

Investigative Report on Mingshuo Computers (Pegatron) in Suzhou

Company Profile

Established in 1999, Mingshuo Computers is currently a subsidiary of Pegatron Group, a supplier to major international electronic brand companies, including Dell, ASUS, HP, Samsung, and Microsoft. We also suspect that the factory is producing for Cisco. Mingshuo covers an area of 158,000 square meters (1.7 million square feet), with a total investment of \$600 million. It is the largest factory in the province of Jiangsu. In 2009, the export of Mingshuo Computers alone amounted to \$6.3 billion. It is one of the top ten of export companies in China.

Address: 233 Jin Feng Rd., Gaoxin District, Suzhou. In the same industrial district, there are a number of other factories in the Pegatron Group.

Telephone: 0512-86663256

Manufactured Products: computer parts and accessories

Number of employees: about 70,000 in the peak seasons; about 50,000 in the non-peak seasons.

Investigation method: entered and worked a Factory 6 of Mingshuo

This report will primarily focus on the working conditions in Mingshuo Factory 6, which mainly manufactures computer mother boards. Hereafter, the factory will be referred to as Pegatron.

I. Underage and Student Workers

Underage Workers

Pegatron and its subsidiaries employ tens of thousands of underage workers. At the production floor where the investigator worked, over one third are underage workers between the ages of 16 and 18. They are mostly hired through schools and recruiting agencies. In order to get into the factory, each young person must pay an agency fee between 100 and 500 RMB (\$16 and \$82). The youngest of the workers had just reached the age of 16 before working. Despite their age, they do the same work and hours as adult workers.

After been assigned to different departments, workers who are assigned to a technical position must pass a two-day training period before starting work in the position. A young worker in the circuit board plug-in position has to work as long as 12 hours a day. They are put on the night shift as soon as they join the factory with no option of switching. They must assemble 32 electronic units every minute. The work involved is to repeatedly plug electronic units into circuit boards that are passing in front of them. Specifically, workers will pick up four units with each hand (eight altogether) and then plug them into the circuit board at the same time. Each worker on the line will do this four times per minute. During the interviews, underage workers expressed that the work is too intense and they are tired. Few of these young workers can last for three months on the production floor. Almost every underage worker stated during interviews that they only work at Pegatron because life circumstances forced them into it. But the intensity and length of work are beyond their expectations. That's why they have to leave Pegatron after a short while.

Student Workers

Student workers are another source of labor for Pegatron. Due to the length and intensity of work at Pegatron the worker turnover is very high. Nearly all workers can be “packaged” by job agencies and schools as student workers. Most of these student workers are from vocational schools and high schools. In the living quarters at Pegatron, there are teacher offices to watch over and manage student workers, who are between the ages of 16 and 23.



Teacher office at Pegatron

Student workers at Pegatron enter the factory under the auspices of an internship, for which they sign an intern agreement. The agreement will have two copies, one for the factory and one for the student. The usual term of an intern agreement is between 3 and 6 months. The agreement includes the period of internship, rights and obligations, benefits, confidentiality, early termination or expiration, and other clauses. The student workers are not sure if the factory is upholding the agreement. Many student workers are not aware of the importance of such document and just throw it away carelessly.

No social insurance is purchased for student workers for the duration of the internship. Their intern wages are distributed in the same way as other workers' wages. Student workers usually work 10.5 hours a day, 6 to 7 days a week.

II. Hiring Process

Job agencies and direct hiring by the factory are the two ways of getting employment at the factory.

Employment through job/dispatch agencies

There are tens of thousands of job/dispatch agencies in Suzhou. Almost every agency is hiring for Pegatron. The quality of these



agencies varies. Some of them are “underground” agencies which are not licensed by business or labor departments. There are even three agency offices in the Pegatron factory campus itself so that the agency can manage the workers that they recruited.

This investigation was carried out during the non-peak season. Pegatron requires a 2:1 female to male ratio during the hiring process. During this investigation, there were more males than females, so agencies did everything they could to find a necessary number of female applicants to group with male applicants in order to send the males into Pegatron.

Job applicants at Pegatron

After the workers have paid agency fees, the job agency will hand the workers over to the dispatch agency. The dispatch agency will have the workers sign labor contract and manage the workers.

Job agencies charge an agency fee in advance. The exact amount varies among different agencies. The investigator paid 50 RMB (\$8) to Suzhou Si Na Xian job agency to get a job at Pegatron.

