

ANOTHER SAMSUNG SUPPLIER EXPLOITING CHILD LABOR

Investigation of
Shinyang Electronic Co. Ltd. (Dongguan)

July 10, 2014

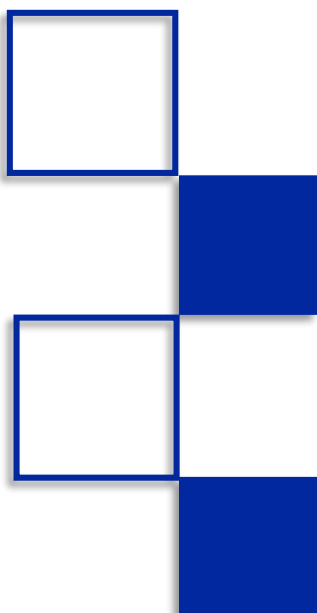


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Investigation background

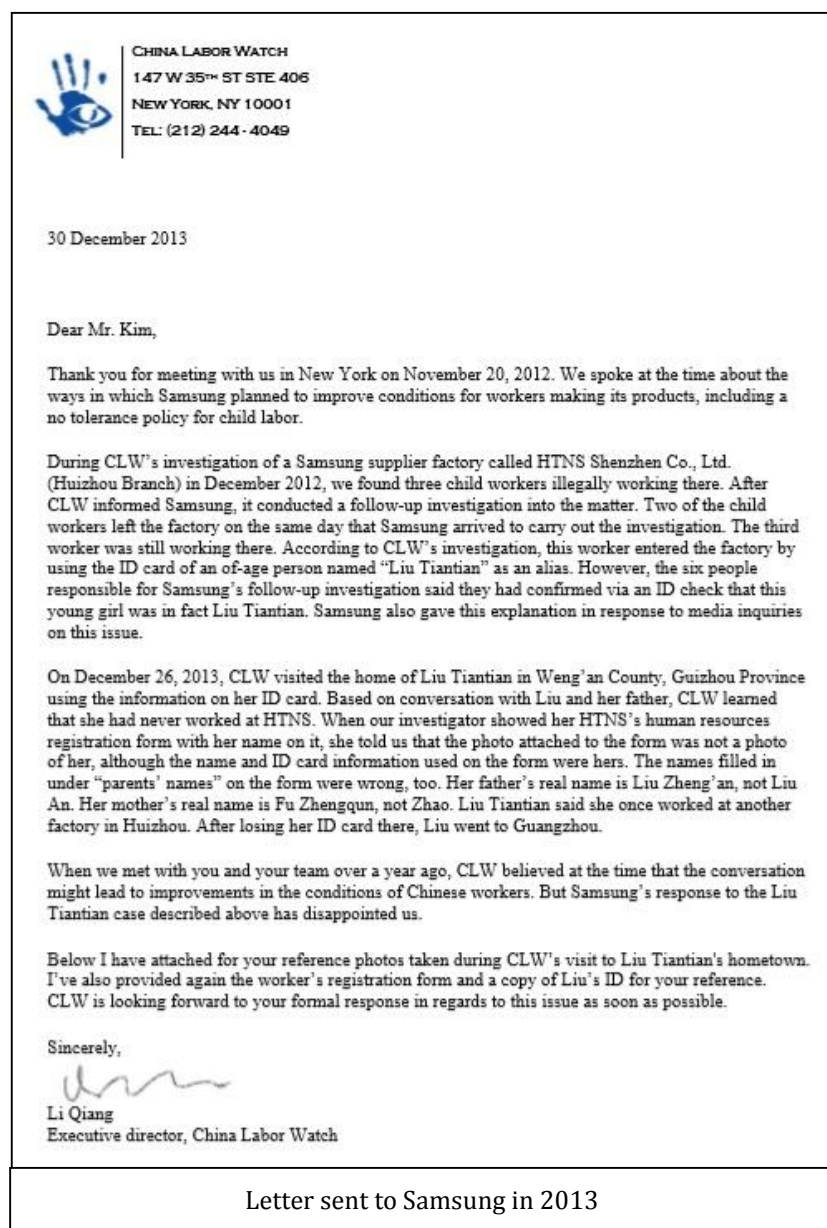
China Labor Watch (CLW) has carried out over a dozen investigations of labor conditions at China-based Samsung factories and Samsung supplier factories since 2012. These investigations have uncovered labor violations including unpaid overtime wages, more than 200 monthly overtime hours, abuse of labor dispatch and student workers, occupational safety concerns, a lack of social insurance, and more.

