Breaking the Mould: Germany's Supply Chain Act as a New Approach to Global Labour Rights Accountability

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Executive Summary

This CLB report examines critical labour rights violations within the Chinese supply chains of multinational companies, with a special focus on German firms accountable under Germany's pioneering Supply Chain Due Diligence Act. The Act represents a groundbreaking shift in corporate responsibility, setting a new standard for global business practices by requiring companies to identify, assess, and address human rights and environmental risks within their supply chains.

CLB's thorough investigations have uncovered severe labour abuses, such as excessive working hours, unsafe conditions, and suppression of worker activism, in the Chinese supply chains of multinational firms. This report examines nine recent case studies from China's manufacturing sector, exhibiting both the potential and the challenges of enforcing high labour standards on an international scale. Some German firms, such as Volkswagen, have responded to CLB's inquiries by acknowledging violations and committing to improvements—offering a glimmer of hope for the future. Others, however, have been reluctant to engage, and acknowledge the rights abuses occurring in their supply chains. This underscores the significant gaps that remain in ensuring true corporate accountability, and protecting labour rights in global supply chains.

This report also serves as an important call to action for companies beyond the reach of the German Act. It underscores the need for similar legislation in other countries around the world, while also reinforcing the ongoing relevance of corporate social responsibility (CSR) guidelines as a secondary safeguard. The German Supply Chain Due Diligence Act has raised the bar, however, by demonstrating that robust national legislation can make an impact on global supply chains. It begs the question of whether CSR codes and promises alone, while important, are truly enough to protect workers in global supply chains or if stronger, legally binding measures are necessary to make meaningful changes for workers around the world.

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Introduction

When the German Supply Chain Due Diligence Act came into force in January 2023, it set a new standard in the realm of corporate social responsibility. This groundbreaking legislation requires German companies to identify, assess, prevent, and address human rights and environmental risks within their supply chains. The Act has raised the standards for major global brands, China Labour Bulletin (CLB) has responded by placing a spotlight on their Chinese supply chains. CLB's decades of experience monitoring China's labour rights situation has identified worker protests in the supply chains of recognizable multinational brands, including Volkswagen, Apple, Nokia and others. Through its research and interviews with workers, local Chinese trade unions, and company representatives, CLB has sounded the alarm bell on potential violations of the Supply Chain Due Diligence Act for German brands, and of the most basic CSR codes for multinationals.

While this uncovers a litany of labour rights violations, the cases examined below uncover a common worrying trend: an over-reliance on overtime and the absence of a real living wage. For years, Chinese suppliers of multinationals have offered low basic wages to workers, forcing workers to rely heavily on overtime hours to make ends meet. After working overtime hours, a worker's base pay may account for 30-60 percent of their total monthly salary, according to CLB investigations and interviews with manufacturing workers in our original Chinese report on these cases.

But amidst falling demand and changing business plans, suppliers have turned to slashing working hours, and pushing workers to resign and avoid legal severance payments. In other cases, workers forced to work excessive overtime hours have been pushed to exhaustion or even death.

These threats to workers' livelihoods have led to strikes, protests, and other forms of factory unrest. Their actions have also unveiled a litany of other labour rights violations, including worker intimidation, underpayment of social insurance, and suppression of union organisation freedoms, all of which are explicitly prohibited under the German act, as well as other multinationals with CSR pledges highlighted in this report, like Apple, Nokia, and Logitech.

Most notably, cases like Qiao Feng and Aleph in this report illustrate the potential for collaboration between the world's most advanced CSR standards, such as those embodied in the German Supply Chain Due Diligence Act, and the rigorous supply chain research conducted by CLB. This synergy presents a powerful opportunity to drive meaningful improvements in global supply chains. For example, firms like Volkswagen have engaged with CLB's inquiries concerning worker demands, acknowledging violations by their suppliers under Germany's Supply Chain Due Diligence Act. These interactions not only represent a significant victory for the Act but also pave the way for enhanced cooperation between national CSR policies, corporations, and civil society organisations to address and rectify labour rights issues effectively.

This report turns the spotlight on the supply chains of companies that claim to uphold the highest supply chain standards and values in the world, most notably Germany's landmark Supply Chain Due Diligence Act. Since its enactment, however, rights violations in multinational suppliers throughout China have sounded the alarm, demanding action and compliance with the stringent requirements of the law. In the cases described below, CLB, through its own documentation, interviews, and investigative research, has provided detailed information on these allegations, which are strong enough to oblige firms and the government to act.