Applicants can pay up to 500 RMB (\$82). For a position at Pegatron, the job agency has age requirements of between 16 and 35. There are no limits on geographical origin, ethnicity, or religion.

Applicants need to submit to the job agency two copies of their ID and eight photos. After the agency fee is paid, the agency will inform the applicants that the fee is non-refundable if the applicants choose not to take the job. The agency will then forward the applicant’s ID to the dispatch agency. The dispatch agency will retain the ID for as long as one day.

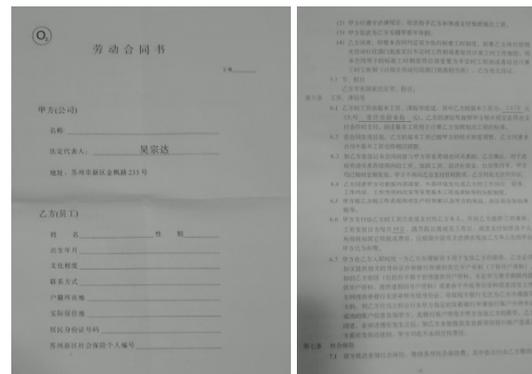


Hiring agencies at Pegatron.

The dispatch agency will transport the applicants via van to its training center to do interviews. Here applicants fill out forms and sign labor contracts. Other than agency fees, applicants are charged 50 RMB (\$8) in documentation fees and 40 RMB (\$6.53) in transportation costs. At the dispatch agency, applicants without a copy of their ID and photos will have to pay 15 RMB (\$2.45) for photocopying.

An applicant needs to fill out a resume, personnel form for Pegatron, new recruit registration form, new recruit commitment letter, new recruitment basic education test, interview commitment letter, and sign a copy of the factory rules. The basic education test has four parts: calculation, 26 English letters (upper and lower case), English-Chinese and Chinese-English translation, and an essay of over 50 words.

Labor contracts are signed after filling out those forms. Staff from the dispatch agency will provide instructions on signing the contract. A new copy is required if there is any modifications. The labor contract has three copies: one each for the dispatch agency, one for Pegatron, and one for the applicant. The contract includes definitions, duties and obligations, terms, content and place of work, working hours and salary, social insurance, labor protection and occupational safety, and termination.



Pegatron contract

The contract requires workers to do a probationary period of two months. The term of the contract is two years, starting from the time the applicant passes the physical examination and begins training. There is a window of one day to one week before training begins.

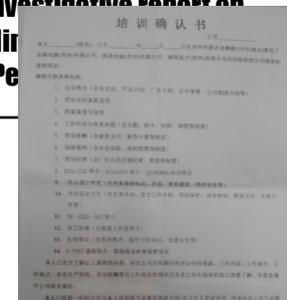
After signing the labor contract, the dispatch agency will pair the applicants up in a male to female ratio of 1:2. Otherwise, the dispatch agency will find additional females to suite the ratio. If they cannot do that, they will ask the male applicants for additional 200 RMB (\$33). The dispatch agency will use this money to bribe the HR department of Pegatron in order to get the “extra” male workers into the factory.

The Pegatron HR will then interview the applicants, which is a formality. The interviewer will check if the workers’ fingers are functional and if he or she has tattoos or cigarette scars. The male applicants cannot have long hair. After checking their I.D.s and registration forms, HR will take finger prints and photos of applicants.

After the interview, the applicants will just wait for notice from the dispatch agency to attend the training. During the training, applicants will look at PPTs and fill out training confirmation forms afterwards.

Factory Direct Hiring

Pegatron Group and its companies also hire at job fairs, through the company website, and at gate 3 of the factory compound. Applicants hired in this manner are almost never production workers. Applicants only need to fill out an application form at the job fair or recruiting posts, take the initial interview, and join the formal interview at gate 3 with a notice for formal interview issued by the initial interviewer. For the formal interview, applicants need to bring the notice, a pen, two photos, their ID, and their diploma (both the original and a photocopy). If they are about to graduate, applicants have to bring an intern agreement, a recommendation letter, their transcript and a copy their transcript. Interview questions involve a self-introduction, work experience, information about family members, and what the applicant knows about Pegatron. Male applicants will be asked if they smoke. Female applicants will be asked if they have a boyfriend. If a female applicant has a boyfriend, further questions will be asked, such as if she lives with the boyfriend or if the boyfriend works at Pegatron. Female interviewees all think that the interview is a bit disturbing and is a violation of their privacy.



