

Exhausted teenagers sleep during break in their 15-hour shift.

THE NATIONAL
LABOR COMMITTEE
PUTTING A HUMAN FACE ON THE GLOBAL ECONOMY

APRIL 2010

CHINA'S YOUTH MEET MICROSOFT

KYE Factory in China Produces for Microsoft and other U.S. Companies



China's Youth Meet Microsoft

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Workers are paid 65 cents an hour, which falls to a take-home wage of 52 cents after deductions for factory food.



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客戶滿意度調查(客戶歷年滿意度分數)

客戶	2005上半年	2005下半年	2006上半年
ACER		75.00	84.40
MS	93.33	80.00	83.20
HP		80.00	76.40
SANMINA			94.40
FOXCONN		68.00	75.20
BUFFALO		72.00	57.60
SAMSUNG		71.00	82.40
BISON			86.40
Best Buy (mouse)			76.80
FIC	80.00		84.00
ELECOM			78.40
BlueTake	80.00		
Asus-RD	84.00	75.00	
LANIX			
Targus	65.56		
Kesington	79.00		

Some of the companies producing at KYE



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PREFACE

by Anonymous Chinese labor rights activist and scholar

“The idea that ‘without sweatshops workers would starve to death’ is a lie that corporate bosses use to cover their guilt.”

China does not have unions in the real sense of the word. Therefore, workers do not have enough power to bargain with private companies or state-owned enterprises to secure the wages they require to satisfy their basic needs. Corporations and government have monopolized the right to distribute wealth as they see fit. Workers can only sit and politely wait for corporate bosses and government bureaucrats to bestow them with the things they need. Under this model, China's economic development has failed to benefit all the people in China. The riches flow to the corporate heads, shareholders and the ruling party, which has resulted in a shocking daily increase in the gap between the rich and poor, creating enormous and destructive social divisions.

A world without unions will never have fair distribution of wealth. The idea that “without sweatshops, workers will starve to death” is a lie that corporations use to cover their guilt. Workers will only receive fairness, justice and happiness when there is a worldwide anti-sweatshop movement, and where workers in every country have the right to freely organize a union and to bargain collectively with corporations.

If there is even one corner of the world where the right to freely organize and collectively bargain is not guaranteed, then capital, like a serial criminal, will search out that place. Justice can only be won when corporations are held legally accountable to respect the checks and balances of workers rights.

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製造部 組立 制程員工
MFD Employee Training Card

姓名/name: [redacted] 工號/worker No: [redacted] 進

受訓內容 Training content	受訓日期 Training date	確認人 Proved by	是否合格 OK or NG	在職培訓內容 working training	受 訓 人
行政部職前教育訓練/ADD pre-training of job ★	07.7.27	[signature]	合格		
職前訓練/pre-training of occupation ★	二	[signature]	合格		
5S訓練/5S training ★	二	[signature]	合格		
電子零件認識/electronic part recognition ★	二	[signature]	合格		
靜電防護/ESD training	二	[signature]	合格		

Training form of a worker believed to be a child.



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EXECUTIVE SUMMARY

China's Youth Meet Microsoft KYE Factory in China Produces for Microsoft and other U.S. Companies

“We are like prisoners... We do not have a life. Only work.”
-Teenaged Microsoft Worker

- Over the past three years, unprecedented photographs of exhausted teenaged workers, toiling and slumping asleep on their assembly line during break time, have been smuggled out of the KYE factory.
- KYE recruits hundreds—even up to 1,000—“work study students” 16 and 17 years of age, who work 15-hour shifts, six and seven days a week. In 2007 and 2008, dozens of the work study students were reported to be just 14 and 15 years old. A typical shift is from 7:45 a.m. to 10:55 p.m.
- Along with the work study students—most of whom stay at the factory three months, though some remain six months or longer—KYE prefers to hire women 18 to 25 years of age, since they are easier to discipline and control.
- In 2007 and 2008, before the worldwide recession, workers were at the factory 97 hours a week while working 80 ½ hours. In 2009, workers report being at the factory 83 hours a week, while working 68 hours.
- Workers are paid 65 cents an hour, which falls to a take-home wage of 52 cents after deductions for factory food.
- Workers are prohibited from talking, listening to music or using the bathroom during working hours. As punishment, workers who make mistakes are made to clean the bathrooms.
- Security guards sexually harass the young women.
- Fourteen workers share each primitive dorm room, sleeping on narrow double-level bunk beds. To “shower,” workers fetch hot water in a small plastic bucket to take a sponge bath. Workers describe factory food as awful.
- Not only are the hours long, but the work pace is grueling as workers race frantically to complete their mandatory goal of 2,000 Microsoft mice per shift. During the long summer months when factory temperatures routinely reach 86 degrees, workers are drenched in sweat.
- There is no freedom of movement and workers can only leave the factory compound during regulated hours.
- The workers have no rights, as every single labor law in China is violated. Microsoft's and other companies' codes of conduct have zero impact.

China's Youth Meet Microsoft

INTRODUCTION

Young, Exhausted & Disposable: Teenagers Producing for Microsoft

by Charles Kernaghan

Over the last three years, the following photographs were smuggled out of the **KYE Systems** factory in the south of China. These images of exhausted teenagers making **Microsoft “Life Cam VX-7000; “Basic Optical Mouse”** and **“Wireless Notebook Laser Mouse 6000”** are not necessarily ones the American people would associate with Microsoft. Unfortunately these are Microsoft products, and Microsoft has been outsourcing production to the KYE factory since at least 2003.

Each year, the KYE factory recruits hundreds, and in some years up to 1,000, “work study students,” most of whom are 16 and 17 year-old high school students—though some look as young as 14 or 15—to work during their three-month summer break. The teenagers work mandatory 15-hour shifts, six and seven days a week. Some of the poorer students may opt to stay a little longer, working up to six or even eight months. A few of the high school students stay on at the factory to become full time workers.

It is not a pretty scene, so factory management prohibits anyone, including their clients like Microsoft, from taking pictures inside the factory or in the workers’ primitive and dirty dorm rooms.

Management likes the high school students since they are easy to discipline and control. For the same reason, management targets young women 18 to 25 years of age, and some up to 27, to staff its production lines. If management can help it, they will not hire any males—except if they are high school students. It is only when the factory is desperate that they will hire males and workers “as old as 40.”

