

# Wal-Mart's Road to Sustainability: Paved with False Promises?

Old Problems Persist as Wal-Mart Sets Higher Goals

**China Labor Watch**  
Follow-up Investigation

July 2009

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# I. Introduction: New Goals, Old Problems

## *High Expectations*

In Beijing last October, CEO Mike Duke stated that Wal-Mart's goal is to operate a supply chain "...where workers are paid well and treated well with the respect and dignity they deserve. To achieve this," he stated, "we are expecting more of ourselves at Wal-Mart, and expecting more of our suppliers."

Wal-Mart has failed so far to meet its high expectations. Accompanying Duke's statement in the 2009 Wal-Mart Sustainability Report, Wal-Mart admits that its ethical standards program has focused on evaluation and has not allowed Wal-Mart to assist supplier partners in their implementation of improvement plans. The report also outlines improvements in the audit system intended to improve labor conditions systemically, with the goal of complying with all local labor regulations by 2011.

## *Old Problems Persist*

In May, China Labor Watch (CLW) investigated two Wal-Mart supplier factories and uncovered a number of labor violations. These problems reflect systemic deficiencies that Wal-Mart is still far from improving. The two suppliers are:

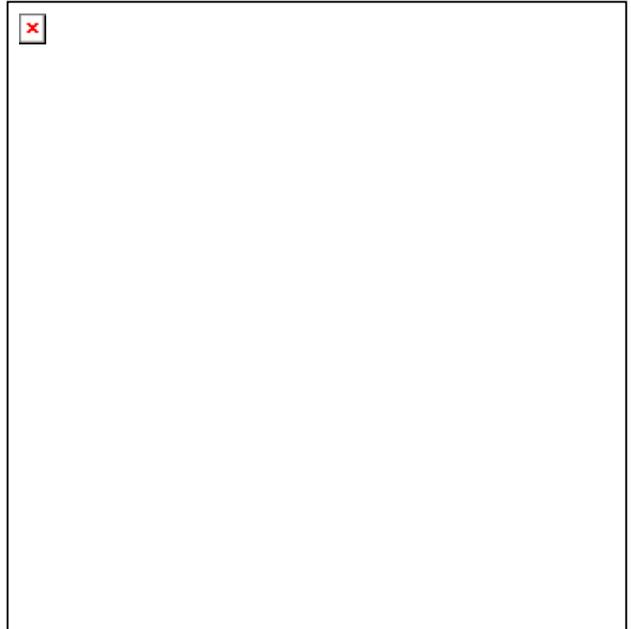


Image 1: Wal-Mart's 2009 Global Sustainability Report

**1. Huasheng Packaging Factory:** CLW's investigators found a document outlining the **falsified information** workers must provide to outside auditors in order to pass factory investigations at Huasheng factory. Meanwhile, violations at Huasheng included **contract problems, illegally low wages, arbitrary wage deductions, and safety issues.**

**2. Hantai Shoe Factory:** Wal-Mart pledged in July 2008 to address a number of violations that CLW discovered in an investigation of Hantai Factory last year. In this recent follow-up investigation of Hantai, **disguised layoffs and wage caps** – most likely a result of the economic recession – were evident. Additionally Hantai continues to tolerate an **inhumane overtime system, poor living conditions and safety issues, as first reported last year.**

Given Wal-Mart's admirable Sustainability Goals and consistent promise to improve conditions in Hantai and across its Chinese supply chain, CLW endorses a number of concrete steps for Wal-Mart to improve conditions in Hantai and Huasheng. These steps are necessary to move forward on the road to sustainability and will pave the way for proper implementation of more systemic changes by 2011.

## II. Report Summary

### *Wal-Mart Auditing System Enables Poor Conditions to Persist*

In its Sustainability Report, Wal-Mart promises to improve its auditing program by shifting auditing responsibilities to third parties, and reserving follow-up investigations and responses to external allegations for Wal-Mart auditors. Our follow-up of Hantai revealed Wal-Mart's failure to effectively resolve issues of noncompliance identified by independent sources. Although the new system absolves Wal-Mart of responsibility for the failures of its audits, now conducted by third parties, Wal-Mart must continue to step up its own efforts to prevent corruption from undermining compliance with basic standards in its supply chain.

### *Falsification at Huasheng Factory*

CLW investigators obtained a number of documents created to prepare Wal-Mart factories for cheating external audits. These documents were circulated at Huasheng Packaging factory on April 18, with the order that workers must memorize these training materials and perform well on the inspection. Afterwards, as the documents explained, training materials would be destroyed. These materials instructed workers to falsify wage information, overtime hours, and even the existence of a second Huasheng factory.

The audit falsification document outlines the following strategies:

- **Workers are forced to lie** about wages, benefits and working time.
- The factory **hides or "adjusts" official documents** relating to working schedule, safety procedures and environmental records.
- Workers rush out of the first factory to **conceal the second factory**, and the road to the second factory is blocked off. Wal-Mart's auditors only inspect conditions at the first factory, covering less than 60 percent of the Huasheng's total workforce.

Huasheng has managed to pass Wal-Mart's audits in spite of the following labor violations:

- **Incomplete contracts** lacking required information about work position and workplace hazards.
- Wages paid **below the minimum wage** for workers on the piece rate system when orders are slow and for all workers in the 15 day probationary period.
- **No overtime wages** for workers on the piece rate system, and **arbitrary deductions** from the base salary of workers on the hourly wage system.
- **Overcrowded dorms** with 12 workers per room and night and day shift workers forced to occupy the same space where theft is a commonplace occurrence.
- Safety issues including **inadequate safety training**, a **dangerous work environment**, and **workers failing to wear masks or gloves**.
- One worker at Huasheng told us, "Each day after I clock in, I constantly think of the approaching time to clock out, but when work is slow I also hope that there will be more work so I can make more money. It is truly pitiful: To have trouble feeding the family or to toil at this job, which do we choose?"

