charge, including two recreational centres. These centres have two libraries, chess & board games room, multiple function room, internet café, Xbox game room, badminton courts, ping-pong and billiard tables. Flextronics says that thousands of workers have benefited from these facilities: records show that a total of 6,522 visitors have visited both recreational centres from November 1 to 26.

### Multek (Zhuhai)

SACOM got an opportunity to also study Multek, a business unit of Flextronics in the Zhuhai campus. Multek and Flextronics workers are treated quite similarly and their wages and benefits are on the same level. However, working hours at Multek were longer, 11 hours per day, including three hours overtime. Overtime added up to 110 hours per month, constituting a breach of the China labour law and the EICC Code. According to Flextronics, the 110 hours of overtime mentioned was a one-off situation and since then, corrective actions have been put in place to keep overtime hours at 86 hours per month.

The production quotas and work speed at Multek are high. One worker, responsible for sticking silver film on printed circuit boards, told SACOM that if she slows down or makes mistakes, she will be insulted by the management. After working for 11 hours, she suffers from back and shoulder pain as well as problems with her eyesight. Flextronics replies that it has launched the Mutual



**Exhausted workers taking a rest on the pavements or roadsides after work. Photo: SACOM**

Respect program at all of its sites in China, aiming to improve frontline leaders' communication and management skills. Since April 2010, hundreds of managers and supervisors, and over 2,000 team leaders at Flextronics Zhuhai have attended the training.

According to Flextronics, also other forms of communication initiatives have been introduced. For example, Talk2Me sessions are hour-long roundtable discussions facilitated by managers with 12–15 employees. According to Flextronics, the structured sessions encourage managers to listen to employees' feedback and follow up on open issues raised. Another example of Flextronics' initiatives is an independently-run, 24-hour employee assistance hotline (open to all workers across China) that provides stressed-out employees who may be feeling lonely or depressed with help and counselling.

SACOM researchers met with a worker who had submitted a resignation form two months back and had not yet been granted a permission to resign. She believed the reason for this delayed response is urgent orders Multek had received in the past months. According to Flextronics, Multek workers are entitled to resign anytime with no restrictions. Perhaps, for some reason, workers do not believe that EthicsPoint hotline channel can help them in resignation-related problems.

#### **4.3 MULTEK (EX-VISTA POINT TECHNOLOGIES)/FLEXTRONICS – PRODUCING LCDS FOR SONY MP3 PLAYERS AND FOR MOTOROLA, PHILIPS, ETC.**

MakeITfair examined the working conditions at another Multek's production facility in Henggang town, Longgang district, Shenzhen. This factory belonged to Flextronics' US-based subsidiary Vista Point Technologies (VPT) in 2008, but is now integrated into Flextronics' business unit Multek (as Multek Display)<sup>23</sup>. Multek is one of the world's top ten PCB suppliers, but this factory still specializes in LCDs. It works for, among others, Sony, Motorola and Philips. Part of the output goes into Sony MP3 players. The factory employs some 3,000 workers.

#### **RESEARCH**

Research at this factory was carried out in August and September 2010 by SACOM. In all, around 20 workers were interviewed outside the factory (from both northern and southern campuses).

#### **WORKING CONDITIONS**

##### **Students are no longer hired, but contract labour are still used**

Starting in 2010, the factory has hired only graduates as permanent workers and the number of interns has dropped significantly from that of 2008 (excluding some students who are there only for summer jobs). SACOM met temporary contract workers hired by Xin Run Cheng labour agency who reported that the agency deducts 60 yuan from women and 160 yuan from men as a placement fee. According to Flextronics, placement or introduction fee is permitted by China labour law and the maximum amount allowed under the law is 300 yuan per person. The site conducts regular discussions with workers to determine if the fees collected are in compliance with the legal requirements. In addition, the agency deducts workers' wages a monthly amount of around 100

<sup>23</sup> <http://www.vptech.com/solutions/default.aspx>; <http://www.multek.com/>

yuan: 88 yuan for worker's pension fund, four yuan for medical insurance, and two yuan for mutual assistance fund.

Job applicants are required to undergo health check-up. They have to pay 45 yuan for this. According to Flextronics, Multek has a strict policy against carrying out Hepatitis B tests on workers.

### **Resignation still not easy**

According to information received by SACOM, workers were not always allowed to resign when it proved difficult to recruit new employees, as in 2008. According to Flextronics, Multek has clear policies governing resignation notice periods and employees have the right to resign without any restrictions. Flextronics further explains that, so far, the company has not received any complaints regarding resignation-related delays or prohibitions via EthicsPoint. Flextronics should investigate why complaints have not been lodged through these channels, although resignation-related delays seem to be a general problem in the electronics factories.