The shifts are not only long, stretching up to 15 hours, the work is also monotonous, numbing and exhausting as the young workers frantically race to complete their mandatory production goals. Twenty or thirty workers on a line must complete 2,000 Microsoft mice in 12 hours. The workers’ hands and fingers are constantly moving, many suffering abrasions and cuts, since the connectors must be inserted very closely together. Once workers meet the production goal, management raises it.

The factory is very crowded. In one workshop measuring around 105 by 105 feet, there were nearly 1,000 workers. In the summer, temperatures can exceed 86 degrees and workers leave their shifts dripping in sweat. It is only when the foreign clients show up that management turns on the air conditioning.





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“Conditions are so bad and work at the factory so exhausting,” one worker told us, “that there are not many people who can bear it for more than a year, and almost never past two years. Most workers flee after just six or eight months.”

The only way such a crude production model could work—based on high school students and young women and such constant turnover—is to run the factory with prison-like discipline, controlling every second of the workers’ lives. The de-humanized young workers become replaceable cogs in the wheel.

We asked some workers how they felt about working at KYE.

“We are like prisoners,” one worker said. “It seems like we live only to work. We do not work to live. We do not have a life, only work.”

Another worker responded, “Who would respect us? We are ordered around and told what to do and what not to do. No one in management has ever asked us about anything. There is no discussion. You feel no respect.”

And in what must be the best of both worlds for U.S. companies like Microsoft, the workers give the U.S. companies a pass. The young workers never think or talk about the foreign companies and put all the blame on the factory. No one has told them how wealthy and powerful Microsoft and the other companies really are. Since the young Chinese workers would never dream of making demands against Microsoft or the other corporations, this permits the corporations to tout their codes of conduct while knowing full well that they will never be implemented. It’s all just part of the game.

Is Microsoft comfortable with this production model at the KYE factory?

It seems a standard practice that major clients producing at KYE have quality control auditors stationed on the ground to monitor their production. ***Does Microsoft have a quality control monitor at the KYE factory? And, if so, why does Microsoft allow such illegal, harsh and degrading factory conditions to continue?***

The American people deserve a straight answer. And if the workers in China had any democratic freedoms, they would also want to know why they are being treated so poorly.

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Company Profile: KYE Systems Corp

Workers say Microsoft is a Major Producer at the KYE Factory

KYE Systems Corp.

Dongguan Kunying Computer Products Co. Ltd.
Bao un Industrial District, Houjie Town
Dongguan City, Guangdong
CHINA

Taiwan Headquarters:

KYE Systems Corp.
No. 492 Chung Hsin Rd. Sec 5
San Chung,
Taipei Hsien
241, Taiwan, R.O.C.

Phone: (886) 2 2995 6645

Fax: (886) 2 2995 6649

Email: sim@geniusnet.com.tw



KYE Systems Corp. also has offices in Shenzhen, China; Doral, Florida in the United States; Surrey, England, and Langenfeld, Germany.

KYE Systems Corp. reported sales of \$410 million in 2007 and \$400 million in 2008.

There are four factories housed in the giant KYE Systems factory compound in Dongguan City: **KYE**, which is the largest factory; **XYE**; **JYE** and **CYE**.

This report focuses on the large KYE factory, which opened in 2002. Before the recession, in late 2008, workers estimated that there were upwards of 5,000 workers, mostly young women, working at KYE. Today factory production is returning to near normal and the workforce is estimated at 3,000 and growing.

KYE produces computer mice, scanners, keyboards, digital internet cameras, digital cameras, video game controls and Wacom tablets, which are for computer drawing.

KYE products are sold across the United States, Europe and Japan.

According to worker estimates, **Microsoft** accounts for the largest proportion of production at KYE, about 30 percent, and their production is consistent. Other major corporations outsourcing production to KYE include: **Hewlett Packard, Best Buy, Samsung, Foxconn, Acer, Wi/IFC/Logitech** and **Asus-Rd.** (Full List of KYE client companies is available on the NLC's website.)

KYE has its own brand called "Genius."

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A Day in the Life of a young Microsoft Worker

—A 16 ½ hour day—

This young worker gets up at 6:30 a.m., washes quickly, eats a few crackers on the run, works a 15-hour shift, returns to his primitive dorm room at 10:30 p.m., “showers” using a small plastic bucket of hot water, and falls asleep exhausted as the dorm lights are shut off at 11:00 p.m.

I woke up to the sound of the alarm. My body felt tired and unwilling. I knew that not getting up was not an option. Many other workers were getting up now, and if I didn't hurry up and wash my face and brush my teeth, there would be a huge crowd at the sink in the washroom and a long wait, which would make me late for work. I start work at 7:30 a.m. I quickly dressed, grabbed a towel, and rushed to the bathroom. Wow! There were so many people there already. I pushed to the front and after five minutes of struggle, was able to get to a faucet.

After quickly washing up, the time was already 7:05. I grabbed a package of crackers off of my shelf and took seven or eight of them. I ate them on the way to the production area. When I arrived at the time card machine, I saw another huge line of workers swiping their magnetic cards. I stood in line behind a huge crowd of women, and when I got to the machine, it was just about time for the foreman's talk (7:20 a.m.). In a short while, the foreman started shouting: “Everybody attention! Stand straight! Turn right!” Afterwards, the manager shouted: “Everybody pay attention: while at work, everyone should be full of vigor. Everyone must strictly follow the 6S system! You are not allowed to talk at work. You cannot drop products on the floor. Can you hear me?!” We respond, “we hear you!” but some of my colleagues didn't answer with much enthusiasm. “Why are you all so tired? Do you all want to go back to the dorm to sleep? Do you want me to make you come back when your energy has returned? Let's try again: Can you hear me?!” We shout back, “We hear you!” I can hear everybody's irritation at the foreman as they shout back. “Everybody split up and return to your work stations!” Everybody splits up and goes to their work stations. My job is to put a rubber pads on the base of each computer mouse.

The job entails taking soybean-sized rubber pads off of gummed paper, and



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placing them one-by-one on the bottom of the mouse. This is a mind-numbing job. I am basically repeating the same motion over and over for over twelve hours a day. After only a few hours, my colleagues and I begin to feel sore in our necks, shoulders and backs.

