

# IT WORKERS STILL PAY THE PRICE FOR CHEAP COMPUTERS

Case study of labour  
conditions at 4 Dell  
suppliers in China



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Front cover image: Taida Electronics workers, Dongguan

This report has been done in accordance with DanWatch's ethical guidelines and international principles of media ethics.

## Foreword

China and in particular Shenzhen city in Guangzhou province has become known as the world's factory. Thousands of factories, employing millions of workers, are churning out all kinds of products at an incredibly high pace. Electronics is one of the product categories that drive the Chinese economy. Besides the millions of individual consumers of branded gadgets, the public sector is another important consumer of ICT hardware produced in China.

For this research, DanWatch, an independent non-profit media and research centre, has partnered with China Labor Watch, an independent not-for-profit organisation, that is conducting in-depth assessments of factories in China that produce toys, bikes, shoes, furniture, clothing, and electronics for some of the largest brand companies in the world. The report zooms in on labour conditions in four electronics manufacturing factories that are supplying a number of major international brands. In this report, the American computer brand Dell is singled out in particular. The reason being that Dell holds a crucial market position in supplying the public sector market in Europe. Dell products are very much in demand among European public buyers.

DanWatch and CLW are both part of the GoodElectronics Network, a network of civil society organisations and experts that are concerned about human rights, including labour rights, and sustainability issues in the global electronics supply chain. The GoodElectronics Network sees it as its mission to contribute to improving corporate and public policies and practices regarding compliance to human rights and sustainability in the global electronics supply chain, with a specific focus on big brand companies. The GoodElectronics Network specifically promotes the United Nations "Protect, Respect and Remedy" Framework on business and human rights, regarding the state duty to protect against human rights abuses by third parties, including business; the corporate responsibility to respect human rights; and greater access by victims to effective remedy, both judicial and non-judicial. The GoodElectronics Network is an advocate of government regulation regarding respect of workers' rights, corporate accountability and environmental protection; and implementation thereof in line with internationally agreed human rights and sustainability standards, as well as of strict adherence to ILO labour conventions.

Where Chinese labour law and international labour standards should be guiding, DanWatch and China Labor Watch found several instances of clear breaches of regulations concerning working hours, overtime, payment and insufficient wages. Electronics brand companies like Dell have elaborated corporate accountability policies and codes of conduct. But this report shows, again, that these are ineffective tools. The present report shows that the human measure is lost in the current electronics industry in China.

Companies employing thousands of workers within huge compounds, packing them into basic dormitory buildings. Thousands of workers queuing in impersonal canteens to get nondescript food ladled onto plastic plates. Up to 50 workers sharing one toilet. Up to 90 workers sharing one shower block. The issues that are explored by DanWatch and China Labor Watch give cause for concern, again. The report presents yet another snapshot of an industry that is not respecting worker's rights and is not properly looking after its workers' well being.

In the past decade, civil society organisations have been campaigning for labour rights in the global electronics supply chain and have been calling upon the industry to demonstrate corporate accountability. Research reports, consumer campaigns, dialogue with companies, lobbying for further regulation – many strategies have been applied to raise awareness and call for action to improve labour rights of workers who are producing ICT hardware.

Recently, a new initiative has emerged. GoodElectronics Network members from across Europe, in close collaboration with labour groups in low wage production countries, are looking to apply socially responsible public procurement (SRPP) as an effective mechanism to achieve improvement of working conditions in the global electronics industry. This new initiative is dubbed Electronics Watch, [www.electronicswatch.org](http://www.electronicswatch.org). European NGOs SETEM Catalunya (Spain), Suedwind (Austria), CentrumCSR (Poland), WEED (Germany), DanWatch (Denmark), People&Planet (UK) and SOMO (the Netherlands) are calling upon their public sectors to take responsibility to ensure human rights are respected throughout the electronics supply chain. Electronics Watch argues that the institutional buying power of the European public sector constitutes the needed leverage over brands and manufacturers to get their act together. Electronics Watch will be offering the European public sector practical tools and services in order to implement existing SRPP policies, besides straightforward information about actual working conditions. Emphasis is placed on monitoring labour conditions in the factories that produce ICT hardware for the European public sector.

The GoodElectronics Network welcomes the present report by DanWatch and China Labor Watch as it offers up-to-date information about the issues that require urgent attention.

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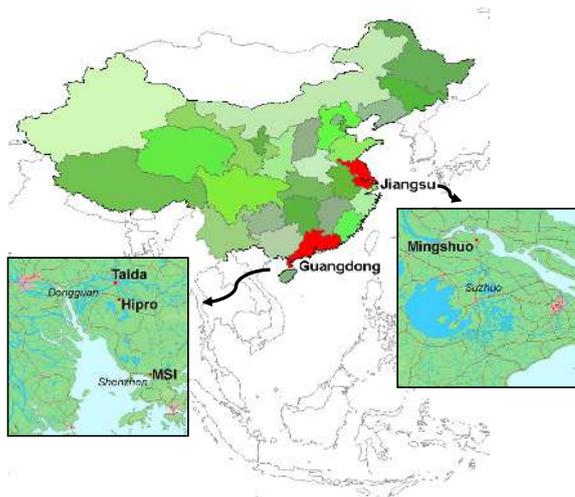
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# 1 Investigating Dell suppliers in China



The provinces Jiangsu and Guangdong in southeast China

This report investigates labour conditions in factories supplying the American computer brand Dell in the provinces of Jiangsu and Guangdong in southeast China. The report has been based on desk and field research in collaboration between the research organisations DanWatch and China Labour Watch.

Four Dell supplying factories were investigated in the period April to September 2013. Two factories, Mingshuo in Jiangsu and Hipro Electronics in Guangdong, were investigated by undercover researchers from China Labor Watch, working in the factories from April to August and June to July 2013.

At the Mingshuo and Hipro Electronics factories, documentation was gathered through informal interviews, written documentation such as payslips and brochures, hidden video and photographic footage, observations and the researchers' own experience while working at the factories.

The two other factories, MSI and Taida in Guangdong, were investigated in September 2013 by DanWatch researchers interviewing workers outside of the factory premises and reviewing written documentation such as payslips and brochures.

Workers from the factories, identified by their uniforms, were contacted in the streets, shops and cafes near the factories and asked for participation in short interviews that were conducted in nearby restaurants. Some were interviewed in groups, some one by one. The interviewed workers at the MSI and Taida factories were of both gender, from age 18 to 30, and all carried out manual work on the factory floor.

Other sources for the report were expert interviews and internet research, news articles and reports from organisations such as SOMO, SACOM, China Labor Watch and China Labour Bulletin. All sources used appear in the footnotes.

The four factories have been identified as suppliers of Dell through their own promotional material, and this was confirmed by the workers at the factories. All four are producing for other brands as well.

The names of the workers cited in the report were changed to protect their identity, but are known to the authors.

Dell was presented with the findings of the report prior to publication, and was given the opportunity to comment. Dell's response can be found in the appendix.

The four companies owning the factories were contacted and given a questionnaire on working conditions in the factories. The factories were given 7 days, but none responded.

### **Doing research on workers' rights in China**

Investigative research on labour rights in China is difficult and not without dangers for researchers, workers and translators involved. The factories are off-limits for research carried out openly and the factory management is generally reluctant to answer critical questions. Workers who report about conditions inside the factories risk harassment, firing and prosecution by the authorities. Furthermore, Chinese authorities are not hospitable to foreign critical research and journalism, and have previously detained local stakeholders who spoke to foreign journalists without credentials issued by the Chinese authorities<sup>1</sup>.

Likewise, foreign journalists have experienced purposeful delay or denial of visa, expulsion<sup>2</sup>, surveillance by authorities, attacks by hired thugs or break-ins and theft of material when investigating issues that are deemed controversial in China<sup>3</sup>.

Researchers for Chinese organisations uncovering labour rights violations have to work under the risk of surveillance and detention by the authorities.

The consequence of this was that the DanWatch researcher had limited time in the factory areas when interviewing workers, as attention from authorities and factory managements had to be avoided in order to minimise the risks for everyone involved.

During this investigation, one China Labor Watch investigator was called in by local authorities, after being identified through unknown means as a researcher preparing for the undercover investigation. The researcher was threatened by the authorities with the goal of halting their investigation<sup>4</sup>.

<sup>1</sup> Interview with Kevin Slaten, Programme Coordinator, China Labor Watch, 22/8/13

<sup>2</sup> Committee to Protect Journalists (CPJ): <http://www.cpj.org/2013/02/attacks-on-the-press-china-tightens-control.php> accessed 27/09/13

<sup>3</sup> International Federation of Journalists (2013): Media at risk. Press freedom in China 2012-13. p. 24-27 <http://www.ifj.org/assets/docs/104/080/f463268-b4a3250.pdf>

<sup>4</sup> Interview with Kevin Slaten, Programme Coordinator, China Labor Watch, 22/8/13

## 2 Extensive violations of workers' rights

Tough working conditions and violations of a number of Chinese labour laws, international labour conventions and human rights were found when investigating the four Dell suppliers in the Guangdong and Jiangsu provinces<sup>5</sup>. Due to age limits applied by work agencies as well as in direct hiring by the factories, the workers are between 16 and 36, and often travel great distances in search of jobs. But once they start working in the factories and living in crowded dorms, few are satisfied with their situation. The majority of the workers interviewed outside the factory premises had specific plans of quitting within the next half year due to low wage, work pressure, long hours and no prospects of promotion<sup>6</sup>.



