



## Foreword

This report is part of “ProcureITfair-Campaign for sustainable purchasing of computers.” It highlights working conditions in supplier factories of computer brands in mainland China. The objective is to connect fact-finding on labour conditions in the IT hardware production chain with concrete demands to public institutions like universities and municipalities, which are important customers for personal computers.

The IT hardware industry is one of the fastest growing industry sectors and has a modern and clean image. But in fact the working and ecological conditions in this industry are appalling. Brand companies with the exception of Fujitsu Siemens Computers and a few other companies are members of the Electronic Industry Citizenship Coalition (EICC) and have signed a common code of conduct for the sector. However, the code is weak by its content and there is no evidence of real improvement resulting from the activities of brand companies. Thus, we are convinced that more public pressure on brand companies is needed to push them forward.

A coalition of different civil society organizations launched the campaign ProcureITfair at the beginning of 2008. The project is coordinated by WEED - World Economy, Ecology & Development (Germany). Project partners are SOMO (Centre for Research on Multinational Corporations - Netherlands), Ecumenical Academy Prague (Czech Republic), Südwind Agentur (Austria), CES (Center for Environmental Studies - Hungary), KARAT (Poland), SETEM (Spain) and SACOM (Students and Scholars Against Corporate Misbehavior - China). We call on public institutions to promote a sweatshop-free purchasing practice. Public procurement describes the purchasing of works, products and services by all public bodies, including central government, local authorities, fire and police authorities and so on. Public purchasers should use their (buying) power to demand compliance with international labour rights and ecological standards in the global supply chain of computers. We support them by developing standards for computer-related spending in the public sector to be adopted into their purchasing practices. Furthermore, we are campaigning on universities and other public institutions to reinforce request for sustainable public spending.

### ProcureITfair

ProcureITfair is a coalition of NGOs from various European countries that intend to raise awareness of the working conditions and environmental pollution in the production of computers and asks politicians and public purchasers to use their (buying) powers to demand compliance with international labour rights and ecological standards in the global supply chain of computers.

This is the second in a series of publications addressing issues of public procurement, environmental issues and labour rights in the IT hardware production chain.

WEED – World Economy, Ecology & Development  
Berlin, December 2008

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## Map: Guangdong Province, China



**Guangdong Province**  
On the southern coast of China

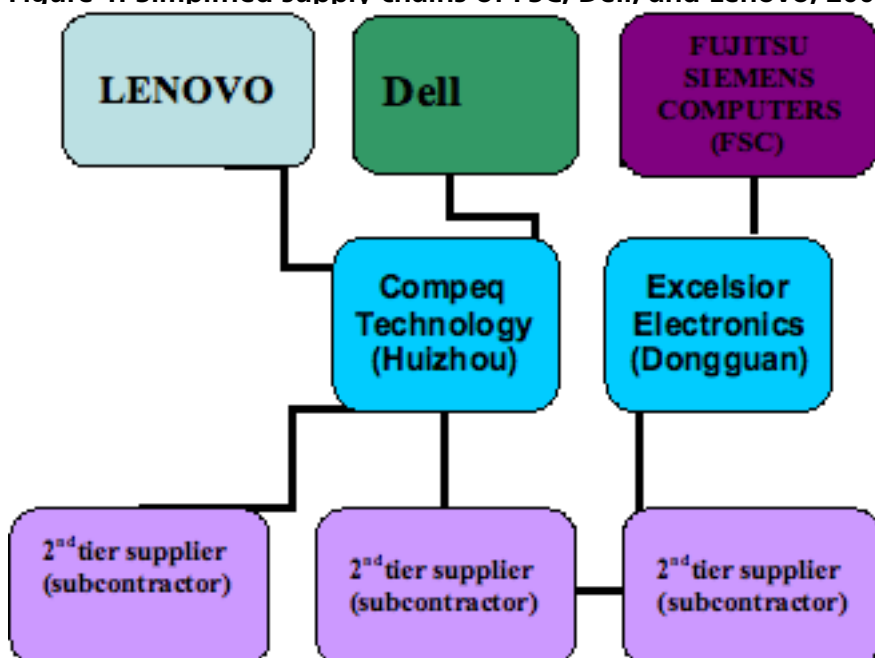
## 1 Introduction

China's exports of electronic products increased by 27% to US\$230 billion in 2005, following growth rates of 44% and 53% in 2004 and 2003, respectively.<sup>1</sup> By product segment, in 2007, a total of 150 million square meters of printed circuit boards (PCB) were produced in the country, making up nearly 30% of the world's total. The production value of PCB of Chinese origin hit US\$15.5 billion in 2007.<sup>2</sup> China is currently the world's largest producer of electronic products. As in other developing economies, the transformation in electronics has been characterized by rapid upgrading from low-cost consumer goods to higher-technology items. Today, information technology (IT) is predominant – for example, the manufacturing of personal computers (PC), cell phones, MP3, and game consoles.

Between June and December 2008, WEED (World Economy, Ecology and Development) and SACOM (Students and Scholars Against Corporate Misbehavior) conducted research on working conditions at electronics factories in Guangdong Province in southern China. Nowadays, the Greater Pearl River Delta (PRD), including mainland cities and counties in Guangdong Province<sup>3</sup> as well as cross-border Hong Kong and Macau Special Administrative Regions, makes up the leading manufacturing and sourcing base, consumer and services market, logistics hub and investment destination in the world. Our first-hand investigation focuses on two large-scale firms, Hong Kong-invested Excelsior Electronics (Dongguan City) and Taiwanese-owned Compeq Technology (Huizhou City).

Excelsior is a first-tier supplier to Fujitsu Siemens Computers (FSC), while Compeq is a direct manufacturer of Dell and Lenovo. FSC was established recently, in 1999, as a 50-50 joint venture between Japanese-owned Fujitsu Limited and German-invested Siemens AG.<sup>4</sup> Effective on April 1, 2009, the Fujitsu Group will fully integrate FSC into its business.

Figure 1: Simplified supply chains of FSC, Dell, and Lenovo, 2008 (SACOM and WEED).



1 Data from Reed Electronics Research, e-market forecasts. <http://www.rer.co.uk/emf/China04.shtml>.

2 Statistics from the China Printed Circuit Association, quoted in Research and Markets, March 2008, [http://www.researchandmarkets.com/research/b41e92/china\\_pcb\\_industry](http://www.researchandmarkets.com/research/b41e92/china_pcb_industry).