### *Empty Promises at Hantai Factory*

Last July, China Labor Watch conducted an investigation of Hantai Shoe Factory, a Wal-Mart supplier in Guangdong Province plagued with labor abuses, including **coerced overtime, reduced wages and fake pay stubs, poor dormitory conditions** and major **safety issues**. In response to our report, Wal-Mart released a statement on July 29, 2008 stating that it would investigate the situation. Since then, Wal-Mart has provided no further information about Hantai Factory.

### **One year and many sustainability goals later, what changes have been made in Hantai?**

In May 2009, CLW investigators returned to Hantai to discover many of the same violations as well as new issues. Hantai's current problems include:

- **Disguised layoffs** to avoid paying severance payment. This is a new problem introduced by economic difficulties, and is a common tactic in the economic crisis.
- **Incomplete contracts** lacking required information about work position and workplace hazards.
- An inhumane **overtime system** has persisted, where overtime is mandatory and workers are denied all overtime for a month if they refuse to work excessive overtime each day.
- Already **low wages** are now **capped** for both overtime and piece rate work.
- **Poor dormitory conditions**. Janitors do not work on weekends so the factory will not have to pay them overtime, and bathrooms regularly turn foul.
- **Safety issues** including **use of unsafe chemicals**, improper **replacement of safety equipment**, and lack of adequate **safety training**.

### *CLW Calls on Wal-Mart to Improve Conditions at Hantai and Huasheng*

CLW urges Wal-Mart not to abandon its goals. If the retail giant truly hopes to make its suppliers compliant by 2011, the time is now to begin identifying issues of noncompliance and implementing remediation plans. Last year, CLW provided Wal-Mart with independent data outlining a number of changes needed to bring Hantai into compliance with Wal-Mart standards. Wal-Mart has stated that its new system will no longer ignore external allegations and will focus on factory improvement.

**Will Wal-Mart invest in improving the problems CLW outlines in this report?**

## **III. Falsification at Huasheng Factory**

*“After the inspection, these materials should be destroyed.”*

On April 18, the factory handed out documents to workers instructing them how to handle a scheduled visit by Wal-Mart inspectors. The department section leaders informed workers that after work, they must memorize the training materials, and that they did not want any mistakes during the inspection. Workers were also instructed to safeguard the materials and not casually leave them about, and above all, not to let the

inspectors find them. “After the inspection,” they were told, “the materials will be destroyed.”

During a factory audit, auditors systematically inspect every area of the factory. They look over factory records and verify that labor, quality and safety standards are met. In order to pass this audit, the “Falsification Document” assigns a staff in every department to clear out and adjust all official records. In addition, all workers are responsible for memorizing falsified information in the event that auditors ask questions relating to factory procedures.

### ***Lies prepared for workers***

The document instructs workers to state that, “*Salaries are calculated on a daily wage system, according to working time, and the minimum wage for base pay is 43.21 RMB/day which used to be at an even higher rate than 43.21 RMB/day.*” In reality, most workers at the factory are paid according to a piece rate system. Only new workers in the first week of their probationary period are paid on an hourly wage basis and their total pay is only 27.5 RMB/day (2.5 RMB/hour)

Workers are also told to state that, “*Medical and work-injury insurance are purchased for all workers.*” In reality, workers in their two month probationary period are not provided with any medical insurance or benefits, and insurance is only purchased after the probationary period finishes.

The document asserts that, “*Monday through Friday are normal working hours, after work there is no overtime. The factory provides room and board and does not charge workers any fees, nor are workers charged when entering the factory.*” In reality whenever there are orders, there is endless overtime, regardless of whether it is the weekend. The production department daytime shifts works 11 hours a day and the night shift works 11.5 hours. When product orders are high, the transportation department workers may work up to 16 hours a day. The factory does provide room and board, but charges workers a monthly utilities fee. Finally, when entering the factory workers must pay 50 RMB.

### ***Collection of Documents***

The document instructs managers that “any documents, forms or rules pertaining to the details of fines or punishments should be collected”. In addition, managers must adjust working records so that all C shift workers and delivery people are not listed as working Saturdays. Managers were also informed that records should be changed to reflect a factory-wide holiday from April 4-6. Finally, managers were instructed to remove the “Production Department Daily Overtime Announcement”.

Staff was also required to conceal safety violations. First, workers were instructed to “Make sure all emergency fire exits are unblocked and that all fire equipment is unobstructed.” Second, “The door to the ink room next to the nail machine should be left open, so as to go to JLT.” Third, all workers were required to state that “The company has medical first aid and fire safety procedures including fire safety training twice a year in May and October.”

Documents targeting environmental standards, including the “temperature records” and “lake concentrations” for the *shuangmian* machine and “boiler operating state condition inspection chart” as well as the “boiler room manager monthly patrol check chart” were to be concealed or adjusted to meet standards.

### ***Hiding the Second Factory***

In order to avoid subjecting its second factory to environmental and labor standards, Huasheng only submits its main factory for audits. The factory makes a concerted effort to conceal the existence of its second factory altogether, instructing some workers to run to the second factory when auditors come, blocking the road to the second factory, and making all workers lie about the total number of Huasheng employees.