Workers on a short break during night shift

<sup>5</sup> DanWatch (2013), documentation from MSI and Taida factories & China Labor Watch (2013), documentation from Hipro and Mingshuo factories

<sup>6</sup> DanWatch (2013), documentation from MSI and Taida factories

## 2.1 No choice but overtime

In all four investigated factories, the working hours are 8 hours with mandatory overtime of 2 to 4 hours every day<sup>7</sup> <sup>8</sup>. The overtime per month ranges from 48 to 136 hours, grossly exceeding the Chinese labour law limit of 36 hours per month. At the Mingshuo factory the weekly overtime in non-peak seasons is 23 hours, which added to the 40-hours working week exceeds the EICC guidelines of a 60-hours working week. In the peak seasons the working week at the factory is 73,5 hour, exceeding the EICC limit even further<sup>9</sup>. In all factories, workers work 6 days a week; at the Mingshuo factory workers work 7 days a week in peak season, 30 days a month<sup>10</sup>.

Workers are forced into overtime in two senses: for most of the workers, overtime is not a choice but mandatory. But beyond this, the minimum wage for 40 hours' work a week is not enough to sustain a livelihood, so working only 40 hours is not an option in reality<sup>11</sup>.

### Zhu Jun, 24, from Henan province<sup>12</sup>

It is evening and Zhu is catching a 5 minute break at a cafe before heading back into the Taida factory for the mandatory 3 hour overtime. He looks tired and not very happy.

*"My friend told me about this job when he was doing the introductory training and said it was supposed to be a good job with a good pay. But when I came here, the reality was different," he says. "I work 11 hours a day, 6 days a week, but I still only earn 2200 CNY (270 EUR) a month. I live in a simple dorm with many others and no functioning air conditioning. I have been here for three months but I am ready to quit anytime," he says before rushing back into the factory.*

<sup>5</sup> DanWatch (2013), documentation from MSI and Taida factories & China Labor Watch (2013), documentation from Hipro and Mingshuo factories

<sup>6</sup> DanWatch (2013), documentation from MSI and Taida factories

<sup>7</sup> DanWatch (2013), documentation from MSI and Taida factories & China Labor Watch (2013), documentation from Hipro and Mingshuo factories

<sup>8</sup> For an overview of wages, see table 1

<sup>9</sup> China Labor Watch (2013), documentation from Mingshuo factory

<sup>10</sup> DanWatch (2013), documentation from MSI and Taida factories & China Labor Watch (2013), documentation from Hipro and Mingshuo factories

<sup>11</sup> Interview with Geoff Crothall, Communication director, China Labour Bulletin 30/9/13

<sup>12</sup> DanWatch (2013), documentation from Taida factory

### Peak seasons

Peak season is a common concept in electronics production, referring to periods of time when production is increased significantly, due to for example the launch of new products or demands from brands with extremely short deadlines. This has consequences for the workload of the individual worker, resulting, for example, in extreme overtime or an increase in militant management, as well as increased hiring of temporary workers<sup>13</sup>. The cycles and lengths of peak seasons vary, and peak seasons can last from a couple of months to seven months<sup>14</sup>.

As an example, for the workers in the Mingshuo factory, peak seasons mean a difference in working hours from a weekly 40 hours of work and mandatory 23 hours of overtime to a weekly mandatory overtime of 33,5 hours on top of the regular 40 hours. The peak seasons also mean that the worker goes from working 6 days a week to working every day. In the Mingshuo factory the wage amounts to around 3000 CNY (368 EUR) a month in the peak seasons, which often last a couple of months<sup>15</sup>.

## 2.2 Wages below minimum wage

The net salary the workers receive consists of a base salary for 40 hours' work per week, and a number of additions and deductions: overtime pay for weekdays and weekend, night shift pay, an annual bonus or seniority bonus, dorm fee deduction, food deduction and shuttle bus fee deduction<sup>16 17</sup>. Workers are paid minimum wages plus overtime, with monthly wages adding up to 2200-3000 CNY (270-368 EUR). However at some of the factories, fees for dorms, food and shuttle bus are considerable deductions; for example at the Hipro factory, the net salary is rather 1700-2000 CNY (208-245 EUR) after those deductions<sup>18</sup>.

At the Hipro factory, the base salary per month, before overtime, bonuses and deductions, is 1310 CNY (161 EUR)<sup>19</sup>. At the Mingshuo factory it is 1370 CNY (168 EUR) for the first month of employment, and after that 1520 CNY (186 EUR), both below the region's minimum wage<sup>20</sup>.

<sup>13</sup> China Labor Watch (2012): Beyond Foxconn: Deplorable Working Conditions Characterize Apple's Entire Supply Chain <http://chinalaborwatch.org/pro/proshow-176.html>

<sup>14</sup> FinnWatch, SACOM and SOMO(2009): Playing with Labour Rights, Music player and game console manufacturing in China <http://germanwatch.org/corp/it-labmus.pdf>

<sup>15</sup> China Labor Watch (2013), documentation from Mingshuo factory

<sup>16</sup> DanWatch (2013), documentation from MSI and Taida factories & China Labor Watch (2013), documentation from Hipro and Mingshuo factories

<sup>17</sup> For an overview of wages, see table 1

<sup>18</sup> China Labor Watch (2013), documentation from Hipro factory

<sup>19</sup> China Labor Watch (2013), documentation from Hipro factory

<sup>20</sup> China Labor Watch (2013), documentation from Mingshuo factory

## Minimum wage and living wage

The legal minimum wage for full time work 40 hours a week is 1600 CNY (196 EUR) per month in Shenzhen. This level is set by the party congress and is the highest in Mainland China. According to the Shenzhen Municipal Human Resources and Social Security Bureau it is set to attract labour resources to Shenzhen<sup>21</sup>.

However, Shenzhen is an expensive city to live in: according to the Global Living Cost Index 2013 published by the UK's Economist Intelligence Unit, Shenzhen is the third most expensive city in in China<sup>22</sup>.

According to Chinese labour organisations, workers can barely survive on the minimum wage in Shenzhen due to the high living cost<sup>23</sup>.

The investigations of all four factories show that the low wages make it difficult for workers to save up money and afford social events; and some do not have enough money to pay for transport home on national holidays. Also manual workers, who often marry and have children early, have severe difficulties supporting a family while working in the factories<sup>24</sup>.

Wages	Mingshou	MSI	Taida	Hipro
<i>Base wage, 40 hours</i>	1370 CNY (167€)	1600 CNY (196€)	1600 CNY (196€)	1310 CNY (161€)
<i>Overtime pay per hour, weekday</i>	11,8 CNY (1,45€)	13,795 CNY (1,69€)	12 CNY (1,4€)	11,29 CNY (1,38€)
<i>Overtime pay per hour, weekend</i>	15,75 CNY (1,93€)	18,39 CNY (2,25€)	15,63 CNY (1,8€)	15,05 CNY (1,84€)
<i>Wages after overtime and bonuses<sup>28</sup></i>	2200 CNY (270€) (non-peak season) & 3000 CNY (368€) (peak season)	2200 to 3000 CNY (270 to 368€)	2200 to 3000 CNY (270 to 368€)	2500 CNY (306€)
<i>Net wage sum after deductions<sup>29</sup></i>	n.a.	1957 to 2752 CNY (240 to 337€)	n.a.	1700 to 2000 CNY (208 to 245€)

**Table 1: Wages**

According to a recent study by Ngai Pun and Jenny Chan published by Duke University, the Chinese production model is organized in such a way that "employers need not pay a living wage because they provide workers with the minimal necessities of life within the enclosed world of factory complexes [...] Cheap housing and cheap food minimally secure their rural migrant workers so that they can eat, sleep, and then wake up quickly to work the next day"<sup>25</sup>. This way the factories avoid paying a living wage by reducing the living costs to an absolute minimum in the crowded dorms. This way of ensuring basic needs, though, is far from the generally recognized concept of living wage, which

<sup>21</sup> China Briefing 11/03/2013 <http://www.china-briefing.com/news/2013/03/11/shenzhen-raises-minimum-wage-levels.html>

<sup>22</sup> The Nanfang 02/08/2013 <http://www.thenanfang.com/blog/sz-minimum-wage-to-increase-to-1600-rmbmonth-14-5-rmbhour/>

<sup>23</sup> Interview with Geoff Crothall, Communication director, China Labour Bulletin, 30/9/13

<sup>24</sup> DanWatch (2013), documentation from MSI and Taida factories & China Labor Watch (2013), documentation from Hipro and Mingshuo factories

<sup>25</sup> Ngai Pun and Jenny Chan (2013): The Spatial Politics of Labor in China: Life, Labor, and a New Generation of Migrant Workers. The South Atlantic Quarterly 112:1.

is centered around a dignified life and the possibility to support a family, as stipulated by the Universal Declaration of Human Rights and ILO.