These practices highlight the systemic issues within these supply chains that the German Supply Chain Due Diligence Act seeks to address:

- Section 2 (2) No. 6 - Freedom of Association:
    - Violations include suppressing workers' rights to form to form representative bodies and bargain collectively, and to join unions.
- Section 2 (2) No. 8 - Adequate Living Wages:
    - Companies have failed to pay an adequate living wage, forcing workers to rely heavily on overtime to meet basic income needs. Unauthorised wage deductions and withholding of wages were also common, violating the principle of ensuring adequate compensation.
- Section 2 (2) No. 11 - Use of Security Forces:
    - The deployment of security personnel to intimidate, particularly in the case of automotive supplier Aleph below, and control workers during strikes and protests, has led to hostile and unsafe working environments, violating the prohibition against harassment, abuse, and violence.
- Section 8 - Complaints Procedure:
    - Companies have ineffective or non-existent complaints procedures, preventing workers from raising grievances, undermining the Act's requirement for accessible and transparent mechanisms for workers to report violations.

CLB is not only investigating these violations where they occur, but it has also made contact with the implicated firms and the multinationals affected by their supply chain practices. CLB will continue to press stakeholders to uphold the letter of national laws, like the German Supply Chain Act, and the codes of conduct of the involved companies. The cases below are ongoing, providing firms the opportunity to fulfil their high promises and rectify the identified violations.

Part 1 of this report explores cases within the supply chains of German firms, and the implications for those firms under the German Supply Chain Due Diligence Act. Part 2 unveils similar cases at other multinationals, at globally recognized brands. CLB has uncovered that the firms involved are often members of CSR accountability bodies, or supply chain certification organisations, that oblige brands to follow up on violations. They also serve as a call to action for citizens, civil society and policymakers in other countries to follow the example set by the German Supply Chain Due Diligence Act, and open up new vistas for the enforcement of global labour rights through bold national legislation.

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Part 1: The German Supply Chain Act in Action

The following cases highlight how companies that are clearly in the supply chain of German multinationals have violated the principles set forth by the German Supply Chain Due Diligence Act, and how global brands chose to respond to CLB's inquiries. Through detailed case studies, we explore how practices such as excessive working hours, manipulation of wage structures, and failure to provide adequate compensation have severely impacted workers, and pushed them to collective action.

Chongqing Huguang Automotive Electrical – temp workers left hung out to dry

In late March 2024, a large number of temporary workers gathered outside Chongqing Huguang Automotive Electrical Co., Ltd., an auto parts supplier producing for German brands, to protest the factory's failure to arrange shifts, making it impossible to collect their bonuses. Videos from the scene showed that the protesting workers were "hourly workers" hired through labour agencies.

These agency workers had been promised "return fees", or bonuses, upon completing a certain number of working hours at Chongqing Huguang. However, just before the workers reached the required hours, the factory stopped assigning them shifts, leaving almost no one eligible to receive the promised bonuses. Protests at the factory gate led to police intervention, and clashes between workers and police. Workers took to social media to record the incidents, and to plead their case with Chinese netizens.

This abrupt change in working arrangements in March was not a one-off incident at Huguang, where mass hiring and firing of agency workers appears to be commonplace. On February 1, 2024, a labour agency released a video (link in Chinese) stating that 1,000 workers had left Huguang on that day. Then just days later, Huguang increased (link in Chinese) its workforce from 700 to 1,200 in a single day on February 11 to meet production demands during China's lunar new year festival.

Chongqing Huguang is a subsidiary of Jiangsu Kunshan Huguang Automotive Electrical Co., Ltd, and the parent company's website lists major German automotive manufacturers Volkswagen, Mercedes-Benz, and Audi as downstream clients for its wire harness products.

Image: Hourly workers confronting Chongqing Huguang management. Source: Douyin

The frequent surges and cuts to its workforce at Chongqing Huguang are linked to the company's reliance on labour agencies, and the promise of "return fee" bonuses. Workers are promised large bonuses if they continue to work at the factory for several months without quitting, under gruelling working hours and conditions.