3 "China's Pearl River Delta (PRD) – Factory of the World." January 2007. The PRD encompasses 13 cities and counties in Guangdong Province in southern China: Guangzhou, Shenzhen, Zhuhai, Zhongshan, Dongguan, Foshan, Jiangmen, Huidong County, Boluo County, Gaoyao, Sihui and the urban districts of Huizhou and Zhaoqing. [http://www.brandhk.gov.hk/brandhk/e\\_pdf/efact12.pdf](http://www.brandhk.gov.hk/brandhk/e_pdf/efact12.pdf).

4 The CEO and president of Fujitsu Siemens Computers (FSC) is Kai Flore. For more details about Fujitsu Siemens Computers (Holding) B.V., see <http://www.fujitsu-siemens.com/>.

In the third quarter of 2008 (3Q, July – September), industry analysts reported that Hewlett-Packard (HP) retained its position as leader, holding 18.4% of the global market, while Dell followed behind with a 13.6% market share.<sup>5</sup> Competing with foreign giants, Lenovo Group Limited has achieved the number one status in the PC business in China and is the world's fourth largest PC manufacturer. Lenovo acquired IBM's PC operations in 2005 and launched its IdeaPad line of PC products in 2007.<sup>6</sup> In the summer of 2008, Lenovo became one of the major corporate sponsors of the Beijing Olympic Games, further boosting the sales of Lenovo products at home and abroad.

By market segment, PC shipments in Western Europe totaled 17.2 million units in the 3Q of 2008, an increase of 24.3% from the same period in 2007 (see Table 1).<sup>7</sup> Mini-notebooks or netbooks, mobile PCs with screen sizes of only five to 10 inches, are growing impressively. The PC market worldwide, however, will possibly weaken going into fourth quarter and 2009.

**Table 1: Western Europe, PC Vendor Unit Shipment Estimates for 3Q, 2008 (Thousands of Units)**

Company	3Q, 2008 Shipments	3Q, 2008 Market Share (%)	3Q, 2007 Shipments	3Q, 2007 Market Share (%)	3Q08-3Q07 Growth (%)
Acer	4,296	25.0	2,614	18.9	64.3
Hewlett-Packard	3,548	20.7	3,167	22.9	12.1
Dell	1,985	11.6	1,792	13.0	10.7
ASUS	1,101	6.4	373	2.7	195.5
Toshiba	928	5.4	755	5.5	23.0
Others	5,310	30.9	5,110	37.0	3.9
<b>Total</b>	<b>17,168</b>	<b>100.0</b>	<b>13,811</b>	<b>100.0</b>	<b>24.3</b>

Note: Data includes desk-based PCs and mobile PCs.

Source: Gartner (November 2008).

One of the important criteria for sustainable computer procurement is that workers' rights should be respected. The primary goal of this research is to inform individual and institutional consumers to adopt responsible purchasing practices that enhance labor and environmental standards when buying desk-based and mobile PCs. In particular, public institutions such as universities and municipalities are encouraged to leverage their consumer power to improve working conditions in supplier factories. Respect for the core ILO Conventions and for national labor laws should become a basic condition for any business wishing to access public markets.

The current global financial crisis has exacerbated hostility to labour protections in China. Factory owners and foreign investors protest that new labour laws intended to provide Chinese workers with a minimum of protection raise "production costs," and so they pressure government officials to

<sup>5</sup> "Acer Gains on Netbooks, HP Keeps Global PC Lead." October 15, 2008. Taiwan's Acer ranks the third with 12.5% market share. <http://www.reuters.com/article/technologyNews/idUSTRE49E4OK20081015>.

<sup>6</sup> Lenovo chairman, Yang Yuanqing – "a Chinese Bill Gates" – is "China's first global capitalist," Business Week, December 11, 2006. See also [http://www.lenovo.com/lenovo/US/en/our\\_company.html](http://www.lenovo.com/lenovo/US/en/our_company.html).

<sup>7</sup> "Gartner Says Western Europe PC Market Grew 24 Per Cent in Third Quarter 2008." Gartner Research, November 12, 2008. <http://www.gartner.com/it/page.jsp?id=798212>.

shelter their business from the inconvenience of law enforcement. At the same time, an increasing number of factories, well including Excelsior and Compeq, are announcing layoffs to cut expenses. Chinese migrant workers – who have only “temporary residential rights” tied to their waged work in the city – then become unemployed and left on their own. Despite the support of local governments to the ailing industrial sector, such as providing cheap loans and tax breaks, workers in the “factory of the world” express their worries.

In these difficult times, WEED and SACOM urge the surveyed brands to push their suppliers to implement fair labour practices.<sup>8</sup> Electronic Industry Citizenship Coalition (EICC) members such as Dell and Lenovo<sup>9</sup> and non-members such as FSC should take specific measures to shield workers from the negative effects of the crisis.

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<sup>8</sup> See also “Electronics sector hit by economic crisis – Companies to take responsibility”, a public statement issued by GoodElectronics – an international network on human rights and sustainability in electronics. November 20, 2008. <http://goodelectronics.org/>.

<sup>9</sup> The EICC is a group of companies working together to support implementation of the Electronic Code of Conduct throughout the Electronics and Information and Communications Technology (ICT) supply chain. The member list is available online at <http://www.eicc.info/membership.html>.

## 2 China's Electronics Industry: Migrant Workers on the Line

The global logistics management of computer and IT products is highly significant, more or less the same as in the dairy business: "Inventory...is 'fundamentally evil'... If it gets past its freshness date, you have a problem," commented Apple's chief operating officer.<sup>10</sup> To prevent the decline in commodity value by 1% to 2% a week in normal times – even much faster in tough times like the present<sup>11</sup> – many leading PC companies have adopted a flexible, build-to-order mode of production. They have long pulled themselves out of labour-intensive manufacturing altogether, closed their factories and warehouses around the world, and have instead established relationships with contract and sub-tiered manufacturers, in China and other countries. Through outsourcing and subcontracting, they have retained revenue for higher valued-added research and development (R&D) but pressed for faster cost-cutting down their global supply chains.

China currently has 130 million migrant workers, about 1/3 of them are working in Guangdong. The new or 2nd generation of migrant workers, who were born in the 1980s to 1990s, has generally had an elementary or secondary education. They make up the major, bottom-rank workforce in the pillar industry – the electronics and IT industry.

On the factory assembly lines of mass-production items such as PCs, the majority are young, single, female migrant workers aged between 16 and 25 years old. As wage labourers of rural household registration, no matter how long they have been working in the cities, they are not permitted to stay permanently. Marriage, childbearing, children's schooling, retirement, and physical or mental rehabilitation in case of serious industrial injuries or occupational diseases are presumed to be taken care of only in their home communities. The host governments have shifted the hidden cost of labor reproduction but reaped the fruits of economic growth generated by them.