The Universal Declaration of Human Rights makes reference to the right of each worker "to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity"<sup>26</sup> and in the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy it is stated that "[wages] should be at least adequate to satisfy basic needs of the workers and their families"<sup>27</sup>.

### **The International Labour Organization**

The International Labour Organization (ILO) is the tripartite UN agency that brings together the governments, employers and workers of its 183 member states in order to promote decent work. The ILO formulates international labour standards in the form of Conventions and Recommendations setting minimum standards of basic labour rights.

None of the over 180 Conventions or 190 recommendations are ratified by all governments.

The eight fundamental conventions stipulated in the Declaration on Fundamental Principles and Rights at Work (1998) are collectively referred to as "core labour standards" and identify four areas as fundamental human rights at work:

- Freedom of association and the right to bargain collectively
- The elimination of forced or compulsory labour
- The abolition of child labour
- The elimination of discrimination in respect of employment and occupation

All ILO member countries are bound to implement those rights, irrespective of whether they ratified the conventions or not<sup>30</sup>.

The Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration) spells out recommendations for companies, governments, and employers' and workers' organisations in areas as employment, training, conditions of work and life, and industrial relations<sup>31</sup>. China, a founding member of the ILO, has not ratified the conventions regarding the right to freedom of association and the right to collective bargaining<sup>32</sup>.

<sup>26</sup> United Nations Universal Declaration of Human Rights, 1948, Article 23(3)

<sup>27</sup> ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy. p.6 [http://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/---emp\\_ent/---multi/documents/publication/wcms\\_094386.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---multi/documents/publication/wcms_094386.pdf)

<sup>28</sup> For example performance bonus or seniority bonus (after a year of employment)

<sup>29</sup> For example fees for dorms, food and shuttle bus

<sup>30</sup> SOMO (2012): Freedom of Association in the electronics industry, p.2 [http://somo.nl/publications-en/Publication\\_3804](http://somo.nl/publications-en/Publication_3804)

<sup>31</sup> ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy [http://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/---emp\\_ent/---multi/documents/publication/wcms\\_094386.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---multi/documents/publication/wcms_094386.pdf)

<sup>32</sup> ILO: Ratifications for China: [http://www.ilo.org/dyn/normlex/en/?p=1000:11200:0::NO:11200:P11200\\_COUNTRY\\_ID:103404](http://www.ilo.org/dyn/normlex/en/?p=1000:11200:0::NO:11200:P11200_COUNTRY_ID:103404)

## 2.3 Working on the floor

The work in the production lines of the factories often consists of assembling, forms of welding, testing or other forms of quality control. The work is highly repetitive and has to be done at a fast pace: workers have tasks that vary in repetition of movements from 2 times every minute to 32 times every minute. The workers have a certain quota to fulfil, dictating what the team should produce every minute, every day and every week<sup>33</sup>.

The teams in the Mingshuo and the MSI factories are led by a supervisor who oversees the work and pace, and will yell and scold workers who are slow. In these factories, the workers have to stand the entire shift, if the task requires to stand up, and the same goes for tasks that have to be carried out sitting down. To change position the workers need permission from the supervisor<sup>34</sup>.

### Yang Xiaohong, 30, from Hunan province<sup>35</sup>

Yang's job is to test and weld printed circuit boards at the MSI factory that supplies Dell. *"I work from 7 in the evening to 7 in the morning, 6 days a week," she says, "The work is tough and the pace too fast; we have to complete 105 pieces an hour." At work there is no time to make plans for the future: "When you work you don't have the time to think of anything else; if you don't focus or if you are too slow, the supervisor will yell at you."*

But she dreams in her spare time: *"I hope to have a healthy and stable life in the future," she says shyly, "but this is not compatible with working at the factory, it is not stable nor healthy. I am considering quitting and going back to my parents soon," she says, though she began at the factory only two months ago, coming from another factory in Shenzhen.*

Electronic products contain a range of harmful chemicals and heavy metals, which can be toxic for workers exposed to them in the production phase<sup>36</sup>. It is known that the manufacturing of computer parts is connected to such health risks, for example in the production of circuit boards<sup>37</sup>. The harmful substances usually enter the body via inhalation and can cause chronic health conditions and physical harm including, but not limited to damage to the nervous system, organs and the reproductive system<sup>38</sup>. At two factories, workers reported being exposed to harsh fumes and chemicals every day. At the Taida and the MSI factory, workers welding circuit boards complained about toxic fumes in the work place. Workers also complain of skin rashes coming from indirect and direct contact with circuit boards while working. At both factories, the workers are given gloves

<sup>33</sup> DanWatch (2013), documentation from MSI and Taida factories & China Labor Watch (2013), documentation from Hipro and Mingshuo factories

<sup>34</sup> DanWatch (2013), documentation from MSI factory & China Labor Watch (2013), documentation from Mingshuo factory

<sup>35</sup> DanWatch (2013), documentation from MSI factory

<sup>36</sup> Greenpeace: Toxic Tech <http://www.greenpeace.org/international/PageFiles/24478/toxic-tech-chemicals-in-elec.pdf>, accessed 27/09/13

<sup>37</sup> Öko-institut (2008) Key Social Impacts of Electronics Production and WEEE-Recycling in China, p. 4 <http://www.oeko.de/oekodoc/678/2007-184-en.pdf>

<sup>38</sup> Greenpeace: Toxic Tech <http://www.greenpeace.org/international/PageFiles/24478/toxic-tech-chemicals-in-elec.pdf>, accessed 27/09/13

but no respiratory protection that can handle toxic fumes, though the Chinese labour law states that employers must provide workers with adequate occupational health and safety conditions<sup>39</sup>. The process of welding creates high temperatures and workers at the Taida and the MSI factories complain that not enough is being done to reduce the temperatures, making the working environment uncomfortable<sup>40</sup>.

### **Zhao Lily, 18, Guang Xi province<sup>41</sup>**

Zhao's short height only reinforces the fact that she looks younger than she is, sitting next to her tall friends in the diner. After travelling alone from a neighbouring province two months ago in search of work, she has made new friends with the girls from the factory. They do everything together: work, eat and live in the same dorm at the factory grounds of the MSI factory.

Zhao and her friends describe foul smells on the factory floor: *"Because of the welding, the temperature is uncomfortably high and the smell is toxic. We don't get mouth protection and I get skin irritation if I touch my face at work,"* she says.

Zhao explains the work is exhausting because of the repetitive movements and long hours. *"We have to stand up the entire 12 hour shift; to sit down, you have to ask for permission."* She wants to quit her job for Chinese New Year, and dreams of continuing her studies and improve her English, inspired by her uncle who travels to USA regularly with his job.

## **2.4 A life on the factory grounds**

As most of the workforce in the investigated factories has migrated to the region to find work, the factories are all set up to accommodate workers in dorms. Most dorms are placed within the factory grounds and have guarded gates with specific hours for when to enter and exit.

Shuttle busses are driving workers from the dorm to the factory and back in the large factory grounds. In the dorms at the Hipro and the Mingshuo factories, 8 to 12 workers live together. In the Mingshuo dorm, night workers and day workers are mixed and the difference in schedules can cause disturbances when overlapping<sup>42</sup>.

The electrical supply in the dorms is limited; at the Hipro factory some dorms do not have electrical outlets, while the dorms of the Taida and the Mingshuo factories have

<sup>39</sup> Article 54 of Chinese Labour Law <http://www.cecc.gov/resources/legal-provisions/labor-law-of-the-peoples-republic-of-china>

<sup>40</sup> DanWatch (2013), documentation from MSI and Taida factories

<sup>41</sup> DanWatch (2013), documentation from MSI factory

<sup>42</sup> China Labor Watch (2013), documentation from Hipro and Mingshuo factories

limits on electricity use. In the dorms of the Taida factory all of the rooms have air conditioning, but some are not functioning<sup>43</sup>.

One of the factory dorms is the Meiling Youth Dorm<sup>44</sup>, connected to the Mingshuo factory. The dorm is 6 stories high, hosting around 3264 workers. 8 to 10 workers live together in one room with bunk beds.

55 workers have to share one toilet and 27 workers have to share one shower, creating long queues. 272 workers have to share one coin operated washing machine. Sometimes there are water shortages and no hot water. At the MSI factory, 10 workers share a 30 square meter room, sharing one small and dirty toilet; the shower is shared with other rooms. The poor and cramped conditions leave the inhabitants with little privacy, and necessities like washing and drying clothes, personal hygiene and the like are made complicated and time-consuming<sup>45</sup>.



