## Yonghong Electronics
Shenzhen, China

<table>
<thead>
<tr>
<th>Factory</th>
<th>Yonghong Electronics is a manufacturing facility within the compound of Zhonghan Electronics in Shenzhen.</th>
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| Contact info | Address: Juyuan Industrial Zone, Tangwei Village, Fuyong Town, Baoan District, Shenzhen City, Guangdong, China 518103  
Tel: 86 (0)755 2730 9012 ext. 120  
Fax: 86 (0)755 2730 9013  
Email: computeren@behost.com.cn |
| Workforce | About 1,500 workers. Women represent 85% of the workforce. Though most workers are 18 to 30 years old, Yonghong employs over 200 child and student workers. |
| Buyers | Dell, Acer, NEC, Siemens, Motorola, Samsung, Fujitsu, etc. |
| Products | Yonghong Electronics manufactures power supply devices. |
1.1 Child Labor, School Fees & Restrictions on Freedom of Employment

Though Chinese labor law prohibits the employment of children under the age of 16, child labor is a standard practice at Yonghong Electronics. SACOM interviewed 25 workers from Yonghong, including 7 underage workers. All the interviewed workers testified that Yonghong employs children under 16 years old. SACOM thereafter confirmed workers’ comments with Yonghong security and personnel officers.

According to one worker with 3 years experience at the site, Yonghong have hired children throughout the previous 3 years.

Workers attribute the employment of children at Yonghong to the short supply of labor in the region. Whatever the rationale, it is evident that the child labor at Yonghong is a part of a conscious system and not intermittent oversights. Among other things, management consciously divides child workers amongst the different workshops to ensure they do not all work together.

Security Guard: Yonghong recruits young workers, hires workers with falsified identity papers

19 October 2006

Below is a discussion between a SACOM investigator (I) and a factory security guard (S) in the security office at Yonghong. A recruitment notice posted outside the factory advertised a large number of open positions on the production line.
I: Is the factory recruiting new workers? I am one.
S: Your ID is 100% falsified. Why are you using this ID? Have you lost the real one?
I: Right. I lost my ID when I arrived from Dongguan. I bought another one. Is that ok?
S: That’s ok. You see, our factory complex is big. That is Zhonghan Electronics, Yonghong Electronics and others. They all belong to the FSP Group. Yonghong Electronics are now recruiting young workers. Which factory do you want to go?
I: Which one is better?
S: Zhonghan is better. The wage is higher. But they are stricter with papers. I am not sure if you’ll get by.
I: What can I do then?
S: You can go for Yonghong. They will let you in whether you have real or falsified papers. You can come to me if you have problems.
I: Are you sure? Even you can tell my ID is falsified. Can’t the personnel officers tell? I’ll be finished if they register me for insurance.
S: It’s no problem, I tell you. Yonghong factory is expanding. They need a lot of hands. It doesn’t matter you have real ID or not. You see. (The security guard points to a young female applicant.) She is very small. She used another person’s ID to get into the factory. So what? The factory does not insure employees. Nothing will happen. Go to the other side and fill in the form with the personnel.
I: OK, I’ll go.
S: Good. Come to me if you have problems.

Our investigator went to the office of Yonghong factory. The personnel officer passed an application form to the investigator without checking the ID. ‘Fill in the form and pay a down payment of RMB30. You can come to work tomorrow.’

Our investigator further asked if she could get her sister and friends who were below 16 to work in the factory. The personnel officer confirmed the factory hires employees under 16.

Personnel Officer: Hiring underage workers is “fine”

21 October 2006

Below is a telephone conversation between a SACOM investigator (I) and the personnel officer (P) of Yonghong Electronics. The investigator claimed to be a school teacher from Henan province inquiring about recruitment of young workers to work in the factory.
I: Can somebody born in 1992 get a job in the factory?
P: Depends on his physical height. I must see the applicant in person.
I: It doesn’t matter if he is a tall guy?
P: Right.
……
P: As long as he doesn’t look like a kid….
I: No, he doesn’t look like a kid at all.
P: Then it’s fine.