One of the most serious violations has been the employment of child labor in Samsung's supplier factories. In August 2012, CLW [first exposed](#) the use of child workers in a Samsung supplier in Huizhou called HEG. Despite Samsung's [public statement](#) that it found no child labor after subsequent inspection, near the end of the end of 2012 CLW once again uncovered [more child workers](#) in another Huizhou-based Samsung supplier called HTNS.

Before publishing the HTNS investigative report, CLW provided information on three child workers at that factory to Samsung. Samsung sent a team of inspectors to the factory to follow-up. The day that the inspectors arrived, two of the child workers were suddenly let go. The one remaining girl met with Samsung's team. Despite looking nothing like her ID—which belong to another person called Liu Tiantian—Samsung denied that the girl was a child worker.

In the second half of 2013, CLW was able to track down the real Liu Tiantian, who confirmed that her ID had been lost in 2012 before the time that it was obtained by the HTNS child worker.

CLW sent a letter to Samsung in December 2013 detailing the results of this follow-up



investigation. Along with this letter, CLW sent a photo of Liu Tiantian herself taken during the interview with CLW.

The image shows a Chinese factory application form (人事登记表) for HTNS (赫那罗国际货运代理有限公司). The form includes fields for personal information, family members, education, and training. A false ID card is placed over the education section. The form is filled out with handwritten information, including a name, date of birth, and address. A small photo of a person is pasted on the right side of the form.

HTNS child worker's factory application and false ID
(which belong to Liu Tiantian)

New revelations of child labor: Samsung's ineffective auditing system

In June this year, CLW sent an undercover investigator into the Shinyang Electronics factory. By just the third day of the investigation, CLW had uncovered five child workers (under 16), finding evidence of even more in the subsequent days.

Around the same time as CLW's investigation was underway, Samsung published its 2014 sustainability report titled "Global Harmony". Within, Samsung says that it inspected working conditions at 200 suppliers in 2013 and "no instances of child labor were found" (p. 67-68).

After allegedly inspecting hundreds of Chinese suppliers, Samsung did not find one child worker. Yet in just one Samsung supplier factory, CLW has uncovered several children employed without labor contracts, working 11 hours per day and only being paid for 10 of those hours.

CLW's investigation again provides evidence for Samsung's flawed auditing system and social responsibility reports are meant to appease investors and lack any real value for the improving conditions of workers in Samsung's supply chain.

Samsung's code of conduct and promises to improve labor conditions are only as credible as the real improvements for workers making Samsung products. But with serious and persistent labor violations, Samsung's social commitments seem like nothing more than false advertisement meant to bolster its image as a responsible corporate citizen.

In reality, and as will be once again demonstrated in this report, Samsung and its supplier continue to profit from child labor, underage workers, excessive working hours, low and unpaid wages, and poor occupational safety.

Labor violations at Shinyang Electronics

This report is based on the result of undercover and off-site investigations in and around Dongguan Shinyang Electronic Co. Ltd. (hereafter "Shinyang"), a supplier of Samsung cell phone covers and parts. The undercover investigator was employed by Shinyang as a normal production line worker, experiencing the life of a Shinyang worker while making observations and conducting more than 30 worker interviews. The off-site investigation included interviews with 15 present and former workers of Shinyang.

CLW's probe into Shinyang revealed 15 sets of labor violations, many of which are violations of Chinese law:

- 1) Shinyang employs child labor (under 16 years of age), in violation of China's Labor Law. CLW has confirmed at least five child workers, and we suspect that many others in the factory are also child workers. These children, without a labor contract, do the same work for the same long night-shift hours and at the same intensity as adult workers but are paid one-third less. Child labor are only paid for 10 hours of work a day despite working for 11 hours. This situation also meets International Labor Organization's definition of child labor, including work that is mentally or physically dangerous or harmful to children.
- 2) Workers do not receive any pre-job safety training in total disregard of the 24 hours required by China's Provisions on Safety Training of Production and Operation Entities. This is despite coming in contact with harmful chemicals, such as industrial alcohol and thinners.
- 3) Workers do not necessarily receive protective equipment, such as gloves or masks, from the factory, only receiving equipment after requesting for it.
- 4) Discriminatory hiring. Shinyang restricts the hiring of male applicants.
- 5) The factory employs hundreds of temporary workers who are paid a flat hourly rate, regardless of overtime hours worked, in violation of Chinese labor regulations.
- 6) Shinyang does not purchase social insurance for temporary workers in violation of legal regulations and does not fully purchase insurance for other workers.