### **Slight increase in basic wage, late payment for contract workers**

The monthly basic wage for new hires increased from 902 yuan (84 euros) in 2008 to 1,100 yuan (126 euros) in 2010. At the same time, the Shenzhen minimum wage also increased from 900 yuan to 1,100 yuan. According to Flextronics, (in December 2010) their entry-level workers receive 1,243 yuan (142 euros) per month and workers completed the probation period receive 1,298 yuan (149 euros) per month. In addition to the basic salary, Multek pays employees an additional 50 yuan in monthly allowance and 43 yuan in monthly shift allowance.

In 2010, wages during peak season ranged between 1,900 and 2,100 yuan (217–240 euros) and during low season between 1,300 and 1,400 yuan (149–160 euros). The interviewed workers were of the opinion that their wage during low season was not enough for a decent living in Shenzhen. In 2008, after deducting social insurance, meal costs and dormitory fee, the net remaining wage was 690 yuan (64 euros) per month during low season. At least this unbearably low level of earnings has increased a little.

Contract workers were reported to get paid 17 days after one month's work. In 2008, if a worker wanted to take unpaid leave for a duration of seven to 20 days, he or she had to sign an agreement consenting to an even longer delay before wages are paid. According to Flextronics, this practice of deferring payment to workers taking unpaid leave was abolished in January 2009. Workers who have worked for more than one year are entitled to a five-day paid holiday.

### **Decreased overtime, but pressures remain**

Workers are required to commit to both day and night shifts, changing every two weeks, as in 2008. During peak season, overtime of 2.5 hours per day is common; while in 2008, overtime of 3 hours per day was a norm. There is a one-hour meal break. Flextronics has kept its promise given in 2008 that overtime would not exceed 86 hours per month as prescribed by the EICC guidelines. Overtime in 2010 was reportedly 57–78 hours per month (on top of the regular work of 174 hours). However, in August 2010, some interviewed workers had only two rest days per month. Flextronics says that there were rare instances when certain departments assigned workers to carry out Kaizen (continuous improvement) projects during their rest days.

In 2010, workers were of the opinion that it was difficult to refuse overtime, as in 2008. According to some interviewees, supervisors may punish those who have requested not to work overtime by not allowing them to perform overtime for a long time, thus decreasing their premiums significantly.

According to Flextronics, overtime is voluntary and this requirement is clearly communicated to workers, line managers and supervisors. Because there has been no EthicsPoint report from workers complaining of forced overtime, Flextronics should investigate the reason behind this.

### **Union still a question mark**

Although the factory has a labour union, most interviewed workers did not know about its existence, as in 2008. Only one interviewed worker knew about the union. None of the interviewees trusted that the union would help improve their working conditions. According to Flextronics, there are various union-related communication channels designed to promote employee awareness and participation. Flextronics says that the factory management consults the union on human resource policies and practices and meets with the union quarterly. According to Flextronics, activities organised by the union such as labour mediation, stress management training, etc. are announced to all workers. Multek Henggang has also implemented the Mutual Respect managers' training programme since April 2010.

Most of the interviewees did not know for which brand companies they produced and had not heard of codes of conduct. When the clients audit the factory, they seldom talk with workers. Factory audits are announced in advance, as the managers order workers to pay attention to the tidiness of the departments before the arrival of auditors.

### **Less work-related stress, but injury remains an issue**

Workers at the factory changed from standing up to working in a sitting position in 2008. It seems that the production quotas are now more realistic and workers are less stressed than in 2008. Workers can bring mobile phones on the shop floor, have short stretching breaks and sometimes walk around. In order to go to the toilet, workers need an "off-duty card". In 2010, one card was shared among 10 workers and they can stay away for 15 minutes. In general, workers are allowed to have three toilet breaks per shift. According to Flextronics, there are no toilet break limits. Flextronics says, however, that they will continue their efforts to remind line leaders and supervisors of their policies.

Although work-related injuries still occurred in 2010, it seems they are less serious than before (such as cuts in the hands). Contact with liquid crystal caused skin irritation to some workers in 2008. The interviewed workers were provided with protective gloves and masks in 2010. For those who has been with the factory over one year, regular health check-ups are provided.

### **Disciplinary methods**

In 2008, there were 44 worker regulations relating to disciplinary measures, such as fining (10–200 yuan). According to Flextronics, the company has abolished the practice of monetary fines and salary deductions for disciplinary-related issues. However, it seems the same regulations were in force in 2010. For example, falling asleep on duty, being late from work, smoking in toilet, bringing outsiders to the dormitory remain prohibited. If a worker does not turn up at the work place, he or she will loose the bonuses for one month. Currently, according to Flextronics, the factory has a progressive disciplinary program in place that is consistent with the company's Reward for Performance philosophy.

