



**China Labor Watch**  
147 W 35<sup>TH</sup> ST STE 406  
New York, NY 10001

*Phone:* 212-244-4049  
*Fax:* 212-244-4146  
clw@chinalaborwatch.org

## **Dell, HP, and NEC Supplier Factory Case Study: MSI Computer (Shenzhen) Co., Ltd.**

---

**CHINA LABOR WATCH  
FEBRUARY 2011**

# Contents

---

## **Preface**

### **I. Company and Factory Introduction**

### **II. Recruitment and Discriminatory Practices**

- A. Gender and Age Discrimination
- B. Rigid Health Examination Requirement includes Mandatory Hepatitis B and Pregnancy Test
- C. MSI job seekers are easily scammed, MSI feigns ignorance

### **III. Working Hours**

- A. Unpaid Hours- Morning Meetings, After Work Criticism and Overtime Resulting from a Failure to Meet Production Requirements
- B. Forced Overtime, Difficulty to Gain Leave Approval
- C. Unreasonable Night Shift Arrangement
- D. Unreasonable Fluctuations in Seasonal Demand and Working Hours

### **IV. Wages and Benefits**

- A. Wages
- B. Rewards
- C. Factory Cafeteria and Dormitory Conditions
- D. Difficulty to Gain Leave Approval

### **V. Resignation Difficulties**

- A. Resignation Approval is Rarely Granted
- B. The Motivation Behind MSI's Wage Distribution Cycle

### **VI. Severe Punishment System and Access Restrictions**

- A. No Card Swipe Results in Random Deduction of Working Hours
- B. Arbitrary Definition of Absence
- C. Arbitrary Penalties
- D. Restricted Dormitory Access
- E. Required Metal Detector and Full Body Scan

### **VII. Militant Management System**

- A. Conversation is Strictly Prohibited
- B. Workers are not allowed to use the restroom
- C. Extremely High Work Intensity
- D. Management Abuse
- E. Management Inefficiencies

**Appendix I.** MSI violates its own Code of Conduct: Comparison of Investigation Findings and MSI's CSR Report

**Appendix II.** Dell: Comparison of Dell's Codes of Conduct and Investigation Findings

**Appendix III.** HP: Comparison of HP's Supplier Code of Conduct and EICC with Investigation Finding

## Preface

---

In the beginning of 2011, China Labor Watch (CLW) will focus on assessments of factories within the electronics industry, and release a series of investigative reports on the supplier factories of some of the largest electronics companies in the world including HP, Dell, Apple, Nokia and others. This report of MSI Computer (Shenzhen) Co., Ltd. is the first report in the series.

From a first impression, the MSI factory appears to be a clean, well-managed and meticulously regulated work environment. Yet under closer inspection, one discovers that because the production process is only focused on end results, the factory's production process is sustained at the expense of the interests and wellbeing of the workers. Unfortunately, the situation at MSI is representative of many electronics factories in the Pearl River Delta.

At MSI, workers are subject to an extremely grueling schedule, high intensity work environment, and an abusive and critical management system, among other challenges and restrictions. Through reporting on these recurrent abuses, CLW hopes that concrete steps will be taken to fully integrate workers' interests into electronics brand companies' long-term development strategies.

Of the labor abuses revealed through the MSI investigation, the most serious concerns include:

- Blatant discrimination against male workers and older workers
- Hepatitis B testing is mandatory, all carriers are disqualified from recruitment, pregnancy testing is also mandatory and may be used for discriminatory practices
- During the peak season, there are only 1-2 days of rest each month
- Ordinary working hour wage is \$0.94/hr. Normal work day overtime is calculated at a rate of \$1.39/hr., rest day overtime is calculated as \$1.86/hr., and statutory holiday overtime is calculated as \$2.79/hr.
- During the peak season, there is 12+ hours/day, 6-7-day work week. Working hours at MSI exceed the statutory maximum, and the EICC (Electronic Industry Code of Conduct) standard of 60 hours per week, including overtime
- Before work "educational sessions" and after work self-criticism reviews are mandatory, but unpaid
- If a production quota is not met by the end of the day's shift, workers must stay and work additional overtime, this extra overtime is unpaid
- The day and night shift rotation only occurs once every two months, such that night shift workers experience dramatic health and wellbeing deterioration
- Unreasonable seasonal production fluctuations create either extremely high work intensity with no rest, or lower income and financial stress
- Workers are not permitted to request vacation, and are most definitely not allowed

to refuse overtime work

- Workers are unable to enjoy paid sick leave, maternal leave, and marriage leave
- The sanitation condition in the workers' dormitory bathrooms is not good
- Workers will not likely be granted resignation approval. The unspoken rule about leaving the factory is that workers must voluntarily resign and forfeit 12 days of wages and overtime pay
- Management repeatedly emphasizes that talking is strictly forbidden, even minimal personal communication is not tolerated
- Workers on the production line are not able to go to the bathroom during working hours
- In some departments, workers must stand for the entirety of their shift
- If the managers discover that someone has made a mistake, the manager will criticize or personally insult them with caustic, belittling language

## I. Company and Factory Introduction



MSI was founded in 1983, and is headquartered in Taipei, Taiwan. Its primary production operations are located at MSI Computer (Shenzhen) and MSI Electronics (Kunshan), with 28 additional subsidiaries and global service centers. MSI is a top-three global motherboard and graphics card manufacturer. At 2009 year end, the total global workforce of MSI and its subsidiaries was 15,587 employees. Global name-brand customers include Dell, HP, NEC, other OEM brands. In addition, MSI also has its own brand.