According to company job ads and worker testimonies, agency workers were promised an hourly wage of 24-30 *yuan* and a return fee of around 4,000-6,000 *yuan*. However, workers reported that the actual hourly wage was only 21 *yuan*, and that they would be required to maintain full attendance for three months to earn the 24 *yuan* hourly rate. However, due to the incredible intensity of the work, few workers could last the full three months to earn the higher monthly wage. In social media discussions, workers reported (link in Chinese) that they had to stand for over 12 hours each day, and that taking sick leave resulted in wage deductions. In some cases, workers could hope to earn a "return fee" bonus if they could work for one month straight. However, as occurred in incidents in late March, the factory's failure to arrange shifts for them made it impossible for them to earn their bonuses.

CLB's investigation could not confirm whether Chongqing Huguang has a company union, but it found that the parent company, Kunshan Huguang, does have one. However, the union chairperson at Kunshan Huguang, Zhu Xueqing, is also the chair of the company's supervisory board (links in Chinese), indicating a conflict of interest and potential violations of China's Trade Union Law, and the Regulations on the Election of Grassroots Trade Union Organizations (link in Chinese). This conflict of interest likely impedes the union from addressing the long-standing issues faced by temporary workers at Huguang.

CLB has reached out to German automakers Volkswagen, Audi, and Mercedes-Benz. Audi responded, stating that the case had been referred to parent company Volkswagen's central investigation department. Following additional information provided by CLB, Volkswagen confirmed that the matter would be investigated further by their team.

Shenzhen Qiao Feng – retaliation against worker leaders

On March 17, 2024, a strike erupted at Qiao Feng Shenzhen, where workers manufacture plastic mould products for auto companies that include German brands. Workers blocked trucks at the factory gate, in protest of the company's relocation to the city of Heyuan, also in Guangdong province, but nearly 200 kilometres away. Workers demanded relocation compensation and the repayment of unpaid social insurance. Following the strike, CLB contacted the company's union and relevant government departments, and discovered that two worker leaders had been dismissed.

Since 2023, both the local government and Qiao Feng's management have publicly confirmed the company's relocation plans and capacity transfer. But when workers noticed the relocation of machinery without explanation from the company, they grew concerned about their job security, fearing reduced overtime or layoffs. They demanded clarity and compensation if the factory was indeed relocating and workers were to be dismissed. The workers' collective petition also highlighted the company's failure to pay social insurance,

violating [Article 73 of China's Labour Law] and [Section 2, Paragraph 2, Item 8 of the German Supply Chain Act], which prevents wage deductions.

Qiao Feng Technology Industrial in Shenzhen manufactures plastic mould products, including automotive audio and video systems, dashboards, and interior trim panels. According to Qiao Feng's website, its clients include multinational automotive companies, including German automakers BMW, Mercedes-Benz and Volkswagen.

Image: Qiao Feng Technology workers on strike. Source: Douyin

The company union appears to have participated in the targeting of worker activists. When CLB contacted the company union, the union chairperson reported that two worker leaders were specifically because of the strike action. According to the official, not only had the union had agreed to the dismissal, they noted that the company would be threatening legal action against workers for "spreading rumours". The chairperson noted that the company had repeatedly assured workers that there would be no relocation, or reduction in overtime, and acknowledged that workers at the factory do indeed rely on overtime pay (link in Chinese) to make ends meet and support their families.

Qiao Feng has not clarified whether it had in fact reduced working, though the claims of workers should be investigated further. In any case, it appears that workers sensed the company's intention to make critical changes to their jobs. Like other cases mentioned in this report, workers generally know that major changes to working conditions, like a reduction in working hours, are typically a precursor to bigger changes like relocation and layoffs.

CLB has contacted brands that Qiao Feng supplies, including BMW and Volkswagen, about the violations of workers' right of association, and their unpaid social insurance. Volkswagen then responded, stating that "after reviewing your report we came to the conclusion that the supplier might violated against the German Supply Chain Due Diligence Act." and that the company would refer the case for further investigation, and appropriate response measures. BMW also replied, indicating they are investigating the case.

Aleph – hired thugs maintain order

Aleph Electronics Co., Ltd., located in Shenzhen, Guangdong province, is a leading developer and producer of automotive sensors and electronic components. Notably, their liquid level automotive sensors hold over 40% of the global market share, according to Chinese media reports (link in Chinese). The company supplies German automotive brands like BMW, Audi, and Volkswagen.

According to workers, the factory had previously sent a certain amount of production equipment to a plant in Henan, along with limited job cuts. These actions led workers to believe that the factory was planning to relocate, prompting them to launch a nearly ten-day strike on October 27, 2023. They demanded severance pay, as well as back payments for legally mandated housing provident fund and social insurance contributions from the company.