### **Food costs increased**

The factory canteen provided free lunches till August 2008, but this is not the case anymore. In 2010 workers have to pay 2.5–5 yuan for a meal, spending usually 300–400 yuan per month for food. Not all the interviewees were happy with the taste of the canteen food. According to Flextronics, due to

deteriorating business environment, the site had to stop providing free meals to workers. However, Flextronics further informs, Multek took several steps to improve workers' dining experience by upgrading the canteen and ensuring that the menu remains appealing to workers. Workers pay still 60 yuan per month for a bed in the dormitory. Workers are required to clean the rooms and toilets by themselves.

#### **4.4 HONG FU JIN PRECISION INDUSTRY/FOXCONN TECHNOLOGY GROUP – PRODUCING IPHONES FOR APPLE**

Foxconn is the trade name of Taiwan-based Hon Hai Precision Industry Co. (Ltd). It is one of the world's largest contract manufacturers, producing mainly for brand companies. MakeITfair has examined the working conditions at its Shenzhen-based production facility. It is located in Hungguan industrial area, Dashuihang village, Guanlan town, Baoan district. It produces phones, MP3s, computers and other electronic products. This study concentrates on buildings C03 and C04 (from now on referred to as the factory) responsible for assembling Apple's iPhones.

#### **RESEARCH IN 2010**

SACOM talked with over 30 workers, aged between 16 and 25, during July-September 2010. SACOM researchers reported that Foxconn workers were less willing to talk and less open than those in other factories studied.

#### **WORKING CONDITIONS**

##### **High number of student interns**

According to the interviewed workers, the factory employs many young 16.5–18 years old student interns, as in 2008. Even after the summer vacation, SACOM researchers could easily find student interns at the factory. "It is compulsory for us to come to work here [Foxconn's Guanlan plant]. Otherwise, we cannot get the certificate from school," a male student from a vocational school in Henan Province complained.<sup>24</sup> The factory employs student interns to work for three to six months, the same practice as in 2008.

According to Foxconn, its student internship programme is in line with the Chinese directive from 2007, under which the government encourages students of industrial-related vocational schools to learn certain skills through internships before their graduation. Foxconn says it is the responsibility of the schools to identify students belonging to those departments most relevant to their line of business to participate. Foxconn, school, and student/parents sign three-party contract which defines their own liability, entitlement, and responsibility before starting at Foxconn. Although vocational schools should also be criticised, it does not mean the employer has no responsibility.

According to Foxconn, the average number of students per vocational school from Henan is around 200 students. However, Foxconn does not reveal the total amount of interns. China Daily<sup>25</sup> reported in June that around 100,000 vocational school students were scheduled to join Foxconn's Shenzhen

<sup>24</sup> Sacom, Another suicide case at Foxconn reveals predicament of worker remains, 12 November 2010

<sup>25</sup> China Daily, Foxconn mulls move northward, 29 June 2010 ([http://www.chinadaily.com.cn/china/2010-06/29/content\\_10031234.htm](http://www.chinadaily.com.cn/china/2010-06/29/content_10031234.htm))

plant with the help of Henan provincial government. The interviewed interns complained about the irrelevance of assembly line work to their studies and future professions. This is a breach to Chinese regulation on secondary vocational school student placement.

## **Recruitment**

The factory recruits workers through its own centre and recruitment channels managed by the provincial governments. The latter have been responsible especially for bringing in student interns. According to Foxconn, based on the 2007 directive, individual schools who operate these internship programmes should be responsible for the general insurance coverage for the trainees. Foxconn provides interns with a medical voluntary fund under which their medical expenses with receipts issued by the hospitals can be reimbursed. It also covers all expenses for any occupational injury/illness. Foxconn points out that they also provide a full package of compensation and benefits for interns.

All job applicants, except those under 18, are required to pay 50 yuan (6 euros) themselves for health check. Health checks include blood test, heart and lung test and chest x-ray. According to some interviewed workers, Hepatitis B carriers are not discriminated against in recruitment.

According to Foxconn, in general, workers have 24 hours to check out of the dormitory after resignation. According to the information SACOM received in 2008, the check out time was only 30 minutes. In 2010, resigned workers were given a temporary pass valid for 24 hours, during which time they must remove all personal belongings from the dormitory.

## **Wages increased for some, but not for all**

The factory paid new recruits a basic wage of 900 yuan per month from 2008 until June 2010, complying with the legal minimum. In June 2010, Foxconn raised the basic wage at this factory to 1,200 yuan (137 euros) probably due to pressure from the media, NGOs and others. As from July 2010, the legal minimum wage in Shenzhen increased at 1,100 yuan (126 euros) per month. For more experienced workers, including line supervisors, the factory paid 1,300–1,800 yuan (149–206 euros) per month. The wage increase was not entirely unconditional. The interviewed workers told SACOM that in order to receive the increase they had to pass an assessment, albeit an easy one.