Many people are fighting to keep from dozing off. To reduce my sleepiness, every once and a while I switch off between working while sitting and standing. The hardest time is in the afternoon between 2 p.m. and 3 p.m. The boring monotony of repeating the same motions for so long makes me extremely sleepy. Even the standing up and sitting down doesn't seem to help me throw off my exhaustion. Many of my coworkers begin to nod at this time, and I imagine that they feel the same way as I do. If we could only talk to each other, we might be able to stay awake. But the foreman forbids us from talking to one another. If we say anything, the foreman will shout: "When you are at work, you cannot talk! If you want to talk to each other, wait until the shift is over!! What could you want to talk about at work?" Everyone tries to keep an eye on the time, constantly looking at their watches. Time crawls by very slowly. Extremely slowly! Finally when the whistle sounds, we are off the shift (5:20 p.m.). But, we don't get up and leave right away. Every day, we have to gather together after work and hear the foreman speak. There was one boy who joined the factory not too long ago who fled the work area; he decided that he didn't want to stay there one more minute. Our foreman discovers that he is gone and ruthlessly says: "watch me punish him later!"

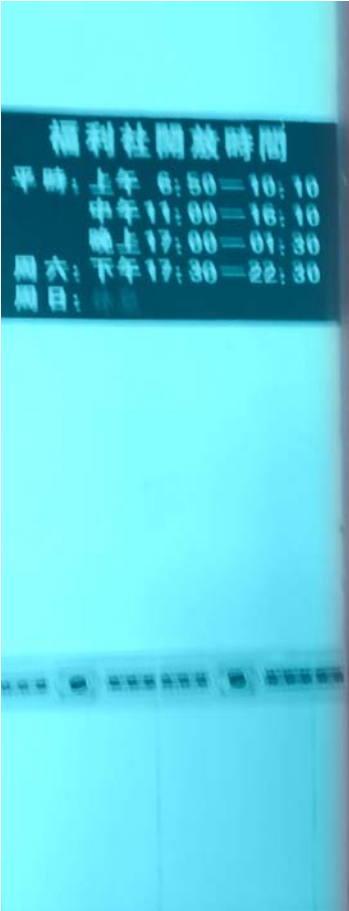
The foreman then calls out commands for workers to: "stand at attention, turn right" and sums up the day's work. One worker who accidentally dropped a product on the ground is called out and scolded by name. Finally, the foreman says we can leave. At that time, we only have a half an hour before the overtime shift begins. I think about running to a market outside the factory to buy some daily items, but I clearly do not have enough time. I only have enough time to run to the cafeteria for a quick meal. When I arrive at the





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cafeteria service window, there is already a large line. It takes me about five minutes to get to the front. As soon as I finish eating, I return to the workroom and prepare for overtime. I know that I can choose not to work overtime, but if I don't work overtime, then I am stuck with only 770 RMB [\$112.67 per month] in base wages. This is not nearly enough to support a family. My parents are farmers without jobs. They also do not have pensions. I also need to worry about getting married which requires a lot of money. Therefore, I still push myself to continue working in spite of my exhaustion. When I finish my four hours of overtime, I'm extremely tired. At this time, even if someone offered me an extravagant dinner, I probably would refuse. I just want to sleep! For some reason, this factory has a stupid regulation that doesn't allow anybody to enter or reenter the factory [compound] after 9 p.m. In other words, this regulation basically restricts workers from exiting the factory [compound] in the evening. When workers finish overtime, it is already 10 p.m., and if they leave the factory, they cannot come back in. Most workers live in the company dorm, so they don't dare risk getting stuck outside. This regulation was crafted to force workers to rest in the dorms and it guarantees workers' performance the next day! I returned to my dorm and had to wait in the washroom line again to wash up. At 11 p.m., I finally finished my shower and washed my clothes. At 11:35 I lay down on my bed, and even thought the dorm is extremely hot, I fell quickly to sleep. Before I fall asleep, I do not forget to set my alarm to wake me up the next day.



Microsoft Workers Shift (15 hours)

- 7:15 a.m. Unpaid. Arrive early, cue up and punch timecard. Stand at attention as supervisor leads drills.
- 7:30 a.m. – 11:40 a.m. Four hours work with one 10-minute unpaid break.
- 11:40 a.m. – 1:10 p.m. Lunch/Rest break, 1 ½ hours.
- 1:10 p.m. – 5:20 p.m. Four hours work with one 10-minute unpaid break.
- 5:20 p.m. – 6:10 p.m. 50-minute supper break.
- 6:10 p.m. – 10:00 p.m. 3.8 hours overtime.
- 10:00 p.m. – 10:15 p.m. Unpaid. Straighten up work area. Listen to lecture by supervisor.

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As KYE management breaks its young workers through military-like discipline, Microsoft and other companies stand by and do nothing.

Workers face humiliation, punishment, sexual harassment, as every moment of their lives are controlled. In 2007 and 2008, before the recession hit China, there were often 2,000 young people at KYE, 16 to 18 years of age, most of whom were women.

For 15 hours a day while on shift, every second of the workers' lives are controlled.

"We are like prisoners," one worker said. "It seems like we live only to work. We do not work to live. We do not have a life. Only work."

Before their morning shift even starts, workers must report to their workstations 15 minutes early and stand at attention as the foreman gives commands to "Face left... Face right..." When he yells "How is everyone doing?" the workers must yell back "Good!" If they do not yell loudly enough, they have to shout again. After that, the foreman lectures the workers about discipline. He describes what they will be working on that day and instructs everyone not to take shortcuts, but to perform each operation exactly as they have been taught. The same routine repeats itself at the end of the shift. The workers are not paid for this time.

■ **While working, the young people cannot talk, use their cell phones or listen to music.** If they do so, they will be docked 5 ½ hours' wages. Some supervisors go even further, confiscating or even smashing the offending worker's cell phone or MP3 player. (They are fined 24 RMB--\$3.51—which amounts to 5 ½ hours' wages at the 65 cents an hour they earn.)

■ **Workers need permission to use the bathroom or drink water.** Workers are



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prohibited from using the bathroom or getting up to drink water other than during their 10-minute breaks. If a worker is sick and needs to use the bathroom outside of break time, she must seek permission from the foreman and will have to find another worker, or the foreman, to take her place on the assembly line.

- All workers must trim their fingernails so as not to impede production.