The focus of this report is the MSI production center, MSI Computer (Shenzhen) Co., Ltd.. The Shenzhen base is located in Tangtou Town, Shiyan, Shenzhen, Guangdong province. The factory was established in April 2000 and primarily manufactures motherboards and graphic image cards, and assembles components.



MSI Computer (Shenzhen) Co., Ltd. factory grounds

## II. Recruitment and Discriminatory Practices

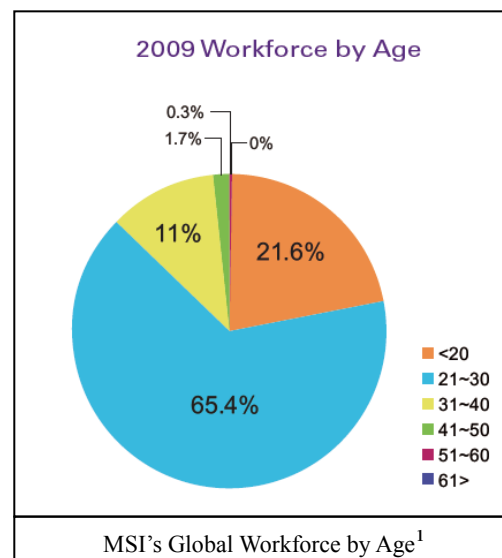
Although Chinese labor law strictly prohibits discrimination, in practice, factory management and HR departments frequently engage in discriminatory recruitment practices, and MSI is no exception. This investigation reveals that gender, age, and Hepatitis B discrimination is explicit in MSI recruitment. Negligence on the part of MSI and its security guards likely leads to the proliferation of schemes to cheat innocent candidates of exorbitant introduction fees.

### A. Gender and Age Discrimination



According to the posted recruitment information, and verbal confirmation from the security guards, candidacy for general workers is strictly limited to women between the ages of 18 and 35 years old. Blatant discrimination against male workers and older workers is clearly visible at the MSI main factory gates. The security guards reported that it is company policy to only hire female general workers, and the HR Department also seeks to hire younger workers. The security guards noted that occasionally, the factory would hire male workers, but that the men would need luck. Current MSI workers also confirmed this to be the case.

The toiling schedule and excessive work intensity depletes even the most lively and youthful of workers. MSI's recruitment strategy in fact verifies this reality. The HR Department's policy of hiring younger work implicitly recognizes that older workers are less able to keep up with the factory's extreme demands.



<sup>1</sup> MSI 2010 Corporate Social Responsibility Report, p. 27. Available from:

“[http://www.MSI.com/html/popup/csr/2010\\_MSI\\_csr.pdf](http://www.MSI.com/html/popup/csr/2010_MSI_csr.pdf)”

## **B. Rigid Health Examination Requirement includes Mandatory Hepatitis B and Pregnancy Test**

Before approval for employment is granted, candidates must obtain a health certificate from a local, designated hospital, Shiyan Hospital. Even if the candidates possess a health certificate from a Shenzhen 3A Level Hospital, the factory will not accept the validity of the certificate. The hospital charges \$6.75<sup>2</sup> for the medical examination, which candidates must pay themselves.

The health examination must include Hepatitis B testing, and all carriers will be disqualified from recruitment selection. In addition to Hepatitis B testing, each female candidate is also subject to an hCG pregnancy test. Workers were not certain if pregnant women would be disqualified. One worker recalled an incident in which the hCG test failed to detect a worker's pregnancy, and after entering the factory she realized she was pregnant. She immediately disappeared, having left the factory, however the exact reasons were unclear.

## **C. MSI job seekers are easily scammed, MSI feigns ignorance**



After investigators learned about the discrimination against male workers, they encountered a man pretending to be an MSI HR Department staff member (he wore a uniform bearing the MSI logo) within 10 meters of the main factory gate. CLW investigators were pegged as unknowing visitors in search of work. The man proceeded to try to scam the investigators, bringing them to an alleged intermediary employment agency and making false promises, while demanding exorbitant “introductory fees” of over \$39.

After investigators learned about the discrimination against male workers, they encountered a man pretending to be an MSI HR Department staff member (he wore a uniform bearing the MSI logo) within 10 meters of the main factory gate. CLW

investigators were pegged as unknowing visitors in search of work. The man proceeded to try to scam the investigators, bringing them to an alleged intermediary employment agency and making false promises, while demanding exorbitant “introductory fees” of over \$39.

After filing a report of the scam, the investigators returned to the MSI gates to verify with the security guards if MSI uses outside recruitment channels. The guards responded that no outside recruitment is used, and they have no way to resolve the problem of recruitment schemes. Is MSI not responsible for illegal scams in the immediate vicinity of the factory? Job seekers who arrive at MSI's gates are susceptible to exploitative recruitment traps, and someone should be held accountable.

---

<sup>2</sup> Currency conversions calculated on historical rate of December 1, 2010, USD:RMB rate of \$1: 6.65645RMB, Available from: <http://www.oanda.com/currency/converter/>.

### III. Working Hours

All MSI production workshops implement a four-shift system. The first shift is from 7am to 5pm, with two hours of overtime until 7pm. The second shift is from 8am to 6pm with overtime until 8pm. The third shift is from 7pm to 5am, with overtime until 7am, and the fourth shift is from 8pm until 6am, with two hours of overtime until 8am.

Shift	Normal Working Hours	Standard Overtime	No. of Rest Hours	Total No. of Working Hours
Day Shift A	7am-5pm	5pm-7pm	2	12
Day Shift B	8am-6pm	6pm-8pm	2	12
Night Shift A	7pm-5am	5am-7am	2	12
Night Shift B	8pm-6am	6am-8am	2	12

Usually, workers rotate between night and day shifts once every two months. When workers enter the factory, they must swipe an IC card. There is an obvious off-season and peak season in the factory. On average, the peak season is from May to October, and the rest of the year is considered the off-season. During the off-season, there are regularly two days off each week.