Training confirmation form

No agency fee is involved in direct hiring. But applicants are limited to ages of between 18 and 35. There is also gender discrimination.

Applicants will have to do a physical examination after they pass the interview. The examination is conducted at Suzhou Rui Hua Ying Chun and Suzhou Fengqiao hospitals. The examination includes ears, eyes, lips, nose, tongue, chest x-ray, and B ultrasonic. Applicants pay an examination fee of 50 RMB (\$8).

Training starts after the examination and lasts 2 to 5 days. The training is 5 days long in the non-peak seasons and 2 days in the peak seasons. The training includes mainly PPTs on working conditions, benefits, discipline, occupational safety, and common sense. After the training, each worker must sign a training confirmation form.



New employee training

III. Working Hours

Workers normally work 8 hours a day, with another 2.5 hours of overtime. In the non-peak season, they work 6 days a week and 26 days a month, while in the peak season it is 7 days a week and 30 days a month.

Overtime in non-peak season is about 23 hours a week, or 92 hours a month. Overtime in peak seasons is about 33.5 hours a week, or 134 hours a month.

There is a night and day shift at the factory with no set time for shift transfers, when night shift workers become day shift workers and vice versa. At Mingshuo Factory 6, the investigator learned that workers who had been at Pegatron for three months started off taking night shifts and have been doing it continuously for three months. A senior worker said that in the past no shift transfer occurred for half a year. She told the investigator that the worker turnover rate is so high that every day the factory hires and workers leave. The workers who joined Pegatron at the same time as the investigator are the 1498th batch. Each hiring period (each week) has 10 to 20 thousand applicants. Due to the large amount of workers, they clock in and out in three groups: 7:30-19:30, 8:00-20:00, and 8:30-20:30. Meal breaks are 45 minutes. Workers use electronic IDs to enter and exit the factory compound and clock in and out using a facial recognition card.

Workers work six days a week. Overtime on Saturday is mandatory. It will be recorded as a minor infraction if one skips overtime on Saturday without prior approval.

If a worker is late because of the delay of a shuttle bus delay, she can inform the line leader. If the supervisor approves, four people can get reimbursement for a cab.

IV. Work Intensity

All interviewed workers mentioned that the working hours at Pegatron are too long and the rate of work is too intense. Workers' shifts are 12 hours a day. They said that the trainer told them during training that they would start to work at 8:00 am every day. However, they usually need to get up at 6:00 am, take a shower and get ready for 30 minutes, have breakfast, and take the shuttle bus or walk to the production facility. They have to attend a meeting at 7:40 am on the production floor when the roll is called. This extra 20 minutes is unpaid. There is also a post-work meeting at 8:00 pm, which usually takes 20 minutes and is also unpaid. The group leader will discuss productivity and individual performance. Work discipline, defective product rates, cellphone at work, and leaving without permission are also mentioned in the meeting. When the workers get back to their room, it is already 9:30 pm. They expressed that they hated the morning and after-work meetings. A lot of their time is wasted by the factory. They usually can't get a full eight-hour sleep.

The investigator randomly asked several workers who just got off work what they wanted to do the most at that moment. They all said that they just wanted to go to bed.

If the work position requires workers to be sitting, workers are not allowed to stand up. If the position requires workers to be standing, they must stand for the entire day. There is no break. If one wants to go to the bathroom or have some water, she needs to find a substitute and cannot leave without a permit. A worker cannot spend more than ten minutes in the bathroom. The group leader will scold workers if they spend too much time in the bathroom.

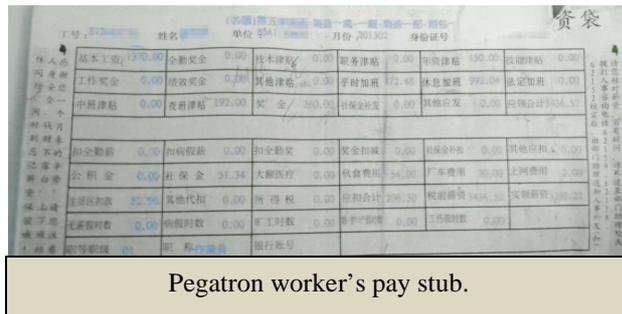


Everyone has a daily production quota. On the circuit board plug-in production floor of Mingshuo Factory 6, workers said that they were required to assemble 16 electronic units every 30 seconds, or about one every two seconds. They can barely handle it. Workers will be scolded if they work too slowly. New recruits said that they were exhausted and the work was too demanding.