The factory issued several notices, saved among documents and photographs from workers on CLB's Strike Map, initially denying any relocation plans and stating that "a small number of positions vacated" would be reassigned to other workshops. As for the equipment, the factory claimed that only excess and idle equipment was being moved. Subsequently, management put together a "factory protection brigade" composed of security personnel to maintain order, and warned that employees who continued to strike would be considered to have resigned.

Image: Aleph's "factory protection team" clashing with striking workers. Source: Douyin

In this case, CLB observed a familiar pattern: the company concealed its relocation plans while quietly making small job cuts and reducing working hours by reassigning workers to other positions on different production lines. Aleph also failed to pay social insurance and housing provident fund contributions on time. When workers demanded back payments, the company announced it would only cover the amounts owed from the past two years, refusing to go any further. To make matters worse, there was no union presence to support the workers throughout this process.

CLB sent a letter to Volkswagen in Germany regarding Aleph in November 2023. Volkswagen responded, stating that their supply chain department would investigate. Later, Volkswagen confirmed that Aleph had indirect business relations with their direct suppliers, who had initiated due diligence measures. They stated that they required Aleph to issue a statement regarding the issues raised in CLB's letter and promised immediate action if human rights violations were confirmed.

Part 2: Holding all multinationals accountable

This section shifts the focus to other multinational companies operating in China that have exhibited the disturbing trend of over-reliance on overtime, and other systemic labour rights violations. It uncovers the harsh realities faced by workers who depend on overtime pay due to inadequate base wages. By examining cases of excessive work hours, poor communication, and lack of formal negotiations or collective bargaining, we reveal the persistent issues across various industries that have led to worker strikes and protests, and even a worker death case in the case of Qisda.

All of the following cases involve the supply chains of companies that have their own CSR codes, or supply companies that are members of organisations like Responsible Business Alliance Code of Conduct. The RBA's Code of Conduct, for example, mandates fair treatment and safe working conditions for employees. These narratives underscore the pressing need for multinational companies highlighted below to uphold their existing commitments and ensure fair working conditions for all employees in the supply chains of global brands like Apple, Logitech, and Nokia, based in the USA, Switzerland and Finland respectively. These cases should serve as a call to action for citizens, civil society and policymakers in these countries and others, to follow the example set by the groundbreaking German Supply Chain Due Diligence Act, and enact strong national legislation to hold brands accountable globally.

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Qisda – death after overtime

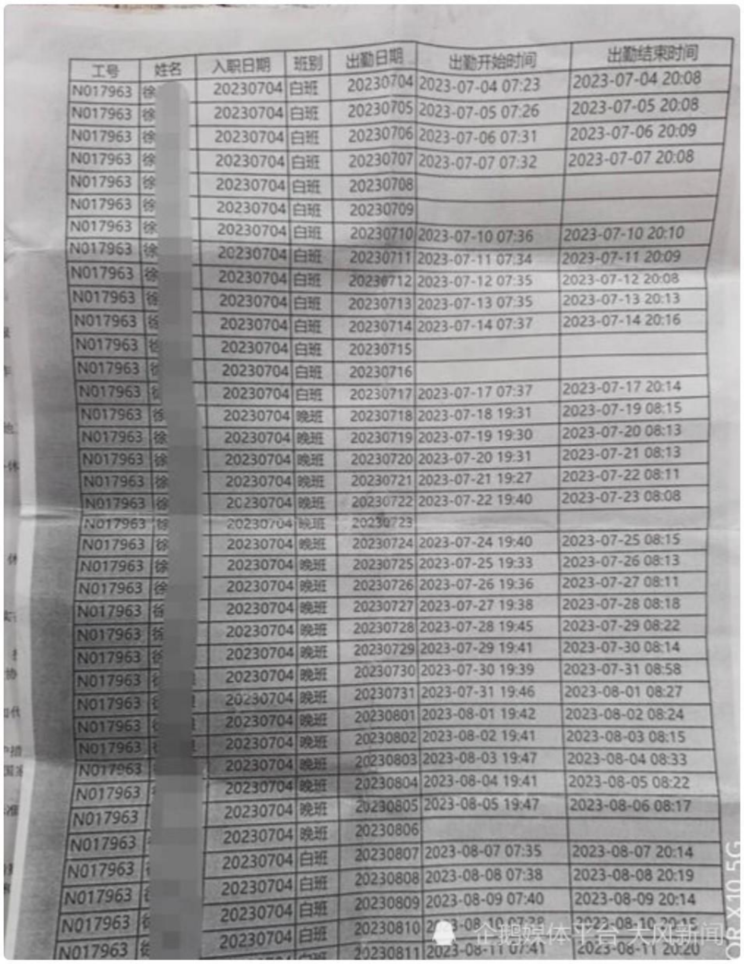
In the days leading up to his death, Xiao Xu (小徐) worked the night shift for 13 consecutive days, clocking in around 12 hours each night at Qisda, a Taiwanese-owned electronics factory in Suzhou, Jiangsu province. Xiao Xu was one of many agency workers enduring long hours at this thriving factory, which is a part of Qisda Corporation, a major global electronics brand.