During the peak season, there are only 1-2 days of rest each month. As workers may work over 12 hours every day for 6-7 days a week during the busy season, working hours at MSI exceed the statutory maximum, and the EICC (Electronic Industry Code of Conduct) standard of 60 hours per week, including overtime.

#### **A. Unpaid Hours- Morning Meetings, After Work Criticism and Overtime Resulting from a Failure to Meet Production Requirements**

Every day, workers must arrive 10 minutes before their designated work shift begins in order to line up, swipe their IC cards and enter the factory grounds. The factory workshop managers also conduct “educational sessions.” After work, all workers must stay longer for a so-called self-criticism meeting. The self-criticism generally pertains to that work day’s production quality errors and the meetings on average last 20 minutes or longer. The self-criticism meeting is also a “guilty by association” format, which is to say that if certain workers in a department make a mistake, the entire department must stay longer to participate in the critical review. All of this time is not considered working hours, and it is unpaid.

Although all workers are paid according to an hourly wage, the factory has a daily production output requirement. If a production quota is not met by the end of the day’s shift, workers must stay and work additional overtime, and this extra overtime is not part of paid overtime hours. Rather, it is rather unpaid mandatory overtime.

Interviewed workers said that every department's situation is different. In some departments, there will be a mandatory overtime of approximately 30 minutes 3-4 days each month. In other words, these workers are required to work an additional two hours of monthly unpaid overtime.

### **B. Forced Overtime**

Because the factory has adopted a production line manufacturing process, and has implemented a two-shift production system, there are no extra or duplicated positions on the production line. As a result, every worker is required at all times in order for the production process to function. Workers are not permitted to request vacation, and are most definitely not allowed to refuse overtime work. If for a very urgent reason they must request leave, the production line manager must be able to find someone to replace the worker. It is only if this is possible will they approve of the workers' leave request.

### **C. Unreasonable Night Shift Arrangement**

Usually when factories implement a day and night shift, the shifts rotate once every every half month in consideration of workers' health and wellbeing. However at MSI, the day and night shift rotation only occurs every two months. Since the work intensity is very high, after night shift workers get off work, they return to their dormitories, do laundry, and promptly go to sleep until 4 or 5pm. After waking up, they directly return to work. This kind of life is toiling and unsustainable, MSI clearly does not look after the best interests of its workers.

Interviewed workers stated that after working the night shift for such a long time their bodies are unable to withstand it, and they have not seen the sun for weeks. After working the night shift for so long, there are noticeable changes in their skin and a significant deterioration in physical performance and health. If workers request to change to the day shift, it is very unlikely that their request will be granted. As explained above, the number of workers in each shift is calculated according to the rigid production line requirements, and there are no redundancies. Workers noted that they have previously seen pregnant women in other departments work the night shift the same as other workers, clearly indicating a stringent policy with no allowances for shift changes.

### **D. Unreasonable Fluctuations in Seasonal Demand and Working Hours**

There was a particularly sharp contrast between the 2010 off-season and peak season at MSI. When the factory was in the throes of the peak period, employees worked without rest, and it was extremely difficult to obtain leave approval. During the off-season, because there were so few overtime hours, workers experienced a sharp decline in income, creating financial difficulty for many workers.



While some may argue that seasonal fluctuation is an unavoidable and inevitable feature of manufacturing and production, the increasingly drastic fluctuation is not natural, but is rather imposed. Across industries within the global supply chain, and in the electronics industry in particular, international brand companies further pressure factory suppliers to meet unreasonable “Just in Time” (JIT) demands. In this JIT model, orders are sent to suppliers, and the required turn-around time is as dramatically reduced as possible (in order to more accurately calculate demand and reduce risk of unsold inventory), with the burden of high work intensity placed directly on the shoulders of workers. In order to alleviate this undue pressure and temporal volatility, multinational brand companies within the electronics industry must work towards creating a fairer production system and cycle that considers not just the maximization of profit, but also a production arrangement that fulfills their responsibility to workers.

## **IV. Wages and Benefits**

### **A. Wages**

As of July 1, 2010, the minimum statutory wage in Shenzhen is \$164.75/month. Currently, all MSI workers’ wages are calculated according to a base minimum wage of \$164.75/month. Ordinary working hour wage is \$0.94/hr. Normal work day overtime is calculated at a rate of \$1.39/hr., rest day overtime is calculated as \$1.86/hr., and statutory holiday overtime is calculated as \$2.79/hr.

In the off season (in November 2010) workers were only able to earn about \$194.72/month, and with deductions for food and accommodation, and fees for social insurance, they usually ultimately only earn \$149.78. During the busy season the situation is slightly better, and workers may be able to earn up to \$344.50, however this is contingent on the ability to continuously work many overtime hours.

### **B. Rewards**

The factory recruitment postings and advertisements claim that workers are able to earn a monthly \$6.74 performance award. The factory does not offer any other rewards mechanisms. Interviewed workers reported that the performance award is extremely difficult to earn, the factory management will find small reasons, such as a tiny quality defect, in order to deny workers the opportunity to obtain the performance award. Therefore, for most of the workers, even though it is only a small reward, it is still not even a possibility.

### **C. Factory Cafeteria and Dormitory Conditions**

The factory has a cafeteria, but food is not included in wages, and workers purchase food in the factory cafeteria by swiping their work card. On average one meal costs \$0.60. The factory purchases social insurances for workers.