Workers are instructed to state that “*At the factory there are over 400 people.*” In reality, four hundred plus people still doesn’t include Huasheng’s second factory, and only accounts for workers at the first factory. Factory management has the following instructions: “*When the customer comes, front door security people should immediately notify HR staff Lily, and also the back door security people should go to the color printing department and send workers to come to the old factory, also send dual workers (at Huasheng and Ruihua) to immediately leave the factory. At the same time, block the road between the two factories and alert the responsible person in each department.*” Another document reiterates: “*The passage to the second factory should be blocked, and ‘Huasheng Factory 2’ should not be mentioned.*”

## **IV. Violations at Huasheng Factory**

### **A. Factory Information**

**Factory Size:** Because of reduced orders, although in the past the workers had as many as 1400-1500 workers, currently there are 700-800 total employees at Huasheng. Huasheng has two factories, covering 51,000 square meters. The production workshop consists of 60,000 square meters.

**Main Products:** Color boxes, paper cartons, cardboard and other packaging products

**Main Customers:** Wal-Mart Stores, Inc., BROTHER, Philips Electronics N.V., SEIKO EPSON CORP., LG Electronics, DHL International GmbH, CANON INC., Sony , NEC Corporation, SANYO Electric Co., Ltd.

**Company Address:** Longgang District, Shenzhen, Guangdong Province Pingshan Town Baoshan Industrial Park IV

**Contact Telephone:** 0755 - 84601120 Liu (General Manager)

### **B. Hiring Process**

### **1. Labor Contracts**

All workers sign labor contracts when they enter the factory and are given a copy. The contract extends from the day workers begin until December 31, 2011 with a two month probationary period. The contract states that working hours are not fixed, and only two words are written for the wage system: “piece rate.” Workers themselves were unable to offer further explanation on how this piece rate system is calculated.

The contract is extremely simple, and lacks required information on work position and occupational hazards. The entire hiring process merely consists of workers filling out a form with personal information then signing the contract.

### **2. Training**

Newly hired workers have one day of training with wages of 28 RMB for 8 hours at 3.5 RMB/hour. The training content is extremely limited, and the factory merely states factory rules and working time. Workers are not given a work manual.



Image 1: 1<sup>st</sup> page of Labor Contract

## **C. Wages and Working Hours**

### **1. Working Hours**

Although the labor contract states that working hours are not fixed, in practice the factory has implemented a system of 3 shifts with clearly scheduled working times. Every day, all workers swipe their card twice, once to clock in and once to clock out, and workers do not swipe for lunch time.

A *shift* is the night shift, and working time runs from 8PM until 8AM the next day, with a half hour break to eat midway. The daily working hours for this shift are 11.5 and exceed the limit set by labor law. B *shift* is the day shift. Working hours extend from 8AM until 8PM with half hour breaks scheduled in the morning and afternoon. In total this shift works 11 hours. C *shift* is a day shift. Most workers are very envious of people assigned this shift, mostly university graduates, because the workload is light.

### **2. Wages**

Generally, workers are divided into two types of salary type: a piece rate system and a base salary system. The base salary is 1300 RMB/month for 12 hours per day, and this is paid to staff including product employees in management and security. New workers in the factory are paid by an hourly wage for 15 days at a rate of 3.5 RMB/hour and overtime wage of 4.5 RMB/hour. This is below the Shenzhen minimum wage standard of 5.17 RMB/hour and 7.76 RMB/hour for overtime work.

### *Piece Rate System*

Most workers are paid by a piece rate system. Workers are paid 1 fen/1 square meter of paper. Wages for the section head and assistant are 5.7 and 4.3 fen/square meter, respectively. During periods when orders are high, the section leader can make over 100 RMB/day on the condition that aside from lunch break, the section leader will work continuously all day. When orders are low, this rate could be as low as 30 RMB/day. Normal workers make even less, and at times will not even make enough to satisfy Shenzhen's minimum wage standards. The factory pays wages on the 15<sup>th</sup> of each month via Shenzhen Development Bank cards.

### *Overtime Deductions*

No overtime wages are paid to workers on the piece rate system. Salaried workers' wages are capped at 1300 RMB/month. For example, one worker rested 2 days and worked 77 hours of overtime including 69 of Sunday overtime in one month. According to the Shenzhen minimum wage standards, although the worker earned 2197.73 for this month (900 base pay + 584.27 normal overtime + 713.46 Sunday overtime = 2197.73), yet because of the wage cap, he was only given 1300 RMB and nearly 900 RMB was deducted.

### **3. Rest Days and Holidays**

Rest days are determined according to the number of orders. When orders are high, there is no rest for an entire month. When orders are low, the entire factory will be given Sunday off. Regarding overtime, workers stated the necessity of supporting their families by working overtime and earning more. Workers were unclear about factory policy for paid vacation and holidays, nor was this explained when they entered the factory.

### **D. Dormitory and Canteen Conditions**

Dormitories and canteen are free, and workers only need to pay a 30 RMB/month utility fee. There is no stipend for workers to live or eat outside of the factory.

#### **1. Dormitory conditions**

The dormitories for regular workers and for management level employees are separate. The workers' dormitory is inside the factory. It is rather old; tile surfaces are worn, and water cannot be completely drained when it rains. Outside of the factory, the company has rented nicer houses for the management to live in.

Each dorm room houses 12 workers. Night workers and day workers are assigned to the same rooms and often disturb one another's sleeping time. The dormitory doors do not lock and it is also hard to guarantee security in the rooms; theft is common. One older

Image 2: Overcrowded dorm room



worker stated that it was necessary to carry personal belongings at all times. Workers are coming in and out at all times, and it is absolutely hectic. Once while going to the bathroom, a worker returned to find his cell phone missing. A room only has one electric outlet, and workers must make a line for charging cell phones.