In May 2010, the number of suicide cases at Foxconn rose to a peak. To divert the public attention and pressure from various labour groups and the media surrounding these cases, Foxconn announced that the basic wage for workers who have been with the company more than six months in its Shenzhen factories would be raised to 2,000 yuan (229 euros) per month, effective October. While it is true that 800 yuan has been added to the basic wage as appraisal allowance to some workers, Foxconn declines to tell how many workers out of the total workforce actually benefited from the pay rise. The Shenzhen Federation of Trade Unions estimates that only half of the workforce at Foxconn in Shenzhen has a work duration over six months and thus entitled to the wage increase.<sup>26</sup>

According to Foxconn, there has been much misunderstanding on the issue of wage increase. Foxconn says that among those employees who were eligible for the October salary review, 85 percent passed the evaluation, with the remaining 15 percent due to have another evaluation in late 2010. According to Foxconn, those 15 percent who did not pass the evaluation had not been able to adjust themselves to become frontline workers or were short of team spirits, but additional chances of evaluation will be offered to them. According to Foxconn, their objective for these increases is to ensure they remain one of the highest paying employers in their industry.

<sup>26</sup> Sacom, Another suicide case at Foxconn reveals predicament of worker remains, 12 November 2010

With the raise in the basic wage, some workers earn 3,000–4,400 yuan (340–500 euros) with overtime premium. However, some of the departments have introduced three shifts per day since October 2010. This means there will not be overtime work for some of the workers. Some workers who have a monthly basic wage of 1,200 yuan worried about how they could survive with the amount, which is enough only for basic costs for food, rental costs (outside the campus), clothes, communication, etc. Furthermore, some workers were concerned that the wage increase implies a higher productivity on shop floor. According to Foxconn, there have not been any changes to the production targets on any shop floor as a result of the wage increase.

According to those interviewees who had worked at the factory for one year or more, annual bonuses are given based on productivity, and, therefore, production lines have to compete with each other.

### **Overtime decreased significantly after the suicide tragedies**

In 2008, overtime at the factory was excessive, adding up to 120 hours per month, which means a working week of almost 70 hours, in effect. In spring 2010, the situation remained almost the same: the majority of the interviewed workers had only one or two rest days per month. Legally there should be at least one day off per week. In June 2010, Foxconn decreased overtime significantly and guaranteed workers one day-off per week. Now workers have a 10-hour work day and 6-day work week. However, overtime still varies between 75 to 80 hours per month, exceeding the legal maximum overtime of 36 hours per month as stipulated in the China labour law.

According to Foxconn, the Chinese law states that employees are entitled to request overtime work in excess of the government-mandated maximum of 36 hours per month and their policy is to honour such voluntary requests. Foxconn explains that they ensure that such work does not exceed the EICC guidelines of no more than 60 hours per week including overtime. According to Foxconn, in line with the significant salary increases they have introduced, their goal is to meet the target of 36 hours within 2011 through the hiring of more workers and expansion of their operations to regions that are closer to the home provinces of the majority of their workforce.

Foxconn argues that the new wage levels introduced in October 2010 will ensure that their workers maintain the same or higher income levels with these reduced overtime hours than what they would have, if they worked more hours under the previous compensation arrangement. Foxconn explains further that the Group would like to reduce the number of migrant workers. By relocating some factories to the targeted provinces, the workers could go home and visit their relatives and friends more regularly, rather than once in a year. Because the salary paid to workers would be lower than in Shenzhen, the relocations cut Foxconn's costs.

### **Difficulties in refusing overtime and getting unpaid leave**

For the moment Foxconn is asking workers to sign a statement that all overtime work is voluntary. According to Foxconn, the Chinese government, by law, requires all workers who wish to work overtime to sign an agreement indicating that this additional work is voluntary to ensure that they are only working the overtime that they have requested. Due to low basic wages, workers prefer to perform overtime, which could more than double their salaries. According to the information received by SACOM, it is still difficult to refuse overtime during peak season and workers may be punished for it by not getting permission to perform overtime for one month.

Most of the interviewed workers were of the opinion that it is also difficult to obtain unpaid leave, even in case of emergency. According to them, only those who get along well with supervisors can easily obtain leave. Foxconn says that their company policy requires that all management and

supervisory staff treat their employees and interns with the highest level of respect. According to Foxconn, the company has formal grievance procedures that all workers can use should they have any issues concerning mistreatment by anyone associated with them.

Some interviewed workers complained about unpaid premiums in evenings or on Saturdays and Sundays during the period of job training. Similar complaints were raised in 2008. Foxconn says that training courses are voluntary for those workers who wish to improve their skill and they are held in the evenings or weekends to enable employees who have to work during the week to attend.

### **Health and safety issues**

Workers who use chemicals (e.g. alcohol, n-heptane, acetone) on the shop floor receive allowance. Personal protective equipment, such as gloves and masks, are provided. The factory organises health and safety training on toxic and corrosive chemicals, as well as operation of machines.