The factory provides dormitory accommodation, and every worker who lives in the factory dormitory is subject to a monthly wage deduction of \$2.25 to cover utilities. The dormitory accommodates up to 10 people in each room, yet there are usually 6-8 people. Each worker is provided a small locker, but they must purchase their own locks. The dormitory has a separate bathroom, but it is completely closed, there is no window. Since many people use the bathroom, the sanitary condition is not good. Inside the rooms there is air conditioning, but no hot water. Workers may bathe in each floor's common bathroom where there is hot water. The cleaning of the dormitory's public bathroom is the workers' responsibility.

If workers do not live in the dormitories, they are not provided with any additional subsidies.

### **D. Difficulty to Gain Leave Approval**

If workers do not receive approval but refuse to work overtime, the factory will treat the missed hours as an absence. Interviewed workers responded that a few months earlier there was a worker who did not request leave, and did not work Saturday, Sunday, and Monday. When the worker finally returned to work on Tuesday, the factory considered it an excess of 3 absences, and it was considered a voluntary resignation, and the worker was expelled from the factory without due wages.

Workers reported that after working in the factory for one year, they earn 5 days of annual leave, to meet the national minimum requirement. Besides meeting this minimum legal regulation, workers are unable to enjoy paid sick leave, maternal leave, and marriage leave. One interviewed worker said that sick leave must be approved through submission of a sick leave request form. The likelihood of gaining approval is rather good, but it is unpaid. However other forms of leave under different circumstances will likely not receive approval.

## **V. Resignation Difficulties**

A workers' right to leave a factory with advanced notice, in accordance with the factory's regulations, and receive their due wages should be upheld under all circumstances. Unfortunately, as the labor shortage crisis becomes more pronounced throughout the Pearl River Delta and the heartland of China's manufacturing region,

current workers face further undesirable side effects, including forced voluntary resignation and forfeiture of due wages.

### **A. Resignation Approval is Rarely Granted**

At MSI, if workers attempt to resign according to the standard factory procedures, they will most likely not receive approval. While the significant labor shortage persists, this is especially the case. MSI HR staff congenially informs new workers at the time they enter the factory that workers who provide 30 days prior notification are able to resign; if the workshop does not approve the resignation, they may seek out the assistance of the HR staff.

However, workers' experiences verify that the initial confirmation from the HR Department that resignation procedures are fluid and standardized is a hollow promise. The unspoken rule about leaving the factory is that workers must voluntarily resign. Since the factory distributes wages on the 7<sup>th</sup> day of each month, all workers who want to resign wait until their wages from the previous month's salary are in hand on the 7<sup>th</sup>, and promptly leave the factory.

If workers choose to voluntarily leave the factory, both the factory and security guards will cooperate. Of course, this is likely due to the fact that workers who are forced to voluntarily resign bear the largest cost of the resignation. Workers must forfeit 12 days of wages, including overtime wages, as is explained below.

### **B. The Motivation Behind MSI's Wage Distribution Cycle**

The recorded wage cycle at MSI is from the 26<sup>th</sup> of the first month to the 25<sup>th</sup> of the following month. As wages are not distributed until the 7<sup>th</sup> of the subsequent month, wages are only distributed a full 12 days after the wage cycle ends.

Although this practice is legal, the difficulty of resignation and resulting ubiquity of forced voluntary resignations helps to explain why MSI likely implements this payroll cycle practice. Since normal resignation is virtually impossible, the majority of workers are forced to voluntarily leave the factory. Workers must abandon their hard-earned wages from the end of the wage cycle until the date of wage distribution, and due to MSI's unnatural payroll cycle, workers are forced to forfeit a much more significant 12 days of wages.

Would workers choose to lose 12 days of wages if they didn't have to? How is it possible that they have no other recourse?

Undoubtedly, workers are willing to forfeit 12 days of wages because normal resignation is impossible. Sadly, while this practice is insupportable, workers have already become accustomed to its normalcy. The underlying logic and inherent

ulterior motives of this practice indicate that yet again, the interests of the factory and its pursuit of maximizing profits does not only not consider workers, but perhaps intentionally further deprives workers.

## VI. Severe Punishment System and Access Restrictions

The factory regulates punishments based on the severity of the violation, and there are three levels of punishments. A minor violation, *shenjie*, is a written warning with a fine of \$1.50-\$4.50. A moderate violation, *xiaoguo*, results in a fine of \$7.50, and a more serious violation, *daguo*, is a ~\$15 fine. Three *shenjie* will lead to a *xiaoguo*, three *xiaoguo* accumulate to one *daguo*, and three *daguo* result in expulsion from the factory.

Violation	Fee	Severity
<i>Shenjie</i>	\$1.50-\$4.50	Minor, written violation
<i>Xiaoguo</i>	\$7.50	Moderate (3 <i>Shenjie</i> )
<i>Daguo</i>	~\$15	Severe (3 <i>Xiaoguo</i> )
3 <i>Daguo</i>		Expulsion

### A. No Card Swipe Results in Random Deduction of Working Hours

If workers swipe their card incorrectly or forget to swipe their card (the factory has multiple card swipe times and machines), it is regarded as an absence. Interviewed workers stated that recently, one worker missed swiping their card when arriving to work, however they did swipe when they left work, after working for one normal day (10 hours). After pleading with the line head, the HR staff finally agreed to give the worker 4 hours of wages for that day. If this had occurred during overtime on a rest day, the workers will not be able to recover any wages.

