

Can you help save this boy?

City C1



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Factory workers shout at a group of people who claimed to be union representatives during a demonstration outside the Honda car parts plant in Foshan. Photo: Sam Tsang

Tempers boil over as strikers refuse to return to work

Workers, unionists clash at Honda plant in Foshan

Minnie Chan in Foshan and Verna Yu

Tempers at a key Honda component factory in Guangdong reached boiling point yesterday as workers and government-backed trade union staff clashed amid failure to persuade employees to return to work.

Analysts said the incident showed that the lack of independent trade unions, which can truly represent workers' interests, could lead to escalating social conflict.

Dozens of riot and uniformed police were standing by after the scuffles broke out.

Some workers on the early shift were told yesterday to join a meeting to negotiate pay issues with Honda's representatives in the presence of local Shishan town Federation of Trade Union staff and government officials, according to the website of mainland-based Caidin Media.

The negotiations broke down when the workers refused to sign a document guaranteeing they would end the strike, said the workers, who considered the company's offer too low. One of the section heads had threatened to sack his workers if they did not agree to sign, they said.

Staff at the plant are demanding that their monthly pay be raised to between 1,700 yuan (HK\$1,938) and 2,500 yuan a month, according to workers.

Honda said last night some employees had returned to work at the plant in Foshan after the company offered to lift the starting salary from 1,544 yuan to 1,910 yuan, a 24 per cent rise, Xinhua reported.

A scuffle broke out between workers and trade union staff after some union staff tried to video the workers. Some workers tried to snatch the video camera, workers said.

Another scuffle broke out in the afternoon in front of reporters and a curious crowd as about 70 workers were surrounded by the union staff. One female worker was pushed to the ground, a male worker was pulled by the hair, and the face of another scratched, workers said.

Some workers cast doubt on the identities of the local trade union staff as they had never seen them before. "We pay union fees every month. You should represent us, so how come you're beating us?" one worker shouted.

Another worker shouted: "How come Chinese people are beating Chinese people? You're not listening to the Chinese, but you're listening to the Japanese?"

A trade union leader replied through his loud hailer: "Your action has seriously damaged the factory's production and operation." He said workers could resign if they preferred not to work.

The Shishan town trade union later confirmed it had sent representatives to the plant but denied beating the workers.

"That's absolutely impossible," said one official, who declined to give his name.

Independent trade unions are banned on the mainland, and collective bargaining is rare. All trade unions in the country are part of the Communist Party-controlled All-China Federation of Trade Unions, which is the only official union and historically has been more closely aligned with management than workers.

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Irene Jay Liu and Fox Yi Hu

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Its massive force of 900,000 mainland workers helps forge Foxconn's dominance in the industry of contract electronics, but a spate of suicides has called into question the company's reliance on cheap labour.

The massive workforce under military-style management at Foxconn reflects the country's struggle to evolve from "early capitalism" marked by labour-intensive growth, said Hu Xinglou (胡星楼), a professor of economics at Beijing Institute of Technology.

"Foxconn's management style led to its business success, but the spate of suicides also shows such management is a failure," Hu said.

The company's evolution from humble start-up to the world's largest contract electronics maker is a tale with twin narratives – a story of meteoric growth and outsized influence in China, and in recent years, a harsh portrait of factory life.

Terry Gou founded Foxconn in 1974 in Taiwan with a few thousand dollars (either US\$3,000 or US\$7,500, depending on divergent company reports) and a belief "that the electronics products would be an integral part of everyday life in every office and in every home". And Foxconn became the company that offered capacity and price to lure the world's top companies, including Apple, Dell, HP and Sony.

Foxconn seized on China's move into the global economy, becoming the country's largest exporter and the unequivocal worldwide leader in electronics manufacturing. Until 2008, the firm's double-digit expansions drove growth in the industry,

slashed the "Foxconn effect" by analysts. Foxconn's production costs are among the lowest of the industry's top 10 producers.