- 7) Shinyang employs many minors (under 18 years of age). These are typically students who enter the factory as temp workers. The factory does not provide special protections for minors or child workers.
- 8) Workers are made to sign blank labor contracts, in violation of China's Labor Contract Law, unaware of the terms of their employment. A completed contract is given to them only a month after being employed.
- 9) The factory requires workers in the probation period to apply for resignation seven days' before leaving the company, but Labor Contract Law only requires three days' notice.
- 10) Shinyang requires management approval for an employee to resign. But according to Article 37 of Labor Contract Law, a worker need only give 30 days' notice; approval is not required.
- 11) Workers are made to work 11 hours per day, as many as 30 days per month, accumulating more than 120 hours of overtime, more than three times in excess of China's legal limit of 36 hours.
- 12) In order to hide excessive overtime hours from inspection of documents, Shinyang lists the overtime pay for all overtime beyond 80 hours as "benefits" on workers' pay stubs.
- 13) Shinyang institutes a number of broad restrictions that establishes the pretext to punish workers for almost any behavior.
- 14) There is no union at Shinyang that could represent workers' interests.
- 15) Dormitories are hot, crowded, and lack hot water.

Company background

Shinyang is a South Korean-invested company, mainly producing the covers and other parts for Samsung cell phones. The factory's production processes include injection molding, coating, and assembly. According to its own recruitment advertisement, Shinyang was rated one of Samsung's best suppliers. Shinyang has approximately 1,200 employees. The factory is located in Chashan Township of Dongguan City, in Nanshe Wanfuling Industrial Park, buildings B/C.

Shinyang's phone number: 0769-88655091 Fax: 0769-88655091

Recruitment and resignation

Recruitment channels

At least 40 percent of workers at Shinyang are temporary workers. Forty percent is a conservative estimate, as many workers told CLW that more than half of Shinyang's workforce are temporary workers during the production peak season. These temp workers sign only short-term contracts with the factory. Only the female workers are hired unless the factory has a serious shortage of labor.

The temporary workers, hired through intermediaries or labor contractors, do not receive pre-work training. They begin working on the production line on the second day after receiving the physical exam. If the worker does not have an ID card, the intermediary or labor contractor will help her get another ID. Several workers told CLW that many child workers, under the age of 16, and minors, under 18, worked in the factory, explaining that they come to the factory through labor contractors.

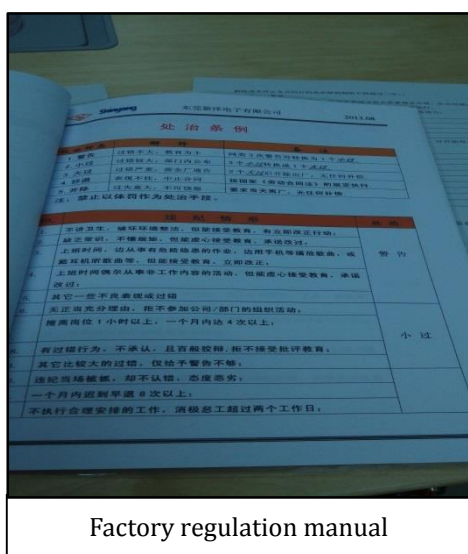
There are some recruitment advertisements near the factory gate. Applicants first pass through a simple interview conducted by security guards in which they are asked some questions about personal background and work experience. Guards then give applicants' resumes to the HR department of Shinyang. The candidates are informed to receive a physical exam on the second day in the Chashan Hospital Dongguan. The exam sheet and two ID photos are required for the hiring procedure.



Sign at front of factory

Hiring requirements

Shinyang requires that applicants are younger than 35 years old, possess basic reading and writing skills, are in good health, and have a strong ability to adapt.