### B. Arbitrary Definition of Absence

Interviewed workers stated that according to the factory regulations, a one-day absence will result in a deduction of three days of wages. If workers do not request leave or refuse to work overtime, these situations are all considered an absence. One absence also results in a moderate violation, *xiaoguo*, and an additional fine. An absence of three days may result in expulsion from the factory.

### C. Arbitrary Penalties

The factory management system is relatively harsh, and the inspection standards are very strict. If workers make a very small violation, the management will always define the error as a minor violation, *shenjie*. The workshop also strictly enforces 5S

management. If a slight non-compliance violation or negligence is discovered, the worker will also be subject to a written violation and fine. A more serious violation will result in *xiaoguo* or *daguo*.

#### **D. Restricted Dormitory Access**



The dormitory access system is extremely strict, and many workers despise and resent the system.

According to the restriction system, from Sunday to Thursday from midnight until 6am, the main factory gate is locked, and violators who enter will be subject to a written warning and fine. Workers who work the day shift must stay in the dormitory between 12am and 6am, or will otherwise face a punishment. In other words, except for Friday and Saturday nights when workers can leave to enjoy themselves, during other rest periods throughout the entire week, workers are only able to keep their own activities in the dormitories and must rest well.

#### **E. Required Metal Detector Scan and Individual Full Body Scan**

When workers leave the workshop, in order to prevent them from stealing electronic parts, workers pass through a metal detector, and also must pass security guard's individually hand-held metal detector scanners. Since most of the workers in the factory are female and most of the security guards are male, when body scans are conducted, it is usually male to female. Although sexual harassment does not happen, interviewed female workers said they felt very uncomfortable and embarrassed with this process when they first arrived in the factory.

### **VIII. Militant Management System**

Interviewed workers stated that while MSI's quality assurance is extremely strict, the management is never concerned about workers. While the management system is extensive, the focus is solely on results and manufactured products. In the workshop, employees feel extremely oppressed.

### **A. Conversation is Strictly Prohibited**

The workshop management repeatedly emphasizes that talking is strictly forbidden, even minimal personal communication is not tolerated. Working extremely long hours, and spending these tiring working hours without talking, workers have little time for interpersonal interaction. Even after a few months have passed, workers at most only get to know the others in their immediate vicinity just a little bit.



### **B. Workers are not allowed to use the restroom**

Since every production line is laid out such that every worker's post is strictly calculated, workers do not have replacements. Since the management generally does not want to deal with more complications, they will not use substitutes. The production line demands that workers do not stop working. If one person were to stop, subsequent workers on the production line would also have to stop. Therefore, workers on the production line are not able to go to the bathroom during working hours. They are only allowed to rest for 10 minutes in the middle of the shift to use the bathroom, leaving in the middle is not permitted. Workers further said that because of the restrictions on using the bathroom, they usually did not drink water throughout the day before or during their work shift, and would only drink water after work.

### **C. Extremely High Work Intensity**

Working at MSI is extremely exhausting; workers' hands do not stop moving for the entirety of their shifts. In some departments, such as the SMT department, workers are required to stand for the whole day. Therefore after work, they don't want to do anything except sleep. After months of working at MSI, many workers have still never even seen the surrounding area beyond the factory walls, because rest time is minimal and the work intensity overwhelms many of the workers. Some interviewed workers stated that in previous jobs in other factories they had never felt this tired. It was only when they came to MSI that their health began to decline, and now they always feel tired all day.

### **D. Management Abuse**

In addition to a harsh punishment system, the MSI management abuse is insufferable. Interviewed workers reflected that workshop managers loudly shout orders and instructions at workers. If they discover that someone has made a mistake, the

manager will criticize or personally insult them with caustic, belittling language. Additionally, the before work and after work discipline meetings, when workers must sit in front of the management, are also often replete with offensive and abrasive criticisms directed at workers. An interviewed worker noted that another worker she knows returns to the dormitory after work and cries because she cannot stand the daily abuse.

## **E. Management Inefficiencies**

The factory is most inefficient with matters concerning workers. This year, workers who entered the factory in August were told that the factory would prepare their residency permits. However when workers wanted to leave in December, they still had not been fully processed. This was also the case with their social insurance cards. The workers filled out applications in their first month, yet had still not received them many months later. As all of the social insurance costs are the burden of the workers, it is clear that the fault of the delay and inefficiency of the factory management is due to apathy towards workers' interests concerns. The workers have never been provided with an explanation as to why there is such a delay.

## **IX. Final Conclusions and the Road Ahead**



Perhaps most indicative of the unacceptable working conditions and low quality of life that MSI workers endure is the fact that MSI has great difficulty retaining workers, and there are very few older MSI workers.

According to official MSI statistics, investigators learned that approximately 8,000 workers resigned over the course of the final five months of 2010. However, investigators believe the actual number to be even higher.<sup>3</sup> While many workers hope to earn decent wages and live a dignified life, after working at MSI for a short period of time, the majority of workers are extremely disappointed.

---

<sup>3</sup> Workers told investigators that when they came to the factory in August 2010, the highest employee registration number was approximately #6X,000. As of December 2010 it was #78,000. This is to say that the likely actual turnover in 5 months was likely over 10,000.

While the minimum wage in Shenzhen is predicted to climb this year, we implore buyer companies to take a more active role in improving the holistic working situation for MSI workers. MSI, its subsidiaries, and all stakeholders must be held accountable for the labor abuses and violations identified.

As the readily available labor supply in the manufacturing industry continues to contract, currently employed workers at electronics factories such as MSI will likely have to redouble their work intensity to complete the orders of the buyer multinational companies. Yet workers are becoming less willing to stand for compromising working conditions, excessive working hours and unfair wages. It is in the interest of the workers, the factories and the buyer companies to actively improve workers' situations and create retaining incentives. This must begin with focusing on workers as people, with the right to fair wages and decent working conditions.