Some interviewed workers had to stand for ten hours per day. This results in both physical and mental exhaustion. According to Foxconn, for certain work processes, especially stamp pressing, paint spraying, surface finishing, and others, it may not be appropriate, or even safe, to be in a sitting position while operating those machines. However, for those workers who are engaged in work processes that require them to stand during work, they are given breaks and rotations.

According to the information received by SACOM, workers are generally allowed to stretch, go to toilet, drink water, etc., but that is not always guaranteed. Some of the interviewees told that sometimes they are not provided with short breaks when they could not meet the production target. According to Foxconn, workers are provided with a ten-minute break every two hours and one hour each for lunch and dinner. However, workers on the production lines often felt stressed and were afraid of being blamed by other workers, if they fail to keep up with the high production speed.

In the aftermath of the suicide tragedies, it was found that workers were psychologically affected by social isolation. Workers of the same department were often settled in different dormitory rooms, and were not allowed to talk to each other during work. Therefore, most workers did not know their fellow workers and could not share work-related issues. According to Foxconn, in years past, the company arranged dormitory assignments for new workers based on a "first come, first serve" basis. As their employee base has grown, Foxconn says, they have adopted a new management system that enables workers from the same province or department to share the same dormitory or room for some periods of time. According to Foxconn, workers can change dorms and so choose their own roommates.

### **Social security**

Workers are protected by social insurance. Foxconn pays 80 percent of the minimum wage or more to workers on sick leave, in accordance with Chinese regulations. According to Foxconn, because student interns are not covered by labour agreement contracts, Foxconn cannot apply for social insurance coverage for them. However, Foxconn says, the company places a high priority on the health and well-being of its workers, which is why it provides interns with a medical voluntary fund, under which their medical expenses with receipts issued by the hospitals can be reimbursed.

### **Union regarded as useless, code of conduct not widely known**

Although a labour union was established in March 2007, the interviewed workers were not aware of it, nor familiar with its functions, the same finding as in 2008. None of the interviewees was a member of the union. They had no idea how the union is formed. According to Foxconn, the

Foxconn labour union has 300,000 members in Shenzhen and workers are welcomed to join it. According to SACOM, Foxconn organised 83 “sub-unions” and increased the member base only in December partly to build their own image. Although Foxconn says that the union plays an important role in ensuring a positive working environment and that the union has been effective in representing the needs of their workers, it must be remembered that union leaders are not necessarily democratically elected.

According to some interviewees, complaints are channelled to the superiors of complainants. There were rumours going round about a dismissal of workers who have used the hotline. According to Foxconn, any information provided by a worker through the grievance system is kept strictly confidential; and should a senior personnel be involved, it will always be referred to someone who holds a higher managerial position rather than the direct supervisors of the workers. The hotlines receive an average of 160 calls per day and have become one of the most effective ways to help workers resolve their grievances, Foxconn says. Foxconn does not, however, give statistics of the topics of calls.

Only a few of the interviewees remembered having heard of codes of conduct. As a result, workers cannot defend their rights specified in the codes of conduct. According to Foxconn, its own code of conduct was signed in 2008, announced and posted in all of Foxconn’s facilities, and presented during the orientation for new workers. Workers are usually informed about audits in advance and asked to concentrate hard on work and not to talk during audits. According to Foxconn, workers are provided with an advanced notice of audits in the spirit of transparency with their workers. Foxconn continues that the only reason workers may be advised not to talk during work is because certain work processes require care and attention.

### **Less strict discipline and unpaid work meetings**

The workers interviewed in 2008 said that strict discipline was imposed on the shop floor and that they were not allowed to talk, giggle, sleep or cross legs. In response to the suicide tragedies, management styles of supervisors became more relaxed in 2010, according to the interviewees. Prior to the tragedies, frontline managers used to scold workers and exercise arbitrary rule in provision of bonuses and approval of leaves. Now the disciplining measures seem to be less strict and more humane.

According to the interviewed workers, they must arrive at the shop floor 15–30 minutes in advance every day to attend “work meetings”, where supervisors give instructions and forbid them to talk to outsiders. Workers do not receive payment for the time spent on these meetings. According to Foxconn, these pre-work meetings are intended for important announcements from the company, to debrief on shift-handover assignments, and to review shop floor safety requirements, all of which are common practices for the industry. Foxconn requires all work meetings to be completed within 15 minutes.

During work meetings some supervisors still require workers to shout “Fine! Very fine! Very, very fine!”, when asked how they are doing. Foxconn replies that, across many companies in Asia, in particular Japan, employee slogans and rallying are a common practice that brings workers together and is a form of encouragement. According to Foxconn, it is not meant to be derogatory but is, in fact, a cultural practice that should not be judged or criticized.