Factory regulation manual

Hiring procedure

After their physical exam results are accepted, applicants have to undergo hiring procedures. But sometimes the hiring procedure is delayed a day because the factory management is busy dealing with a Samsung audit. After new workers sign the labor contract and are assigned to a department, they receive their work uniform and shoes. After this they are assigned a dorm room number and began work on the next day.

Training

Pre-job training last no longer than an hour and includes no occupational health and safety training. Staff from the HR department simply explains some of their benefits and factory rules contained in the factory regulation manual. But workers do not receive a copy of this manual.

Resignation procedure

There are two kinds of resignations: formal resignation and informal resignation. The formal resignation procedure requires workers in the probation period to apply for resignation seven days before leaving the factory. After the probation period, workers must apply for resignation one month before leaving. In either case the worker must wait for the approval of the management, and usually the manager postpones approval for some time. Because of health problems caused by excessive overtime, one worker in the coating department wanted to apply for resignation with her supervisor. She asked for a resignation application form, but the supervisor simply said that he didn't have any. The worker finally got a form from another department. But her application was never approved.

Workers usually choose informal resignation when they want to quit work at Shinyang, which involves simply leaving the factory without passing through formal resignation channels. After three days' absence, these workers will be terminated automatically. But leaving in this way makes it difficult for workers to recover all owed wages.

Temporary workers at Shinyang have an even more difficult time resigning. If resign informally, they may not receive any wages, which are paid through their labor contractor.

Physical exam

On the second day of the hiring process, applicants must pass a physical exam in order to work at Shinyang. The exam includes a blood test, chest x-ray, liver function test, and measurement of blood pressure. Applicants must get themselves to the Chashan Hospital to undergo the exam, and the 59.5 RMB (\$9.50) exam fee is paid by the worker.

Child workers and underage workers

Student workers

Shinyang also employs many recent high school graduates who are looking to earn money to pay for their college tuition in the autumn. These graduates are introduced via intermediaries to the factory, and these student workers are brought into Shinyang by a so-called "teacher" dispatched by the intermediary company. Student workers are also considered temporary workers, signing only a short-term contract. These students are paid a flat hourly rate of 9 RMB (\$1.44) for their work, regardless of whether the work was weekday overtime or weekend overtime, which should be paid at 1.5 times and two times the normal wage according to law. Shinyang does not purchase social insurance for student workers.



Child workers assemble Samsung mobile phones

Child workers

During the course of the investigation, CLW discovered at least five child workers—not yet 16 years old, the legal working age—from a school called Yuyuan in Guangdong Province’s Maoming City working. CLW observed that there may be as many as 20 child workers on just the one production line on which these five child workers were assigned.

Among the five children interviewed by CLW, one boy and one girl are 14 years old, born in September and October of 1999, respectively. Three of these children (two girls and one boy) were 15 years old, all born in September and October of 1998. Recent middle school graduates, these children were hired by Shinyang through an intermediary using false IDs on June 30. When applicants are hired at Shinyang, they must pass through a facial recognition system that is supposed to verify whether the applicants face matches the photo ID. But in the case of these child workers, factory staff did not have them undergo facial recognition.

CLW has photographed the IDs of two of these child workers, revealing their real birth dates. CLW also has recorded conversation in which some of the children admit their age and detail how Shinyang personnel did not use the facial recognition system when the children were hired.

One of the boys was fired after only two days of work at Shinyang. On the second day, he completed his quota and then sought out other work to do. For this he was fired without compensation for his previous days’ work at the factory.

These children are temporary workers at Shinyang and did not sign any labor contracts with the factory. Arranged to work night shifts, they toil for the same 11-hour shifts with

the same production quotas as adult workers. The child workers are expected to be at work by 8 PM even though their paid shift begins at 8:30 AM, meaning that they are not paid for 30 minutes of work every day. Outside of the nighttime meal (from 0:00 to 1:00), the child workers are given three 10-minute breaks, from 10:00 – 10:10 PM, 3:00 – 3:10 AM, and 5:00 – 5:10 AM. The children are not paid for this combined 30 minutes of break time every day, even though other workers are paid for their break times. Taken together, Shinyang's child workers are paid for 10 hours of work every day despite performing 11 hours of work.

Despite working the same hours under the same labor intensity as adults at Shinyang, these children only receive 7.5 RMB (\$1.2) per hour, regardless of whether or not the timed worked is overtime. One of these child workers' total wages every week is only about two-thirds of an adult worker at Shinyang performing the same work. (See chart below.)