## Appendix I. MSI violates its own Code of Conduct:

### Comparison of Investigation Findings and MSI’s CSR

#### Report

MSI’s corporate social responsibility report, code of conduct, and requirements for suppliers offer a comprehensive overview of MSI’s supposed commitment to ethical business and labor practices. In 2009, MSI drafted their own “Corporate Social Responsibility Requirements” in order to urge “suppliers to ensure a safe work environment for their employees, treat their employees with respect and dignity, and ensure that their processes and products are environmentally responsible.”<sup>4</sup> If MSI intends to hold its suppliers accountable to these standards, it must extend this compliance to its own factories as well.

Based on this report’s thorough investigation and analysis of labor practices at MSI, it is more shocking to compare MSI’s own codes of conduct with the reality of the factory situation. How can MSI stakeholders, buyer companies, and consumers work to resolve this discrepancy between MSI’s hollow CSR rhetoric and explicit labor abuses?



<i>Category</i>	<i>MSI CSR Report</i>	<i>Investigation Findings</i>
<b>Recruitment and Discrimination</b>	<b>Equal Employment Opportunity</b> “We will not engage in differential treatment based on race, social class, nationality, religion, handicap, gender, sexual orientation, union membership or political affiliation.”	Blatant discrimination against male workers and older workers is clearly visible at the MSI main factory gates. Hepatitis B testing is mandatory prior to approval for employment, and all carriers are disqualified

<sup>4</sup> MSI 2010 Corporate Social Responsibility Report, p. 25. Available from: [http://www.MSI.com/html/popup/csr/2010\\_MSI\\_csr.pdf](http://www.MSI.com/html/popup/csr/2010_MSI_csr.pdf)”

	(MSI CSR Report, p. 27)	from recruitment
<b>Leave</b>	<p>“Besides legal holidays, an employee is entitled to seven days of vacation a year once he or she has reported to work for three months” (p. 30)</p>	Workers receive 5 days of annual leave to meet the statutory requirement after working in the factory for one year. Workers are not permitted to request vacation, and are most definitely not allowed to refuse overtime work
	<p>“All employees are eligible for matrimonial leave, maternity leave, funeral leave, paternity leave, paid sick leave, and flexi-leave. In addition, employees are offered two days of fully paid “family rest day” during normal work days.” (p. 30)</p>	Workers are unable to enjoy paid sick leave, maternal leave, and marriage leave. Workers may request sick leave, and while it is likely it will be granted, it is not paid.
<b>Work Environment</b>	<p>“Supplier undertakes that all of its employees are treated with respect and dignity that it will not engage in any practice that constitutes inhuman treatment or any form of psychological or physical maltreatment, harassment, or discrimination against its employees.” (p. 36)</p>	Workshop managers loudly shout orders and instructions at workers. If they discover that someone has made a mistake, the manager will criticize or personally insult them with caustic, belittling language
	<p>“Supplier undertakes to provide its employees with a healthy, safe and cozy work environment.” (p. 36)</p>	<p>Management repeatedly emphasizes that talking is strictly forbidden, even minimal personal communication is not tolerated.</p> <p>The day and night shift rotation only occurs once</p>

		<p>every two months, such that night shift workers experience dramatic health and wellbeing deterioration</p> <p>Workers on the production line are not able to go to the bathroom during working hours</p>
<b><i>Forced Labor</i></b>	<p>“We may be under pressure of labor shortage from time to time when there is a mass production target or delivery deadline to meet. But under the premise of “people first” and “respecting human rights,” we explicitly prohibit the use of child labor and forced labor.” (p. 28)</p>	<p>Workers are not allowed to refuse overtime work. If workers are not granted permission to not work overtime but do not work, it is counted as an absence. If a production quota is not met by the end of the day’s shift, workers must stay and work additional overtime, this extra overtime is unpaid.</p>
<b><i>Sanitation</i></b>	<p>“Supplier undertakes to provide its employees with clean and sanitary dormitory and cafeteria, including clean, sanitary equipment, drinking water, food and storage equipment” (p. 36)</p>	<p>The sanitary condition in the workers’ dormitory bathroom is not good. Workers are responsible for cleaning the public bathrooms.</p>

## Appendix II. Dell: Comparison of Dell’s Codes of Conduct and Investigation Findings

Dell lists MSI as a Tier 1 supplier for both FY09 and FY10.<sup>5</sup> As this is the case, Dell must hold MSI responsible for the identified labor abuses, “At Dell, our suppliers are our partners, and we hold them to the same social and environmental responsibility (SER) standards that we observe.”<sup>6</sup> Dell also explicitly states that suppliers must provide an ethical work environment, “[suppliers] are to embrace high standards of ethical behavior and treat their employees fairly, and with dignity and respect, consistent with local law and the Electronics Industry Citizenship Coalition (EICC) Code of Conduct.”<sup>7</sup> Therefore, according to Dell: suppliers, especially Tier 1 suppliers such as MSI, must be held accountable to the following international and industry-wide standards and benchmarks:

- The United Nations (UN) Declaration of Human Rights
- The UN Convention on the Rights of the Child
- Fundamental conventions of the International Labor Organization (ILO)
- Electronic Industry Code of Conduct (EICC)
- International Organization for Standardization (ISO 14001)
- Occupational Health and Safety Assessment Series (OHSAS 18001)
- The Dell Code of Conduct<sup>8</sup>
- The benchmark of other corporations and industries across the globe<sup>9</sup>

Dell’s professed commitment to upholding these standards, specifically the EICC and its own Code of Conduct is compared to the Investigation Findings in the table below.

