

# Report documents abuse of Chinese workers at Foxconn supplier plant for Amazon

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A comprehensive new report released Sunday by the New York-based labor rights watchdog China Labor Watch (CLW) has shed new light on the barbaric and illegal practices that Amazon employs to boost its profits by driving down production costs on the backs of factory workers at the company's electronics assembly plants in China.

The report, titled "Amazon Profits from Secretly Oppressing Its Supplier's Workers," is the culmination of interviews and documentary evidence collected between August 2017 and April 2018 by a team of investigators dispatched to Foxconn's Pioneer Park 2 facility in the Chinese city of Hangyeng, located in the southern Hunan Province.

Workers at Foxconn Pioneer Park 2 manufacture Amazon's Kindle tablets and Echo smart speakers. Investigators uncovered a variety of abuses at the factory—many of which are illegal even under China's lax labor laws—including rampant wage theft, fraudulent benefits schemes, dangerous working and living conditions and the extensive use of subcontractors to illegally subvert Chinese law and the basic rights of its workers.

## Abuse of Dispatch Workers

The CLW report reveals that approximately 40 percent of the workforce at Amazon's Hangyeng production facility is comprised of so-called "dispatch workers" hired through several different labor subcontractors.

In China, "dispatch workers" are employees who typically operate under one-year contracts and receive slightly higher wages but enjoy almost none of the rights enjoyed by other workers, such as paid leave and protection against layoffs and termination. In 2014, the Chinese government imposed a 10 percent cap on the proportion of a company's workforce that may be comprised of dispatch workers. The report thus indicates that the number of dispatch workers at the factory exceeded the legal limit by roughly four times.

Investigators also found that dispatch workers at the Hangyeng facility were often not provided a copy of their signed contract, even when requested. One worker told the undercover CLW investigator that when asked for a copy of the contract, an administrator for the Qizhong dispatch company responded that, "the labor contract had no legal merit to it and would not give the signed contract to the worker."

## Poverty Wages and Wage Theft

Foxconn guarantees dispatch workers a minimum wage of 3,700 RMB (\$578) per month, but payslips revealed that income for neither dispatch

nor regular workers even came close to that number. All workers at the factory are paid at a starting rate of 14.5 RMB (\$2.26) per hour, including an attendance bonus of 1 RMB (\$0.16) per hour. If a worker is absent for two or more days in a single month for any reason, including illness, or is late to work twice in a month, his or her hourly wages for the entire month are reduced by 1 RMB to 13.5 RMB (\$2.11).

Workers are required to arrive 10 minutes early but are not compensated for that time. Workers must also wait in line to be searched on their way out of the factory, time which is likewise uncompensated.

Over the course of the investigation, which coincided with the factory's off-season, regular workers earned an average monthly wage of 2,000 RMB (\$315.79). During the same period, dispatch workers were paid an average 2,500 RMB (\$394.74) per month, with the slightly higher earnings reflecting the lack of social insurance offered to dispatch workers.

As a result of these poverty-level wages, dispatch workers are forced to work excessive amounts of overtime to make ends meet. This reliance on additional hours creates a system in which managers grant overtime as a reward for good behavior and restrict it, as well as normal hours, as a punishment for alleged "misdeeds" such as illness, tardiness, or needing to take unexpected leave. Meanwhile, regular workers at the factory were not allowed to take overtime, making it next to impossible for them to survive on their low wages and leading many to resign.

During peak season, workers are forced to work up to 100 hours of overtime each month, which is nearly three times China's maximum of 36 overtime hours that may be worked in a month. Dispatch workers worked as many as 80 hours of overtime during the period covered in the report.

Dispatch workers at the factory are paid the same base wage of 14.5 RMB per hour for both regular and overtime hours. Both Chinese law and Amazon's Supplier Code of Conduct require workers to be paid an overtime rate of 1.5 times the normal hourly wage.

## Benefits, Attendance, and Unpaid "Vacations"

Regular workers are allowed paid sick leave if they provide medical documentation of their illness, in which case they are entitled to 80 percent of wages for the days they miss. However, workers at the Hangyeng plant reported in chat groups that for taking a single day of leave, including sick leave, their earnings were reduced by the equivalent of three days' wages.

Regular workers are also offered China's "five social insurances," which includes medical, old-age, unemployment, maternity, and workplace injury insurance. As a result, their wages are reduced by 400 RMB (\$62.44). However, regular workers reported that they never received any confirmation of coverage and had to pay all medical

expenses out-of-pocket, so the actual reason for these deductions is unclear.

Dispatch workers at the plant are not provided any social insurance coverage, in violation of the 2014 law governing dispatch workers, which explicitly requires that dispatch agencies register their workers for social insurance and make social insurance contributions. However, dispatch agencies deducted wages for what they claimed was “accident insurance,” though no confirmation of enrollment was provided and the agency refused to tell workers what was covered under this supposed “insurance.”

During off-peak season, dispatch workers are often sent on involuntary “vacations,” during which they receive no pay, effectively rendering them unemployed to reduce wage expenditures. Between April 25 and the end of May this year, almost 800 workers were sent on unpaid “vacation,” around 700 of which were dispatch workers. Between January 11 and February 26, workers reported that 3,000 workers were forced to go on leave, of which 90 percent were dispatch workers.