What is more, Yonghong actively recruits children through highly suspect arrangements with schools. The recruitment of workers in July 2006 included a substantial number of ‘student apprentices’ between 14 and 15 years old. These students were mainly from Kai Fung city of Henan province and Shanxi province. Though some of the students thought they were only there for the summer, approximately half of the 200 underage workers in the Manufacturing II workshop were transferred to other workshops in mid October 2006.

The poverty that forces some children to seek employment in factories and miss out on school is tragic enough. However, students at Yonghong have not even had the luxury to freely choose employment. The student workers SACOM interviewed all said they were exhausted and want to return home to continue their studies. For the first 3 months of employment at Yonghong, they received only RMB27.5 a day in income. At the end of 3 months, their income is raised to RMB32 a day. The student workers’ savings are paltry once they deduct expenses for food and accommodation. So most express they desire to quit their jobs and return to school.

Even though these student workers want to quit, they continue to toil away at Yonghong. From interviews, we believe many of these students were sent to the factories by schools. The students’ families owe money to the schools for tuition and school fees, and so the schools send students to factories. One arrangement is, for example, that Yonghong sends half of the students’ income to the school to pay off debts. The students receive the other half to pay their living expenses in Shenzhen.

Debt is widely recognized as a serious restriction on the freedom of employment and a form of bonded labor, and at Yonghong, children work to pay off debts. They have

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1 RMB27.5 a day for routinely 13 hours, not 8 hours! In terms of hourly wages, Yonghong pays student workers only RMB2, which is 50% less than the legal minimum wage required in the Baoan District in Shenzhen.
neither the freedom to choose their employer nor to choose what portion of their wages goes to their debtor. In a situation like this, the risk is high that employers and schools will manipulate debts to their advantage to prevent child/student workers from exercising their rights.

Examples of this manipulation are rampant at Yonghong. For example, the instructor of a village school in Kai Fung city of Henan withheld the employment agreement and identity papers of one of the students sent to Yonghong to prevent them from quitting after the summer. If this child ever wants to have their identity papers returned to them, they must toil away and have payments sent to their school till the instructor is satisfied. Though these arrangements are entirely against Chinese law, the student worker will have difficulties defending their rights without either identity papers or a document to validate the terms of their employment agreement.

SACOM talked to three underage student workers who were high school grade II students from Yong Zhou city of Hunan province. The 14 and 15 year olds were brought by a school teacher with falsified identity papers to work at Yonghong. They thought they were going to a summer job scheduled to end in mid September. It was only when their teacher failed to return at the end of the summer that they realized that they were stuck at Yonghong.

One student said in tears, ‘We are just students. We want to go home. The factory does not let us go. They do not approve our requests to resign. I want to go home to study. I don’t want to work in the factory. We work overtime every night till very late. They just raised the daily production quota…’ Another student continued, ‘Now we have to finish 300 pieces every day. There is no way for us to meet the quota. So we have to work overtime. But we are not paid for overtime work. The next morning, we have to get up and work again…’ The three underage workers said their school and families were aware of their situation but felt helpless to do anything.

SACOM discovered another group of underage student workers who were less willing to explain their situation. Their school teacher was renting a room in the neighborhood and met the students every day before and after work at the gates of the factory. Those students told SACOM they want to return to school but have to have the permission of their teacher and management to go home.

Article 58 of the Chinese labor law specifies that employers have the responsibility to protect young workers between the ages of 16 and 18 by limiting their overtime and
ensuring they receive health examinations. The young workers at Yonghong, however, were working long hours of excessive overtime beside adult workers. Newcomers who did not work quickly enough to meet production quotas were forced to work without pay from 21:30 to 23:00 until they finished the quota. Essentially, some start work at 7:30 in the morning and toil 13 hours a day, 30 days a month.

What is more, while debt arrangements and withheld identity papers prevent young workers from quitting, Yonghong actively uses these young workers to weaken the bargaining position of adult workers. When the adult workers went on strike in September 2006, managers transferred the unfinished work to the young workers to maintain production.