A worker who had been at Kangshuo Factory 1 for less than a month said they assembled laptops. They will be scolded if this production line of 80 to 90 workers cannot produce 60 laptops in an hour. The line leader, the worker expressed, has a bad temper, won't permit any leave requests, and was once recorded for a minor infringement for beating workers.

V. Wages

The base salary of the first month for a new recruit is 1,370 RMB (\$224) and increases to 1,520 RMB (\$248) in the second month. Workers who have worked at the factory for a full year will have a 150 RMB (\$25) annual bonus. Overtime is 11.8 RMB/hour (\$1.93) on weekdays and 15.75 RMB/hour (\$2.57) on

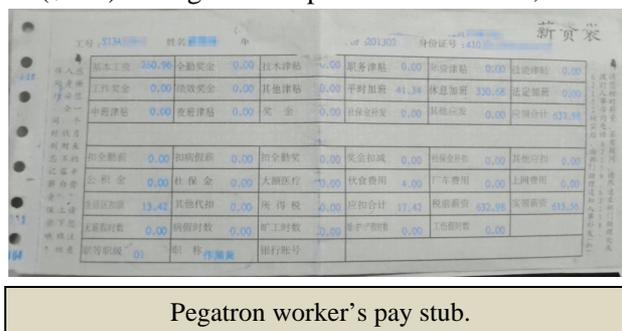


Pegatron worker's pay stub.

weekends. Workers are paid by the hour. Wages are distributed on the 10th day each month. Dispatch workers, student workers, interns, and directly hired workers are all paid by the factory. The factory will help workers apply for a bank card. Each Pegatron factory uses different banks. The 10 RMB (\$1.63) card fee will be deducted from the workers' salary.

The average monthly net wages is 2,200 RMB (\$359) during the non-peak seasons and 3,000 RMB (\$490) during peak seasons.

Workers' wages include a base salary, annual bonus of 150 RMB (\$50) if applicable, overtime (weekday and weekend), night shift allowance (8 RMB or \$1.31 per day), performance, social insurance deductions (51.34 RMB or \$8 per month), meal deduction (2 RMB or \$0.33 per day), and a shuttle bus fare (1 RMB or \$0.16 per day). Workers are given pay stubs listing the details of wages and deductions.



Pegatron worker's pay stub.

Workers said during interviews that the living expenses in Suzhou are too high. For a married couple to live there, it would cost one person's entire monthly salary. Interns said that compared to Suzhou, the benefits in their hometowns are about the same, but the living expenses at home are much lower. They would rather go back home in the future.

VI. Benefits

There is no social insurance for workers during the probationary period, but there is still a deduction of 51.34 RMB (\$8) a month. The workers have no idea what it includes. Nobody told the workers anything about it during the training or afterwards. There is no social insurance for interns. Workers are paid for sick leave, which require proof from the hospital.

Workers who have been at the factory for a year have paid annual leave. But workers said in the interviews that the factory will not permit workers to take the annual leave if they apply for it themselves. Instead, the factory will decide if it will give workers extra days off during the Spring Festival period as annual leave. Workers do not get maternity or marital leave. Workers



who have already left the factory told the investigator that they just resign if they are going to get married or have babies, because it is too complicated and time-consuming to request such leave. Workers said that when they tried to apply for maternal leave or marriage leave, they had to get six different signatures in order to get permission for the leave. If the manager required to sign is not present, then the worker must wait even longer. All said, it takes anywhere from a week to a month to complete this process.

Workers are paid on national holidays. There are basketball courts, Ping-Pong tables, badminton courts, libraries, and internet cafés on the factory compound. It costs 2 RMB (\$0.33) an hour to use the internet, and workers are allowed to use it for two hours maximum. The system will automatically log off after two hours. Factory IDs are used to log into the system. Deductions are made from monthly wages for the use of the internet.



Pegatron cafeteria

VII. Living Conditions

Meals

The factory provides two meals and workers have the option of eating in the factory. Dispatch workers and quality inspectors directly hired by the factory have to pay 2 RMB (\$0.33) to eat at the cafeteria. All other workers, including student workers, can eat for free in the factory. Workers cannot get food in the cafeteria on the weekend if they are not doing overtime on that weekend.