There is still a security check with metal detectors at the entrance to the shop floor and in front of the toilets. Security check in front of restroom have been put in place due to past incidents where



**Facade of a dormitory and safety nets installed in the windows in the Foxconn Guanlan campus.  
Photo: SACOM**



some workers took component parts to the restroom and threw these parts into the toilets, causing blockage.

According to the workers interviewed in 2008, punitive fining was used. In 2010, SACOM researchers did not find any proofs on punitive fining, but there were many worker regulations in place defining non-compliances leading to dismissal. According to Foxconn, worker dismissals are taken seriously and only after an assurance that these reasons are valid grounds for dismissal under the Foxconn employee code are such actions taken. Foxconn lists the following grounds for dismissal: imperilling information security and intelligent property, violating good behaviour code/laws and seriously damaging Foxconn's reputation. For example, being absent from work without leave or justifiable reasons over three days and without notifying supervisor are deemed as violating the code.

### **Canteen and dormitory**

Foxconn provides a monthly food allowance of 240 yuan (27 euros) as an additional benefit. It was still regarded as insufficient by the interviewed workers, since meals usually cost 150 yuan more than the provided allowance. Foxconn says they pride themselves on the benefits that they provide workers, including meals and housing. According to Foxconn, workers are given a meal allowance that enables them to choose from 15 of restaurants and canteens across the campus that offer a wide selection of food choices to cater to different tastes from different provinces in China. Foxconn explains that they are working hard to build more cafeterias and food courts to cater to their growing employee base.

A dormitory place is provided without charge, as in 2008. According to the interviewed workers, the hygiene level in these facilities is considered satisfactory. Cleaners clean the public areas and dorm rooms. Previously, workers were required to do "voluntary work", including cleaning their rooms. Recently, workers have got a permission to wash their clothes in the dormitory because the factory's laundry service ruined their clothes. Safety nets and wires have been installed in the windows of the dormitory.

## **5. THE REACTIONS OF THE COMPANIES**

### **5.1 THE REACTIONS OF THE BRAND COMPANIES**

MakeITfair has given the companies cited an opportunity to comment on the factory findings in this report. Of the brand name companies, Microsoft, Motorola, Philips and Sony sent comments, while Apple did not, as in 2008. While most brand companies were quite general in their replies, Microsoft sent the most detailed information. For example, Microsoft has interviewed hundreds of workers at Flextronics to gather data on working conditions.

#### **5.1.1 Microsoft**

**FLEXTRONICS:** Only one (Flextronics in Doumen) of the three factories that were Microsoft's suppliers in 2008 was their supplier in 2010. Microsoft does not tell why it has phased out Celestica and Multek (ex. VPT) factories. Microsoft regards some of the findings as inaccurate when compared to their audit reports and suspects this is partly because SACOM did not have access to the factory and interviewed only a limited number of workers. However, makeITfair believes that visiting the factories without the possibility of talking confidentially with workers cannot sufficiently yield all relevant information. In addition, SACOM interviewed 36 workers at this site, enough to get a picture of the working conditions there.

According to Microsoft, since June 2010, they have conducted 17 assessments at Flextronics on a weekly basis and interviewed 355 workers. In September 2010, they advised Flextronics on areas of improvements as identified by the worker survey. Microsoft is of the opinion that certain allegations made by the profile do not concern the workers working on Microsoft products. For example, during their interviews workers stated that they can refuse overtime and take leave without any difficulty. Also, every worker hired is given an application form to join the trade union and most workers agreed to join it. According to Microsoft, no students are working on their production lines (temporary contract and student labour made up 50 and 20 percent of the workforce in two factories producing for Microsoft in 2008).

Microsoft says they are confident that their monitoring efforts assure that the workers on Microsoft lines are treated fairly, humanely and in compliance with Chinese laws. To date, Microsoft has a team of six experts based in Hong Kong and Shenzhen who regularly visit supplier factories to conduct on-site assessments, including workers' interviews. Over the past year, an independent third-party vendor conducted audits at over 50 supplier facilities in addition to the on-site assessments at 52 factories. Microsoft says they have a weekly presence at their tier one supplier facilities. In total, according to Microsoft, they have interviewed over 4,000 workers.

#### **5.1.2 Motorola**

**MULTEK/FLEXTRONICS:** According to Motorola, it is evident that corporate responsibility improvements are being made within the electronics industry supply chain. Motorola says that they understand there is further work to be done and will continue to support a collaborative approach that involves members of the electronics industry along with the key stakeholders. Motorola will follow-up on any reported issues at its suppliers. Motorola says the company works with suppliers to resolve all identified issues, using their rigorous corrective action system to track, monitor and

confirm closure. In 2008, Motorola had not yet audited this factory, but were considering doing so after receiving the factory profile from makeITfair. Motorola does not mention any audits in its reply.