Xiao Xu's case stands out from others in this report because Suzhou Qisda was not undergoing relocation or closure at the time. Instead, it was a business in good standing with positive prospects. In 2023, the year of Xiao Xu's death, Qisda achieved a 20-year high in gross profit margin, according to company reports. But, according to CLB's investigations, this success was built on an abuse of overtime and an extreme - and illegal - overreliance on agency workers.

Xiao Xu, born in 2000, signed a labour contract with Suzhou Blue Collar Network Technology Co., Ltd., a labour dispatch company, in July 2023. He was assigned to Suzhou Qisda, where he worked extensive hours that eventually led to his sudden death in August 2023, when he was found dead in the company dormitory. According to payroll records, Xiao Xu's working hours significantly exceeded the legal limits stipulated by China's Labour Law, which allows for a maximum of 36 hours of overtime per month.

At Qisda, about 46% of the workforce were agency workers like Xiao Xu, a figure far above the 10% limit set by Chinese labour law. According to Qisda's 2022 ESG report, the Suzhou factory has 4,763 workers and made 1,645 new hires. Out of 2,764 reported new hires in 2022 at the Taiwan, Vietnam, and Suzhou locations, 46 percent were "indirect hires." But according to Chinese labour law, agency workers should only be "temporary, auxiliary, and replaceable", and cannot exceed 10% of the total number of employees. This over-reliance on agency workers enabled Qisda to bypass many responsibilities typically required of employers, such as providing social insurance, severance pay, and union representation. In addition, agency workers, unlike formal employees, can be easily dismissed when production needs decline, leading to a lack of job security and benefits.

Suzhou Qisda's parent company is Taiwan's Qisda Corporation, one of the top-selling electronics brands in the world. The Suzhou factory is also a very powerful factory in the local area, and has been certified by RBA, but also BSI, SGS, IQnet many corporate supply chain certifications and standards.



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N017963	徐	20230704	白班	20230706	2023-07-06 07:31	2023-07-06 20:09
N017963	徐	20230704	白班	20230707	2023-07-07 07:32	2023-07-07 20:08
N017963	徐	20230704	白班	20230708		
N017963	徐	20230704	白班	20230709		
N017963	徐	20230704	白班	20230710	2023-07-10 07:36	2023-07-10 20:10
N017963	徐	20230704	白班	20230711	2023-07-11 07:34	2023-07-11 20:09
N017963	徐	20230704	白班	20230712	2023-07-12 07:35	2023-07-12 20:08
N017963	徐	20230704	白班	20230713	2023-07-13 07:35	2023-07-13 20:13
N017963	徐	20230704	白班	20230714	2023-07-14 07:37	2023-07-14 20:16
N017963	徐	20230704	白班	20230715		
N017963	徐	20230704	白班	20230716		
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N017963	[illegible]	[illegible]	[illegible]	20230811	2023-08-11 07:41	2023-08-11 20:20

Picture: Xiao Xu's work record;

Columns read left to right: employee number; name; date of the start of employment; shift type; date of work; start time of work; end time of work.

CLB subsequently sent letters to the Suzhou local trade union, the China Quality Certification centre (CQC), and Qisda's Taiwan headquarters. Qisda's Taiwan headquarters has responded to the letter, and our communication regarding this case is ongoing.

Wing Ming Electric - forced out by the 40-hour week

In May 2023, workers at Wing Ming Electronics Co., Ltd., a subsidiary of the US-listed company Bel Fuse, initiated a strike in response to the drastic reduction in their working hours. The company had adjusted the schedule to a standard eight-hour workday, five days a week—a change that workers believed was intended to pressure them into quitting voluntarily, thereby avoiding severance payments ahead of the company's suspected relocation.