In the booming industrial cities, local capital accumulation – a complicated web of power among enterprises, government officials, and trade unions – renders enforcement of labour laws and regulations weak or non-existent. The state-controlled All-China Federation of Trade Unions (ACFTU) has a monopoly on trade unionizing in China and the creation of competing or independent unions is illegal. In other words, workers of state-owned or privately-run enterprises have the right to join and organize unions, but they must be part of the ACFTU. As a tool of the government, ACFTU has been seen as bowing to the government-cum-capitalist pressure for economic growth and not as defending workers' rights. Workplace-based unions are overly interested in mediating labor disputes and hence resuming normal production order, than representing workers effectively.

Lower courts are subject to the funding and hiring decisions of local governments, in spite of recent judicial reforms. Local judges lack autonomy and independence to uphold the law, especially in cases where outcomes are contradictory to powerful interests. Despite the fact that the lower courts are increasingly reaching out to other courts of equal rank for guidance in making difficult legal decisions—an impressive development of "horizontal networking" between the courts in fostering legal innovations—extensive external interference from higher courts and party officials persists. Not surprisingly, workers' rights often end at the courtroom door.

Under the just-in-time, race-to-the-bottom global production system, workers at the outsourced suppliers (Excelsior and Compeq) share deep-seated grievances at work. Although it is the suppliers' responsibility to follow Chinese Labour Law, the pressure that computer multinationals exert on prices and production schedules leaves Chinese suppliers with little room for respecting workers' rights. FSC, Dell, and Lenovo, according to interviewed production workers, push Excelsior and Compeq to deliver computers on tighter schedules with ever lower prices, resulting in suppliers' violations of the law, corporate codes of conduct, and the International Labor Organization (ILO) Conventions. We will now turn to the next section on detailed research methodology and empirical findings.

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10 Tim Cook of Apple Inc. received the interview from Fortune, November 24, 2008, page 55.

11 Ibid., industry data provided by Tim Cook.



### 3 Research Methodology

Between June and December 2008, SACOM conducted 45 interviews with factory workers from various departments at Excelsior Electronics (Dongguan) and Compeq Technology (Huizhou) in the Pearl River Delta industrial regions, Guangdong.

The rise in local minimum wage was supposed to come into effect on April 1, 2008 and we aimed to document the changes of workers' wages and benefits, if any at all. Employing an open-ended interview strategy, we approached production workers (in staff cards and factory uniforms) during meal breaks and off-work hours at nearby parks, food stands, and job agencies.

To supplement the interviews, some workers were willing to provide copies of employee handbooks and other documents. Most of the photographs we obtained were taken by workers themselves.

We choose to interview workers because we feel this is the best way to gauge the effectiveness of implementation of laws and corporate codes of conduct at the workplace level. In mainland China, social audits – onsite factory inspections undertaken by the brands' in-house corporate responsibility teams or commissioned by third-party auditing agencies – are increasingly common. And yet an alarming rise in "audit fraud," which renders ethical trade audits ineffective, is perhaps most worrying.<sup>12</sup> Factory owners and managers have generally adopted an array of fraudulent practices that are designed to hide the truth about labour practices from auditors' eyes. Preparing fake payroll records and coaching of workers to lie to auditors are obvious examples. We recognized the serious problems and did not approach suppliers for meetings or site visits. Instead, we talked to workers freely, without informing either the management or the security guards.

Interviewed workers from Excelsior and Compeq were able to give us precise information about their labor contracts, monthly basic wages, overtime compensation, assignment to hazardous or physically demanding work positions, participation in safety and health training, regular health check-ups or lack thereof, and employer-employee communication. Each of these is a major indicator that allows us to assess working conditions.

Between December 4 and 12, 2008, WEED and SACOM shared a summary report of key research findings with the surveyed brands for their responses and comments (see Table 2).

**Table 2: Brands' Feedbacks to WEED-SACOM Joint Research**

Lenovo only received the summary of this report until Dec. 10. Thus, they were given time until December 17th to reply.

Company	Supplier Relationship based on the WEED-SACOM research	Brand's feedback
Fujitsu Siemens Computers	Excelsior: direct supplier Compeq: supplier	FSC confirmed that Excelsior is its direct supplier. FSC needs more time to investigate its relationship with Compeq
Dell	Compeq: direct supplier	Dell confirmed the relationship
Intel	Excelsior: direct supplier	Intel rejected the relationship
Lenovo	Compeq: direct supplier	No reply as of December 12, 2008
Apple	Excelsior (MP3): supplier Compeq (mobile phone): supplier	No reply, as of December 12, 2008
Sony	Excelsior (MP3): supplier	Sony confirmed the relationship
Motorola	Compeq (mobile phone): supplier	No reply, as of December 12, 2008
Nokia	Compeq (mobile phone): supplier	No reply, as of December 12, 2008
AMD	Excelsior: direct supplier	No reply, as of December 12, 2008

<sup>12</sup> The widespread problem of "audit fraud" has driven Ethical Trading Initiative (ETI) corporate members to discuss possible ways to tackle the growing crisis in ethical trade auditing. See ETI, 2007, "Getting Smarter at Auditing." <http://www.eti2.org.uk/Z/lib/2006/11/smart-audit/eti-smarter-auditing-2006.pdf>.

### 3.1 Excelsior Electronics (Dongguan, China)

Excelsior Electronics is a computer and digital electronic products manufacturer owned by Hong Kong firm, PC Partner Limited. From Luowu in Shenzhen to Houjie in Dongguan, a direct coach takes about 1 hour and 15 minutes. Then, SACOM researchers changed to another bus to go to the manufacturing facility of Excelsior Electronics.



Source: The factory location of Excelsior Electronics (Dongguan, China). [http://www.pcpartner.com/manu\\_wherewhere.php](http://www.pcpartner.com/manu_wherewhere.php)

## Excelsior Electronics (Dongguan, China)



Source: SACOM.



Source: Company (<http://www.pcpartner.com/about.php>).



Source: Intel and AMD PC chipsets (Products <http://www.pcpartner.com>).