Table 1: One week's wages at Shinyang: formal worker v. child worker

	Non-overtime	Weekday overtime	Weekend overtime	TOTAL
Formal	7.93 RMB/hour x 40 hours = 317.2 RMB	11.9 RMB/hour x 15 hours = 178.5 RMB	15.86 RMB/hour x 11 hours = 174.5 RMB	670.1 RMB
Child	7.5 RMB/hour x 40 hours = 300 RMB	7.5 RMB/hour x 10 hours = 75 RMB	7.5 RMB/hour x 10 hours = 75 RMB	450 RMB

Note: Based on the calculation above, weekly wages between formal and child workers differ 67%.

The child workers told CLW that working on the night shift is exhausting. They say they sometimes they feel like sacrificing eating for sleeping. And eating a proper meal is problematic in any case because when they finish their shift at 8 AM, the cafeteria has already stopped serving breakfast. They end up returning to the dormitory and eating cookies and instant noodles. After that, they



14-year old child worker (born in 1999)

take a shower and go to sleep. When they awake in the evening, the cafeteria has usually

already stopped serving dinner (at 6 PM). Again, they usually just eat snacks to satiate their hunger. The only proper meal they can eat is the nighttime meal, taken in the middle of their night shift.

Each shift is a daily struggle for these children. Tired, they must face high quotas and strict management, with supervisors frequently yelling at them. Workers are not allowed to talk, and if they are caught doing so, they are scolded by a supervisor. In their particular position, each child worker is expected to finish assembling 700 units per hour. A supervisor will gather finished units every once in a while, at which point that supervisor will record the number of units completed. In the beginning, the factory gave the child workers plastic tweezers to use for their assembly process. But these tweezers were difficult to use and prevented them from meeting the production quota. At the same time, they noticed that other workers had metal tweezers, which were more effective. A supervisor told the child workers the location of a store where they could buy these metal tweezers. This store was not very close, however, and required them to take a bus to reach it. Feeling helpless, they made the trip to buy the tweezers on the next day.



Child worker's ID. Displays a birthdate in 1998.



Child worker's Shinyang worker ID and personal ID. She was born in 1999.

Labor contracts

New workers at Shinyang must sign contracts in which much of the information—including contract period, probation period, content of work, work location, working hours and leave, compensation, social insurance, working conditions, occupational hazards and protection—are left blank. When a worker asked how these blank spaces should be filled in, HR department staff told her not to write anything there, saying workers only need sign their names on the first and last pages of the contract and apply their fingerprint. Workers sign and fingerprint two identical contracts in this way. After signing, the contracts are both collected by HR staff. Only about a month later will a workers receive her fully completed labor contract. Under these conditions, workers are engaged in labor with Shinyang without a clear idea or guarantee of the terms of their employment or an opportunity to negotiate these terms with the employer.

Working hours

Normal working hours for the Shinyang day shift is 8 AM to 8 PM. Only a 30-minute break is reserved for each lunch and dinner, leaving a total of 11 working hours. There are two paid 10-minute breaks, one in the morning and one in the afternoon, during which time most workers go to the restroom and drink water. The night shift is essentially the same work schedule only reversed, 8 PM to 8 AM. The factory's coating department is the busiest, usually working until 10 PM before getting off their 13-hour shift.

During the off-season, workers can usually successfully apply for leave. But during the busy season, workers must work at least 28 days per month, sometimes working every day and only resting one day during the monthly switch between day and night shift (or vice versa). In the busy season, it is very difficult to receive leave from the factory.

Production orders at Shinyang were lower in May this year but picked up in June. Workers told CLW that they accumulate more than 120 hours of overtime per month during the high season, but even if they work this many hours, their wage slips will not reveal more than 80 hours of overtime. Other overtime wages beyond the 80 hours will be listed as “benefits” on the wage slip. In this way, Shinyang can prevent serious overtime hour violations from being uncovered during audits of documents.

Table 2: Shinyang typical work schedule

	Hours	Notes
Day shift	8: 00—20: 00	Lunch and dinner each 30 min.
Night shift	20: 00—8: 00	Nighttime meal and breakfast each 30 min.

Note: The night shift of Department 3 has a difference with the work schedule above in that Department 3's night shift has one one-hour meal time instead of two 30-minute breaks.