## **2. Canteen Conditions**

Canteen food is average, and dishes with meat are rarely served. Also, every day the same dishes are served, and many workers feel the food is greasy. Workers are unable to go outside to eat because factory regulations state that workers are not allowed to leave the factory area during working hours.

## **E. Poor Working Conditions and Inadequate Safety Measures**

### **1. Safety Equipment**

*Deafening machines, no earplugs:* The paper cutting machine is extremely noisy, but workers in the surrounding area do not wear ear plugs or other protection. Our investigators found that the deafening noise put workers in an irritable mood and made communication with other workers nearly impossible so much that workers would have to leave the area and still yell to be heard.



Image 3: Sign posted in Huasheng dorm, requesting workers to keep quiet and avoid using loud voices.

*Safety masks:* Paper separating and cutting machines give off a large amount of paper particles and workers do not have masks. Workers in charge of collecting the paper inhale a large amount of this debris.

*Gloves:* Workers, including those in the paper cutting, printing and binding departments, do not wear gloves in the factory. In the process of production at a printing factory, workers come into contact with a large number of chemical materials. Without the protection of gloves, masks and other protective equipment, the likelihood of work related injuries is high, and the factory turns a blind eye to these issues.

### **2. Working Conditions**

On May 19<sup>th</sup> while the factory was resting, CLW's investigator went to the color printing department (in Huasheng Factory 2). Although the factory was not operating, there was an extremely strong smell on the floor that made breathing difficult. Near the printing machines, there could be seen postings stating that workers not wearing masks would incur punishment. This is evidence of precisely how dangerous conditions are at Huasheng. If a worker is not wearing a mask, the worker may collapse into the printing machine.

## F. Social insurance and benefits

Workers during their probationary period are not entitled to social insurance or benefits. After this, workers' labor contracts state that insurance information is in the worker manuals. These manuals, however, are never given to workers. Workers have no way of requiring the factory to purchase insurance of a certain kind and must accept whatever insurance the factory chooses to purchase. For maternity leave, the factory offers one month of unpaid vacation.

## III. Follow-up Investigation: Hantai Shoe Factory

### A. Factory Information

**Factory Size:** Currently the factory employs over 4,000 workers, and the male to female ratio is 2:1. Before the economic crisis, the factory employed 7-8 thousand workers.

**Main Products:** Each year the factory produces around one million pairs of shoes.

**Main Customers:** The factory mainly produces for Walmart, Sketchers, Fila etc.

**Company Address:** Songgang Datianyang Industrial Zone, Bao'an District, Shenzhen

**Telephone:** 86-0755-29712345

**Fax:** 86-0755-29712365

### B. Hiring Process

#### 1. Recruitment

The fact does not hire child laborers, and all workers must be 18. To be hired, workers must present a valid ID card.

When workers first enter the factory, they must complete a medical examination that costs 50 RMB. Workers who pass enter the factory immediately, run through a two hour training that covers factory regulations, and sign a labor contract. After this, workers go to the factory floor where section managers introduce their work, which they begin immediately.

#### 2. Labor Contracts

**招 聘**

① 针车熟手 (男女不限)  
② 针车普工 (限女生)

一. 面试要求:  
1. 须持本人正式有效的身份证 2. 年龄: 18—40周岁  
3. 身体健康 4. 学历: 小学以上

二. 待遇:  
1. 底薪: 900元/月, 五天八小时制(出勤21.75天/月), 加班费按每小时7.76元计算, 法定假日为有薪假日.  
2. 满一年者享有5天有薪年假, 满十年者享有10天有薪年假, 满二十年者享有15天有薪年假.

三. 面试时间:  
周一至周五上午08:30、下午02:00开始

本厂不收取任何押金及扣押证件, 每月上旬发放上月工资.

地址: 松岗街道松裕路东方雾岗工业区(松岗中学往南300米 大田洋世纪东方购物广场斜对面大片蓝色厂房)

联系电话: 0755-29712345 转工 114 或 115

2009/06/07

深圳邯泰鞋业有限公司

Image 4: Hantai recruitment advertisement

All workers who are hired will sign a contract. Contracts have 13 provisions including the following:

1. As CLW discovered last year, contracts state the work position but add an additional condition that the **factory can examine and adjust the work given to any employee**. Workers are required to sign and date this section. This can be used to change workers to undesirable posts and force them to quit, a form of **disguised layoff**.
2. Working hours and rest are set at 8 hours per day and 40 hours per week.
3. In the column for compensation, the base salary is written as 900 RMB, a modest increase over last year. During the probationary period workers' wages are only 720 RMB. Wages are distributed on the 7<sup>th</sup> of each month.
4. The contract **does not include relevant labor protection, labor conditions and occupational hazards** for specific posts, including specific occupational hazards, measures for worker safety or the number of medical required per year.
5. Workers must give 30 days advanced notice in order to cancel the labor contract.

### ***3. Disguised layoffs: Arbitrary Position Changes***

Due to economic difficulties this year, the factory has altered the work position in many contracts. For example, one worker originally worked as a section leader and was transferred to the security staff responsible for fire safety. Others have been moved to front gate security. Some former management has been moved into the regular workforce, taking heavy wage reductions. These changes were not made with approval from workers but were totally forced. The contracts remain unchanged and workers were given no subsidies. Workers were very upset about this policy of forced position changes.