Headquarters: Hong Kong

Manufacturing beginning from: 1997

Factory Address: Santun Management Zone, Houjie Town, Dongguan City, Guangdong Province, China

Workforce: Around 4000 workers

Products: PC motherboard (the main circuit board) & chipset (a group of integrated circuits, or chips), graphics card

Buyers: Fujitsu Siemens Computers<sup>13</sup>, Apple<sup>14</sup>, Sony<sup>15</sup>, Intel<sup>16</sup>, AMD<sup>17</sup>

Website of "PC Partner Limited" & "Excelsior Electronics": <http://www.pcpartner.com>

Email contacts: PC Partner Limited (Hong Kong) [hr@pcpartner.com](mailto:hr@pcpartner.com)

Excelsior Electronics (Dongguan, China) [per@exceltl.com](mailto:per@exceltl.com)

13 Fujitsu Siemens Computers (FSC), headquartered in Germany, awarded PC Partner and its Dongguan-based Excelsior Electronics the "Preferred Supplier 2007" Award (company news dated November 19, 2007). The company continues to work with Hong Kong-owned PC Partner as a strategic partner in 2008 ([http://www.pcpartner.com/news\\_detail.php?belongID=0&newsID=20071121155119-549041](http://www.pcpartner.com/news_detail.php?belongID=0&newsID=20071121155119-549041)). For FSC's global supplier list, released in June 2008, see <http://www.fujitsu-siemens.com/Resources/195/1704477914.pdf>.

14 According to the interviewed workers, Apple's MP3 is made by Excelsior electronic components.

15 According to the interviewed workers, Sony's MP3 is made by Excelsior electronic components.

16 According to the interviewed workers, Intel's MP3 is made by Excelsior electronic components.

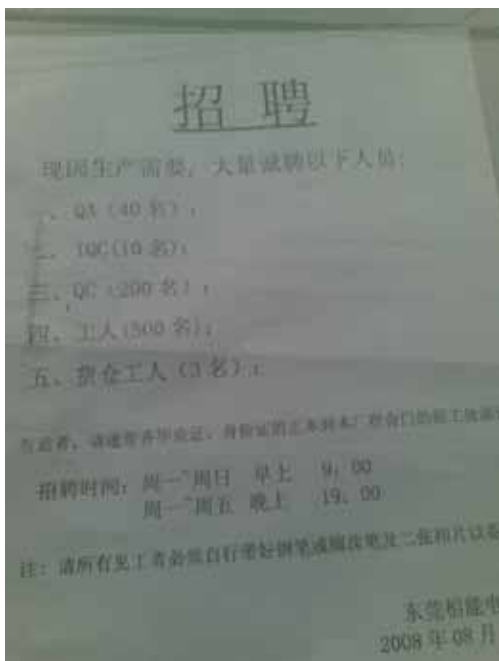
17 According to the interviewed workers, AMD's MP3 is made by Excelsior electronic components.

## SACOM researchers identified severe rights violations at Excelsior Electronics:

### (1) Labor Contracts – Violation of Article 16, China’s Labor Contract Law

Excelsior Electronics has concluded labour contracts with workers but workers are not given copies of their contracts. In this regard, management clearly violated the law. The Labor Contract Law, which came into force on January 1, 2008, stipulates that employers should sign contracts and provide employees with copies (Article 16).

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



Source: Excelsior job ad dated August 2008 – Excelsior recruits QA (40 persons), IQC (10 persons), QC (200 persons), Assembly Workers (300 persons), and Warehouse Workers (3 persons). Recruitment time: Monday to Sunday (at 9:00) and Monday to Friday (at 19:00). SACOM.

Worse yet, Excelsior’s management does not permit workers to resign during high production periods, even if they do so according to the proper legal procedure. For example, workers will not get refunded from their e-meal cards, and hence they are discouraged to quit.

### (2) Working Hours – at least 10 hours a day (2 hours overtime), 6 to 7 days a week

In mainland China, by law, working hours should normally not exceed 8 hours a day and 40 hours a week, and overtime work not more than 3 hours a day. In total, overtime should not exceed 36 hours a month. The Chinese Labor Law also stipulates that at least one day of rest should be provided in any seven day period (Article 28).

### Day-shift Work Timetable at Excelsior plant

Time of Day	Working hours	
Morning	8:15 – 12:15 pm	4 hours
Lunch	12:15 – 1:15 pm (1 hour)	
Afternoon	1:15 – 5:15 pm	4 hours
Dinner Break	5:15 – 6:45 pm (1 hour and 30 minutes)	
<b>Overtime Work</b>	<b>6:45 – 8:45 pm (or until the end of the shift)</b>	<b>2 hours (or up to several hours)</b>

However, Excelsior routinely imposes 10-hour work days during peak seasons. Workers are not even allowed days off when meeting production deadlines. In total, workers report that they toil up to 370 hours a month, i.e., more than double the normal working hours per month (8 hours x 21.75 days = 174 hours, plus as many as 196 overtime work hours per month).

Excelsior workers are swapped from day to night shifts on the 16th of the month, and vice versa. Workers experienced physical exhaustion and difficulties of sleep as a result of the involuntary swap.

### (3) Wages and overtime premiums – below the statutory minimum

In Dongguan City, effective since April 1, 2008, the legal minimum wage is 770 yuan<sup>18</sup> per month (i.e. 4.43 yuan per hour). The Chinese Labor Law requires overtime premiums of at least 150% for overtime during the workweek, 200% on the weekends, and 300% on national holidays.

Excelsior assembly-line workers currently receive 1,200 to 1,600 yuan a month, a figure which includes overtime premiums [100-plus hours a month] and other allowances.

An example: A female QC worker received 1,800 yuan in one month – the highest amount she had ever got during her six months at work in Excelsior – but she was forced to do overtime work for 200 hours in that month. By calculating the overtime premiums at 1.5 times the normal hourly rates (overtime work from Monday to Friday), she should have received 1,330 yuan overtime premium (200 hours x 4.43 yuan x 1.5), plus basic wage at 770 yuan, making the total of 2,100 yuan. In other words, she was paid 300 yuan less than the legal rate – only 85.7% of the legal minimum wage.

### (4) Social insurance – workers are not insured

The employing unit must participate in social insurance programs and pay social insurance premiums in accordance with the law. According to Article 73 of the Chinese Labor Law: workers shall enjoy social insurance benefits under the following circumstances: retirement, illness or injury, disability caused by work-related injury or occupational disease, unemployment, and childbirth.

However, Excelsior workers are not provided with medical insurance, industrial injury insurance, or retirement pensions.

<sup>18</sup> Current exchange rate is approximately 1 Euro = 9.80 Yuan. In other word, the minimum monthly wage in Dongguan is around 78 Euro.

### (5) Health and safety – prolonged exposure to toxins

Excelsior workers report that the chemical odors of industrial alcohol, cleaning agent and thinner cannot dissipate for hours at the printed circuit boards (PCBs) processing department. Shop floor ventilation facilities are inadequate.

Two groups of workers have drawn our attention: When PCB cleaning workers finish their 10-12 hours work shift, their fingers – putting on fingerstalls – become all “whitened.” Some suffer serious skin problems. Soldering workers describe that their hands have been burnt by the soldering tool, especially when they sped up to reach the high production quota.