Attendance

Shinyang utilizes a fingerprint system to record the times that workers get on and off their shifts.

Wages and benefits

The monthly wage of formal Shinyang production workers is around 3,300 RMB (\$528), in which the base wage is 1,380 RMB (\$221). The wage is distributed on the 15th day of each month through a bank account deposit.

Table 3: wage table

	Amounts and others	Note
Base wage	1,380 RMB (221USD) per month	Hourly wage rate: 7.93 RMB (\$1)
Overtime wage	Weekdays: 11.9 (\$2) per hour Weekends: 15.86 RMB (\$2.5) per hour Holidays: 23.79 (\$3.8) per hour	
Full-attendance bonus	200 RMB (\$32) per month	Only given to workers with full attendance
Off-campus housing subsidy	100 RMB (\$16) per month	

Temporary workers at Shinyang only earn 9 RMB (\$1.44) an hour with no overtime wages; temp workers are still paid 9 RMB for overtime hours. The hourly wage rises to 10 RMB (\$1.6) per hour for temp workers after three months at Shinyang. The labor contractor responsible for a group of temp workers would distribute the previous month's wages on the 15th day each month. Temp workers have a guaranteed wage of 2,300 RMB (\$368), which is still given to workers even if monthly working hours do not reach 260 hours. The company buy insurance for full-time workers after the probation period, but no insurance is purchased for temporary workers.

Social insurance

The factory would buy insurances for full-time workers, among which workers had to pay an 8% of their base wage for the endowment insurance base, which is about\$ 17.

Living conditions

The factory provides meals for workers. Noodles, buns, bread, rice balls, and porridge are available for breakfast. Lunch and dinner typically include three dishes. Most dishes

have no meat. Workers said the food is bad, and if they wanted a better meal, they could pay an additional 5 RMB (\$0.80) at the serving window for an additional two meat dishes and one vegetable dish. There were also some workers that would go to the food stands outside the factory to eat barbeque chicken thighs every several days in order to satisfy their craving for meat. There are only four windows in the cafeteria and normally only three would be open, so workers have to stand in line for a long time in order to get their food. This causes them to lose a good amount of time waiting in line despite only have a 30-minute lunch break.

Food service in the cafeteria is contracted to an outside company. Workers said that while the cafeteria is supposed to provide 10-RMB (\$1.60) worth of food to each worker, the amount they receive is worth no more than 5 RMB (\$0.80). All key management personnel at Shinyang are Korean, and they have a special Korean dining area at the factory which employees are prohibited from entering.

Cafeteria dining schedules

Breakfast:	7:00 - 8:00
Lunch:	11:45 - 12:30
Dinner:	16:45 - 18:00
Nighttime meal:	23:45 - 0:30