**Dorm 9 at the Mingshuo factory, interior view**



**Dorm 9 at the Mingshuo factory, exterior view**

<sup>43</sup> China Labor Watch (2013), documentation from Hipro and Mingshuo factories

<sup>44</sup> China Labor Watch (2013), documentation from Mingshuo factory

<sup>45</sup> DanWatch (2013), documentation from MSI factory

## 2.5 Worker turnover

The work intensity, long hours, lack of career opportunities and low wages are making workers want to quit to seek their fortune elsewhere. Hence, all of the factories are hiring new staff daily. Most of the workers interviewed outside of the MSI and the Taida factories knew when they would quit, and most were planning to quit within the next half year<sup>46</sup>. At the Hipro and the Mingshuo factories there is a yearly turnover of workers of 20-40%<sup>47</sup>.

Since the factories have a high influx of workers, they have different regulations with the purpose of keeping workers. The Taida factory has a probation period, which is the first month of a job. In this period, workers cannot resign without a month's notice; some departments only let 2 or 3 workers quit per month<sup>48</sup>. It is the team leader who has to approve resignations, and, for example, at the Hipro factory there have been cases where he simply does not approve. In the Taida and the Hipro factories, the consequence of quitting without permission is losing a month's wage, but when workers just want to leave, they put up with it<sup>49</sup>.

**Li Jianguo, 26, from Hunang province<sup>50</sup>**

*"Workers often quit after two months here," Li says, "people quit all the time because the salary is too low and the work is too tough and tiring." He has been assembling printed circuit boards for two months at the MSI factory and already dreams about what he wants to do afterwards: "I want to take a driver's license and work with transporting. Now I make 2500 to 3000 CNY(306 to 368 EUR) a month working 12 hours a day, 6 days a week, it is simply too little." But he will not quit for now. "I will quit at Chinese new year and go back to my parents."*

## 2.6 Internships

At the factories, many types of internships were used, ranging from 3 months to 1 year periods in the Hipro and the Taida factories, and 3 to 6 month in the Mingshuo factory. Some interns are secondary school pupils, while some are university students, ranging from 16 to 24 in age; some were forced by their educational institution, some chose the internship voluntarily in the hope of relevant tasks. All of the interns are doing the same tasks as the rest of the workforce, which seldom has relevance for their actual studies, for example when studying HR. The students work 10 to 11 hours a day, 6 to 7 days a week, with a pay ranging from 2200 to 3000 CNY (270 to 368 EUR) like the rest of the workforce<sup>51</sup>.

<sup>46</sup> DanWatch (2013), documentation from MSI and Taida factories

<sup>47</sup> China Labor Watch (2013), documentation from Hipro and Mingshuo factories

<sup>48</sup> DanWatch (2013), documentation from Taida factory

<sup>49</sup> DanWatch (2013), documentation from Taida factory & China Labor Watch (2013), documentation from Hipro factory

<sup>50</sup> DanWatch (2013), documentation from MSI factory

<sup>51</sup> DanWatch (2013), documentation from Taida factory & China Labor Watch (2013), documentation from Hipro and Mingshuo factories

The workers at the factories are generally young. At the Mingshuo and the Hipro factories, the workers are as young as 16, and at the Mingshuo factory, workers of age 16-18 made up more than a third of the production line workforce at the factory department. In the summer period, student interns of age 16 and 17 constituted a third of the workforce in the Dell supplier Hipro<sup>52</sup>.

**Zhu Jun, 24, from Jiangxi province<sup>53</sup>**

It is 8 o'clock in the morning and Zhu has just finished his 11 hour night shift and is eating breakfast with his colleagues from the Taida factory. *"We change between a month with night shifts and then a month with day shifts. The night shifts are hard for the body,"* he says. Zhu is doing a 1 year internship, but his job is exactly like the rest of the workforce's. *"I feel like I am wasting my time. I signed up for the internship, but it is not relevant for my studies, it's tiring and I earn 3000 CNY (368 EUR) a month. I am sometimes depressed,"* he says. Zhu works with welding chipboards. *"When working there are strong smells from harmful substances like zinc. It would be nice if the factory could reduce them."*

## 2.7 Recruitment and discriminatory practices

Age and gender discrimination is common in the recruitment of workers at the investigated factories. The Mingshuo factory requires a 2:1 female to male ratio in their workforce. So when the agencies that carry out part of the recruitment for the factory do not find sufficient numbers of women, they settle for more men than they are allowed to hire and ask those male applicants for a fee they use to bribe the HR department of Pegatron in order to get the 'extra' male workers into the factory<sup>54</sup>.

Factories have age limits when hiring staff for the production lines; for example on the Mingshuo and the Hipro factories these age limits are of 35 and 36 respectively. At the Hipro factory the workers are not handed a contract after signing, limiting their insight in their labour rights<sup>55</sup>.

<sup>52</sup> China Labor Watch (2013), documentation from Hipro and Mingshuo factories

<sup>53</sup> DanWatch (2013), documentation from Taida factory

<sup>54</sup> China Labor Watch (2013), documentation from Mingshuo factory

<sup>55</sup> China Labor Watch (2013), documentation from Hipro and Mingshuo factory

## 2.8 Worker representation

The interviewed workers did not know if they have a union, workers' representative or workers' hotline, neither at the Taida, the Hipro or at the MSI factory<sup>56</sup>. At the Mingshou factory there is no union or workers' representative at all, only a workers' hotline, which when tested referred back to the floor management<sup>57</sup>. This lack of knowledge of workers representation indicates restrictions on the freedom of association stipulated by the ILO<sup>58</sup>.

Beyond the workers' limited knowledge of grievance mechanisms and representation, the existing system of workers' representation and unions in China is viewed critically by human rights organisations<sup>59</sup>.

### Workers' representation in China

China has one legally recognized workers' federation, the All-China Federation of Trade Unions (ACFTU), which is not generally considered as democratic or independent<sup>60</sup>. The ACFTU has 134 million members in 1.713.000 primary trade union organizations<sup>61</sup> and is, according to the organisation Human Rights in China, "essentially an arm of the government designed to facilitate and support government policies within enterprises and to ensure the continued control of the working population."<sup>62</sup>

Since the coming into effect of the new Labour Law in 2008 the ACFTU has made considerable efforts to increase its influence on foreign companies<sup>63</sup>.

<sup>56</sup> DanWatch (2013), documentation from MSI and Taida factories & China Labor Watch (2013), documentation from Hipro factory

<sup>57</sup> China Labor Watch (2013), documentation from Mingshuo factory

<sup>58</sup> ILO core convention C087 (1947)

[http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO:12100:P12100\\_INSTRUMENT\\_ID:312232:NO](http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO:12100:P12100_INSTRUMENT_ID:312232:NO)

<sup>59</sup> Human Rights Watch (2013), Country Chapter: China <http://www.hrw.org/world-report/2013>

<sup>60</sup> SOMO (2012): Freedom of association in the electronics industry, p. 11 [http://somo.nl/publications-en/Publication\\_3804](http://somo.nl/publications-en/Publication_3804)

<sup>61</sup> International Centre for Trade Union Rights et al., ed. (2005). Trade Unions of the World (6th ed.). ISBN 0-9543811-5-7

<sup>62</sup> Human Rights in China: <http://www.hrichina.org/content/4710>, accessed 27/09/13

<sup>63</sup> The Economist 31/07/2008 <http://www.economist.com/node/11848496>

## 2.9 Labour rights violations in factories

The marks indicate where the DanWatch investigation has identified the specific violation. It cannot be ruled out that the violation is occurring where the marks do not appear without that information having reached us.

Labour rights violation	Mingshou	MSI	Taida	Hipro
<b>Forced overtime:</b> <i>Workers are forced to work overtime</i>	X	X	X	X
<b>Minimum wage:</b> <i>Workers receive base salaries below Chinese minimum wage</i>	X			X
<b>Hours of work:</b> <i>Working hours exceed a 60 hour working week</i>	X	X	X	X
<b>Hours of work:</b> <i>Overtime exceeding the limit of 36 hours of overtime per month</i>	X	X	X	X
<b>Weekly rest:</b> <i>Employees work 7 days a week in peak seasons</i>	X			
<b>Working environment:</b> <i>Workers experience harsh working environment and verbal abuse</i>	X	X		
<b>Health and safety:</b> <i>Workers are exposed to toxic fumes and do not receive proper protection</i>		X	X	
<b>Discrimination:</b> <i>Factory requires a 2:1 female to male ratio in their workforce.</i>	X			
<b>Knowledge of rights:</b> <i>Workers not handed a copy of their contracts after signing</i>				X
<b>Worker Representation:</b> <i>Workers have no knowledge of whether they have a trade union or workers' representative at their factory</i>		X	X	X
<b>Worker Representation:</b> <i>Factory has no trade union or workers' representative</i>	X			

Table 2

### 3 Dell in China

The American computer company Dell was founded in 1984 by Michael Dell. It is one of the largest technology-producing corporations in the world and a major player in the private and public PC market in Europe. Dell is the third largest PC vendor on the market worldwide<sup>64</sup> and the fourth on the European market<sup>65</sup>. Dell holds the top position in the worldwide PC monitor market<sup>66</sup>. The company opened its first plant in China in 1998 and has since expanded its presence in the country both in terms of production and sales. Dell has 25 exclusively owned subsidiaries in China<sup>67</sup> and an unknown number of secondary suppliers, and the company is now the largest provider of computers on the Chinese market<sup>68</sup>. Michael Dell stated in June 2013: "Our commitment to China has never been stronger, and this ongoing investment further demonstrates the importance of China to Dell's strategy and future."<sup>69</sup> With a recent expansion in the Chinese inland city of Chengdu, Dell appears to move away from the coastal areas to regions with lower minimum wage-levels<sup>70</sup>.