Source : A PC motherboard ([http://webopedia.internet.com/quick\\_ref/motherboards.asp](http://webopedia.internet.com/quick_ref/motherboards.asp)).

Excelsior management nevertheless does not provide workers with specialized occupational health and safety training.

### (6) Factory canteen & dormitory – unhygienic conditions



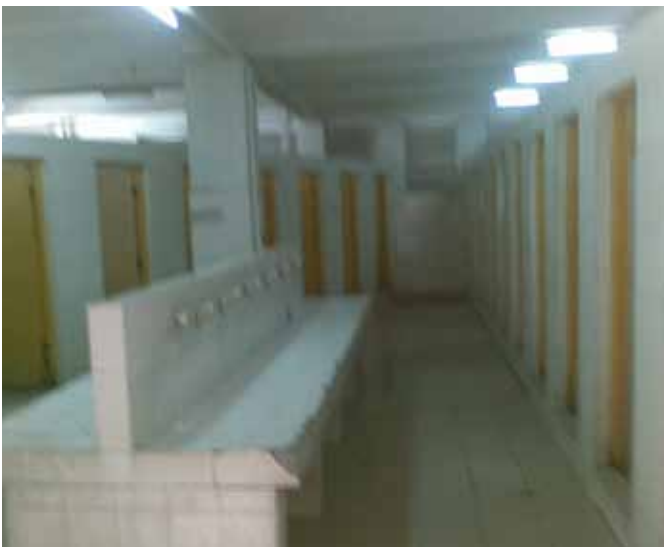
Source: Excelsior canteen. SACOM.

Tens of Excelsior workers angrily report, “There are hairs and insects found in the vegetable!” Still, the management deducts 3.5 yuan (the cheapest meal option available) from worker’s wages.



Source: Excelsior workers' dormitory. SACOM.

The Excelsior workers' dormitory and the manufacturing plant are located within the same geographic region. Many workers find the dorm noisy and dirty.



Source: Excelsior male workers' dormitory. SACOM.

An Excelsior dorm room houses a maximum of 14 male adults. Basic facilities, on top of the seven double-bunk beds, are inadequate. Workers share communal bathrooms and toilets at the far end of the corridor.

### (7) Knowledge of corporate codes of conduct

Excelsior workers did not demonstrate any knowledge about their labour rights as described in the corporate codes of Fujitsu Siemens Computers, Intel, AMD, Apple, and Sony.

## Concluding remarks

Excelsior Electronics is a supplier of motherboards, chipsets, and graphic cards to Fujitsu Siemens Computers, Intel, AMD and other IT multinationals. During peak production periods overtime work hours routinely exceed the legal limits (up to 370 hours in total in a month). Worse yet, workers are not insured against illness or industrial diseases, despite their exposure to dangerous chemicals.

According to the Labour Contract Law, a labour contract must be negotiated and consented to by the worker and his or her employment unit. The labour contract comes into effect when the worker and the employment unit each signs or affixes a seal upon copies of the contract. The employment unit and the worker shall each retain a copy of the labour contract. Excelsior workers, nevertheless, are not given their copies.

At the time of massive layoffs, Excelsior workers reported that they have difficulties to claim their legitimate compensations.



## 3.2 Compeq Technology (Huizhou, China)



Compeq Technology is a printed circuit board (PCB) manufacturer, owned by the Taiwanese publicly listed company, Compeq Manufacturing Co., Ltd. Compeq's PCBs are used in computers (notebooks, servers and peripherals), telecommunication (mobile phones and base stations), networks (switches, routers and storage devices) and other consumer electronics products (<http://www.compeq.com.tw/english/about/about-all.htm>).



Source: SACOM.

Headquarters: Taiwan

Manufacturing beginning from: 1995

Factory Address: No. 168, Huguang Road, Huzhen Town, Boluo County, Huizhou City, Guangdong Province, China

Workforce: around 7000 workers

Products: printed circuit boards (PCBs)

Buyers: Dell<sup>19</sup>, Lenovo, Fujitsu Siemens Computers<sup>20</sup>, Apple<sup>21</sup>, Motorola<sup>22</sup>, Nokia<sup>23</sup>

Website: <http://www.compeq.com.tw/english/english-home.htm>

Email contact: [inquiry@compeq.com.tw](mailto:inquiry@compeq.com.tw)

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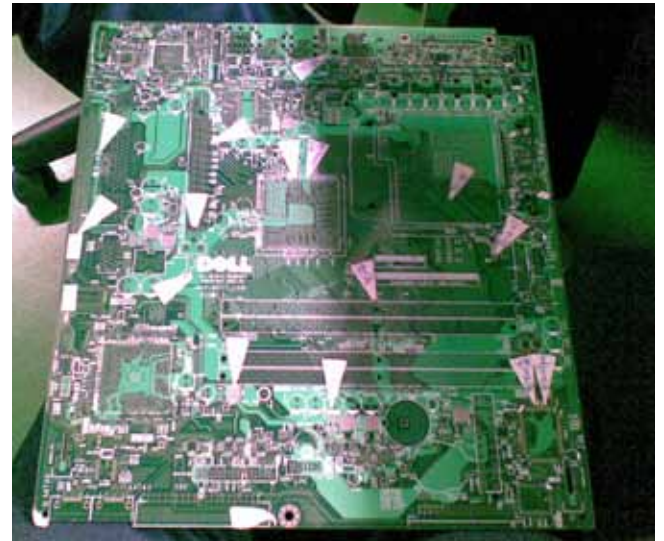
19 Compeq PCBs bear the logo of DELL; see the pictures taken by SACOM.