<i>Category</i>	<i>Dell CSR</i>	<i>Investigation Findings</i>
<b><i>Recruitment and Discrimination</i></b>	“Never discriminate against anyone... on the basis of race, color, religion, natural origin, sex (including pregnancy), age, disability, HIV status,	Blatant discrimination against male workers and older workers is clearly visible at the MSI main factory gates. Hepatitis B testing is mandatory prior

<sup>5</sup> “Supplier Responsibility.” Available from:

<http://content.dell.com/us/en/corp/d/corp-comm/cr-ca-list-suppliers.aspx>

<sup>6</sup> Ibid.

<sup>7</sup> “Supplier Global Citizen Commitment” Available from:

<http://content.dell.com/us/en/corp/d/corp-comm/cr-supplier-global-citizen-commit.aspx>

<sup>8</sup> Dell Code of Conduct: How We Win Big. July 2010. Available from:

<http://i.dell.com/sites/content/corporate/corp-comm/en/Documents/Dell-Code-of-Conduct-External.pdf>

<sup>9</sup> <http://content.dell.com/us/en/corp/d/corp-comm/cr-supplier-global-citizen-overview.aspx>

	sexual orientation, gender identity, marital status, past or present military service or any other status protected by the laws or regulations in the locations where we operate.” (Dell Code of Conduct, p. 23)	to approval for employment, and all carriers are disqualified from recruitment
<b><i>Working Hours</i></b>	Workweeks are not to exceed the maximum set by local law. Further, a workweek should not be more than 60 hours per week, including overtime, except in emergency or unusual situations. (EICC, p. 2)	During the busy season, MSI workers may work at least 12 hours a day 6-7 days a week. Therefore the workweek exceeds both the statutory maximum and the EICC standard of 60 hours per week.
<b><i>Overtime</i></b>	In compliance with local laws, workers shall be compensated for overtime at pay rates greater than regular hourly rates. (EICC, p. 2)	If a production quota is not met by the end of the day’s shift, workers must stay and work additional overtime, this extra overtime is unpaid
<b><i>One day of Rest</i></b>	Workers shall be allowed at least one day off per seven-day week. (EICC, p. 2)	During the peak season, there are only 1-2 days of rest each month
<b><i>Leave</i></b>	“Laws relating to pay, employment benefits, hours of work, time off, leaves of absence and other terms and conditions of employment vary from country to country, and team members are expected to comply with all applicable employment-related laws.” (Dell Code of Conduct, p. 24)	Workers receive 5 days of annual leave to meet the statutory requirement after working in the factory for one year. Workers are not permitted to request vacation, and are most definitely not allowed to refuse overtime work  Workers are unable to enjoy paid sick leave, maternal leave, and marriage leave. Workers may request sick leave, and while it is likely it will

		be granted, it is not paid.
<b><i>Work Environment</i></b>	<p>“Always treat everyone—team members, customers, business partners and other stakeholders—with dignity and respect. Understand that harassment includes actions, language, written materials or objects that are directed or used in a way that undermines or interferes with a person’s work performance, or creates an intimidating, hostile or offensive work environment.” (Dell Code of Conduct, p. 25)</p>	<p>Workshop managers loudly shout orders and instructions at workers. If they discover that someone has made a mistake, the manager will criticize or personally insult them with caustic, belittling language</p>
	<p>“There is to be no harsh and inhumane treatment, including any sexual harassment, sexual abuse, corporal punishment, mental or physical coercion or verbal abuse of workers: nor is there to be the threat of any such treatment.” (EICC, p. 2)</p>	<p>Management repeatedly emphasizes that talking is strictly forbidden, even minimal personal communication is not tolerated.</p> <p>The day and night shift rotation only occurs once every two months, such that night shift workers experience dramatic health and wellbeing deterioration</p> <p>Workers on the production line are not able to go to the bathroom during working hours</p>
<b><i>Forced Labor</i></b>	<p>Forced, bonded or indentured labor or involuntary prison labor shall not to be used. (EICC, p. 2)</p>	<p>Workers are not allowed to refuse overtime work. If workers are not granted permission to not work overtime but do not work,</p>

		it is counted as an absence. If a production quota is not met by the end of the day's shift, workers must stay and work additional overtime, this extra overtime is unpaid.
<b><i>Punishments and Fines</i></b>	Deductions from wages as a disciplinary measure shall not be permitted. (EICC, p. 2)	The factory management system is relatively harsh. If a slight non-compliance violation or negligence is discovered, the worker will also be subject to a written violation and fine, which is deducted from their wages.
<b><i>Resignation</i></b>	All work will be voluntary, and workers shall be free to leave upon reasonable notice. (EICC, p. 2)	Workers will not likely be granted resignation approval. The unspoken rule about leaving the factory is that workers must voluntarily resign and forfeit 12 days of wages and overtime pay

## **Appendix III. HP: Comparison of HP’s Supplier Code of Conduct and EICC with Investigation Findings**

HP also lists MSI as one of its confirmed suppliers, as released on their most recent year end FY09 Supplier List.<sup>10</sup>

In 2003, HP was the first electronics company to create a Social and Environmental Responsibility Supplier Code of Conduct. HP co-led the creation of the Electronic Industry Code of Conduct (EICC), and has additionally supplemented the code with some additions to the standards regarding freedom of association to create HP’s EICC.<sup>11</sup>

As MSI is one of HP’s confirmed suppliers, and HP explicitly states, “All new and existing suppliers must conform to HP’s EICC,” MSI must also comply with this standard. Unfortunately, this is clearly not the case.