1.2 Excessive, Obligatory Overtime & No Rest
Yonghong Electronics requires workers to work, for example, in excess of 370 hours a month at peak season and close to 300 hours in a month of the low season. Chinese law limits work hours to 210 hours in a month [21.75 days of the standard work week x 8 hours a day + 36 hours overtime a month].

<table>
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<tr>
<th>Chinese Law on Working Hours</th>
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<tr>
<td>Working hours should not exceed 8 hours a day and 40 hours a week – Article 3 of State Council Rules on Working Hours</td>
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<tr>
<td>1 day of rest required every week – Article 38 of Labor Law</td>
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<tr>
<td>Overtime not to exceed 3 hours a day or 36 hours a month – Article 41 of Labor Law</td>
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For 22 days of the month, workers work a standard day of 8 hours starting at 7:30 finishing at 17:00, with 1½ hours for lunch. Yonghong frequently requires another 3 to 5 hours of overtime beginning from 17:40. At peak season, overtime is sometimes extended through the night.

That is not all. If workers do not meet production quotas, they have to work overtime till they meet the quota. Some workers find themselves working after midnight and forced to start the same routine the next morning. The quota system most affects new workers or young and inexperienced workers like the child recruits at Yonghong. However, the quotas are high enough to affect even experienced workers on the manufacturing and assembly lines.
During the period SACOM was observing Yonghong, management raised the quota for some workshops from 2,200 pieces to 2,500 pieces per day, seriously upsetting workers. A trimming worker was required to raise his speed to 90 pieces per hour. Starting from 7:30 to the time he punched out of work at midnight, he needed to trim 1,080 adapters. Most workers could not finish the quota before midnight and were working till 3:00 in the morning. To fine workers for working too slowly to meet the new quota, managers only paid workers for a fraction of the overtime hours they actually spent at work.

Workers maintain this kind of schedule through the peak season without time off. One worker explained, ‘We work overtime every night without exception. May Day and National Day are no exceptions. Sometimes, we have to work through the night. If you haven’t finished the quota, you cannot punch out of work.’

Workers express awareness of being exploited. Some of them want to quit yet feel they could not afford to lose the wages. All the interviewed workers voiced complaints of fatigue and a lack of leisure time. Yet they feel forced to work excessive overtime since Yonghong imposes severe fines on workers if they refuse to work overtime or do not meet production quotas (see section 1.6).

Chinese labor law specifies workers’ right to refuse excessive overtime and requires employers to consult with workers or worker representatives to arrange overtime. Though workers at Yonghong do not participate in setting overtime, management nonetheless tries to hide its coercion. When it hires new employees, Yonghong requires workers to sign consent to the rules of the firm. Article 15 of those rules states, ‘I agree to cooperate with management for overtime arrangements.’ Most likely, Yonghong relies on this deceitful method for the sake of foreign auditors to pretend employees consent to its system of forced overtime including deductions from workers’ income and long hours without pay.

1.3 Far From a Minimum Wage

With overtime during peak seasons, workers at Yonghong Electronics receive wages of RMB1,300 to 1,400 a month before deductions. The average wage for workers during the low season varies from RMB900 to 1,200 a month. At least on the surface, these wages appear to meet the minimum wage required by the law. The reality is that workers’ income at Yonghong is far lower than minimum wage requirements.
Yonghong seems to feel some pressure to look as if they meet the requirements of the law. Effective 1 July 2006, the minimum wage required in the Baoan District where Yonghong is situated is RMB700. Yonghong pays a “minimum wage” of minimum of RMB32 a day, or approximately RMB700 a month. However, Yonghong managers have designed a system to avoid actually paying wages according to this standard.

First, Yonghong requires all new employees to complete a probation of 3 months. During that time, workers receive a daily minimum wage of RMB27.5, a monthly wage of approximately RMB600. This is a violation of the law which states that workers on probation are entitled to the minimum wage (Article 48 of Labor Law).