Images 5-7: First, second and third pages of the Labor Contract

Image 5: Labor Contract 1st page

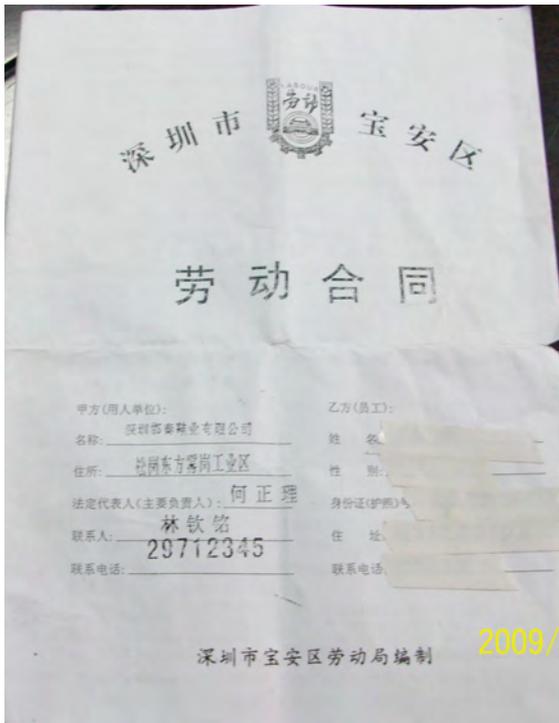


Image 6: Labor Contract 2nd page

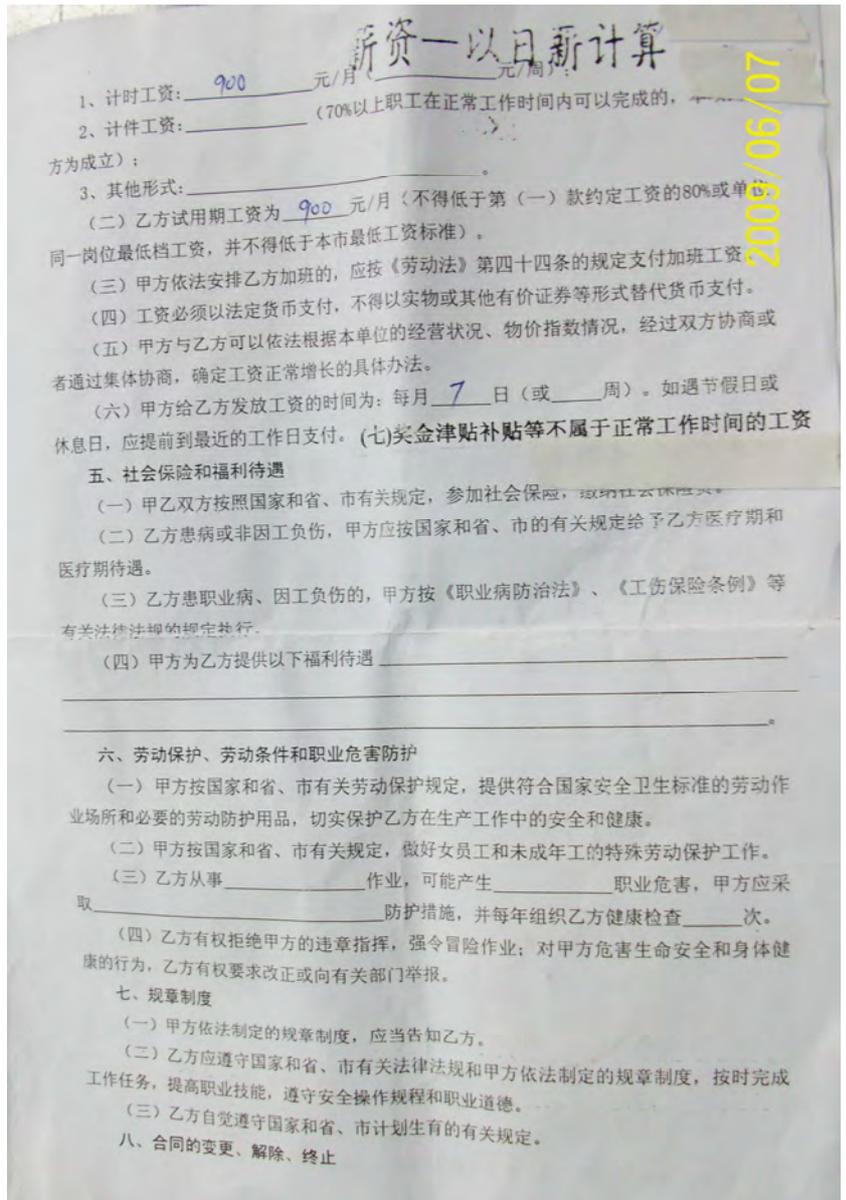
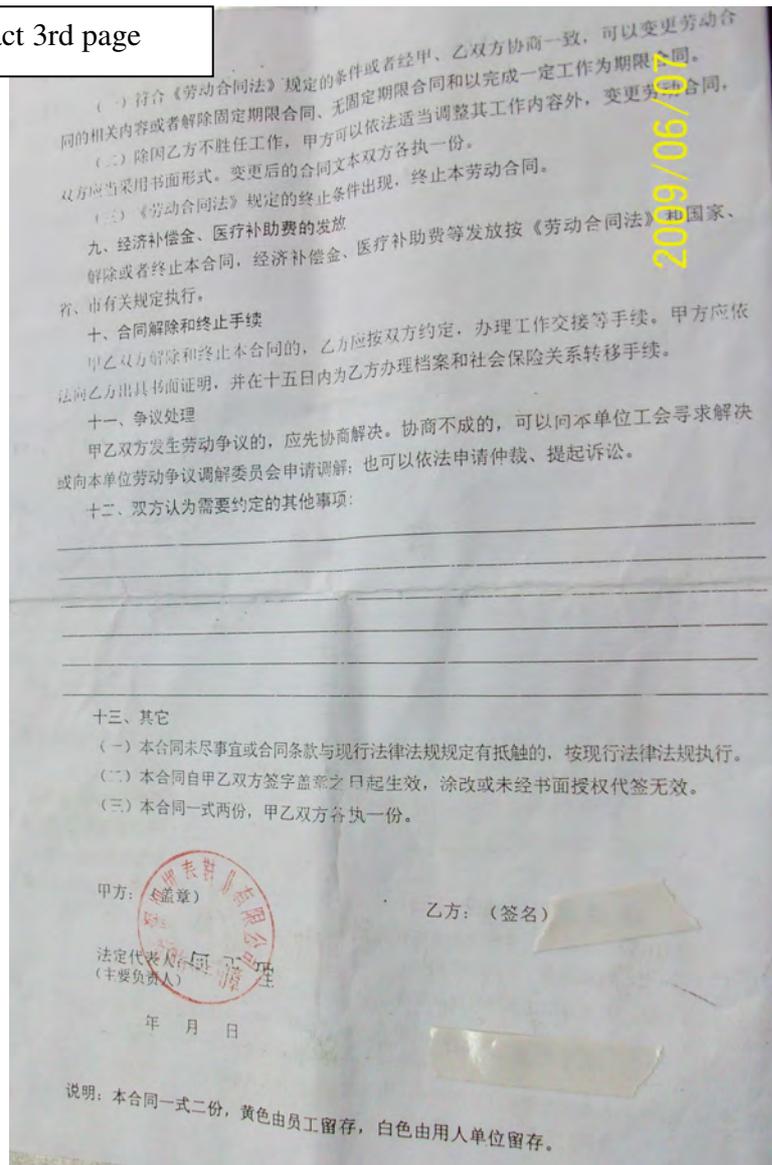