Located in Zhongshan, Guangdong Province, the factory had not communicated its relocation plans to Guangxi to its employees, even though Bel Fuse had already announced these plans in its 2022 annual report. Despite having ample time, the company failed to provide workers with a clear compensation and severance plan. The sudden reduction in working hours severely impacted the workers, whose base pay was already low. Like other cases highlighted in this report, workers at Wing Ming relied heavily on overtime to make a living wage. With overtime no longer available, their income plummeted, leading them to suspect that the company was trying to push them out without proper compensation. In response, workers demanded that Wing Ming present a severance plan that also made up for unpaid and underpaid social insurance and housing provident fund contributions owed to workers. After several rounds of negotiations, the factory stated that workers would need to submit a letter of resignation before any back payments on social insurance and housing funds would be made.

Wing Ming had ample time to arrange proper layoffs but remained silent, leaving workers in the dark. The factory's failure to fully pay social insurance contributions and housing provident funds is a clear violation of Chinese labour laws. Instead of addressing their own negligence of the law, the employer used the unpaid social insurance as leverage to force workers to resign voluntarily in exchange for back payments. Throughout this process, the company union was notably absent, failing to represent the workers in negotiations.

Photo: Workers leaving the factory, to seek help from the Ministry of Human Resources and Social Security and the State Taxation Administration.

Source: Douyin

The parent company Bel Fuse has stated in its public filings that it expects its suppliers to comply with Responsible Business Alliance (RBA) guidelines, as well as those of the Responsible Minerals Initiative (RMI), both of which require strict corporate responsibility standards, including compliance with local laws. Bel Fuse holds multiple certifications from TÜV SÜD, a German product certification organisation, responsible for ensuring adherence to Germany's new supply chain act, which includes facilitating collective bargaining and legally compliant treatment of dismissed workers.

CLB has written to Bel Fuse and TÜV SÜD, and filed a complaint with the RBA, but as of this report's publication, no response has been received.

Dongguan Transpower Electric Products - mandatory leave

In September 2023, workers at Dongguan Transpower Electric Products, also known as "TRP Connector," initiated a strike in response to a mandatory leave arrangement imposed by the factory—yet another case involving Bel Fuse, the US-listed company at the centre of the Wing Ming Electronics case above. On September 27, employees walked off the job to protest the forced leave, which came after a year of escalating tensions over reductions in working time. In retaliation, factory management warned the striking workers that "being absent from work" violated company policy and would result in disciplinary action.

The roots of the unrest began in February of that year, when the factory reduced working hours to an eight-hour workday, five days a week. This change significantly slashed workers' incomes, which were heavily dependent on overtime pay. As the year progressed, the factory's approach became more aggressive, with management sending out notices in August and September asking employees to resign voluntarily, citing a decline in orders. Management even invited other nearby factories to TRP Connector to recruit their workers directly. The compensation offered for voluntary resignation—2,000 yuan per year of service, with a cap of 20,000 yuan—was well below the statutory compensation required by Article 47 of China's Labour Contract Law, which calculates severance based on the average salary over the previous 12 months.

Photo: Dongguan Transpower Electric Products forced workers to take leave due to a decrease in orders, which triggered a strike in protest. Source: Douyin

Further compounding the workers' plight, the factory's failure to pay full social insurance contributions and housing provident funds was a clear violation of Chinese labour laws.

The local Ministry of Human Resources and Social Security intervened after worker complaints (link in Chinese), and declared that the company's forced leave policy illegal. Only then did the company provide compensation in accordance with labour laws, using the 'n+1' formula—a lump sum based on the average monthly salary multiplied by years of service ('n') plus one. However, the amount was significantly reduced due to the prior elimination of overtime pay, which had lowered the workers' average monthly salary. According to recruitment information from February 2022, the basic salary for line operators at TRP Connector ranged from 2,000 to 2,200 yuan per month, meaning that without the ability to earn overtime, workers were left struggling to make ends meet.

Bel Fuse announced a "restructuring" in its 2022 Annual Report, consolidating nine different facilities located in Zhongshan, Guangdong province, and Pingguo, in Guangxi province, into a single site in Bingyang, Guangxi. The report noted that $3.7 million of the $11.3 million restructuring cost was allocated for severance. However, this raises questions about why workers were initially offered substandard compensation not in accordance with Chinese law.