What is more, new employees at Yonghong have to work far beyond a standard workweek to receive the Yonghong “minimum wage” of RMB700 a month. New employees who are not working at the speed deemed appropriate by managers frequently have to work long hours of overtime all without pay. If these workers were actually getting paid according to the requirements of the minimum wage, their income at the end of the month should far exceed RMB700. After workers finish their first 3 months of work, they are still required to meet irrational production quotas. Even experienced workers are sometimes forced to work long hours of overtime without pay to meet these requirements.

Once workers exceed production quotas, they receive a premium for overtime hours. However, Yonghong offers premiums of RMB4.5 per hour for overtime during the workweek and RMB5.8 for overtime on the weekend. The law requires premiums of 150% for overtime during the workweek and 200% for overtime on the weekends. Derived from a monthly minimum wage of RMB700, workers should receive RMB6 or RMB8 per hour for overtime during the workweek or weekends, respectively.

On national holidays, the law requires employers to either give workers paid time off or give them overtime premium of 300%. Even when Yonghong workers have to work through the holidays, they are not paid according to the standard of the law.

1.4 Recruitment Discrimination & Fines to Prevent Quitting

New workers often enter Yonghong Electronics through the network of friends of existing employees. New recruits have to produce their identity papers, marital status papers and school diplomas. With this info, Yonghong actively screens new recruits according to their gender, age and marital status. Managers discriminate to hire more women workers between 18 and 30 years old. If a man wants a job at Yonghong, he is required to pay a ‘recruitment fee’ of RMB400. According to the Personnel Manager,
‘We will hire a man for every five women.’

The system for terminating employment is likewise a violation of workers’ rights. In principle, Yonghong only requires workers to give management 1 month notice if they want to quit after the period of probation. This system mimics the law that requires workers who have finished a trial period of employment to give 1 month notice to the employer before quitting. Again, though Yonghong tries to look as if it meets the requirements of the law, it does not.

First, Yonghong requires workers to get management permission to quit or else deducts 1½ months of wages before letting workers go. For migrant workers, this represents a serious loss of income and a restriction on their freedom of employment. When the supply of labor is short, Yonghong managers have waited till August to approve requests to quit submitted in April. At other times, managers simply flat out refuse to give ‘permission’ to quitting workers. This essentially gives workers only two options. Either continue to toil at Yonghong or opt for the ‘fast track’ and forfeit 1½ months income. A senior production line worker explained, ‘It is easier to go to Mars than quitting this factory.’ This is simply against the law. Article 31 of the Labor Law states that workers who give 1 month notice before quitting have the right to quit and receive all pending wages with or without the employers’ permission.

Whether it is through arrangements with schools who keep students at Yonghong against their will, recruitment fees or illicit deductions from workers’ wages, it is evident that Yonghong relies on illicit methods to restrict workers’ freedom.

The law is explicit that workers have the right to quit and receive all unpaid wages without giving 1 month notice if the employer resorts to illicit methods to restrict workers’ freedom or the terms of employment do not meet the terms of the written employment agreement. The employment agreement must not violate the law (Article 32 of the Labor Law).

It is evident that working hours and wages at Yonghong violate the requirements of the law. It follows that Yonghong does not sign employment agreements with workers that could bind them to give 1 month notice before quitting. Workers at Yonghong who work excessive overtime, work overtime without pay, or receive wages under the minimum wage have no obligation whatsoever to give Yonghong managers 1 month notice prior to quitting. These workers are entitled to all of their pending wages without deductions.
1.5 No Time Off for Sickness
Chinese law requires employers to give workers paid leave in some situations including when workers fall sick. Though it is possible for workers at Yonghong to get time off for sickness, all time off is unpaid.

Furthermore, workers report it is very difficult to get managers’ permission for time off. Yonghong requires workers to get proof of a diagnosis from authorized hospitals to request time off for sickness. However, migrant who represent the majority of the Yonghong workforce do not have the income to afford the higher fees of authorized hospitals. They tend to consul unregistered doctors and pharmacies. In the words of one interviewee, ‘I can’t afford sick leave. It costs me a hundred or so to just register at the authorized hospitals not to mention that I will lose a day’s salary. It is too much for me. Even if I am sick, I will not ask for sick leave.’