Image 7: Labor Contract 3rd page



## C. Wages and Working Hours

### 1. Working Hours

The factory has three working shifts: a day shift, an evening shift and a special overtime shift. The day shift is divided into day shift one and two. Both the day shift and night shift generally work 2-3 hours of overtime every day, as determined by production needs and there is no night shift subsidy. All workers in the molding and sewing departments are in the special overtime shift, as well as many other workers in the factory. Every day, workers in this shift will work 4.5-5 hours of overtime.

During working hours, workers must complete all required goods. Like last year, bathroom breaks are limited.

Table 1: Hantai Working Hours

| <i>Day Shift One</i>           | <i>Day Shift Two</i>           | <i>Night Shift</i>       |
|--------------------------------|--------------------------------|--------------------------|
| Work 7:40AM - 11:40PM          | Work 8:00AM - 12:00PM          | 9:00 PM - Midnight       |
| Break 11:40PM - 1:10PM         | Break 12:00PM - 1:30PM         | Break 12:00AM - 1:30AM   |
| Work 1:10PM - 5:10PM           | Work 1:30PM - 5:30PM           | Work 1:30AM - 5:30 AM    |
| Overtime 6:00PM - 7:30PM       | Overtime 6:10PM - 7:40PM       | Overtime 5:30AM - 7:30AM |
| <i>Sewing, molding depts.:</i> | <i>Sewing, molding depts.:</i> |                          |
| Overtime 6:00PM - 10:40PM      | Overtime 6:10PM - 10:40PM      |                          |

### *Annual Production Schedule*

Peak production for the factory occurs around Spring Festival, beginning around November and ending around February. The off-season falls in July and August. Generally the factory has orders to fill year round, and workers believe it is a relatively stable factory.

### **3. Illegal Overtime System**

**Overtime is required** by the factory and is not completely voluntary on the part of workers. In order to reduce costs, the factory will make workers complete overtime work from Monday to Friday for around five hours each day to complete its orders. The factory has not presented this overtime system to the Labor Bureau, and has failed to listen to the opinions of the factory union.

The “all or nothing” overtime system identified last year continues. Facing an unreasonably intense daily workload, workers find the workweek unbearable and newly hired workers have difficulty adjusting. If workers apply **not** to work overtime on this schedule, however, they will not allowed to do **any** overtime work outside of their regular hours, seriously limiting wages. This overtime system is inhumane and unnecessary.

If overtime hours surpass a monthly limit, the factory will refigure the extra time into the next month. When the factory distributes overtime wages, it will only pay for the number of hours stated in the system limit, and the next month’s overtime work will be calculated according to a smaller limit with the previous month’s hours subtracted from the total. One worker stated that after this, they could only work a small amount of overtime, reducing overall wages. This system creates excessive overtime hours and reduces total wages earned.

### **4. Wages**

The factory generally uses two methods to calculate workers’ salaries: one is a piece rate system and the other is a monthly salary. The average wage for workers on the piece rate system is 1500 RMB/month (including overtime wages) and on the salary system is 1200 RMB/month (including overtime wages).

#### *Piece Rate System*

Last year, the factory did not have a cap on the maximum number of “pieces” workers could be paid, however, a limit was created this year. Now if workers wages surpass 70 RMB in one day, they will still be paid only 70 RMB. If wages do not reach the minimum wage standard, however, the factory will provide a subsidy to meet the standard.