Each meal has five dishes and one soup (two meat dishes and three vegetables). There are fruit or beverage options on Tuesdays and Thursdays, and there are no limits for rice. The cooks do not wear uniforms or masks. The guards have to line up for food and cannot start eating unless all guards have their food ready. During the probationary period, workers eat lunch boxes.

Accommodations

The factory provides and charges for on-campus accommodations.

Workers can choose to live on the factory campus. Those who live off the campus are subsidized 100 RMB (\$16). The factory has



Pegatron dormitory

four residential areas. The biggest one is at Gate 3 of the compound. The Meilin Youth Dorm is in the worst condition. Workers are randomly assigned to different dorms. Workers from different production facilities live in the same dorm. Roommates have different work schedules and they do not know one another. Night and day shift workers are put into the same rooms, leading to workers disturbing one another's sleep.

At the Meilin Youth Dorm, male workers live on the first floor and females on the second to the sixth floors. They share one stairwell. Factory policy prohibits male workers from entering female dorm rooms. There are lockers and a fan in the dorm room, and there are two shared bathrooms on each floor. The room has bunk beds and 8 to 10 workers live in one room. Each floor has 68 rooms and about 544 workers. There are only 10 toilets per floor, so about 55 people share each toilet. Showers and toilets are in the same stalls and stalls are separated by curtains. There are six showers on each floor; about 90 workers share each shower. The bathroom has 10 faucets, and about 27 workers share each faucet. Each floor has two coin-operated washing machines for 2 RMB (\$0.33) per wash and around 272 workers share one washing machine. Workers



Pegatron dormitory hallway

interviewed stated that there aren't enough bathrooms, showers, toilets, or washing machines. People have to wait to use toilets and showers. Sometimes there is no water, and during the summer there's no hot water. Water heaters and other high-capacity electronics are prohibited and will be confiscated if found. The dorms are cleaned twice a week. Each room has one trash. There are no first aid kits in the dormitories.

VIII. Occupational Safety and Fire Safety

Occupational Safety

The factory has an occupational safety committee. During training, PPTs were shown to workers with occupational safety cases. The production floors have air conditioning, clear paths, and exit signs. They are not equipped with first-aid boxes. There is a hospital in the living area. Workers have to pay if they do not have a medical insurance card. The production facilities have ventilation systems. Each machine has an instructional manual, and every machine is inspected by group leaders and managers.

Protective Equipment

Each worker is given a uniform free of charge, and workers have to return them upon leaving the factory. If they don't return the uniforms, the cost will be deducted from their wages. The exact amount is unknown. A dust-free uniform, shoes, hat, and a static bracelet are issued to workers. If a worker loses one of the items, it will be charged to the worker's wages. The exact amount is unknown. Every worker has a locker. There is only a pre-work physical examination, but none for people leaving the factory. Waste and garbage are not separated for recycling; it is all put together in the dumpster.

Fire Safety

There are fire hydrants and extinguishers in the hallway of the dorm building, but they are not regularly inspected. Exits are clearly marked. There are no first-aid boxes. There are also fire hydrants and extinguishers on the production floor and, unlike those in the hallway, they are regularly inspected. Exits in the production rooms are clearly marked. The emergency exits are not locked. Emergency lighting is functional. Workers stated that they had never participated in any fire drills.

The staircase of the production floor is only one meter wide and is slippery. A female worker at Kangshuo Factory 1 told the investigator that she almost slipped and fell on a rainy day when the staircase became slippery and crowded during shift changes. Luckily the worker behind her prevented the fall. Ever since then, she either goes to work early or 3 minutes late on a rainy day.