1.6 Punitive Fines
Managers control discipline on the shop floor through a system of strict rules and fines. For example, production lines of 80 workers have only 1 pass for giving workers permission to go to the toilet. Managers fine workers RMB5 to 10 if they do not sit straight at the production line. Forgetting a Yonghong identity pass or failure to have the uniform on properly costs workers another RMB5 to 10. Workers experience wage deductions if they fail to punch in to work even when they are paid according to piece rates.

Workers who violate the rules suffer escalating fines including verbal warnings that cost RMB30, small demerits (RMB50) and serious demerits (RMB100). For ‘extremely serious’ violations of rules, managers fine workers RMB500 and reserve the right to dismiss workers outright.

Furthermore, the atmosphere of fines and punishment is a source of enormous stress for workers. ‘My nerves become tensed as I step onto the shop floor. I will be fined till I am out of my mind,’ said one of the interviewees.

Beyond the rules governing workers’ lives, managers fine workers for production expenses. They fine workers RMB80 to 100 for damaging or losing tools and quality issues. What is more, workers on different production lines are expected to pay Yonghong for expenses if they fail to meet production quotas tied to specific quantities of raw materials. Workers believe this system is extremely unfair, especially when workers are not always responsible for the economic losses.
In addition, workers’ need for rest is yet another excuse to fine workers for managers at Yonghong. 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’ of wages and bonuses equivalent to RMB232 if they miss a day of work, and another RMB182 of fines for every day missed continuously after the first day. This effectively prevents absenteeism since workers will lose a substantial portion of their monthly income from just 2 days’ absenteeism (the fines total RMB414).

One interviewed worker explained that almost everyone is fined at least RMB60 for something every month. For some, the fines accumulate to hundreds of RMB. Thus, punishment is deeply embedded in the Yonghong system of management. One worker said, ‘There is no use watching out for yourself. You will definitely be fined for violating one or another of these irrational rules.’

The law permits employers to fine workers in some situations. However, article 16 of the Short Term Rules on the Payment of Wages requires that fines should never exceed 20% of workers’ wages, and workers should always receive at least the minimum wage required in the region. The system of fines at Yonghong is a gross violation of the law.

1.7 Living Conditions

Though management strictly monitors discipline on the production line, facilities for workers’ living needs are sorely insufficient. Women workers complain of having to queue a long time to go to toilets.

The poor quality and hygiene of food is another source of consistent complaints. Yonghong deducts between RMB120 and 180 from workers’ wages for the food it provides through the on site canteen. Given the poor quality and hygiene of the food at Yonghong, many workers prefer to buy lunch from hawkers outside the factory. Yet the hygiene conditions of the food offered by these unregistered hawkers are likewise worrisome for workers.

Most of the migrant workers live at the factory provided dormitories for a monthly rate of RMB50 to 60. The dormitory buildings have 6 floors and house a total of about 1,000 workers. Eight to 12 workers share a dormitory room that includes one electric fan and a washing place. Hot water is supplied to all the residents from one
boiler on the first floor. Workers have to wait in long queues with buckets to get water to their respective room for bathing. Moreover, the management restricts hot water supply to 19:30 - 22:30. Workers working overtime who return to the dormitories after that time have no choice but to shower with cold water.

More rules and fines extend management discipline through workers’ lives at the dormitories. For example, electrical appliances are strictly forbidden in dormitory rooms. Security guards parade relentlessly through the dormitories to ensure workers do not violate dormitory rules. 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 working hours they must work.

1.8 Social Security Provision
The Labor Law requires employers to provide some forms of insurance to all employees including pensions, insurance against work injuries and insurance for expenses tied to medicine and maternity. Migrant workers on the production lines at Yonghong are not insured at all.