The piece rate system is for an eight hour work day with wages and overtime wages are calculated at 1.5 times normal wages added to the total “piece” calculation. The piece rate calculation chart is the same as the wage calculation chart for hourly wage workers, and the only different is the calculation method. The wage per article of clothing is lacking on the piece rate calculation chart. (See the attached charts for more details.)

### Monthly Salary System

The monthly wage for workers on the salary system is 900 RMB/month, but the wages are calculated according to actual attendance records, and rather than simply adding base wage + overtime wages, the calculation is (base wage ÷ 21.75 × days of attendance + overtime wages). Ordinary overtime, weekend overtime and holiday overtime are calculated at 1.5, 2 and 3 times normal wages.

Image 8: Wage calculation charts for three separate piece rate checks

| 班別                 | 工號 | 姓名 | 計薪日     |    |    | 加班時 |     |     | 請假  | 工資   | 加班費  |      |    | 應發工資 |
|--------------------|----|----|---------|----|----|-----|-----|-----|-----|------|------|------|----|------|
|                    |    |    | 出勤      | 節日 | 年休 | 平日  | 假日  | 節日  |     |      | 平日   | 假日   | 節日 |      |
|                    |    |    | 19      | 2  | 0  | 47  | 0   | 0   | 0   | 869  | 686  | 0    | 0  | 1555 |
| 若有疑問或錯誤, 書面向財務申請複查 |    |    | 年/月     |    | 部門 |     | 所得稅 | 伙食費 | 住宿費 | 養老保險 | 預付工資 | 實發工資 |    |      |
|                    |    |    | 2009/05 |    |    |     | 0   | 144 | 0   | 76   | 0    | 1335 |    |      |

| 班別                 | 工號 | 姓名 | 計薪日     |    |    | 加班時 |     |     | 請假  | 工資   | 加班費  |      |    | 應發工資 |
|--------------------|----|----|---------|----|----|-----|-----|-----|-----|------|------|------|----|------|
|                    |    |    | 出勤      | 節日 | 年休 | 平日  | 假日  | 節日  |     |      | 平日   | 假日   | 節日 |      |
|                    |    |    | 19      | 2  | 0  | 43  | 0   | 0   | 0   | 869  | 334  | 0    | 0  | 1203 |
| 若有疑問或錯誤, 書面向財務申請複查 |    |    | 年/月     |    | 部門 |     | 所得稅 | 伙食費 | 住宿費 | 養老保險 | 預付工資 | 實發工資 |    |      |
|                    |    |    | 2009/05 |    |    |     | 0   | 0   | 0   | 4    | 0    | 1199 |    |      |

| 班別                 | 工號 | 姓名 | 計薪日     |    |    | 加班時 |     |     | 請假  | 工資   | 加班費  |      |    | 應發工資 |
|--------------------|----|----|---------|----|----|-----|-----|-----|-----|------|------|------|----|------|
|                    |    |    | 出勤      | 節日 | 年休 | 平日  | 假日  | 節日  |     |      | 平日   | 假日   | 節日 |      |
|                    |    |    | 22      | 0  | 0  | 62  | 9   | 0   | 0   | 910  | 634  | 95   | 0  | 1639 |
| 若有疑問或錯誤, 書面向財務申請複查 |    |    | 年/月     |    | 部門 |     | 所得稅 | 伙食費 | 住宿費 | 養老保險 | 預付工資 | 實發工資 |    |      |
|                    |    |    | 2009/03 |    |    |     | 0   | 0   | 0   | 4    | 0    | 1635 |    |      |

Table 1: Salary statements for 3 workers

| 1ST PART | Base Salary Calculation |        |            | Overtime Wage Calculation |        |          | Days Off    | Wage     | Overtime Wage   |            |           | Initial Wage Total |
|----------|-------------------------|--------|------------|---------------------------|--------|----------|-------------|----------|-----------------|------------|-----------|--------------------|
|          | Reg Days                | Wk end | New Year   | Reg                       | Wk end | Holi day |             |          | Reg             | Wk end     | Holi day  |                    |
| 1        | 19                      | 2      | 0          | 47                        | 0      | 0        | 0           | 869      | 686             | 0          | 0         | 1555               |
| 2        | 19                      | 2      | 0          | 43                        | 0      | 0        | 0           | 869      | 334             | 0          | 0         | 1203               |
| 3        | 22                      | 0      | 0          | 62                        | 9      | 0        | 0           | 910      | 634             | 95         | 0         | 1639               |
| 2ND PART | Year/ Month             |        | Department |                           | Taxes  |          | Canteen Fee | Dorm Fee | Social Security | Back wages | Total Pay |                    |
| 1        | April 2009              |        | xxx        |                           | 0      |          | 144         | 0        | 76              | 0          | 1335      |                    |
| 2        | April 2009              |        | xxx        |                           | 0      |          | 0           | 0        | 4               | 0          | 1119      |                    |
| 3        | April 2009              |        | xxx        |                           | 0      |          | 0           | 0        | 4               | 0          | 1635      |                    |

### 5. Uniform Deductions

Newly hired workers are given two pairs of work uniforms free of cost. However after two or three years of work at the factory workers must pay 30 RMB to buy a new uniform. Workers stated that this is unreasonable.

### D. Dormitory and Canteen Conditions

#### 1. Dormitory

The bathroom situation is poor, and janitors only clean the bathroom Monday through Friday. Workers state that bathrooms are dirtiest on the weekends because everyone is in the dormitory. To avoid paying overtime wages, however, the factory does not allow janitors to work on weekends.