CLB has filed a complaint with the Responsible Business Alliance (RBA), stating that Bel Fuse violated the RBA code of conduct and requesting an investigation, but has not yet received a response. CLB also sent a letter to TRP Connector, urging the company to consider the livelihood of its workers and ensure that they are paid legal and reasonable wages, including proper severance payments during periods of low orders. As of this report's publication, CLB has not received a reply.

Shenzhen Fenda Technology - more "9 to 5" as punishment

On December 27, 2023, around one hundred workers went on strike at Fenda Technology Co., Ltd. in Bao'an District, Shenzhen, Guangdong, blocking the factory gate to prevent equipment from being moved out. The strike was in response to the factory's plan to relocate from Shenzhen to Dongguan, plans that the company had not properly negotiated with workers.

Although the factory offered to continue workers' seniority benefits, it did not provide a clear relocation or resettlement plan. The remote location of Dongguan and the challenging housing situation there made workers reluctant to relocate. For those unwilling to move, the factory imposed an eight-hour day, five-day week work schedule, which workers believed was a tactic to reduce their income by eliminating overtime, thereby pressuring them to leave voluntarily and saving the factory from paying statutory severance packages (more details in Chinese).

Beginning in March 2023, management ramped up efforts to push employees to relocate, and sought one-on-one talks with those who resisted. Some workers reported being evicted from their dormitories for refusing to sign a relocation contract. By September, conditions worsened as the company stopped providing air conditioners and fans, instructing employees to bring their own.

Image: Fenda workers on strike.   Source: Douyin

When the workers went on strike to protest these conditions, Fenda Technology issued a notice accusing them of violating company rules, labelling their actions as absenteeism, and potentially illegal. The notice threatened penalties, including demerits, warnings, observation periods, or dismissal, and even reserved the right to pursue defamation claims and legal charges. Ultimately, only about 70 out of over 1,600 workers refused to relocate.

Additionally, Fenda Technology had been underpaying social insurance and housing provident fund contributions. Even when back payments were made, they were insufficient according to worker testimonies. Throughout this process, there was no union representative to protect the workers' rights, leaving them to confront the company on their own.

In August 2023, a veteran employee who had worked at Fenda for ten years posted a court ruling online (link in Chinese). He explained that due to personal reasons, he couldn’t move to the Dongguan location, leading the company to forcibly demote him and reduce his salary. After nearly five months of fighting for his rights, he finally won the case. The local labour dispute arbitration committee determined that the worker was forced to terminate the labour contract, and Fenda was required to pay economic compensation.

As in other cases in this report, Fenda responded to falling demand and a worsening business environment by cutting working hours. In this case, the factory went a step further by deliberately worsening dormitory living conditions as a not-so-subtle method of driving workers away and avoiding severance payments for layoffs.

According to its company website (in Chinese), Fenda produces health appliances, smart wearables, and other consumer electronics, and produces for global brands including Philips, Yandex, WalMart, Amazon, Harman/Kardon, Logitech and others. CLB interviewed local union representatives, highlighting Fenda Technology's underpayment of social insurance and coercion of workers to relocate. They pointed out that the local union could pressure brands through letters. CLB has reached out to Dutch brand Philips regarding this case.

Amphenol Yongyi Electronic Communications Company – Excluding the value of overtime pay

In January 2024, workers at Shanghai Amphenol Yongyi Electronic Communications Company launched a protest against the company's plan to relocate the factory to Jiaxing, Zhejiang Province, without offering fair compensation that accounted for their overtime pay. In their offer, the company calculated worker pay based only on their monthly basic salary, plus an additional small subsidy of around 200 yuan. This approach drastically effectively cut workers' salaries in half, and fell far short of their expectations, largely dependent on overtime pay.

The company – which supplies multinationals like Nokia, Apple, Siemens - further intensified the situation by pressuring workers to accept the offer within three days, and threatened them with unilateral contract termination, and an even smaller compensation package, if they refused. Pay slips posted online by workers showed that overtime pay typically accounted for more than half of their monthly salary, with workers feeling shortchanged and frustrated.

The tension escalated as reports emerged that Amphenol had started the relocation process as early as 2021, when the company had offered a monthly salary increase of 2,000 yuan to those who agreed to move. Despite this incentive, at the time many workers found the relocation distance too far and suspected it was a tactic to avoid paying proper severance for layoffs. They feared that even if they relocated, the company might still find ways to force them out.