Recruitment line, Mingshou factory, Suzhou city

<sup>64</sup> Gartner 10/06/2013 <http://www.gartner.com/newsroom/id/2544115>

<sup>65</sup> Gartner 07/08/2013 <http://www.gartner.com/newsroom/id/2570220>

<sup>66</sup> <http://www.idc.com/getdoc.jsp?containerId=prUS24322313> 02/10/2013

<sup>67</sup> Dell Form 10-K (2012) p.7-8. [http://i.dell.com/sites/content/corporate/secure/en/Documents/FY12\\_Form10K.pdf](http://i.dell.com/sites/content/corporate/secure/en/Documents/FY12_Form10K.pdf)

<sup>68</sup> Xinhua english news 06/07/13 [http://news.xinhuanet.com/english/china/2013-06/07/c\\_132437748.htm](http://news.xinhuanet.com/english/china/2013-06/07/c_132437748.htm)

<sup>69</sup> China Daily 06/06/2013 [http://www.chinadaily.com.cn/china/2013-06/06/content\\_16579440.htm](http://www.chinadaily.com.cn/china/2013-06/06/content_16579440.htm)

<sup>70</sup> China Daily 06/06/2013 [http://www.chinadaily.com.cn/china/2013-06/06/content\\_16579440.htm](http://www.chinadaily.com.cn/china/2013-06/06/content_16579440.htm)



Taida Electronics factory, Dongguan city



MSI factory, Shenzhen city

## 3.1 Case factories

The four factories are owned by independent Chinese or Taiwanese companies who supply a range of electronic brands, among them Dell. Some of the factories also produce their own product lines, often for national markets.

According to workers at the factories, the working conditions do not differ depending on what brand is produced at the particular production lines.

### **Mingshuo, Suzhou city, Jiangsu province<sup>71</sup>.**

Mingshuo is a subsidiary of the Taiwanese Pegatron Group that produces and assembles computer parts and accessories for ASUS, HP, Samsung, Microsoft and Dell. The factory is the largest in the province of Jiangsu and covers 158,000 square meters, employing about 70,000 in the peak seasons; and about 50,000 in the non-peak seasons. The majority of the workers lives in dorms within the factory premises.

Pegatron Group is a global company that designs and manufactures electronics. Pegatron is in the top 5 of PC producers constituting 11% of global shipping<sup>72</sup>. The company's two headquarters are located in Taiwan, whereas the manufacturing is distributed in Mexico, the Czech Republic and 4 locations in China<sup>73</sup>.

Pegatron is a member of EICC<sup>74</sup> and states that it respects international human rights<sup>75</sup>. The company does not disclose turnover rates<sup>76</sup>.

### **Hipro Electronics, Dongguan city, Guangdong province<sup>77</sup>**

Hipro Electronic is part of Chicony Power Technology, which is a subsidiary of the Taiwan-based Chicony Group. The factory produces switching power supplies and other electronic parts, exclusively for export, for Microsoft, IBM, HP, Samsung, Compaq and NEC, Yokogawa, Sony and Dell. The factory employs 6000 workers<sup>78</sup>.

The Chicony Group<sup>79</sup> designs and produces computer IT peripheral products, mainly keyboards and cameras. The subsidiary Chicony Power Technology primarily produces switching power supplies and is the third-largest global supplier of Notebook adapters measured by shipment volumes. Chicony is operating in 13 countries in Asia, Europe and the Americas<sup>80</sup>. The headquarter of the group is located in Taiwan and the three manufacturing plants of the company are located in China.

Chicony is a member of EICC<sup>81</sup>. However, the information on CSR of the company is limited: its latest available report is from 2010 and gives little insight into labour standards and policies of the company<sup>82</sup>.

<sup>71</sup> China Labor Watch (2013), documentation from Mingshuo factory

<sup>72</sup> Pegatron annual report 2012 [http://www.mzcan.com/taiwan/4938/annual/2012/EN/2012\\_Annual\\_Report\\_eng\\_kqBNUht1qgjr.pdf](http://www.mzcan.com/taiwan/4938/annual/2012/EN/2012_Annual_Report_eng_kqBNUht1qgjr.pdf)

<sup>73</sup> Pegatron, Business Operation <http://www.pegatroncorp.com/company/businessOperation.php>, accessed 27/09/13

<sup>74</sup> EICC, Membership list [http://www.eicc.info/about\\_us05.shtml](http://www.eicc.info/about_us05.shtml), accessed 27/09/13

<sup>75</sup> Pegatron CSR report 2012. p.3. [http://www.pegatroncorp.com/download/2012\\_CSR\\_Annual\\_Report\\_eng.pdf](http://www.pegatroncorp.com/download/2012_CSR_Annual_Report_eng.pdf)

<sup>76</sup> Pegatron CSR report 2012 p. 89-90 [http://www.pegatroncorp.com/download/2012\\_CSR\\_Annual\\_Report\\_eng.pdf](http://www.pegatroncorp.com/download/2012_CSR_Annual_Report_eng.pdf)

<sup>77</sup> Chicony presentation 2012 <http://www.chicony.com.tw/Chinese/aboutrule/2012Q3-en.pdf>

<sup>78</sup> China Labor Watch (2013), documentation from Hipro factory

<sup>79</sup> Chicony annual report 2012 <http://www.chicony.com.tw/Chinese/aboutrule/2012report.pdf>

<sup>80</sup> Chicony, about Chicony <http://www.chicony.com.tw/aboutchicony.htm>, accessed 27/09/13

<sup>81</sup> EICC, Membership list [http://www.eicc.info/about\\_us05.shtml](http://www.eicc.info/about_us05.shtml), accessed 27/09/13

<sup>82</sup> Chicony CSR document 2010 <http://www.chicony.com/news/CHICONY%20CSR%202010%20REPORT.pdf>

**MSI, Shenzhen city, Guangdong province<sup>83</sup>**

MSI is a Taiwanese owned IT company with production facilities in China. The MSI Shenzhen factory is producing and assembling computer parts such as motherboards, graphic cards, flash cards and accessories. The company produces its own brand and supplies international brands such as HP, NEC and Dell. The factory covers 200.000 square meters, employing 8000 workers<sup>84</sup>. Apart from the headquarters and production facilities in China, MSI has offices in Europe, the Middle East, the Americas and several locations in Asia<sup>85</sup>.

MSI promotes the EICC and applies its audit models<sup>86</sup>, though the company is not a member. In its CSR report 2012 MSI found a turnover rate of 9,3 % for men and 30,7 % for women in the MSI Shenzhen factory<sup>87</sup>.

**Taida Electronics, Dongguan city, Guangdong province<sup>88</sup>**

Taida Electronics is a subsidiary of the Delta Electronics group. The Taida factory consists of 5 plants, covering 126.700 square meters and employing 30.000 workers. The factory produces microcomputers, computer chips, circuit boards, power supplies, power-lines and power supply adaptors. It supplies NEC, GE, HP, Fujitsu, Philips and Dell<sup>89</sup>.

Delta Electronics group is a Taiwanese company with operations across the globe<sup>90</sup>. The company has 31 plants in Asia, Europe and the Americas. Delta is the company with the biggest market share of power supplies and DC brushless fan motors in the world<sup>91</sup>.

According to its CSR report 2012, Delta strives to live up to the EICC standards, though the company is not a member. Likewise, the company strives to live up to Universal Declaration of Human Rights, the OECD guidelines for multinational corporations, the ILO Tripartite Declaration of Principles<sup>92</sup>. Delta's employment policy explicitly prohibits forced labour and any form of harassment and inhumane treatment. It respects the employees' right to associate freely and claims to meet applicable laws on working hours and compensation and benefits<sup>93</sup>.

## 3.2 Dell and public procurement

Dell operates in four client segments: Large Enterprise, Public, Small and Medium Business, and Consumer. Its public customers include educational institutions, government, healthcare and law enforcement agencies. 26% of Dell's revenue in 2013 (FY) derived from public customers, making it the company's second most profitable segment, subsequent to large corporate customers<sup>94</sup>.