While many of its competitors struggled with deficits or plummeting profits last year, Foxconn increased its profits by 37 per cent, mostly through cost-cutting. From 2008 to last year, Hon Hai Precision Industry, Foxconn's anchor company, saw relatively flat revenues, but its net income grew from US\$1.7 billion to US\$2.4 billion, mostly by cutting the percentage of revenue devoted to the cost of goods from 91.38 per cent to 90.48 per cent.

The second-largest group, Singapore-based Flextronics International, saw a percentage of sales used for production of 95.26 per cent last year. Flextronics had revenues last year of about US\$31 billion – roughly half of Foxconn's.

Migrant workers jostled to apply for work at Foxconn early last year, even when factories in Shenzhen were cutting jobs or facing closure.

"Foxconn gave us confidence when other factories laid off workers in the financial crisis," said a 23-year-old Foxconn worker, who declined to be named. "Only Foxconn was hiring at that time and it attracted lots of applicants, including me," the assembly-line worker said.

The company employs roughly 900,000 people on the mainland, with about 425,000 working at two of its plants in Shenzhen, the site of 13 apparent suicide attempts since January, resulting in 10 deaths. Another worker, 19-year-old Rong Bo (荣波), jumped off a building and died on January 8 at a Foxconn plant in the northern city of Langfang (廊坊) in Hebei (河北) province.

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We pay union fees every month. You should represent us, so how come you're beating us?

Factory worker

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Golf club rules handicap access for the masses

Vivian Kwok

On a nice day the views from the Clearwater Bay Golf and Country Club, perched on a headland jutting into the South China Sea, are second to none.

The vista across the island-studded waters is a multimillion-dollar spectacle and it comes at an appropriate price – membership costs up to

HK\$4.2 million for a company or HK\$2.8 million for an individual.

But even the hot polloi can make their way onto this playground for the rich and famous, although most probably do not know it. Written into the deal under which it obtained almost 130 hectares of prime land for zero land premium is a requirement that it "shall permit the public to use the golf course within the lot on every

day other than Saturdays, Sundays and public holidays".

The Conditions of Exchange, signed by the club and the Lands Department in December 1978, state that this access is subject to payment of a green fee and limited to 10 per cent of the capacity of the course for the day. It further calls on the club to allow a

person aged 25 or under to use the course "as often he may play".

It sounds like a golden opportunity for the young and less well-off to get a taste of the good life. But the club has rules reducing the chances of its well-heeled members having to rub shoulders with unwashed hordes on its land, which is equivalent in size to seven Victoria Parks. Staff say non-

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News Digest

National

Shenzhen economic zone to cover entire city
Shenzhen will expand its special economic zone to cover the entire city, the city's Communist Party secretary announced. The expansion would merge Shenzhen's eight districts and result in the economic zone increasing from 395 sq km to 1,948 sq km, or nearly twice the size of Hong Kong. Full report A4

International

Rage over Israeli attack on Gaza aid ships
Israel's storming of a Gaza-bound aid flotilla sparks a diplomatic furor, as friends and foes alike condemn the raid by naval commandos that kills nine passengers. Israel said its forces encountered unexpected resistance. The raid also strained tense relations with Israel's longtime Muslim ally Turkey. Full reports A9

City

Doctors eye fresh weapon against flu
One of the toughest problems posed by the flu virus is its ability to change constantly and thus dodge the effects of antiviral medicines. Now a team of University of Hong Kong researchers has discovered a category of drugs that attack the flu virus via a different route from the two existing classes of drugs. Full report C3

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Officials say merger will allow them to speed up reform Shenzhen allowed to turn entire city into special zone

He Huiheng

Shenzhen will expand its special economic zone to cover the entire city, which should solve problems caused by "one city, two systems".