- **Workers who make a mistake are humiliated in two ways.** They can be taken off the production line and ordered to pick up trash, sweep the factory floor and clean the bathrooms. This happens every day, and it is done during working hours to humiliate the teenager in front of his or her friends and co-workers. Other times, when a worker makes a mistake, the foreman will pull out a “punishment slip” which the worker must sign. The slip is then posted on the public notice board and the worker receives a demerit.

- Managers, supervisors and even security guards often publically scold and berate workers.

- **Security guards search workers' bags and pockets as they leave the factory.**

- **Some security guards sexually harass the young women**, often using very provocative language. There is nothing the young women can do but to bear it in silence as there is no avenue in the factory for addressing such abuse.

- Workers who do not follow the instructions of the foreman will be fined 40 RMB (\$7.02), which amounts to the loss of 11 hours' pay.

- Workers are strictly prohibited from entering any work area other than their own.

- Workers are also docked nearly three days' wages, 100 RMB (\$14.67), for losing their time cards, which are worth only 5 RMB (73 cents U.S.).

- **Workers can be fined up to 200 RMB (\$29.26), or more than 5 ½ days' wages, for missing a day of work.**

- **Entire production lines can be fined for failing to reach their mandatory production goals.** Such fines



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were especially common in 2007 and 2008 and were handed out every day, before the recession slowed production.

■ **Fined for losing a finger:** A worker from Shanxi Province had his index finger chopped off while operating a hole punch press machine while working on an internet camera. Management did rush him to the hospital for emergency treatment. However, after an investigation, management determined that the worker had disobeyed regulations related to operating the punch press machine, so the worker was fined 200 RMB (\$29.26) and fired! The foreman and section chief in that department were also fined. Management then rehired the injured worker as a security guard.

Workers injured at KYE are generally fined, as management accuses them of violating regulations on safe production methods.

Even when the workers are on leave and not working, factory management restricts their freedom of movement:

Workers can only leave the factory compound during regulated periods:

- On weekdays, Monday through Saturday: 11:00 a.m. to 12 noon
- On weekday evenings, Monday through Saturday: 6:00 p.m. to 9:30 p.m.
- On Sundays: 7:00 a.m. to 9:30 p.m.

Workers are strictly prohibited from staying outside the factory compound overnight. **Workers who do not return to the factory are fined 200 RMB (\$29.26) –more than a worker's regular weekly pay, and immediately fired.**



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Dongguan Factory Employee Daily Management Regulations

(Excerpts)

“When coming and going from dormitories 1, 2 or 3 or housing outside the factory, employees are forbidden from speaking, smoking or eating with workers from other facilities.

“Using the company phone, talking, eating snacks and doing things unrelated to work are all forbidden while on a regular shift or working overtime.

“While working a regular shift or overtime, the work area must be kept clean and orderly. When leaving a workstation, it must be cleaned and straightened.

“Workers are not allowed to bring outsiders inside to view the factory area.

“When the manager arranges overtime, employees are not allowed secretly or openly to avoid overtime if they do not have permission.

“It is forbidden to take cell phones to work...

“Entering other dorms without permission is forbidden...

“Work uniforms and flip flops may not be worn outside the factory on rest days or holidays.

“Workers must cooperate with security when entering and leaving the factory gate for searches and inspections.

“It is forbidden to write or draw or paste posters on the factory wall...

“Every day, workers on duty will sweep the grounds, mop the floor and arrange things in their rooms, inside and out...

“Workers are forbidden from changing dorm rooms or dorm beds or living outside the dorm without permission. Sharing dorm beds or letting people from outside the company live in the dorm is forbidden.

“Electrical appliances and cords may not be hooked up in the dorm rooms. Food and drink may not be eaten in the dorm.

“Workers are forbidden from making noise after lights go off at 11:00 p.m....

“When work is finished, workers are forbidden from loitering in the cultural hall or front square.

“After 10:30 p.m., workers must go to the dorm to sleep. Workers are forbidden from remaining in the factory area, smoking, loitering or having a good time.

“Protect the grass and plants inside the factory [compound]; stepping on the grass is forbidden.

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KYE Recruits up to 1,000 Teenaged “Work Study” Students

To work 15-hour shifts making computer mice for
Microsoft and other companies

Management likes the young students because they are easy to manage and control. Also, when there are hundreds—even up to 1,000—work study students toiling in the factory, management is able to restrict its hiring to women aged 18 to 25, or at most 27. Management attempts to avoid hiring men unless they are high school students.

The “work study students” are recruited from technical middle schools across the country, including from Sichuan, Hunan, Shanxi, Chongqing and Guizhou provinces, often hundreds of miles from the factory.

The students have to pay a “placement fee” of 300 to 500 RMB (\$43.84 to \$73.16) to KYE management to secure a summer position. The majority of technical students work 2 ½ to three months at KYE before returning to school in mid-September.

However, some of the poorer students who may not graduate from middle school, let alone enter college, opt to remain working at KYE for up to six or even eight months before returning home to school. A few students stay on at the factory to become full-time workers.



All of the work study students are young, just 16 and 17 years old. However in 2007 and 2008, when production at the KYE factory was booming, it appears that some 14 and 15 year olds may have been illegally recruited from junior middle schools. We have no way to document this, but in reviewing dozens of pictures smuggled out of the factory, there do appear to be child workers. Moreover, a senior observer at the factory estimated that 80 to 100 of the students were indeed just 14 or 15 years old.

The work study students did not have an easy time at KYE. They were forced to stay for 15-hour shifts, while actually working 12 hours a day, seven days a week. Even if there was not enough work to fill 12 hours, the students were kept in the factory doing janitorial work until their shift was over. In 2007 and 2008, very credible observers confirmed that the students were forced to work seven days a week and were only allowed off on mandatory

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holidays. Otherwise, if they wanted a day off, they had to apply for a personal leave day.

These hours and conditions are blatantly illegal. **Under China's laws, fourteen and 15 year-olds may not work, while 16 and 17-year-olds are classified as "non-adult" workers, who cannot work more than eight hours a day.**

The situation for the work study students changed—slightly for the better—after the recession hit China. In 2009, no 14 or 15-year-olds were hired. Though 16 and 17-year-olds were still forced to work 12 hours a day, they now receive one day a week off, on Sundays.

From the photographs you can see how exhausted the work study students were, as they immediately fell asleep during their ten-minute breaks, slumping over to rest their heads on the assembly line.

Factory management knew what it was doing was illegal. When management was alerted ahead of time of time that there was going to be a local government inspection, all the work study students under 18 years of age were gathered in the courtyard where they would board buses to be taken to another location and held until the inspection was over.