HP states in its “Supply Chain SER Program Policies and Standards” that ,”suppliers, in all of their activities, must operate in full compliance with the laws, rules and regulations of the countries in which they operate. The code further requires that suppliers:

- adopt sound human rights practices and treat workers fairly and with dignity and respect
- provide a safe and healthy working environment for their workers
- conduct business operations in a way that protects and sustains the environment
- maintain management systems that measure, improve and communicate their company's labor, health and safety, and environmental performance
- uphold the highest standards of ethics

---

<sup>10</sup> “HP Suppliers.” Available from:

[http://www.hp.com/hpinfo/globalcitizenship/i/docs/HP\\_suppliers\\_2009\\_GCR.pdf](http://www.hp.com/hpinfo/globalcitizenship/i/docs/HP_suppliers_2009_GCR.pdf)

<sup>11</sup> “HP’s EICC,” HP Global Social and Environmental Responsibility Operations, Supply Chain Social and Environmental Responsibility, June 1, 2009. Available from:

<http://www.hp.com/hpinfo/globalcitizenship/environment/pdf/supcode.pdf#page=3>.



The table below compares HP's code of conduct standards and the investigation findings of its supplier, MSI.

<b><i>Category</i></b>	<b><i>HP's EICC (Electronic Industry Code of Conduct)</i></b>	<b><i>Investigation Findings</i></b>
<b><i>Recruitment and Discrimination</i></b>	<p>Companies shall not engage in discrimination based on race, color, age, gender, sexual orientation, ethnicity, disability, pregnancy, religion, political affiliation, union membership or marital status in hiring and employment practices such as promotions, rewards, and access to training. In addition, workers or potential workers should not be subjected to medical tests that could be used in a discriminatory way. (HP's EICC/HP Supplier Code of Conduct, p. 3)</p>	<p>Blatant discrimination against male workers and older workers is clearly visible at the MSI main factory gates. Hepatitis B testing is mandatory prior to approval for employment, and all carriers are disqualified from recruitment</p>
<b><i>Working Hours</i></b>	<p>Studies of business practices clearly link worker strain to reduced productivity, increased turnover and increased injury and illness. Workweeks are not to exceed the maximum set by local law. Further, a workweek should not be more than 60 hours per week, including overtime, except in emergency or unusual situations. Workers shall be allowed at least one day off per seven-day week. (HP's EICC, p. 2)</p>	<p>During the busy season, MSI workers may work at least 12 hours a day 6-7 days a week. Therefore the workweek exceeds both the statutory maximum and the EICC standard of 60 hours per week.</p>

<b><i>Overtime</i></b>	In compliance with local laws, workers shall be compensated for overtime at pay rates greater than regular hourly rates. (HP's EICC, p. 2)	If a production quota is not met by the end of the day's shift, workers must stay and work additional overtime, this extra overtime is unpaid
<b><i>One day of Rest</i></b>	Workers shall be allowed at least one day off per seven-day week. (HP's EICC, p. 2)	During the peak season, there are only 1-2 days of rest each month
<b><i>Leave</i></b>	HP Partners must comply with all health and safety regulations, laws upholding the rights of persons with disabilities, labor laws, and fair labor practices that are relevant to their HP Partner status.  (HP Partner Code of Conduct, p. 3)	Workers receive 5 days of annual leave to meet the statutory requirement after working in the factory for one year. Workers are not permitted to request vacation, and are not allowed to refuse overtime work  Workers are unable to enjoy paid sick leave, maternal leave, and marriage leave. Workers may request sick leave, and while it is likely it will be granted, it is not paid.
<b><i>Work Environment</i></b>	There is to be no harsh and inhumane treatment, including any sexual harassment, sexual abuse, corporal punishment, mental or physical coercion or verbal abuse of workers: nor is there to be the threat of any such treatment. (HP's EICC, p. 3)	Workshop managers loudly shout orders and instructions at workers. If they discover that someone has made a mistake, the manager will criticize or personally insult them with caustic, belittling language  Management repeatedly emphasizes that talking is strictly forbidden, even minimal personal communication is not tolerated.  The day and night shift

		<p>rotation only occurs once every two months, such that night shift workers experience dramatic health and wellbeing deterioration</p> <p>Workers on the production line are not able to go to the bathroom during working hours</p>
<b><i>Forced Labor</i></b>	<p>Forced, bonded or indentured labor or involuntary prison labor shall not to be used. All work will be voluntary. (HP's EICC, p. 2)</p>	<p>Workers are not allowed to refuse overtime work. If workers are not granted permission to not work overtime but do not work, it is counted as an absence.</p> <p>If a production quota is not met by the end of the day's shift, workers must stay and work additional overtime, this extra overtime is unpaid.</p>
<b><i>Punishments and Fines</i></b>	<p>Deductions from wages as a disciplinary measure shall not be permitted. (HP's EICC, p. 2)</p>	<p>The factory management system is relatively harsh. If a slight non-compliance violation or negligence is discovered, the worker will also be subject to a written violation and fine, which is deducted from their wages.</p>
<b><i>Resignation</i></b>	<p>All work will be voluntary, and workers shall be free to leave upon reasonable notice. (HP's EICC, p. 2)</p>	<p>Workers will not likely be granted resignation approval. The unspoken rule about leaving the factory is that workers must voluntarily resign and forfeit 12 days of wages and overtime pay.</p>
<b><i>Sanitation</i></b>	<p>Provide a safe and healthy working environment for their workers</p>	<p>The sanitary condition in the workers' dormitory bathroom is not good.</p>

	(Supply Chain SER Program Policies and Standards)	Workers are responsible for cleaning the public bathrooms.
--	---	--