1.9 Occupational Health & Safety
Yonghong puts workers on the production line without training. Nonetheless, SACOM found that workers at Yonghong are exposed to a number of health & safety hazards that should require management to train workers at least on health risks, techniques to prevent accidents, and so on. Some of the health & safety hazards at Yonghong are:

Chemical poisoning
Soldering workers are not provided with proper masks or proper safety training about the hazards of soldering. The cotton masks delivered by the management do not protect them from inhaling and suffering irritations from the fumes produced in the soldering process.

Ergonomical hazards
It is common to find workers at Yonghong suffering from pain in the neck, shoulders, back, etc. Long hours of work in fixed sitting positions for more than 11 hours a day results in repeated strain injuries and other ergonomical problems for workers. This problem requires engineering solutions as fixed work stations and seats easily aggravate strain on the back and elbows.
Management discipline further contributes to these problems since managers require workers to sit straight, even preventing workers from using the support of their seats to rest, without the freedom to move or otherwise rest from time to time. Managers fine workers if they violate ‘proper’ sitting posture. The stress of this management discipline contributes to the sleeping disorders of some workers.

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

*Cuts & Injuries*
Trimming workers who cut and trim the feeders, without the proper equipment and training, frequently suffer cuts and small injuries.

1.10 Factory Inspection and Falsification
Yonghong relies on a number of methods for deceiving auditors that visit the factory to inspect the work environment. They falsify documents and give explicit instructions to workers on how to respond to auditors’ questions. As one worker explained, ‘Managers told us what to say for the inspection and told us to make sure we remember. I must not give the ‘wrong’ answers. If I do, I will be fired.’

To live with “the audit culture,” Yonghong has gotten better at concealing abuses. The current monitoring model is obviously not a viable way to assure factory compliance with the legal, human and worker rights standards.

In summary, the Electronic Code of Conduct (EICC) and top-down, corporate-led monitoring system does not result in improvements in the treatment of workers. The codes of Motorola, Dell, Acer, NEC, Siemens, Samsung, and Fujitsu, if at all, are not effectively implemented in Yonghong.
SACOM launches cross-border labor rights campaign to urge Motorola, Dell, Acer, NEC, Siemens, Samsung, and Fujitsu to completely resolve the problems at Yonghong & all the supplier factories. The brand-name corporations must do the right thing as follows:

1. Strictly enforce the Chinese Labor Law to safeguard workers’ lawful rights.

2. Give every worker at every supplier a written employment contract and a copy of the EICC in Chinese;

3. Raise the order price and lengthen turn-over times so as to reflect reasonable labor costs.

4. Increase the level of transparency in the corporate social responsibility by publicly disclosing the names and addresses of all the supplier factories, including subcontractors.

5. Strengthen worker participation in monitoring the corporate codes of conduct and invite independent NGOs to facilitate the formation of mechanisms of worker representation in the supplier factories so as to safeguard workers’ legal rights, health and safety and overall welfare.

We strongly demand that global computer corporations strictly monitor their supplier factories to make sure that they obey the local labor laws and protect the rights and welfare of the workers.

- END -
About SACOM

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

Selected research reports and journal articles of SACOM are downloadable from our website:

1. Looking for Mickey Mouse’s Conscience: A Survey of the Working Conditions of Disney’s Supplier Factories in China (August 2005);
2. ‘A World without Strangers’ – A Report of the Working Conditions of Giordano Subsidiaries and Suppliers in China (December 2005) [Hong Kong firm Giordano, a clothing brand and a licensee of Disney];
3. Chinese Migrant Workers in Action: Bringing Wal-Mart to Global Corporate Responsibility (Fall 2005) [this article is also available from Social Policy: Organizing for Social and Economic Justice at www.socialpolicy.org];
4. Resistance, Collective Actions, and Labor Organizing (Fall 2006) [this article is also translated in German, “Kein Bleiberecht: Arbeitsmigrantinnen in Südchina.” Frauensolidarität [Solidarity among Women] 97:18-19 at www.frauensolidaritaet.org];

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