There was mostly likely at least some corruption on the part of the children's school teachers who arranged their placement and signed the agreement with factory management. In 2007 and 2008, we heard that the teachers gave the students \$30 a month in spending money, and it was only when they left the factory that they received their outstanding wages. It is unclear that they were paid all of the regular and overtime wages due them. Some students thought they were paid just half of what the "older" workers earned.

In 2009, the students say they were paid correctly.

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Company Dorms: *After completing an exhausting 15-hour shift, the young workers return to primitive overcrowded dorm rooms, which provide no relief.*

Each dorm room, approximately 14 by 23 feet in size, houses 14 workers sleeping on narrow double-level bunk beds just 27 ½ inches wide. Factory management does not provide any bedding, so workers must purchase their own mattresses or mats; otherwise they sleep right on the plywood. There is no television, phone, air conditioning or electrical outlet. There are just three ceiling fans, which the workers say provide no relief during the long, hot and humid summers. In fact, in 2007 and 2008, many workers fled their rooms, escaping to the roof where they slept on newspapers. The only other piece of furniture in the room is a storage cabinet where each worker had a small locker for his or her personal belongings.

Many of the workers said that with 14 people in the room, snoring is a real problem. Sometimes, it is very loud and workers either have to learn to live with it or suffer in silence.

For the approximately 300 people on each floor, there are two public restrooms, one on either end of the floor, each with ten bathroom stalls; ten sinks with cold water; five cold water spigots where workers can wash their clothes by hand; and three hot water spigots where workers fetch hot water in a small plastic bucket to take a sponge bath. Workers wanting to charge their cell phones have to go to the “electrical charging room” on the first floor of building “F” during the regulated hours.

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Dorm lights are automatically shut off at 11 p.m.

In the giant KYE Systems Corp. compound, housing KYE, XYE, JYE, CYE factories, there are six dormitories—two for management and four for workers.

Single workers are not permitted to live outside the factory compound. Even married couples can only opt out of the dorms after six months, and even then they must provide their marriage certificate and their landlord's ID card and fill out an application.

Factory cafeteria food: Workers say the food is “terrible.”

This is how one worker described the cafeteria's food: *“Breakfast is just a steamed bun with some rice gruel. It is not enough to fill our stomachs. After three hours on our shift, we are starving. There is no real meat served for lunch or dinner. There are only small pieces of meat mixed into the vegetables. The food tastes awful and completely takes away our appetite.”*

Lunch and dinner consist of three entrees—each the size of one ice cream scoop—and soup. All the workers complain that the food is “very low quality” and that the cafeteria does not cook with enough oil.

Otherwise, the workers report that the cafeteria is “moderately hygienic.”

Workers pay out of their pocket for meals using a meal card. Workers who purchase a meal card for 30 days pay 208 RMB (\$30.43) or 216 RMB (\$31.60) for 31 days. Workers who purchase the monthly food plan are rewarded with two free “treats” each month, usually a piece of fruit or a chicken leg.

Cafeteria management prohibits workers from throwing food out.

Many workers would like to eat outside the factory, but they are not allowed to wear their uniforms outside the KYE compound, and they do not have enough time to change their clothes, leave, eat, and change back into their uniforms again.

Though the food costs seem small enough, it reduces the workers' take home wage in 2010 from 65 cents an hour to just 52 cents an hour.



China's Youth Meet Microsoft

China's factory workers are trapped with no exit

The National Labor Committee asked two long term observers of KYE what was preventing China's over 112 million migrant factory workers from winning their rights.

"Across China there is a general scorn for workers and worker rights," the first observer told us. "Workers have no power to protect themselves and management can treat them however they want. Management has grown accustomed to mistreating the workers, and the workers expect to be mistreated, and barely give it a thought."

Regarding KYE factory:

"Many of the workers here are fresh out of school. They come from relatively backward villages and have not received much information about the real world. Many of them do not know what's going on in society. Nor do they have any understanding of politics or their rights. The education tells them that Chinese people are happy and content and that foreigners live in war and corrupting capitalism."

"Once at the KYE Factory, most of the young workers quickly become aware that they have no future if they stay at this factory. The only way they can cope is to be satisfied with the status quo and to just do enough to muddle through without being fired. Most work for six

months to a year before they leave. Their time at the factory could be considered as a process of coming to understand society.

"Turnover at this factory is very high, and they are constantly looking for new workers."

"As management rarely gives workers permission to leave, they are cheated right up to the end. When workers flee the factory, they lose the 15 days' wages that management withholds each month."

Asked if workers could fight back, a second observer noted:

"Workers have no idea what is going on. Take the new contract law. They have no idea how to ask for legal arbitration or to settle issues at work. Workers are also afraid that factory management will take revenge on them if they try to challenge management. So they stay silent for the sake of safety. Also, workers are desperate for money, so they can't take risks."





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“Workers know that the factory isn’t treating them fairly, and that management does not see them as human beings, let alone respect them. Yet, the overwhelming number of workers believe there is no way out.”

“What is worse is that most workers think this is just the way things are. They have to work so many hours there is no way for them to grow and enrich the quality of their minds, feelings and lives.”

State and Corporate Factory Audits are a Complete Failure, Leaving China’s Workers in a Trap with no Exit

Consider for example, a rare local government audit of the KYE factory which happened in 2008. Though the audit was supposed to be unannounced, someone in KYE management was alerted with sufficient time to round up the hundreds of workers who were under 18 years old. As you can see in the picture below, the young workers were instructed to gather in the factory courtyard so they could be bused to another location, where they would wait out the state audit and then return to work.

Corporate audits of the KYE factory by Microsoft and other high tech companies have also failed miserably over the last several years. At the KYE factory the process of preparing for monitoring visits is somewhat subtle. Management instructs the workers to “answer the clients’ questions very carefully.” They should say they never work more than 12 hours a day and overtime is less than 36 hours a month. Workers are told to respond they are “very satisfied” when asked about working conditions, their dorms and meals. To make this sound even more “authentic,” workers are told to “spontaneously” mention other factories where they had worked in the past, where conditions were “awful.” They are more “hopeful” now that that they are working at KYE.