Steamed bread and noodles for breakfast

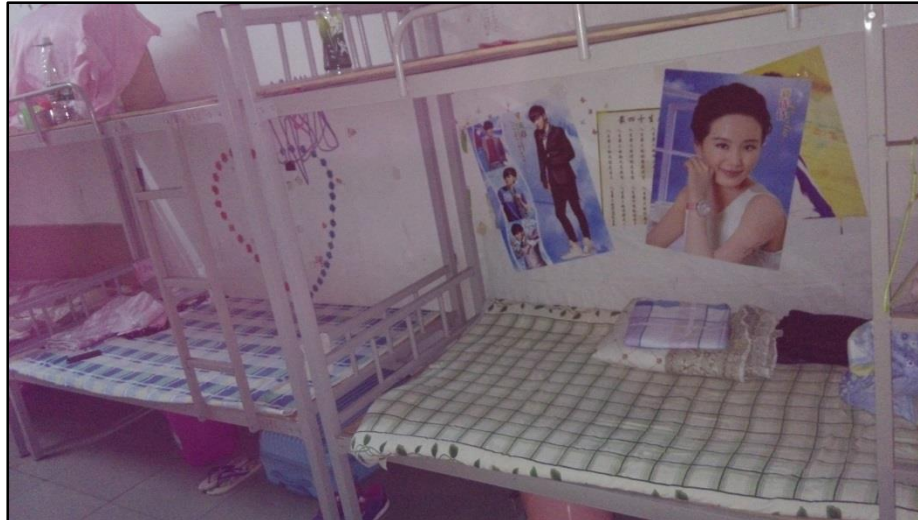


Workers lining up for food at the cafeteria

Housing

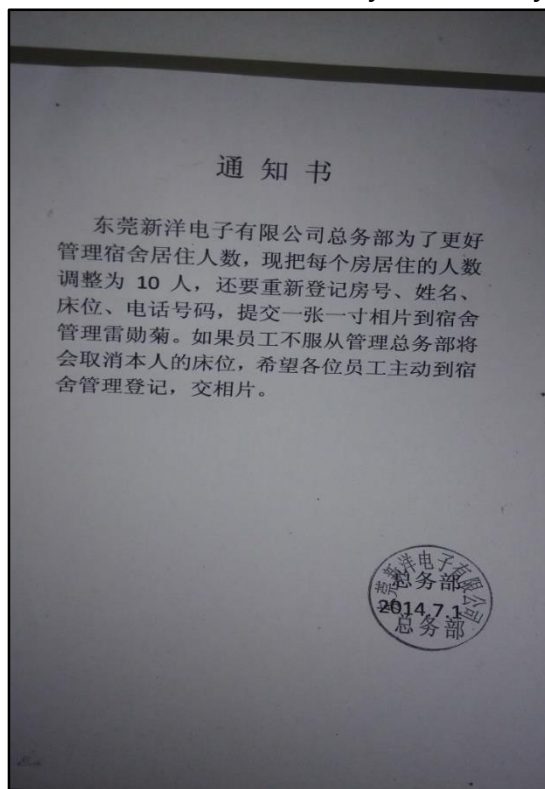
The first floor of the female dorm building is a dining hall, and from the second floor up are dorm rooms. Ten people share each dorm room, which includes an independent restroom and balcony as well as a closet for each person.

Sanitation workers in the dorms check the cleanliness of dorm facilities on a regular basis. There is no hot water in the dorm,



Female dorm

so workers must use cold water for showers or boil water first with an immersion heater. Workers also need to make a copy of the dorm key on their own. Though there were two fans in the dorm, it is still very hot, so many workers buy a small fan for personal use.



Announcement saying that the number of people in one room will be raised to 10

Workers can choose not to live in the dorm. Some temp workers from Guizhou did not live in the dorm, instead living in an apartment rented by their labor contractor. They said that eight people lived in one room, and it is dirty and messy. There is no hot water and no AC in the dorm, with only fans instead.

Occupational safety and labor protection

Workers were not aware of an “environmental health and safety committee” at Shinyang, and they did not receive safety training. Workers are not informed of potential hazards of work at Shinyang to their health. Workers come into contact with harmful chemical such as ethyl alcohol, industrial alcohol, and thinners. Despite this, the factory does not necessarily give workers protective equipment like gloves or masks unless they ask for it.

The factory does not properly sort or dispose of trash, directly dumping it into an open garbage dump outside. This dump emits a very strong odor.

Fire prevention

Workers have not participated in or heard of fire drills at Shinyang. There were no training provided on fire prevention. The factory production facilities and dorms have fire hydrants, fire extinguishers, and fire escapes. Workers used immersion heaters in the dorm, which pose a fire hazard.

Punishments

The following are a list of punishments from the factory’s “Employee Handbook”.

No.	Description of behavior	Punishment
1	Disregard for sanitation and damage to environmental sanitation but willing to accept education and correct misbehavior.	Warning
2	Lack of common sense and knowledge of rules but willing to accept education and correct misbehavior.	Warning
3	Occasionally activities irrelevant to work but willing to accept education and correct misbehavior.	Warning
4	Other misbehavior or mistakes.	Warning
5	Refusing to attend corporate or departmental activities without proper and justifiable reasons.	Minor infraction
6	Leaving the post for more than one hour four times or more without authorization in the period of one month.	Minor infraction

7	Unwilling to confess or arguing about misbehavior while refusing to accept criticism and education.	Minor infraction
8	Other severe misbehaviors deserving more than a warning.	Minor infraction
9	Being caught for disobeying the rules and assuming a bad attitude while expressing unwillingness to confess mistakes.	Major infraction
10	Arriving late or leaving early more than eight times a month	Major infraction
Note: Three warnings of the same kind equals one minor infraction; three minor infraction equals one major infraction, and workers will be fired without any compensation after two major infractions.		

Unions

There is no apparent union in Shinyang and workers said they have never heard of one.