<sup>83</sup> MSI (2013): Promotional brochure, Shenzhen

<sup>84</sup> DanWatch (2013), documentation from MSI factory

<sup>85</sup> MSI, About MSI <http://dk.msi.com/about/contact-us/>, accessed 27/09/13

<sup>86</sup> MSI, Supplier Management [http://www.msi.com/html/popup/csr/stnbnlity\\_%20splmanagement.html](http://www.msi.com/html/popup/csr/stnbnlity_%20splmanagement.html), accessed 27/09/13

<sup>87</sup> MSI CSR report 2012 [http://www.msi.com/html/popup/csr/news\\_20121114.html](http://www.msi.com/html/popup/csr/news_20121114.html)

<sup>88</sup> Delta (2013): Promotional brochure, Dongguan

<sup>89</sup> DanWatch (2013), documentation from Taida factory

<sup>90</sup> Delta. Global Operation: <http://www.deltaww.com/about/operations.aspx?secID=5&pid=3&tid=0&Lang=en-US> accessed 27/09/13

<sup>91</sup> Delta annual report 2012 p.1: [http://www.deltaww.com/fileCenter/ir/download/annual\\_report/2012annual.pdf](http://www.deltaww.com/fileCenter/ir/download/annual_report/2012annual.pdf)

<sup>92</sup> Delta CSR report 2012. p.19. [http://www.deltaww.com/fileCenter/about/download/2012\\_Delta\\_CSR\\_Report\\_EN.pdf](http://www.deltaww.com/fileCenter/about/download/2012_Delta_CSR_Report_EN.pdf)

<sup>93</sup> Delta CSR report 2012. p.59-60. [http://www.deltaww.com/fileCenter/about/download/2012\\_Delta\\_CSR\\_Report\\_EN.pdf](http://www.deltaww.com/fileCenter/about/download/2012_Delta_CSR_Report_EN.pdf)

<sup>94</sup> Dell Financial Report FY 2013: [http://i.dell.com/sites/doccontent/corporate/secure/en/Documents/FY13\\_Form10K\\_Web.pdf](http://i.dell.com/sites/doccontent/corporate/secure/en/Documents/FY13_Form10K_Web.pdf)

Recent research on supply chain governance in the personal computer production value chain shows the impact of these two client groups: by virtue of their buying power they are the most significant drivers of improvements in the supply chain, overruling all other stakeholders, including investors and shareholders<sup>95</sup>.

In an April 2013 statement, Dell in the UK accused the Government Procurement Service of promoting a race to the bottom by squeezing suppliers too hard on prices<sup>96</sup>.

Though Dell has disclosed a list of “95-percent-spend and key supply chain partners”, representing suppliers directly and indirectly managed by Dell<sup>97</sup>, it is not possible to establish direct links between the factories Dell sources from and any of Dell’s customers, be they private or public<sup>98</sup>. This means that purchasers have no way of knowing if they are sourcing from the four case factories or other factories violating labour rights.

This investigation and previous cases on other Dell suppliers serve as examples of Dell’s lack of enforcement of own standards, national labour laws and international standards, and highlights the uncertainty of compliance with ethical standards when purchasing Dell products<sup>99 100</sup>.

### 3.3 The power of IT brands over the value chain

Electronics value chains are extensive and complex both in terms of power relations and makeup. Electronic brands rarely own entire manufacturing and assembling factories in Asia, but rather contract manufacturing companies that supply a range of brands at the same time. In the case of the four factories investigated, the manufacturing companies are supplying a number of brands including Dell.

The different makeup of value chain relations affects the power asserted over the supply chain and the contracted suppliers, which in turn may affect the labour conditions in the factories. According to a China Labor Watch study of Samsung factories in China, it made a difference whether a factory was directly and exclusively owned or not, in terms of labour conditions being respected less in the non-exclusive ones<sup>101</sup>. But an exclusive relationship between brand and supplier does not automatically translate into better working conditions. Apple is another example of companies who assert power through value chains onto more or less exclusively contracted suppliers, primarily to control costs and production details. According to a 2011 study of Apple’s supply chains, Apple keeps a strong control over the supply chain, and “has the power to make and break the fortunes of many of its suppliers.”<sup>102</sup>

<sup>95</sup> Gale Raj-Reichert (2012): Governance in Global Production Networks: Managing environmental health risks in the personal computer production chain. p. 110f <http://labourandelectronics.net/wp-content/uploads/2013/06/Governance-in-Global-Production-Networks-Managing-Environmental-Health-Risks-in-the-Personal-Computer-Production-Chain.pdf>

<sup>96</sup> The Channel 31/06/13 [http://www.channelregister.co.uk/2013/07/31/dell\\_public\\_sector\\_suppliers/](http://www.channelregister.co.uk/2013/07/31/dell_public_sector_suppliers/) accessed 27/09/13

<sup>97</sup> <http://www.dell.com/learn/us/en/uscorp1/corp-comm/cr-ca-list-suppliers?c=us&l=en&s=corp&delphi:gr=true>

<sup>98</sup> Dell Supplier list <http://www.dell.com/Learn/us/en/uscorp1/corp-comm/cr-ca-list-suppliers?c=us&l=en&s=corp&delphi:gr=true>, accessed 27/09/13

<sup>99</sup> SOMO (2009): Computer connections. Supply chain policies and practices of seven computer companies. [http://somo.nl/publications-en/Publication\\_3054/](http://somo.nl/publications-en/Publication_3054/)

<sup>100</sup> China Labor Watch (2012): Tragedies of Globalization: The Truth Behind Electronics Sweatshops <http://www.chinalaborwatch.org/pdf/20110712.pdf>

<sup>101</sup> China Labor Watch (2011): Is Samsung Infringing upon Apple’s Patent to bully Workers? p.8 <http://chinalaborwatch.org/pro/proshow-177.html>

<sup>102</sup> Kenneth L. Kraemer, Greg Linden, and Jason Dendrick (2011): Capturing Value in Global Networks: Apple’s iPad and iPhone, University of California, Irvine, University of California, Berkeley and Syracuse University, p. 2 [http://pcic.merage.uci.edu/papers/2011/Value\\_iPad\\_iPhone.pdf](http://pcic.merage.uci.edu/papers/2011/Value_iPad_iPhone.pdf)

Brands that share supplying factories with other brands can be expected to have less leverage than when in exclusive relations, but all large end buyers are known to press their suppliers extensively regarding costs and deliverance<sup>103</sup>.

While most of the production costs, including material and distribution, are not very flexible, supplier factories compete for the lowest order price by lowering the manufacturing costs to the disadvantage of workers' wages. In electronics supply chains, labour costs are the somewhat elastic factor<sup>104</sup>.

The pressure for lower prices and tighter production schedules creates a dilemma for suppliers that both have to live up to demands for productivity and low costs, at the same time they are expected to live up to codes of conduct. And ultimately, the pressure from brands leaves Chinese suppliers, having small profit margins as it is, with little possibilities of living up to labour laws, codes of conduct and other labour standards.

## 4 Questionable conditions in Chinese IT suppliers: nothing new

Dell has a long history of questionable working conditions in the Chinese factories of its suppliers. Like many large computer brands, Dell uses the world's largest IT manufacturing company, Foxconn, as one of its suppliers. Foxconn came under scrutiny in 2010, when a series of worker suicides revealed a range of severe labour rights violations at their factories. Worn out by extreme work pressure and long hours, 17 Foxconn employees attempted to commit suicide within a period of eight months; four of them survived<sup>105</sup>.

Among the reported issues were wages well below living standards, excessive and forced overtime, frequent change between night and day shifts, military-style management, fines and humiliating punishments and involuntary internships<sup>106</sup>.

While market leader Apple took the lion's share of the blame, Dell, as a notable Foxconn-customer, had a public affairs manager announce the company was assisting Foxconn to "improve the wages and reduce overtime hours" of its factory workers.<sup>107</sup> As a matter of fact, Dell has since demanded from Foxconn subsidiaries to drop their prices<sup>108</sup>. As recent as in April 2013, two more Foxconn workers committed suicide<sup>109</sup>. In 2011, China Labor Watch investigated motherboard and graphic card manufacturing and component assembly factory MSI Computer in Shenzhen, another Chinese supplier to Dell<sup>110</sup>.