We asked if factory management has to openly threaten workers to lie. The answer was no. As the workers put it: “They don’t have to, as workers get it and know what is going on. Those who break ranks are fired. Workers have heard of others being fired for speaking truthfully. Among themselves, workers talk about this. They know not to tell the truth.”

The workers did tell us that Microsoft representatives have visited and walked through the KYE factory, always accompanied by mid and high-level managers. On these walk-throughs, U.S. company representatives hardly ever speak to the workers.





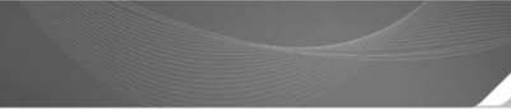
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What KYE Says Is Often Not What KYE Does

“KYE is committed to act as a socially responsible company...we fully comply with the laws...to ensure...that workers are treated with respect and dignity...humane treatment...worker feedback and participation...”

3/19/2010

無標題文件



KYE SER Commitment

KYE is committed to act as a socially responsible company in our global community. This means that we will fully comply with the laws, rules and regulation of the countries in which we operate. We refer to the Electronic Industry Code of Conduct standards to ensure that working conditions in our factories and supply chain are safe, that workers are treated with respect and dignity, and that manufacturing processes are environmentally responsible.



➤ **The labor standards contain the following elements:**

1. Freely Chosen Employment
2. Child Labor Avoidance
3. Working Hours
4. Wages and Benefits
5. Humane Treatment
6. Non-Discrimination

➤ **The health and safety standards contain the following elements:**

1. Occupational Safety
2. Emergency Preparedness
3. Occupational Injury and Illness
4. Industrial Hygiene
5. Physically Demanding Work
6. Machine Safeguarding
7. Dormitory and Canteen

➤ **The environmental standards contain the following elements:**

1. Environmental Permits and Reporting
2. Pollution Prevention and Resource Reduction
3. Hazardous Substances
4. Wastewater and Solid Waste
5. Air Emissions
6. Product Content Restrictions

➤ **The management system contains the following elements:**

1. Company Commitment
2. Management Accountability and Responsibility
3. Legal and Customer Requirements
4. Risk Assessment and Risk Management
5. Performance Objectives with Implementation Plan and Measures
6. Training
7. Communication
8. Worker Feedback and Participation
9. Audits and Assessments
10. Corrective Action Process
11. Documentation and Records

➤ **The Ethics contain the following elements:**

1. Business Integrity
2. No Improper Advantage
3. Disclosure of Information
4. Intellectual Property
5. Fair Business, Advertising and Competition
6. Protection of Identity
7. Community Engagement

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WAGES—Below-subsistence level wages: 56 cents an hour (2006-2007) and 65 cents (at date)

Besides being set at below-subsistence levels, regular and overtime wages at the KYE Factory are largely paid correctly. Effective take home wages—after factory deductions for food—were **43 cents** an hour in 2006-2007 and **52 cents** an hour to date.

The legal minimum wage in Dongguan City in the South of China where the KYE Factory is located was set at 690 RMB per month from September 2006 through March 2008. In 2008, the exchange rate was 7.11 RMB to \$1.00 US.

56 cents an hour wages (September 2006-March 2008)

- 56 cents an hour
- \$4.46 a day (eight hours)
- \$22.39 a week (40 hours)
- \$97.03 a month
- \$1,164.39 a year

The effective take-home wage for the KYE workers was 43 cents an hour, after deductions for food, which averaged \$1.20 a day.

Weekday overtime was paid correctly at a 150 percent premium, or 84 cents an hour, as was weekend overtime, paid at double time, or \$1.12 per hour.



In April, 2008, a new minimum wage of 770 RMB per month (\$112.67) went into effect. With the current exchange rate at 6.8344 RMB to U.S. \$1.00, the new minimum wage is 65 cents an hour. After deductions for food, KYE workers take home 52 cents an hour and \$4.16 for an eight-hour day.

65 cent an hour wages (April 2008 to date)

- 65 cents an hour
- \$5.18 a day (eight hours)
- \$25.99 a week (40 hours)
- \$112.67 a month
- \$1,352.00 a year

Overtime wages continue to be paid correctly. Weekday overtime is paid at **\$1.01** per

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hour (four cents above the legal rate); while weekend overtime is **\$1.35** and overtime on holidays is paid at **\$2.03** per hour.

Working up to **90** hours a week before the recession, including a staggering **50 hours of overtime**, workers reported earning between 1,300 to 1,700 RMB per month. Depending upon their skill level and job category, workers were earning \$43.90 to \$57.40 a week and \$190.21 to \$248.74 a month.

By the end of 2009, with the recession behind them and orders again growing, workers report earning 1,200 to 1,500 RMB per month (\$175.58 to \$218.48) including overtime. For the 68-hour workweek workers were earning \$40.52 to \$50.65.

It is not that there are no wage violations at the KYE Factory. Especially in 2007 and 2008, if workers failed to reach mandatory production quotas (set by management), they had to remain working without pay until they did so. Moreover, fines were also common. If workers made mistakes or did not follow strict production guidelines, the entire product line could be fined.

Management also illegally withholds two weeks wages from the worker, and since it is almost impossible for workers to receive permission from management to leave, when they do flee, they generally forfeit two weeks of their wages.

By far the largest issue regarding wages is that China's manufacturing workers, even at high tech electronic factories such as KYE, cannot possibly survive on the legal minimum wage. It is common for overtime to account for more than 60 percent of their total earnings.

"As things stand now," workers at the KYE factory told us, they have *"absolutely no hope of entering the middle-class."* To be a worker at KYE means you must learn to eke out a primitive existence, working enormous



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hours while earning below-subsistence level wages, and having no access to the most fundamental human or labor rights protections.

Hours (pre-recession, 2007-2008):

- Workers routinely at the factory 97 hours a week.
- Mandatory 15-hour shifts, 7:45 a.m. to 10:55 p.m.
- Three days off a month.
- Toiling 40 ½ hours of overtime each week, which exceeds China's legal limits by 388 percent.
- Workers must arrive 15 minutes early and stay 15 minutes late—unpaid—to perform military-like drills, listen to lectures by the foreman and clean the factory.

China's Recession: When discussing hours and wages at the KYE factory it is necessary to differentiate between pre-and-post recessionary periods. Following the collapse of Lehman Brothers, China's economy entered a serious recession beginning in October 2008. In the last quarter of 2008 alone, the government of China estimates that six-and-a-half to nine million migrant factory workers lost their jobs. The recession continued through the first quarter of 2009, but by June the KYE factory started hiring again. Workers report that the factory is returning to near normal, but it has still not reached the pre-recessionary peaks of 2007 and 2008.