20 According to the interviewed workers, Compeq produces PCB for Fujitsu Siemens Computers.

21 According to the interviewed workers Compeq produces PCB for Apple to make mobile phones.

22 According to the company document Compeq produces PCB for Motorola to make mobile phones.

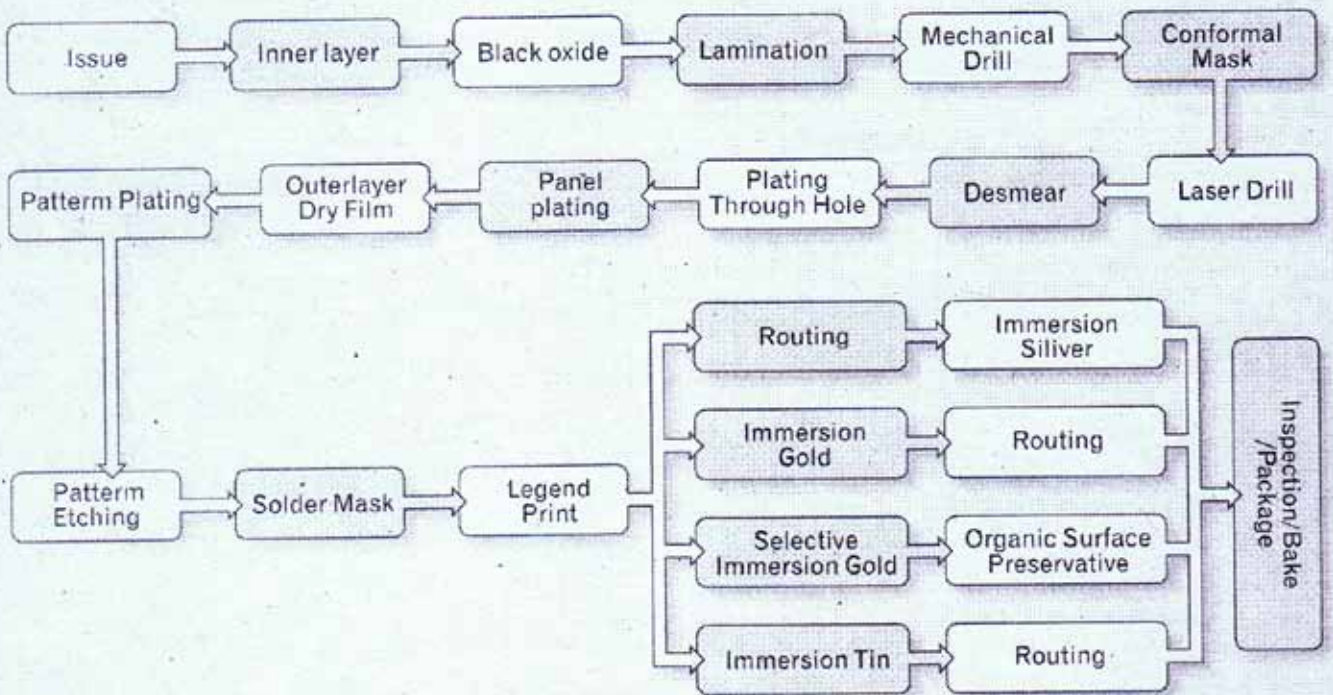
23 According to the company document Compeq produces PCB for Nokia to make mobile phones.



Source: Compeq printed circuit boards for DELL (SACOM).

b. Manufacturing process of the major products

The major products of Compeq are printed circuit boards (PCB). The basic production process for rigid PCBs is shown as below.



Source: Compeq Annual Report 2007, page 21. (<http://www.compeq.com.tw/english/download/download-all.htm>).

## Factory discipline & drill:

**COMPEQ**

Outside the factory, workers could walk in two lines, aligning with right side

行——厂房外可单人成行，也可以双人成行，靠右行走



不正确  
Incorrect

正确  
Correct

**COMPEQ**

Short, Clean and Tidy Haircut style, Non-dyded, Straight Hair

1. 干净整齐的发式。不染黑色以外的头发。不烫卷发  
(男生:前不过眉,侧不遮耳,后不过衣领;女生:梳理整齐,不束怪发)



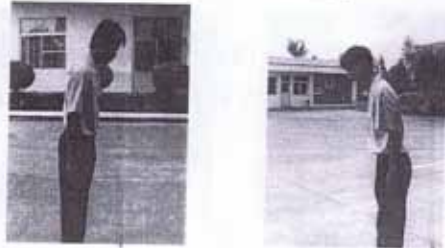
Incorrect

Correct

**COMPEQ**

Bowing: Workers bow down at 15 degree with two arms lying down when meeting customers, supervisor and the elderly

2. 鞠躬: 行进中身体前倾15度, 手臂自然下垂。  
(时机: 与客人/长辈/主管在厂房外相遇)



Source: Company training manual [extract], 2008.

## SACOM researchers identified severe rights violations at Compeq Technology:

### (1) Probationary workers are paid below the legal minimum – not protected by China’s Labor Contract Law

In Huizhou City [located in the southeast of Guangdong Province], effective since April 1, 2008, the legal minimum wage in Boluo County is 580 yuan<sup>24</sup> per month.

According to Article 20 of China’s Labor Contract Law, “the wage amount of a worker during his or her probationary period shall not be less than the local minimum wage standard.” At Compeq, however, during the three-month probationary period, workers receive a basic daily wage of only 26 yuan (monthly wages = 26 yuan/day x 21.75 days = 565.5 yuan), and not the regional legal minimum of 580 yuan. In other words, new Compeq employees are left unprotected because the law is not being enforced.



Source: Compeq workers in their winter uniform – a black cap bearing the word “COMPEQ,” a jacket with a zip in the front, dark blue pants, and a pair of shoes. SACOM.

### (2) Overtime wages underpaid – not sufficient for workers’ everyday needs

Compeq assembly-line workers, who have successfully passed their probation, currently receive a daily wage of 29 yuan for 8 hours of work (monthly wages = 29 yuan/day x 21.75 days = 630.75 yuan). Including overtime premiums [routinely over 100 hours of overtime work per month during peak season] and other allowances, workers earn 900 – 1,400 yuan a month.

Compeq workers, however, attest that the overtime premiums on national holidays of 300% of the normal wage rates are not paid. Illegal underpayment is evident.

Our interviewees confirm that they contribute 78.56 yuan per month to their insurance accounts (regulated by the local government in accordance with the law), which is deducted from their wages. As a result, many workers express that their disposable income is very low, not even enough to meet their medical needs when they are ill.

24 the current exchange rate is approximately 1 Euro = 9.8 Yuan. In other words, the minimum monthly wage in Boluo County in Huizhou City is around 59 Euro.

### (3) Late payment of wages – workers under financial pressure

According to China's Labor Law, Article 50: "Wages shall be paid to laborers in the form of currency on a monthly basis. The wages payable to laborers shall not be deducted or delayed without reason".

At Compeq, however, wages are paid on the 20th of the following month, i.e., production workers get paid only after around 50 days of work. Employees who do not have personal savings are anxious about late wage payment. Many of the interviewed workers have borrowed money from their friends and relatives to meet urgent needs.

### (4) Working hours – forced overtime work of 4 hours/day; meal break only 30 minutes

Overtime work at Compeq is excessive and mandatory, not voluntary. An average Compeq day-shift worker does four hours of overtime work after dinner (in addition to the 8-hour shift), 5-6 days a week.