### **5.1.3 Philips**

**MULTEK/FLEXTRONICS:** Philips says they have audited this supplier in 2009 and found a number of non conformities which makeITfair did not find and which they trust have already been corrected since then. An external party executed the audit. However, Philips does not give any information on the issues identified in these audits. Philips explains further that some of the issues makeITfair has found through its research are new to them or they assume were already solved on the basis of the evidence in 2009. Therefore, Philips is still discussing a few issues with Flextronics. If Flextronics is not able to resolve those issues that remain open satisfactorily, Philips will request a full scope sustainability audit of Multek in 2011 (instead of 2012 as originally planned).

### **5.1.4 Sony**

**MULTEK/FLEXTRONICS:** Sony replies that it is Sony's policy on the event that a violation of the Sony supplier code of conduct is reported by a third party and that violation is confirmed, they will ask the supplier to take corrective actions and report back on the progress. Following their policy, Sony has conducted the fact-finding and requested for corrective actions as necessary. However, Sony does not specify the types of violations found by them and the nature of these corrective actions. Sony says also that they acknowledge the challenging social and environmental issues associated with the supply chain. Sony will further strengthen their supply chain management initiative in partnership with their suppliers to help them improve their activities.

## **5.2. THE REACTIONS OF THE SUPPLIER COMPANIES**

The factory findings were also sent to the three supplier companies in question. All of them responded, commenting on the findings in detail. MakeITfair reviewed the findings and included the company comments above, where gaps in information occurred. All three supplier companies, Celestica, Flextronics and Foxconn, are members of the EICC. In 2008, out of the three supplier companies, only Celestica admitted that the makeITfair factory findings have shown "areas for improvement". In 2010, the factories had implemented various programmes not existing in 2008. A series of improvements on working conditions have taken place over the last few years, but a lot more remains to be done.

### **5.2.1 Celestica Technology**

According to Celestica, as makeITfair has accurately pointed out in the profile, there have been many improvements at this site over the last few years in response to the employee feedback. Celestica says that the company takes great pride in caring for the wellbeing of their employees and that its policies ensure that Celestica maintains their commitment to transparency, honesty, fair dealings and respect for the individual. However, Celestica does not say what their corrective plan is in regard to the reported problems.

Celestica explains that, over the last few years, they have strengthened and built upon the existing programmes and launched a new CSR programme. As part of this program, the company has launched an internal awareness campaign to make sure that all employees are aware of and understand their rights in this area. As part of this campaign, Celestica has published and distributed

CSR newsletters and posters at each facility in local language. The company has also distributed to every manufacturing employee wallet cards with phone numbers and an email address to anonymously report any ethical or other problems they have encountered. In addition, a “Your Voice” survey has been conducted at each of Celestica’s locations to give workers an opportunity for their voice to be heard.

Celestica refers also to their website<sup>27</sup> and recently published CSR report. However, makeITfair did not find any information on Celestica’s factory audit programmes, identified non-compliances and corrective actions there.

### **5.2.2 Flextronics (incl. Multek)**

Although sharing makeITfair’s aim of promoting responsible and sustainable business practices, Flextronics is of the opinion that that the number of workers interviewed by SACOM is not statistically representative of the overall workers at their sites. Flextronics explains further that it also appears that the researchers did not take into account their company documents to validate the interviewees’ comments. Hence, Flextronics is concerned that the draft reports may not present an objective and full picture of their performance. However, SACOM interviewed 36 and 20 workers, enough to get a picture of the prevailing issues in the two factories. In addition, makeITfair gave Flextronics a chance to give their comments and send any documents that makeITfair should take into consideration.

Flextronics highlights that their CSER certification programme, complementing the audits conducted by their customers, involves interviews with a statistically representative sample of workers, review of documents and data (including ethics hotline data), and physical inspection of the facilities. According to Flextronics, in the last two years alone, their Zhuhai and Hengang campuses have gone through 33 and two external audits respectively, leaving no room for mishandled employees’ rights as alleged in the draft reports. The current focus areas for Flextronics include, however, such issues as voluntary and paid nature of overtime, limits on overtime hours, and a minimum of one rest day per week. MakeITfair’s findings indicated problems in the same areas.

According to Flextronics, they have expanded employee communication channels, including ethics hotline, meetings, etc. They have also organised training programmes for all line managers and supervisors on their policies, including overtime, resignation, equal employment opportunity, Hepatitis B, employment introduction fees, and disciplinary procedures (SACOM’s interviews indicated problems in many of these areas). According to Flextronics, CSR is a continuous journey: “we know we are not perfect but we are also committed to taking concrete actions in our pursuit to becoming an employer, partner, and investment of choice.”

### **5.2.3 Hong Fu Jin Precision Industry (Shenzhen)/Foxconn Technology Group**

Foxconn’s reaction in 2010 is more supportive towards the work of makeITfair than in 2008. Foxconn starts by saying that the company is certainly not perfect, but they take their responsibility to their employees very seriously and they are committed to giving their over 937,000 employees in China a safe and positive working environment as well as competitive compensation and benefits.