IX. Rewards and Punishments

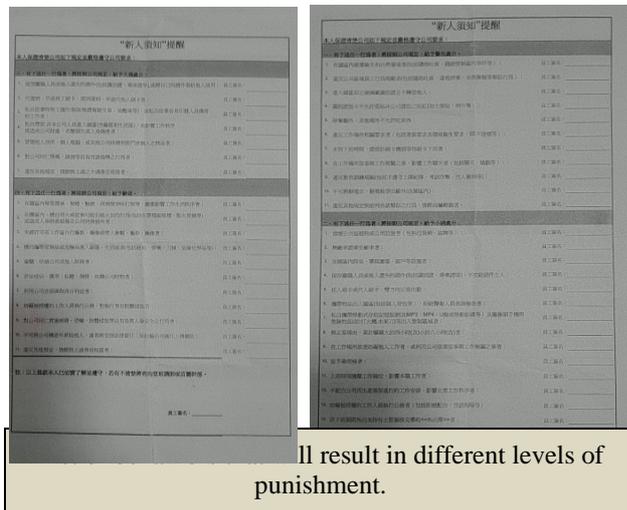
Work discipline was repeatedly emphasized during training and each worker was required to sign a list of rules. The rules contain 11 warnings, 15 minor infractions, 7 major infractions, and 15 punishments. Workers have to initial after each item. Being 15 minutes late is recorded as an absence which is penalized by deducting one day's salary. A major infraction costs a worker 100 RMB (\$16) and a minor infraction 30 RMB (\$4.90). Three infractions leads to termination. If a worker leaves without going through formal resignation channels, he will not be able to receive the wages owed to him.

X. Grievance Channels

There is neither a labor union nor worker representatives. There is a "Big Sister" office, where workers can go with their work-related or psychological issues. The office number is 66616188-62450.

Workers interviewed stated that the office was not very helpful. When workers call, the office will ask for the caller's name and work number.

To verify the workers' version of the story, our investigator called the office at 3 am. The operator asked what the call was about in a harsh attitude. Then the operator asked the investigator for his name and work number. When asked why the information was needed, the operator explained that he will relay the issue to the production floor management. When the investigator expressed that he was not willing to deal with the production floor management but rather wanted the office to solve the problem, the operator was displeased, expressing sharply that the office was merely there to coordinate and could not help the investigator.



XI. Resignation

Interviewed workers stated that it was very difficult to resign. Group leaders and managers will not permit resignation. When asked by the investigator for a leave permit, they just refused under the pretext that dispatch night shift workers cannot get leave permits. Sometimes the supervisors will intentionally not recognize the presence of a worker during roll call, thereby forcing the worker to leave the factory. No wages will be paid in the case of self-resignation like this.

Workers said that those who have worked for three months are considered veteran workers. Turnover is so high that workers on the production line are replaced every two months or even every half month. No wages are paid if one works for less than a month. During the non-peak season, one can reenter the factory three months after leaving the factory. A worker only has to wait one month during the peak season.

One male worker interviewed stated that it was his third time joining Pegatron. After working at the factory for a while, he was not quite satisfied with the position. He just resigned and then rejoined. But if someone does this three times, they will supposedly be placed on a blacklist.

XII. Lack of a Living Wage

Workers' base wages are not sufficient to support their basic living costs. As a result, workers depend on overtime hours to make a reasonable wage. Mingshuo workers, in their second month at the factory, only make a base wage of 1,520 RMB (\$248). In 2012, Suzhou City's average monthly income for all employees was three times 4,650 RMB (\$760). In the area around the Mingshuo factory, a married worker couple will spend about 600 RMB (\$98) on rent, 1,200 RMB (\$196) on other living costs—such as food, utilities, etc—and another 500 RMB (\$84) on phone costs and other consumption. Altogether, these costs add up to 2,300 RMB (\$376) per month. Based on a normal 40-hour workweek, the couple will earn less than 3,000 RMB (\$490) in base wages, so they depend on overtime hours to meet the most basic of living needs and have any savings left over.

XIII. Employee Dissatisfaction

Production workers interviewed are dissatisfied with the factory in the following ways:

1. The factory hires through dispatch agencies. The agencies are of different quality and charge different fees. It is too expensive. All workers interviewed hoped that the job/dispatch agencies would cease to exist one day and that the factory will hire just directly.
2. The working hours are too long and workers do not have enough time to sleep. The working style is rigid. You either keep standing or sitting, and there is no alternating between them. The work is tiring and there are no breaks.
3. The living conditions are poor. Workers do not have enough bathrooms and showers.
4. Workers think the “Big Sister” office is not as helpful as they had hoped. It is just a “mouthpiece”.
5. They have no place to go to if they are cheated by job/dispatch agencies. If workers call the official number, 110 and 12333, officials refuse to investigate. Their legal rights are not protected.

6. The workers living in the Meilin Youth Dorm said that the dorm arrangement is unfair. Workers living in this dorm have to pay for the shuttle fare while workers living in three other dorms do not. They hope the factory can treat all workers equally and stop charging them a shuttle fare. Also, riding the shuttle bus takes up so much time that workers are not able to get enough time to sleep.