Compeq day-shifts last from 8:00 am to 9:20 pm or even later at night. Workers are given two short breaks in the morning and afternoon (each 10 minutes), a 30-minute lunch break, and another 30-minute session for dinner. In other words, workers toil for 12 hours in total in one shift, and they are kept in the factory building for 13 hours and 20 minutes.

Night-shift workers toil from 9:00 pm to 8:20 am the next morning; with only 10 minutes rest and a 30-minute break for snacks in the middle. Feeling exhausted at work is a shared experience of Compeq workers.

Source: Compeq day-shift and night-shift work timetable [extract].

班别	出勤时间	休息时间	用餐时间
日班	08:00-21:20	10:00-10:10 14:00-14:10	1.午餐时间 半小时 2.晚餐时间 半小时
夜班	21:00-08:20	04:00-04:10	夜宵时间 半小时

Compeq managers require workers to work long hours of overtime through the weekends without days off during the peak season. Naturally, workers need rest. However, workers are punished severely if they miss work without permission. For example, workers suffer deductions of 3 days' worth of wages equivalent to 87 yuan (3 x 29 yuan) if they miss one day of work. In August 2008, worse yet, the labour contract of a female worker in the C60 production unit was terminated for "falling asleep during work time."

Source: Compeq workers get too tired during the night shift. SACOM.



A 23-year-old woman worker remarked, "Sometimes when I was queuing up for my turn to take a shower, I fell asleep on my bed. I was so tired. Suddenly it was the next morning and I went straight to work."

Another 19-year-old Guangxi girl who has worked in the factory for a year said, "I work like a machine and my brain has rusted."

For some women workers, irregular arrangement of work shifts, in addition to excessively long working hours, is another source of complaints. An assembly worker told us that she could not get used to swapping the work shifts frequently.

Worker: My whole body seems to be turning upside down. I feel like my head is very heavy and my legs are light.

Interviewer: Why?

Worker: Whenever I have to switch from the day to the night shift, I cannot adjust myself to the drastic work time changes in the first couple of days.

Interviewer: That's why you feel so uncomfortable.

Worker: Yes.

Interviewer: How often do you have night shift duty?

Worker: There's not any regularity. I can't figure it out.

In summary, lack of sleep and falling ill from overwork is a common experience at the Compeq factory. Though there is a basketball court and a room with internet access at the factory, these facilities are actually inaccessible to workers given the long hours they must work. "I'm tired and exhausted. I'm planning to quit," replied a Hunan worker.

## **(5) Health and safety – risks and hazards**

According to Article 54 of Chinese Labor Law, "The employing unit must provide workers with occupational health and safety conditions conforming to the provisions of the government and necessary articles of labor protection, as well as provide regular health exams for workers engaged in work with occupational hazards."



Source: SACOM, the chairs do not support Compeq workers' backs.

### **Ergonomical hazards**

Workers at Compeq suffer from pains in the neck, shoulders, back, etc. 12 long hours of work in fixed sitting positions day after day, results in repeated strain injuries and other ergonomical problems for workers. The chairs do not support their backs. This problem requires engineering solutions as fixed work stations and seats easily aggravate strain on the back and elbows.

Managers fine workers if they violate the 'proper' sitting posture. The stress of this management discipline contributes to the sleeping disorders of some workers.

### **Eye problems**

Quality control workers at Compeq commonly suffer from eye problems. They are required to do eye-intensive inspections of the semi-finished PCBs for long hours without rest. Managers fine workers for quality issues that go unnoticed. As a result, quality control workers generally suffer from stress, eyestrain, and short-sightedness over time.



Source: SACOM.

### Chemical poisoning

Compeq workers need to apply dangerous chemical agents including copper sulfate, sulfuric acid, nitric acid, paint, cleaning-machine solvent, thinner, industrial alcohol and gold-coating agent. Protective equipment and specialized training is yet inadequate, from the users' point of view.



Source: Outside Compeq's warehouse. SACOM.

### (6) Fines and punishments – harsh factory rules and regulations

The atmosphere of fines and punishment is a source of enormous stress for Compeq workers.

A 24-year-old Henan male worker said,

“My nerves become tensed as I step onto the shop floor.... There's no use watching out for yourself. You will definitely be fined for violating one or another of these irrational rules!”



Source: Compeq managers control discipline on the shop floor through a system of strict rules and fines (SACOM).



On Compeq's employee handbook: as many as 37 rules and regulations are about "termination of labor contracts," 31 on "serious demerit for wrongdoing" [from the perspective of management], 22 on "minor demerit," and 19 on "warning."

For example:

- \* workers are dismissed if they miss work for three days without permission [Compeq Rule 1-9]
- \* smoking outside the designated areas will result in "one serious demerit" [Compeq Rule 2-1]
- \* alcohol drinking will result in "one serious demerit" [Compeq Rule 2-2]
- \* disobedience of directives or supervisions will result in "one serious demerit" [Compeq Rule 2-3]
- \* unauthorized assembly in the facility will result in "one serious demerit" [Compeq Rule 2-15]
- \* wastage of water or electricity will result in "one serious demerit" [Compeq Rule 2-27]
- \* bringing in outsiders into the facility without permission will result in "one minor demerit" [Compeq Rule 3-9]
- \* disturbing the others, making noises, or creating nuisances at work will result in "one minor demerit" [Compeq 3-18]
- \* anyone making public areas dirty or unhygienic will be given a warning [Compeq 4-1]
- \* anyone posting or distributing unauthorized articles on the shop floor will be given a warning [Compeq 4-7]
- \* anyone in improper attire at work (shirt, trousers, cap, gloves, shoes, etc.) will be given a warning [Compeq 4-17]

Punishment is deeply embedded in the Compeq system of management. Fines range from 50 to 200 yuan.

## (7) Food and accommodation

Compeq workers either consume their meals in the factory canteen or at nearby street stalls.



Source: Compeq workers are having their lunch. SACOM.

A Compeq female dorm room houses 8 - 12 workers. There are wardrobes and lockers for personal use.



Source: Compeq 5-storey workers' dormitory and a dorm room for female workers. SACOM.

Between 11:00 pm and 6:00 am, Compeq workers are not allowed to go out of the dormitory. Some workers say that their freedom is being restricted.

### (8) Knowledge of corporate codes of conduct

Compeq workers did not demonstrate knowledge of their labor rights as described in the corporate codes of Dell, Lenovo, Fujitsu Siemens Computers, Apple, Motorola, and Nokia.



Source: SACOM.

## Concluding Remarks

Compeq Technology (Huizhou) supplies PCBs to Dell, Lenovo, Motorola, Nokia and other brand-name companies but neither new nor veteran workers are protected by the Labor Contract Law (in force since January 1, 2008) and other laws and regulations.