In recent months, according to Foxconn, there have been many inaccurate reports regarding their company’s policies on wages, overtime and the employment of student interns. Foxconn points out that, contrary to the allegations in some media reports, their minimum wage increases in October have not included any reduction or elimination of any benefits or payments. Foxconn elaborates

<sup>27</sup> <http://www.celestica.com/CorpResp.aspx?id=2820>

that they are also working to bring overtime hours down to no more than 36 hours per month by hiring more workers and expanding their operations to other provinces. Foxconn also adds that it is working hard to impose a ban on any overtime work by student interns.

Although applauding the efforts of Finnwatch and SOMO to improve labour and environmental issues around the world, Foxconn urges makeITfair to consider how best to conduct accurate research in order to make a fair assessment of their company and labour practices.

## **6. CONCLUSIONS**

- After the first makeITfair research in 2008, a series of improvements have taken place in the four factories studied. For example, basic wages of entry-level workers have been raised by 20 to 40 percent; excessive overtime has been reduced at three of the four factories; two of the four factories (Multek and Foxconn) met the EICC's limit on overtime; the number of student interns has been reduced at two of the four factories; fees collected by labour agencies are better scrutinised; Hepatitis B tests are no longer carried out on job applicants; line supervisors have received management and communication training; monetary fines have been abolished; and the hygiene level of dormitories has been improved.
- In spite of these improvements, many root causes of workers' rights violations and hardships persist. Genuine, independent and democratically elected trade unions, as well as collective bargaining procedure need to be developed. Although basic wages have been raised, the offered wage levels are still far from sufficient for a living in the Guangdong province. Overtime exceeded the government-mandated maximum overtime of 36 hours per month at all four factories under the study. Although the China labour law stipulates a minimum of one rest day per week, workers from all four factories reported about periods of time when they had to work without a weekly day-off. In addition, they still experience difficulties in refusing overtime and taking leave.
- The response rate of both the supplier and brand companies was high. As in 2008, all the supplier companies in question sent Finnwatch their detailed comments on the factory profiles. Apple again sets itself apart as the only brand company that did not reply to makeITfair. MakeITfair welcomes Microsoft's efforts in conducting workers' interviews as part of their supplier assessments and the efforts of the other companies, but insists that much more work remains to be done, especially given the living wage and genuine workers' representation-related issues in China.
- In the aftermath of the suicide tragedies, Foxconn has increased the basic wage for workers with seniority of more than six months. The company pays around 50 percent more than the other factories for these workers. This is a positive development, but, at the same time, Foxconn plans to relocate its operations to inland provinces where wage levels are lower than in Shenzhen. Foxconn was also the only company that sets a target to meet the government-mandated maximum overtime of 36 hours per month within 2011.
- The use of 16–18 years old student interns as workforce was still extensive at least in one (Foxconn) of the four factories. Only one factory (Multek) had reduced the use of student interns significantly. Also, Microsoft said that no student workers are working anymore on the Microsoft production lines. This means that buyers have started to pay attention to this issue. Students are a cheap labour, because they are not entitled to standard social security coverage. In addition, their studies are not always related to the work in the factories and they must perform overtime like any other regular workers. Foxconn says it is working to impose a ban on overtime work by student interns.
- The biggest contradictions or gaps between the information SACOM received through workers' interviews and the responses provided by supplier factories concern the difficulties in resignation, refusal of overtime and taking unpaid leave. All supplier companies in question stated that supervisors do not have any authority to reject or delay resignations and overtime is voluntary. The companies also emphasised that there have not been hotline reports about these problems. Because

complaints on these issues were raised by many workers, the factories should investigate why workers have not lodged complaints on these matters through the company hotlines.

- Another notable discrepancy in information obtained concerns the workers' knowledge about trade unions and their usefulness. Most interviewed workers did not know very much about the trade unions in their factories. Those who have heard of them did not trust the unions to improve their working conditions. On the contrary, the supplier companies stated that the workers are aware of the unions and the unions have been effective in representing the needs of workers. These praises from the companies are somewhat surprising, considering that in China employees are not allowed to appoint their own union representatives and true collective salary negotiations do not exist.
- Because many supplier companies referred to the ethic hotlines (phone numbers to provide anonymous feedback to management) as the most effective way to help workers resolve their grievances, they should publish statistical data of the lodged complaints and remediation of the complaints. In addition, companies should be more transparent about reporting their CSR performance, non conformities identified and corrective actions taken.
- Some of the corrective actions that the supplier companies promised to take after reading the factory profiles include: organising safety and health refresher training for workers once a year (Celestica); providing workers with copies of a document indicating that the signatory voluntarily accepts overtime arrangement by the factory (Flextronics); and giving the results of medical check-ups directly to workers (Celestica).



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