With upward of 5,000 workers, to control crowd flow, the KYE factory staggers its shifts, which begin at 7:15 a.m. 7:30 a.m. 7:45 a.m. and 8:00 a.m. The standard shift was 14 hours 40 minutes in duration, with the 8:00 am shift stretching to 10:40 pm.

14-hour 40 minute shift

- | | |
|----------------------|---|
| 8:00 a.m.—12:10 p.m. | (Work, 4 hours, with one 10-minute break) |
| 12:10 p.m.—1:40 p.m. | (Lunch, 1 ½ hour break) |
| 1:40 p.m.—5:50 p.m. | (Work, 4 hours, with one 10-minute break) |
| 5:50 p.m.—6:20 p.m. | (Supper, 30 minutes) |
| 6:20 p.m.—10:40 p.m. | (Overtime, 4 hours, with one 10-minute break) |

As the workers typically had three days off a month, and were working on average 6.25 days a week, this means they were **at the factory 92 hours a week**, while actually toiling **75 hours**.

However, the workers report that this was only part of their real working hours. Three nights a week on average, they were kept working to 11:00 p.m. or midnight for at least an additional 50 minutes, totaling another two-and-a-half hours a week.

At least four times a month, they were forced to stay until 12:30 a.m. to

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complete their work. This added another working hour per week.

It was also common, on average at least twice a week, for the workers to have to remain working through one hour of their lunch break, leaving them just thirty minutes to eat. This adds another two hours to their workweek. With this additional overtime—all of which is mandatory—the workers would be at the **factory 95 ½ hours a week, while actually working 80 1/2 hours.**

But there is more. The workers were required to arrive at least 10 or 15 minutes before their shift began to cue up to punch their time cards, to participate in military-like drills, and then, standing at the attention, to listen to the foreman talk about factory discipline and proper production methods. At the end of their shift, they had to stay another 10 or 15 minutes for more of the same, and also to clean their work stations. This time was unpaid, but it added another 20 minutes to half hour to their real workday and, conservatively, at least two hours a week. So the workers were actually at the factory over 97 hours a week while working over 82 hours.

Even if we use just the 80 ½ hours per week of actual work, this means the young workers were required to work 40 1/2 hours of overtime each week, which exceeds China's legal limit on permissible overtime by **388 percent**. The legal limit in China for overtime is 36 hours per month. For years, the KYE factory has blatantly and wildly violated China's legal restrictions on excessive overtime. (*40 1/2 overtime hours x 52 weeks = 2,106; 2,106 divided by 12 months = 175 ½ hours; 175 ½ hours - 36 permissible overtime hours = 139 ½ hours; 139 ½ hours divided by 36 hours = 3.875*).

The above is actually a low end estimate of how many hours the KYE workers toiled each week. In numerous interviews with the workers, they insisted that they worked a full 90 hours a week. The hours we are using above were the bare minimum.

The owner of the small stall outside the factory gate confirmed that throughout most of 2008 there were enormous orders at KYE and that the workers were consistently working overtime. The factory was also hiring more workers every single day.



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When the recession hit in October 2008 and orders plummeted, as many as 2,000 workers were laid off, and hours shrank for those workers remaining. However, by June and July 2009, production started to pick up, and the 3,000 or so workers are back to working the same 14.7-hour shifts, only this time, they have four Sundays off a month, and overtime is more or less voluntary. (However, in practice, overtime is still largely obligatory as no worker can possibly survive on the very low base wage of **56 cents** an hour in 2007—**65 cents an hour at present**.)

Currently workers are at the factory **83.2 hours a week while actually working 68 hours**, including **28 hours of overtime**. They work 12 hours a day Monday–through–Friday, and eight hours on Saturday. The 28 hours of overtime the workers routinely put in each week, still exceeds China's legal limit on permissible overtime hours by **237 percent**. Nor does this include the half hour a day of unpaid mandatory overtime to attend military-like drills and to clean the factory.

At the KYE factory, neither management nor the U.S. clients, such as Microsoft, have ever lifted a finger to comply with China's labor laws.

Is There a Union at the KYE Factory?

We asked this question of one of the most senior workers we could find at the KYE factory. His response was:

"I have never, in the whole time at the factory, ever heard anyone mention the word 'union'.

"For China, regional governments have made attracting foreign investment their top priority. If anyone tries to help workers fight back against the factory, it will definitely threaten the local investment-friendly environment. Local governments are more afraid of this than anything else.

"No one at the factory expects any change. As migrant workers we will continue to earn barely subsistence wages and our rights will always be limited."





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“The Six S’s”

The young workers are supposed to memorize “The Six S’s” so they can become better workers. On most mornings, supervisors drill the workers, making them repeat “The Six S’s.” Even though the workers are young—many just teenagers—they know this is ridiculous.

The Six S’s

Phase 1 - **Seiri** - Sorting: Separate what you need and what you do not. Separate what you rarely use with what you do not use. Set aside the things you rarely use.

Phase 2 - **Seiton** - Straightening or Setting in Order: Arrange the tools, equipment and parts that you have sorted in an appropriate way.

Phase 3 - **Seiso** - Sweeping or Shining or Cleanliness: The work environment must be thoroughly cleaned and sources of pollution or uncleanness must be stopped.

Phase 4 - **Seiketsu** - Standardizing: Sorting, Straightening, and Sweeping must be maintained at the same time.

Phase 5 - **Shitsuke** - Sustaining the discipline: Create good habits, obey each of the company’s regulations, do not violate company discipline.

Phase 6 - **"Safety,"** Remove potential causes of accidents, eliminate hidden problems, maintain normal and safe production





China's Youth Meet Microsoft

POSTSCRIPT

by Charles Kernaghan

China Has Over 112 Million Manufacturing Jobs Workers Earn just 81 cents an hour—2.7 percent of U.S. wages.

Reliable sources for data on the number of manufacturing jobs and compensation levels in China are dated. However, Chinese government data does show that manufacturing jobs in China increased from **108.4 million** in 2005 to **111.6 million** jobs in 2006, an increase of 3.2 million manufacturing jobs in a single year. In that same period, total hourly compensation for China's manufacturing workers rose from **73 cents** in 2005 to **81 cents** in 2006.