### **Dangerous Working Conditions**

On top of woefully inadequate wages and benefits schemes that range from fraudulent to nonexistent, workers at Amazon’s Foxconn Pioneer Park 2 electronics assembly plant in Hangyeng are forced to endure conditions that are intolerable and dangerous even by Chinese standards.

Workers must ask permission from their line supervisor to use the restroom, and temperatures in the factory were frequently 5 degrees Celsius (9 degrees Fahrenheit) higher than the outside temperature. Additionally, workers are not provided with any personal protective equipment (PPE) or informed of the risks posed by chemicals and equipment with which they work on a daily basis.

While regular workers at the plant are given five days of job training prior to assuming normal duties, dispatch workers are provided only eight hours of advance training, which does not include information specific to their assigned units. Thus, workers are aware of neither potential dangers specific to their roles, nor steps to take in order to avoid injury or detrimental health effects. This represents yet another direct violation of Chinese law, under which workers must undergo at least 24 hours of training before assuming normal functions.

The unsafe working conditions produced by this lack of training and protective equipment are further exacerbated by constant exhaustion among dispatch workers resulting from working so many hours.

In journal entries, an undercover China Labor Watch investigator, who was tasked with brushing Echo Dot speakers, described the toll that long hours spent performing monotonous, repetitive work took on herself and her coworkers.

In one entry, she writes: “Many people were resting on the assembly line and sleeping, while others had pushed together some chairs and were sleeping on those. Some had even stacked together some foam boards and slept on top of them.”

“The woman across from me said that she had been brushing for so long that her hand was growing numb, her neck was sore, her eyes couldn’t see clearly, and her vision was getting worse,” the investigator wrote.

Another woman had to be rushed to the hospital after complaining of stomach pain that eventually left her doubled over, forcing her to lay down and preventing her from standing. The Amazon assembly plant has neither a medical clinic, trained personnel to provide aid, nor emergency first aid kits.

### **Squalid and Unsafe Living Quarters**

Both regular and dispatch workers at Foxconn Pioneer Park 2 are provided housing at a cost of 110 RMB (\$17) per month. Workers are crammed into the dormitories lacking basic safety equipment and emergency plans.

Regular workers are told during recruitment that they would be living in apartment buildings with a wide variety of amenities, including the ability to borrow cleaning equipment from the building manager rather than buying their own.

In reality, however, workers are housed in poorly-maintained facilities with leaking roofs and crumbling sinks. When workers asked about borrowing cleaning supplies, building managers informed them that they would have to purchase such items themselves. While Wi-Fi worked in the dorms initially, workers reported that they were unable to connect to the Internet at any point during the investigation.

Dispatch workers are housed by their respective agencies with six workers occupying each room. There are no emergency exits in the dorms for either regular or dispatch workers. The dorms also lack first aid kits, fire extinguishers, and even an emergency evacuation plan, making them death traps in the event of a fire or other major emergency.

### **Conclusion**

In a letter to Amazon CEO Jeff Bezos, CLW Executive Director Li Qiang laid out the investigation’s main findings, noting that what the organization found, “violates Chinese labor law. Foxconn uses a large number of dispatch workers and violates workers’ interests via these dispatch companies. This practice, in and of itself, is unethical and illegal.”

Amazon was in fact well aware of the criminal conditions that prevail at the Hangyeng assembly plant, admitting that an independent audit conducted in March revealed the excessive number of dispatch workers as well as the underpayment of overtime.

Far from being “issues of concern,” as the company claims, these were deliberate policies employed by Amazon to boost its profits through Foxconn, the notorious Taiwan-based manufacturer that gained notoriety following revelations that 14 workers at the company’s Shenzhen Apple assembly plant committed suicide in 2010 as a result of the long hours, poor pay, and barbaric conditions workers were forced to endure.

However, Sunday’s CLW report revealed a level of exploitation far exceeding that which drove those workers to death in 2010 and sparked a worldwide backlash against Apple. The choice of Hengyang as a base of operations, rather than larger industrial cities with superior infrastructure and port access such as Shenzhen or Shanghai, was made due to its status as a low-wage hub with a minimum wage of little more than 1,200 RMB (\$186) per month.

The 14.5 RMB hourly wage at the Amazon Hengyang is nearly one-third lower than the legal minimum wage in Shenzhen (19.5 RMB) and Shanghai (20 RMB). Moreover, wages for both regular and dispatch workers in the factory were less than half the average monthly wage of 4,647 RMB (\$725.22) earned by workers in Hengyang. According to the Asia Wage Floor Alliance, the living wage for China as a whole is over 23 RMB per hour.

Amazon, which made \$3 billion in profit last year and whose CEO Jeff Bezos is the richest man in the world with over \$120 billion in assets, relies on the ever-deepening exploitation of its warehouse, manufacturing, and delivery workers around the world to produce and deliver its products

as cheaply and quickly as possible. The technological and logistical advances that Amazon has created must be brought under the democratic control of the international working class in order to reallocate these immense resources to meet human need, not private profit.



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