"I have good news here that the approval documents of Shenzhen's proposal by the central government now are ready in print house," Wang Rong (王荣), Communist Party secretary of the city, said on Sunday at a meeting of the city's people's political consultative conference.

Shenzhen has eight districts. Four of them - Luohu, Futian, Nanshan and Yantian - are in the SEZ, but Baoan and Longgang, which make up four-fifths of the city's land mass but are suburban, are not. In 2007 two new districts were established - Guangming and Pingshan - which had been part of Baoan and Longgang before.

The expansion - which would merge the eight districts and see the zone increase from 395 sq km to 1,948 sq km, or nearly twice the size of

Hong Kong - is a key plank in the city's restructuring plan. Shenzhen contends its development has long been held back as only a part of it is within the SEZ, and it has had to operate under different legislative systems for 17 years.

"First, Shenzhen will have more power and space for trial reform after the expansion," said Zhang Hongqiao (张红桥), a member of Shenzhen's CPPCC. "As the special economic zone, Shenzhen has been given a specific legislative right to launch some pilot regulations different from other parts of the country. Before, we could use that only within the four districts. Now we can introduce them to all eight."

"Second, it would be good for the development of integration between Shenzhen and Hong Kong since the scope of the twin cities would be several times what it was before."

"Third, Baoan and Longgang districts had been slighted in investment, public facilities and good public security because they were with-



out the crown of the SEZ. In the future, the imbalance can be made up step by step."

Baoan and Longgang, site of most factories and the districts where migrant workers live, have been separated from the four districts by a 100 kilometre border, although in recent years, the government has allowed entry to the SEZ with special pas-

ports. Those outside the SEZ have to live with poorer public services.

Crime is rampant in the two suburban districts and there is also a gap in monthly minimum pay between those inside the SEZ and those outside. Last year it was 1,000 yuan (HK\$1,141) and 900 yuan. A young female migrant worker from Hunan (湖南) said of Baoan:

"There are no municipal parks, libraries, universities or cinemas nearby. Transport to the downtown area is too expensive and inconvenient. We can find only clusters of rented houses, cheap restaurants and karaoke clubs. I can't find any kind of decent urban life here."

Even white-collar workers are usually too embarrassed to say they live in Baoan and Longgang, as it means they cannot afford to live in the four urban districts.

"If the merger is approved, the four districts would enjoy the same legislation, same urban planning and same infrastructure. The integration will allow the city to achieve balanced development," said Dr Guo Wanda (郭卫达), vice-president of the China Development Institute, a government think tank.

"We will see the authorities invest greatly in Baoan and Longgang in the future. That will also help and attract talent to live there when the property and living costs downtown have been soaring."



Foxconn employees in Shenzhen typically work 10-hour days in which they do not speak to their co-workers. Photo: David Wong

How success and tragedy are linked at Foxconn

CONTINUED FROM A1

Company officials and critics say its sheer size is a challenge to fostering a happy and productive work environment. "A team of 900,000 workers is very difficult to manage," Foxconn founder and chairman Guo said in response to the suicides.

Company spokesman Liu Kun (刘坤) said this month: "To be honest, as a company, Foxconn has taken on too much social responsibility. We are not only running a factory, but we also have to take care of the daily lives of more than 400,000 people."

Hu, the professor, said the labour-intensive growth model adopted by Foxconn and many other mainland factories must be abandoned to help the nation upgrade its industries and move up the value chain.

"Foxconn is very famous but it only makes products under others' brand names without independent technology," he said. "Such factories need only low-skilled and low-educated workers. The sheer size of their cheap labour force helps them succeed."

Electronics makers relying on labour-intensive production typically share just 5 per cent of the profit generated by the sale of their products, the professor said.

As the number of deaths has risen, Foxconn has stepped up its efforts to address the crisis, including adding thousands of psychiatric and recreational support staff, fencing off high-risk areas and stringing netting between buildings to catch people trying to jump. On Friday, company officials said it would increase the wages of mainland workers by an average of 20 per cent.