This means that manufacturing wages in China amount to just **2.7 percent** of total compensation in the U.S., which averaged **\$29.98** per hour for manufacturing workers in 2006. So U.S. manufacturing wages were 37 times higher than manufacturing wages in China.

Source: "China's Manufacturing Employment and Compensation Costs: 2002-06," Monthly Labor Review, April 2009.

Currency Manipulation in China is not the only Trade Distortion

The Peterson Institute for International Economics estimates that China's currency, the Renminbi (RMB) is *undervalued by between 20 and 40 percent*. Paul Krugman wrote in the New York Times (March 15, 2010) that China's is the "*most distortionary exchange rate policy any nation has ever followed.*" China's artificial manipulation undervaluing the RMB acts as an export subsidy for China's manufacturers, at the same time artificially increasing the cost of imports.

Another trade distortion—surely as important if not much more so—is China's total suppression of internationally recognized human and worker rights standards. It is not by chance, and there is certainly nothing natural about it, that China's manufacturing workers are routinely forced to work grueling 12-plus hour shifts, six and seven days a week, often toiling under dangerous conditions, while earning just 65 cents an hour. There is nothing natural about their primitive living conditions or their total lack of rights.

China's manufacturing workers have no voice, no democratic freedoms, and certainly no freedom of association, right to organize or collectively bargain. China's migrant workers have no religious freedom or even freedom of movement.

If it walks like a duck, sounds like a duck and looks like a duck—we should have the guts to call it a duck. China's manufacturing workers are imprisoned in a trap, with no way out.

China is now the largest exporter of manufactured goods in the world. If we accept the notion that repression and lack of freedom is a natural and accept-



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able condition for China's more than 112 million manufacturing workers, then there is no way out of the Race to the Bottom.

On the other hand, if we believe that fundamental human rights, labor rights and democratic freedoms are inalienable rights worth struggling for, we should hold our trading partners legally accountable to uphold fair trade standards.

\$213 Billion U.S. Trade Deficit with China in Advanced Technology Products in the last three years

<u>Year</u>	<u>U.S. Exports to China</u>	<u>China Exports to U.S.</u>	<u>U.S. Trade Deficit</u>
2009	\$ 17,205,250,000	\$ 89,698,561,000	- \$ 72,493,311,000
2008	\$ 18,732,639,000	\$ 91,392,865,000	- \$ 72,660,226,000
2007	\$ 17,205,250,000	\$ 89,698,561,000	- \$ 72,493,311,000

**U.S. Trade Deficit in advance technology products, last three years:
- \$212,826,490,000**

Source: U.S. Census Bureau, Foreign Trade Statistics

\$1.75 Trillion U.S. Trade Deficit with China over the last 10 years (2000 – 2010)

<u>Year</u>	<u>U.S. Exports to China</u>	<u>China Exports to U.S.</u>	<u>U.S. Trade Deficit</u>
2009	\$ 65,576,000,000	\$ 296,402,100,000	- \$ 226,826,100,000
2008	\$ 69,732,800,000	\$ 337,772,600,000	- \$ 268,039,800,000
2007	\$ 62,936,800,000	\$ 321,442,900,000	- \$ 258,506,000,000
2006	\$ 53,673,000,000	\$ 287,774,400,000	- \$ 231,101,300,000
2005	\$ 41,192,000,000	\$ 243,470,100,000	- \$ 202,278,100,000
2004	\$ 34,427,800,000	\$ 196,682,000,000	- \$ 162,254,300,000
2003	\$ 28,367,900,000	\$ 152,436,100,000	- \$ 124,068,200,000
2002	\$ 22,127,700,000	\$ 125,192,600,000	- \$ 103,064,900,000
2001	\$ 19,182,300,000	\$ 102,278,400,000	- \$ 83,096,100,000
2000	\$ 16,185,200,000	\$ 100,018,200,000	- \$ 83,833,000,000

U.S. Trade Deficit with China, ten-year total: - \$ 1,746,067,800,000

Source: U.S. Census Bureau, Foreign Trade Division



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2.2 Million U.S. Manufacturing Jobs Lost In the last 26 Months

Since the recession began in December 2007, U.S. manufacturing jobs have plummeted from **13,726,000** to just **11,550,000** in February 2010, a decline of **2,171,000**, or **15.8 percent**, in manufacturing jobs.

In the last ten years, U.S. manufacturing jobs fell from **17,292,000** in January 2000 to **11,554,000** in January 2010, for a loss of **5,738,000** –**33.2 percent**—of manufacturing jobs.

Source: Bureau of Labor Statistics, U.S. Department of Labor

A Strange Thing Happened

When the authoritarian government in China proposed minor labor rights improvements for China's workers... Microsoft and other U.S. companies fought to block them!

In 2007, the Government of China proposed several minor reforms to China's labor contract law:

- All workers to have the right to a signed contract;
- Probationary periods to be limited to one to six months, and temporary workers to be given permanent status after one year;
- Severance to be paid to workers whose contracts are not renewed;
- Workers to be given 30 days notice of layoffs, which are to be carried out on the basis of seniority;
- Workers to have the right to discuss the contract with management, regarding workplace and health and safety issues.

The new contract law continues to outlaw the workers' right to form an independent trade union, popularly elect union leaders, or strike.

One would have thought that Microsoft would have enthusiastically supported these very limited improvements as a first step toward government recognition of internationally recognized worker rights standards.

In fact, it was quite the opposite. Microsoft, Hewlett-Packard and other U.S. companies remained silent as the **American Chamber of Commerce** in China—to which they belong—threatened the totalitarian government of China that the new contract law would hurt China's workers, negatively impact on China's investment environment and lead to mass layoffs.

"We believe it might have negative effects on China's investment environment" and may "reduce employment opportunities for PRC [People's Republic of China] workers."

Microsoft (China) Co. Ltd. and **China Hewlett-Packard Co. Ltd.** both outsource production to the KYE factory in Dongguan and both belong to the **American Chamber of Commerce in China.**

SWEATSHOP GOODS ARE NOT CHEAP!

Purchased at Target: \$42.62!



Purchased in Wal-Mart: \$83.00!

MADE IN CHINA AT THE KYE FACTORY

THE NATIONAL
LABOR COMMITTEE
PUTTING A HUMAN FACE ON THE GLOBAL ECONOMY