<sup>103</sup> WEED & SACOM (2008): The Dark Side of Cyber Space, p. 10

[http://www2.weed-online.org/uploads/the\\_dark\\_side\\_of\\_cyberspace\\_dec.2008.pdf](http://www2.weed-online.org/uploads/the_dark_side_of_cyberspace_dec.2008.pdf)

<sup>104</sup> China Labor Watch (2012): Tragedies of Globalization: The Truth Behind Electronics Sweatshops, p. 1

<https://www.chinalaborwatch.org/proshow-164.html>

<sup>105</sup> Sacom (2010): Workers as Machines: Military Management in Foxconn

[http://sacom.hk/wp-content/uploads/2010/11/report-on-foxconn-workers-as-machines\\_sacom.pdf](http://sacom.hk/wp-content/uploads/2010/11/report-on-foxconn-workers-as-machines_sacom.pdf)

<sup>106</sup> Sacom (2010): Workers as Machines: Military Management in Foxconn

[http://sacom.hk/wp-content/uploads/2010/11/report-on-foxconn-workers-as-machines\\_sacom.pdf](http://sacom.hk/wp-content/uploads/2010/11/report-on-foxconn-workers-as-machines_sacom.pdf)

<sup>107</sup> The New York Times 08/04/12 [http://bits.blogs.nytimes.com/2012/04/08/disruptions-on-worker-conditions-apples-rivals-are-silent/?\\_r=0](http://bits.blogs.nytimes.com/2012/04/08/disruptions-on-worker-conditions-apples-rivals-are-silent/?_r=0)

<sup>108</sup> Toms Hardware 17/03/2013

<http://www.tomshardware.com/news/Chassis-supply-chain-lower-prices-Catcher-Technology-Fuyu-Precision,21527.html>

<sup>109</sup> China Labor Watch 27/04/13 <http://www.chinalaborwatch.org/news/new-453.html>

<sup>110</sup> CLW (2011): Dell, HP, and NEC Supplier Factory Case Study: MSI Computer (Shenzhen) Co., Ltd.

<http://digitalcommons.ilr.cornell.edu/cgi/viewcontent.cgi?article=1691&context=globaldocs>

Some of the worst labour rights violations identified at the factory were forced overtime, strenuous, long shifts during peak periods with few days off per month, wage lower than a living wage, verbal abuse and workers being forced to stand up during their entire shifts.

A 2010 investigation of eight Dell supplier factories by China Labor Watch revealed extreme labour intensity, overtime way beyond the legal maximum and minimum wages not meeting the living costs of the factories' workers.<sup>111</sup>

In 2008 Sacom and WEED investigated Compeq Technology in Huizhou, a company manufacturing printed circuit boards and other components for Dell<sup>112</sup>. The main findings included excessive working hours, pay below minimum wage, forced and underpaid overtime, lack of protective wear causing health problems, authoritative management and discipline and non-existent working contracts<sup>113</sup>. In their study they proved that Dell was pushing Excelsior and Compeq to deliver computers on very tight schedules for ever lower prices, resulting in suppliers' violations of the law, corporate codes of conduct, and the ILO Core Conventions.

Already in 2004 CAFOD revealed similarly alarming working conditions in Dell's supply chain and the aggressive price-cutting the company is known for until this day<sup>114</sup>. In the aftermath Dell became a founding member of the EICC<sup>115</sup>.

Dell is aware of those conditions according to its CSR reporting, but this investigation's findings show they nevertheless still persist.

## Industry-wide issues

As mentioned earlier in the report, a case study of some of Dell's suppliers in China offers an illustration of labour rights violations in the Chinese IT manufacturing sector being wide-spread. Labour rights violations at Chinese IT suppliers are a well-known issue in the industry and have been documented by a range of organisations, with studies of a range of brands such as Apple<sup>116</sup>, Samsung<sup>117</sup>, HP<sup>118</sup>, IBM<sup>119</sup>, Fujitsu<sup>120</sup>, Lenovo<sup>121</sup>, Acer<sup>122</sup>, Sony and Toshiba<sup>123</sup>. This is an industry-wide phenomenon and no IT brand seems to be an exemption, which tempts the question of whether there is an ethical alternative at all.

<sup>111</sup> China Labor Watch (2012): Tragedies of Globalization: The Truth Behind Electronics Sweatshops <http://www.chinalaborwatch.org/pdf/20110712.pdf>

<sup>112</sup> WEED & SACOM (2008): The Dark Side of Cyber Space [http://www2.weed-online.org/uploads/the\\_dark\\_side\\_of\\_cyberspace\\_dec.2008.pdf](http://www2.weed-online.org/uploads/the_dark_side_of_cyberspace_dec.2008.pdf)

<sup>113</sup> WEED & SACOM (2008): The Dark Side of Cyber Space [http://www2.weed-online.org/uploads/the\\_dark\\_side\\_of\\_cyberspace\\_dec.2008.pdf](http://www2.weed-online.org/uploads/the_dark_side_of_cyberspace_dec.2008.pdf)

<sup>114</sup> CAFOD (2004): Clean up your Computer. Working conditions in the electronics sector. p. 6 <http://www.catholiclabor.org/gen-art/cafod-computers.pdf>

<sup>115</sup> <http://198.170.85.29/Dell-response-NLC-9-Feb-2009.pdf>

<sup>116</sup> China Labor Watch (2012) Beyond Foxconn : Deplorable Working Conditions Characterize Apple's Entire Supply Chain <http://chinalaborwatch.org/pro/proshow-176.html>

<sup>117</sup> China Labor Watch (2012): An Investigation of Eight Samsung Factories in China: Is Samsung Infringing Upon Apple's Patent to Bully Workers? <http://www.chinalaborwatch.org/pdf/Samsung%20Report%200904-v3.pdf> and China Labor Watch (2012) Samsung Factory Exploiting Child Labor. Investigative Report on HEG Electronics (Huizhou) Co., Ltd. Samsung Supplier. <http://chinalaborwatch.files.wordpress.com/2012/08/samsung8-271.pdf>

<sup>118</sup> CAFOD (2004): Clean up your Computer. Working conditions in the electronics sector. <http://www.catholiclabor.org/gen-art/cafod-computers.pdf>

<sup>119</sup> CAFOD (2004): Clean up your Computer. Working conditions in the electronics sector. <http://www.catholiclabor.org/gen-art/cafod-computers.pdf>

<sup>120</sup> WEED & SACOM (2008): The Dark Side of Cyber Space [http://www2.weed-online.org/uploads/the\\_dark\\_side\\_of\\_cyberspace\\_dec.2008.pdf](http://www2.weed-online.org/uploads/the_dark_side_of_cyberspace_dec.2008.pdf)

<sup>121</sup> WEED & SACOM (2008): The Dark Side of Cyber Space [http://www2.weed-online.org/uploads/the\\_dark\\_side\\_of\\_cyberspace\\_dec.2008.pdf](http://www2.weed-online.org/uploads/the_dark_side_of_cyberspace_dec.2008.pdf)

<sup>122</sup> SOMO (2005): CSR issues in the ICT hardware manufacturing sector. [http://www.somo.nl/html/paginas/pdf/ICT\\_Sector\\_Report\\_2005\\_NL.pdf](http://www.somo.nl/html/paginas/pdf/ICT_Sector_Report_2005_NL.pdf)

<sup>123</sup> SOMO (2009): Computer Connections. Supply chain policies and practices of seven computer companies. [http://somo.nl/publications-en/Publication\\_3054/](http://somo.nl/publications-en/Publication_3054/)

## 5 Dell's policy on labour issues

In its Code of Conduct, Dell states it supports and respects the principles proclaimed in the Universal Declaration of Human Rights<sup>124</sup>. Furthermore, Dell is a member of the Electronic Industry Citizen Coalition<sup>125</sup> (EICC), a coalition of electronic companies that works with social and environmental responsibility in the industry, and accordingly it endorses the EICC standards. The company also claims to comply with local laws relating to employment rights and working conditions<sup>126</sup>.

Concerning its suppliers, Dell claims to hold all suppliers accountable for upholding standards which are "drawn from a review of global best practices, management systems and acknowledged standards" such as the fundamental conventions of the International Labour Organization<sup>127</sup>.

In 2011 Dell joined the Electronics programme of the Dutch Sustainable Trade Initiative (IDH) that deals with labour conditions and environmental performance in the electronics production in China<sup>128</sup>. The project seeks to strengthen the Chinese factories in dealing with CSR issues, and currently the role of Dell is to provide capacity building for 11 undisclosed suppliers<sup>129</sup>. According to Dell, the projects have experienced a delay, especially concerning the incorporation of suppliers, meaning that no results in improved working conditions have been reached yet<sup>130</sup>.

### Audits

According to a recent study on trends in the electronics industry by the project Free2Work, Dell does not practise the responsible purchasing which adhering to the IDH Electronics programme requires them to carry out<sup>131</sup>.

It is specified in the study what responsible purchasing is and why it is crucial for workers: "By responsibly purchasing, a company can avoid imposing unreasonable demands on its suppliers. If suppliers are put under undue pressure, whether in regards to pricing, volume or completion time frames, workers are likely to suffer most."<sup>132</sup>

Furthermore, the study identifies deficiencies in Dell's audit system, which is carried out both internally and by a third party. For example, they point to the fact that Dell does not conduct unannounced audits<sup>133</sup>.

However, Dell's audits still find considerable breaches of their own standards, though the audits always are announced. For example, in its latest CSR report, Dell states that excessive working hours were reported in 61,7 % of the audits, and workers exposed to hazard were reported in 18,1 % of the audits<sup>134</sup>.