Workers demanded that their management strictly follow the law in terms of both basic and overtime wage payment. They also expressed the urgent need for occupational health and production safety training (e.g., learning about chemical hazards in PCB manufacturing), shortening the number of work hours spent in one shift, and improving the management system (not always resort to punitive fines and punishments).

From November 22, 2008 onwards, layoff-affected Compeq workers were given only 300 yuan each, not considering their years of service for the company. According to the Chinese Labor Law, the company should pay economic compensation that takes into account the worker's seniority. A worker who has served for a year should be compensated one month's income. A month's income is calculated on the average of the three months' income prior to the revocation of the labour contract (i.e. around 900 to 1,400 yuan). This is a serious violation of the law.

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13 Fujitsu Siemens Computers (FSC), headquartered in Germany, awarded PC Partner and its Dongguan-based Excelsior Electronics the "Preferred Supplier 2007" Award (company news dated November 19, 2007). The company continues to work with Hong Kong-owned PC Partner as a strategic partner in 2008 ([http://www.pcpartner.com/news\\_detail.php?belongsID=0&newsID=20071121155119-549041](http://www.pcpartner.com/news_detail.php?belongsID=0&newsID=20071121155119-549041)). For FSC's global supplier list, released in June 2008, see <http://www.fujitsu-siemens.com/Resources/195/1704477914.pdf>.

## 4 Appeal to Computer Multinationals

WEED and SACOM argue that global computer brands, while pursuing excellence in product design and technological innovation, have squeezed suppliers and prices no matter what the effects on production line workers.

This report points out that there exist serious violations of Chinese Labour Law and international labour rights, as defined by the International Labor Organisation (ILO), in the supply chains of Fujitsu Siemens Computers, Dell, Lenovo and other identified brands. Furthermore the working conditions reported above are also violations of the companies' code of conducts and the EICC Code of Conduct. It is evident that the brands either do not effectively monitor their suppliers or do not give suppliers sufficient incentives to meet their own defined code of conduct requirements. Without effective monitoring and enforcement code of conducts do not contribute to changes on the ground. The brand companies are responsible to ensure decent working conditions for workers throughout their entire supply chains.

To improve working conditions throughout the sector we refer to the Good Electronics demands. Good Electronics is a global network of civil society organisations that work together to improve working and ecological conditions in the electronics sector.

In particular, we raise the following demands to multinationals that aim to improve the lives of electronics workers and their families in global supply chains:

### a) Corporate Transparency

Transparency in the IT hardware production is necessary in order to improve working conditions throughout the supply chain.

In the concrete case of this report at a minimum, Fujitsu Siemens Computers, Dell, Lenovo and other corporations should respond constructively to the two specific factory cases in the report: give concrete information about their supplier relationship, share audit reports and detailed corrective action plans. They should not ignore the problems or react by running away from the problems and turning immediately to alternative suppliers. They need to recognize their responsibility for the entire supply chain and their leverage over the working conditions in supplier factories.

### b) Workers' Rights Training

Fujitsu Siemens Computers, Dell, Lenovo and other corporations should engage in pilot labour rights training programs for workers at their supplier factories. Chinese non-governmental organizations (NGOs) will provide workers with participatory training. The aim is to establish a representative, elected workers' committee to protect the legal rights, health and safety, and welfare of workers, in accordance with Article 4 of the Labour Contract Law (i.e., elected worker representatives should be able to exercise their right by commenting "work rules" that have a direct bearing on the interests of workers). Including workers in the day-to-day monitoring process is the key to promoting workplace democracy in China's globalized political economy.

### c) Ethical Purchasing Practices

Brand companies are responsible for the very harsh price competition in the computer sector. The pressure on prices and delivery time are traded down in the supply chain. Effects are felt at the weakest part of the chain. Fujitsu Siemens Computers, Dell, Lenovo and others must change their sourcing strategy. They have to raise the price of its manufacturing orders to account for reasonable labour and production costs. In peak seasons they should acknowledge that short lead times are not to be achieved on the back of workers who would be pushed by mandatory and extreme overtime work.

Last but not least, illegal layoffs at Excelsior and Compeq must stop today. Brands and their suppliers are obliged to follow the law, despite the global financial crisis and its impacts on the real economy.

## 5 Appeal to Public Institutions and Political Decision Makers

Public institutions in Europe spend huge amounts for IT-products. In Germany, for instance, public institutions spent a total of 17 billion Euros on the procurement of IT in 2006 and in the Netherlands ICT products and services account for approximately 17% of all central government purchasing.

Public institutions have a responsibility for how they spend public money – their purchasing practice should set a standard for individual buyers and other institutional consumers. Institutions should use their buying power in order to push brand companies for an improvement of working conditions throughout their global supply chains. Thus, this report does not only appeal to the companies of the IT sector but also to public institutions, especially universities and municipalities.

- a) Central governments should create laws that commit procurement bodies to include sustainability criteria in their buying decisions. Additionally, they should develop action plans and specific guidance for public buyers in order to ensure the implementation of public tenders for computers that include environmental and social criteria.
- b) Local governments and university boards should publicly commit to including social and environmental criteria into their IT procurement practice and ensure instruction of their staff into the practical issues of sustainable procurement.
- c) Procurement bodies should use all legal possibilities in order to include social criteria such as the ILO core criteria into public tenders.

In the fall of 2009, WEED and SACOM are going to analyze the workplace improvements committed by the brands and factory managements and share the information with the concerned public. In the long term, we will build an online wiki-style corpwatch database to promote democratization in global economic governance and sustainable procurement.

## APPENDIX

**ProcureITfair – Campaign for responsible purchasing of computers** is a coalition of NGOs from various European countries that intend to raise awareness on the working conditions and environmental pollution in the production of computers and asks politicians and public purchasers to use their (buying) power to demand compliance with international labour rights and ecological standards in the global supply chain of computers.

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

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

SACOM is a steering committee member of GoodElectronics, a global network on human rights and sustainable production in the electronics industry.

[www.sacom.hk](http://www.sacom.hk).

**WEED - World Economy, Ecology & Development** was founded in 1990 and is an independent Non Governmental Organisation. Main topics of WEED's work are world trade, financial market and Corporate Accountability. Since 2005 the project PC global of WEED engages in the improvement of labour rights and environmental justice in the global supply chain of the computer industry. Since 2008 WEED coordinates the European campaign „Procure IT Fair“. WEED publishes researches and education material, organizes workshops, seminars and lectures and intervenes in political decision making processes.

[www.weed-online.org](http://www.weed-online.org) / [www.pcglobal.org](http://www.pcglobal.org)

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