But Li Qiang, executive director of advocacy group China Labour Watch, says these measures do not address the biggest issues facing workers - an overwhelming workload and Foxconn's high-pressure, military-style environment.

"People are expected to act like machines for 12 hours a day," Li said. "The working environment is sterile; people don't talk to each other. It is especially difficult to change the culture because it is such a big company."

Foxconn workers in a computer assembly department recently told China Labour Watch: "We are extremely tired, with tremendous pressure. We finish one step every seven seconds, which requires us to concentrate and keep working and working. We work faster even than the machines. Every shift (10 hours), we finish 4,000 Dell computers, all the while standing up. We can accomplish these assignments through collective effort, but many of us feel worn out."

Li said: "If they want to be serious about improving conditions at the factory, they need to reduce the workloads of the employees. But that would cost them money."

Li acknowledged that the conditions at Foxconn's factories are as

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A police officer to a reporter harassed by Foxconn security guards

good, if not better, than many other mainland factories. But as the nation's largest exporter and the manufacturer of high-profile products such as the iPhone and iPad, the company has become a symbol of the larger struggle for factory workers' rights. Last year, a Foxconn employee committed suicide after being accused of stealing an iPhone prototype. He told friends and family that he had been beaten by the company's security staff.

In 2006, a British newspaper reported allegations of abusive employment practices at Foxconn. Apple launched an investigation and concluded that most of the accusations were unfounded, but revealed that Foxconn frequently violated the overtime guidelines in Apple's code of conduct, which limits normal work weeks to 60 hours and requires at least one day off each week. In its

2006 report, Apple wrote: "The supplier has enacted a policy change to enforce the weekly overtime limits set by our code of conduct."

The 60-hour, six-day work week limit has also been established by the Electronic Industry Citizenship Coalition, a group that counts among its members Apple, Dell, HP, Sony and Foxconn, which joined in 2008.

But history shows that the industry's efforts to monitor itself in this area have had limited results.

Four years on, it appears that Foxconn remains frequently out of compliance with Apple's code of conduct and its own overtime rules. Employees describe work days that far surpass overtime guidelines. Foxconn employees frequently reported only one day off every two weeks, until a policy was enacted this month enforcing the six-day workweek.

Apple, Dell, HP and Foxconn declined to comment on efforts to curb violations of the overtime limits.

Apple has made little headway on this front, according to its own audit of suppliers. At 60 of 102 facilities audited last year, Apple found records that indicated workers had exceeded weekly work-hour limits more than 50 per cent of the time. Similarly, at 65 facilities, more than half of the records reviewed indicated that work-

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In dealing with Foxconn, however, companies may have limited leverage to push for compliance, because there are few companies that have the capacity to handle high-volume orders, particularly in the handset industry.

"I think it would be difficult for companies to offload a lot of the business to other companies," said Pacific Crest Securities senior analyst Andy Hargreaves, who tracks the consumer electronics industry, including Apple and Dell. "Nobody else is at quite the same scale, or even close, as far as I know."

Improving working conditions could impact the bottom line as well, Hargreaves said. "Foxconn is in a position that if it had to increase wages to workers or improve the environment for workers, the cost will flow through. And these companies won't have any options to defer those costs."

In Shenzhen, Foxconn wields significant influence far beyond the boardroom. Besides employing hundreds of thousands of the city's residents, Foxconn contributes more than 10 billion yuan (HK\$1.4 billion) to the city's tax revenue, mainland media report.

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Hu, the professor, said large companies like Foxconn enjoyed favourable government treatment because they were the main contributors to local tax revenues.

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Headline: At Foxconn, success and tragedy linked
Byline: Irene Jay Liu and Fox Yi Hu

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Foxconn declined to comment for this story.

Caption: Foxconn employees in Shenzhen typically work 10-hour days in which they do not speak to their co-workers. Photo: David Wong