Photo: factory relocation sparks strike at Amphenol, Shanghai;

Source: Douyin

Eventually, a Shanghai trade union lawyer arrived on the scene, and informed the workers that "Shanghai does not include overtime pay" in compensation calculations, in flagrant contradicting national legal provisions. Discouraged by this lack of support, many workers felt they had no choice but to reluctantly accept the company's plan.

CLB has since reached out to the Shanghai Workers' Hotline to offer suggestions and address these issues.

Shenzhen Yingguan Industrial – halting production to force workers out

In April 2024, workers at Shenzhen Yingguan Industrial Co., Ltd., a furniture factory, staged protests in response to the company's sudden announcement of a six-month production halt. The workers suspected this move was a tactic to avoid paying proper severance, as Yingguan had already transferred orders to a factory in Vietnam and significantly scaled down its operations. Earlier in the year, the company had reduced operations to just one workshop and sold off production equipment as scrap. Workers, struggling to survive on a monthly base salary of around 2,000 yuan, saw the production halt and the lack of compensation as a strategy to force them to quit of their own accord, without severance.

Yingguan Industrial's decision to halt production was made without consulting the workers, violating Article 4 of China's Labour Contract Law, which requires employee consultation on significant decisions. This lack of communication and the unfair treatment triggered the workers' protests at the factory gate, where they demanded fair treatment and adequate compensation.

CLB's investigation revealed that Yingguan's parent company, Taiwan's Ying Tai Group, supplies products to several major multinational corporations, including IKEA, Walmart, Amazon, and Phillips. Given these international connections, CLB urged these companies to conduct due diligence on their supply chains, and to hold Yingguan accountable for its actions. IKEA responded to CLB, stating that Yingguan is no longer one of their suppliers. However, CLB has not yet received a response from Ying Tai regarding the accusations.

Photo: Yingguan workers sit in front of the factory to protest.

Source: Douyin

Additionally, CLB contacted the Pinghu Street Federation of Trade Unions, which claimed to be unaware of the case. CLB plans to follow up, urging the union to support the workers in negotiations and to monitor the legality of the production halt.

Conclusions

The core issue driving these labour disputes extends beyond long working hours and low base pay; it stems from the inherent weaknesses in the current state of CSR commitments and demonstrates the urgent need for innovative approaches like the German Supply Chain Due Diligence Act. This report shows how these deficiencies have created a landscape where Chinese workers are not only excluded from crucial decisions that affect their livelihoods, but are also subjected to working conditions that violate both Chinese labour laws and the highest international standards. To address these systemic issues, there is a pressing need for more effective global mechanisms, beginning with national legislation, to effect change on a global scale.

The German Act represents a groundbreaking shift in the approach to international labour rights, raising the bar for what is expected of companies in their supply chains. Where firms like Volkswagen have responded to CLB’s inquiries—acknowledging violations and committing to improvements—there is tangible hope for the future. These instances serve as early success stories that demonstrate the potential of the Act to enforce meaningful change, and the potential for other countries and companies to achieve the same. However, the silence of other companies highlights the significant gaps that remain in ensuring full corporate accountability, and the protection of labour rights.

The report also highlights that where traditional CSR practices fall short, bold national legislation like the German Supply Chain Act can break the mould of substandard approaches to labour rights. If firms are required to follow up on abuses in their supply chains, they can stop future abuses, like the tragic death of Xiao Xu at Suzhou Qisda, whose extreme working hours led to his demise, or the plight of temporary workers at Chongqing Huguang, who were subjected to gruelling working hours and conditions.

If firms roll up their sleeves, and are forced to honour labour rights like collective bargaining and the freedom of association in their supply chain, cases like those at Qiao Feng could be avoided. There, workers who sought to assert their rights were met with dismissal, reflecting a broader issue of suppressing freedom of association—violations that contravene both Chinese law and the principles of the German Supply Chain Act. In the case of Qiao Feng, Volkswagen acknowledged that their supply chain did not meet legal standards and called for corrective action. Such cases may signal the end to the chain of broken CSR promises, as firms are forced to face the reality of complying with stringent national laws.

This report should serve as a rallying cry for citizens, politicians, and civil society in other countries to follow Germany’s lead by drafting and implementing similar laws of their own. It is only through such concerted innovations, and international solidarity and cooperation, that we can hope to establish truly fair and just global supply chains, where workers' rights are respected, and corporations are held accountable for their impact on people's lives.