<sup>124</sup> Dell(2012): Code of Conduct, p. 57 <http://i.dell.com/sites/doccontent/corporate/corp-comm/en/Documents/Dell-Code-of-Conduct-External.pdf>

<sup>125</sup> Electronic Industry Citizen Coalition: <http://www.eicc.info/>, accessed 27/09/13

<sup>126</sup> Dell(2012): Code of Conduct, p. 14 <http://i.dell.com/sites/doccontent/corporate/corp-comm/en/Documents/Dell-Code-of-Conduct-External.pdf>

<sup>127</sup> Dell Supplier Accountability Approach and Standards

<http://www.dell.com/learn/us/en/uscorp1/corp-comm/standards-for-suppliers?c=us&l=en&s=corp&cs=uscorp1>, accessed 27/09/13

<sup>128</sup> IDH Electronics Programme: <http://www.elevatelimited.com/idh/> and <http://www.idhsustainabletrade.com/electronics>, accessed 27/09/13

<sup>129</sup> Dell CSR report 2013 <http://i.dell.com/sites/doccontent/corporate/corp-comm/en/Documents/dell-fy13-cr-report.pdf>

<sup>130</sup> IDH Annual report 2012 <http://www.idhsustainabletrade.com/idh-corporate-reports>

<sup>131</sup> Free2Work (2013): Electronics Industry Trends, From Mine to Factory

<sup>132</sup> Free2Work (2013): Electronics Industry Trends, From Mine to Factory, p. 17

<sup>133</sup> Free2Work (2013): Electronics Industry Trends, From Mine to Factory, p. 24

<sup>134</sup> Dell CSR report 2013, p. 35 <http://i.dell.com/sites/doccontent/corporate/corp-comm/en/Documents/dell-fy13-cr-report.pdf>

## 5.1 Discrepancies between EICC standards and Dell practices

### Working hours

- Employees work 60 to 74 hours a week<sup>135</sup>, exceeding the EICC limit of a 60 hour working week<sup>136</sup>
- Employees work 7 days a week in peak seasons<sup>137</sup>, though EICC standards demand at least 1 day off a week<sup>138</sup>

### Forced labour

- Workers cannot refuse overtime<sup>139</sup>, though EICC standards states that “all work must be voluntary and workers shall be free to leave work at any time”<sup>140</sup>.

### Wage

- At some of the factories, workers received a base salary lower than the region’s minimum wage<sup>141</sup>, though the EICC standards demand that compensation paid to workers complies with all applicable wage laws, including those relating to minimum wages<sup>142</sup>.

### Work environment

- Workers experience harsh working environment and verbal abuse<sup>143</sup>, though EICC standards prohibit this<sup>144</sup>.
- Workers are exposed to toxic fumes and do not receive proper protection<sup>145</sup>, though the EICC standards state that employers must equip workers with adequate occupational health and safety conditions<sup>146</sup>.

### Discrimination

- If only men apply for jobs, they will be charged extra to bribe factories to disregard their men-women quota<sup>147</sup>, though EICC standards ban discrimination based on gender<sup>148</sup>.

<sup>135</sup> DanWatch (2013), documentation from Taida and MSI factories & China Labor Watch (2013), documentation from Hipro and Mingshuo factories

<sup>136</sup> EICC code of conduct. <http://www.eicc.info/documents/EICCCodeofConductEnglish.pdf> A3)

<sup>137</sup> China Labor Watch (2013), documentation from Mingshuo factory

<sup>138</sup> EICC code of conduct. <http://www.eicc.info/documents/EICCCodeofConductEnglish.pdf> A3)

<sup>139</sup> DanWatch (2013), documentation from Taida and MSI factories & China Labor Watch (2013), documentation from Hipro and Mingshuo factories

<sup>140</sup> EICC code of conduct. <http://www.eicc.info/documents/EICCCodeofConductEnglish.pdf> A1)

<sup>141</sup> China Labor Watch (2013), documentation from Mingshuo and Hipro factories

<sup>142</sup> EICC Code of Conduct: <http://www.eicc.info/documents/EICCCodeofConductEnglish.pdf> A4)

<sup>143</sup> DanWatch (2013), documentation from MSI factory & China Labor Watch (2013), documentation from Mingshuo factory

<sup>144</sup> EICC Code of Conduct: <http://www.eicc.info/documents/EICCCodeofConductEnglish.pdf> A5)

<sup>145</sup> DanWatch (2013) documentation from MSI and Taida factory

<sup>146</sup> EICC code of conduct. <http://www.eicc.info/documents/EICCCodeofConductEnglish.pdf> B1) and B3)

<sup>147</sup> China Labor Watch (2013), documentation from Mingshuo factory

<sup>148</sup> EICC code of conduct. <http://www.eicc.info/documents/EICCCodeofConductEnglish.pdf> A6)

## 6 Labour rights improvements and the search for cheaper labour

This report on working conditions at Dell's suppliers in China shows that Dell products ending up at private and public buyers can have contributed to serious labour rights violations. It is clear that the issues documented in the report, such as extensive overtime, work pressure and low wages are widespread in the Chinese IT manufacturing sector. Civil society organisations have long tried to raise the issue and the labour rights violations are well known to the IT industry and Dell as well. Dell has earlier announced its intention of improving the wages and reducing overtime hours for its factory workers and has itself identified serious labour rights violations in its audits. However, Dell has been reported to continually exert pressure on suppliers to cut costs, rather than push for labour rights improvements, and this DanWatch investigation seems to confirm this claim.

Recently, a new initiative has emerged. Seven NGOs from across Europe, in close collaboration with labour groups in low wage production countries, are looking to apply socially responsible public procurement (SRPP) as an effective mechanism to achieve improvement of working conditions in the global electronics industry. This new initiative is dubbed Electronics Watch, [www.electronicswatch.org](http://www.electronicswatch.org). SETEM Catalunya (Spain), Suedwind (Austria), CentrumCSR (Poland), WEED (Germany), DanWatch (Denmark), People&Planet (UK) and SOMO (the Netherlands) are calling upon public sectors to take responsibility to ensure human rights are respected throughout the electronics supply chain. Electronics Watch argues that the institutional buying power of the European public sector constitutes the needed leverage over brands and manufacturers to get their act together. Electronics Watch will be offering the European public sector practical tools and services in order to implement existing SRPP policies, besides straightforward information about actual working conditions. Emphasis is placed on monitoring labour conditions in the factories that produce ICT hardware for the European public sector.

## 7 Appendix

### Dell response to presentation of findings

*4th of October, 2013, Principal Social Strategist at Dell, Deborah Albers*

Thank you for your inquiry, we share your concern about issues in the supply chain and at Dell, we recognize our responsibility, as a global citizen, to build a responsible supply chain.

Although audits are the foundation of our program, we have many initiatives that go beyond auditing and address working conditions, student workers, conflict minerals and transparency.

We recently audited 3 of the 4 suppliers you mentioned in your letter and the 4th supplier is scheduled for an audit later this year. As in most audits, we did find non-conformances to the EICC Code of conduct and corrective actions plans are in place for these items.

If there were issues brought up in your letter that were not included in the audit findings, our Supply Chain Social and Environmental Responsibility (SCSER) team will investigate.

We have been enhancing our programs this year to include more accountability and transparency. We added accountability internally and externally with the launch of our red flag process that tracks suppliers with priority issues. We have strong social and environmental criteria for new suppliers and we may disqualify a key supplier for failing to meet our high standards. You may be aware of our work on the IDH program to improve the working conditions in China. In addition to that work, we recently partnered with Stanford University and Apple on a student worker program that will help our suppliers improve the selection process for schools and the oversight of students. In addition, we hold large workshops, webinars and other trainings for suppliers to address the most common non-compliances we see in audits. We train on things outside the scope of an audit to improve business practices like: How to write and publish a GRI-based CR report, six sigma continuous improvement, CDP carbon reporting and more.

We are aware that there are challenges in the ICT supply chain and these challenges will not be addressed by any one company. We believe that the best leverage comes from our partnership with others in our industry. It will take a joint effort between industry, civil society and governments to see lasting changes in a global supply chain.

Because we know we can have a bigger impact if we act together, Dell collaborates with peers in the EICC, participating in working groups on learning and capability building, extractives, slavery and human trafficking and more. There was an EICC meeting this week where supply chain issues were deeply discussed and longer term plans are being put in place. Details of that meeting are on the EICC website [www.EICC.info](http://www.EICC.info).

In the next few weeks, we will be launching a comprehensive sustainability plan, with long-range goals. Our plan's framework covers the entirety of Dell's business, as well as our value chain – from supplier to customer and beyond. There are opportunities and benefits to succeeding as a sustainability-focused company, and we are consistent in trying to tie sustainability and business objectives together. I hope you will take a moment to read this plan when it comes out later this month.



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