Image 9: Dormitory bathroom, picture from 2008 report



## **2. Canteen**

The factory has a rule that workers who live outside of the dormitories cannot eat in the cafeteria, and workers living in the dormitories are required to eat there. Meals in the canteen cost 6 RMB/day, and costs are deducted from wages regardless of whether workers eat there or not. Workers stated that the factory should be less strict with this system and allow workers living outside to apply to eat in the factory. The current policy has led to reselling of canteen cards. When the factory investigates and discovers these transactions, it will deduct the monthly canteen fee from the worker who sold the card. Workers stated that the monthly canteen fee of 170-180 RMB is expensive.

Canteen food has not improved since last year. Workers stated that the sanitary conditions are poor and that the food does not taste good. Breakfast consists of soy milk, *mantou* rolls, *baozi* steamed buns, fried dishes, *chaofen* rice noodles and more. However the fried dishes are usually leftovers from the previous night's congee, fried in a little oil. Workers stated that canteen food is poor, and sometimes even tastes rancid.

## **E. Safety and Work Conditions**

### **1. Safety Equipment**

Protective safety equipment is provided to workers including gloves, masks and earplugs. Workers stated that the factory only changed the items once or twice a month, which is not enough since equipment often gets worn out.

To prevent equipment from wearing out, workers reduce their use of protective equipment. Although they are clearly aware that this is damaging to their health, workers must preserve equipment as it will not be replaced. The only time when workers all wear their equipment is when customers inspect the factory.

### **2. Work Conditions**

Although the workshop area has fans and ventilation, workers stated that because of the large number of machines the temperature is still too hot.

All workers in the Printing Department use the chemical Tianna, *tiannashui*, and some processes require chemicals like toluene, *jianben*.

For special types of work like the Fuel Injection Department there is no scheduled medical examination or work rotation management policy.

### **3. Injuries**

Several workers at the factory have suffered from work-related injuries, but not many. The factory purchases injury insurance for employees. For example, one worker from Guizhou had his finger crushed and was designated as a level ten disability. (Consider rewording previous sentence) The factory was required to compensate the worker 8000 RMB. When the worker left the factory, he was further compensated 4000 RMB. Workers state that in most cases of work-related injury, compensation is only distributed when workers leave the factory and not before.

## **F. Social insurance and benefits**

### ***1. Award and penalties***

After an incident in which a worker sued the factory, the factory presently issues few penalty fines.

### ***2. Termination issues***

It is not hard to resign from the factory. Generally, during the probationary period workers must give three days notice before resignation, and normal workers must give a month notice and adhere to officially specified termination procedures. If workers chooses to terminate contracts, the factory will distribute the previous month's pay between the 7<sup>th</sup> and 10<sup>th</sup>. Workers looking to quit without following required procedures must work until the previous months wages are distributed to leave and will not be compensated for work in the new month . Therefore, while the factories procedures for leaving are effective, many workers also leave without official approval..

## **G. Corruption**

### ***1. Audit Falsification***

Before audits, the factory will distribute materials for all workers to read and memorize so they will know how to respond to any questions inspectors may ask. This same practice is utilized in Huasheng, and a translated version of the falsification document is attached.

### ***2. Misplaced Funds***

Corrupt mid-level management frustrates workers. For example, last year after the Sichuan earthquakes, the factory organized a fundraising collection for workers from the disaster area in Wenchuan. One worker from Wenchuan whose home collapsed was entitled to a portion of the charity fund. However, the fund accountants said that if they gave the money too soon, a new house would be destroyed by aftershocks. Later, the factory was "unable" to pay all of the charitable money the worker was entitled.

Workers state that the factory's financial system is disorganized and poorly monitored..

### ***3. Disguised Layoffs: Worker Abuse***

Last year, it was discovered that management verbally abused and even beat workers. The factory management continues to yell at workers on a regular basis. Workers said that although the factory claims to have humane management, factory managers are unfair and even crude in their interaction with workers, sometimes using bad language in their verbal attacks. This has also been institutionalized in disguised layoffs when managers ridicule workers to make them quit. Another method to force worker resignation is to reassign workers posts to departments they are entirely unfamiliar with. When workers are unable to complete satisfactory work they are forced to quit.

## **V. Appendix: Huasheng Falsification Document**

In this section, please find the original document in Chinese following the page it translates. All charts with names and workers numbers have been removed.

### *Page 1*

#### Wal-Mart Factory Audit Items to Note

All departments must pay attention to the following items:

- 1- Personal desks, department tables and each department's area may keep organized piles of forms and documents conforming to Wal-Mart requirements, but any other dated form or material should be hidden.
- 2- Any documents, forms or rules pertaining to the details of fines or punishments should also be collected
- 3- When each department completes its inspection document and examines the C shift workers, be sure that Saturdays are not listed.
- 4- If any department has another department's forms, they should also adjust these forms to meet requirements.
- 5- All departments should be especially aware of and check on the records from April 4-6. The factory gave rest from April 4-6 so there should be no records.

The following are instructions for items that each department should consider in case a client unexpectedly comes to the factory:

#### A. Logistics Department

1. When the customer comes, front door security people should immediately notify HR staff Lily, and also the back door security people should go to the color printing department and send workers to the old factory. Also tell dual workers (at Huasheng and Ruihua) to immediately leave the factory. Block the road between the two factories and alert the responsible person in each department.
2. After the customer has entered into the main facilities, a worker should remove the "production department daily overtime announcement."
3. The logistics board will be responsible for clearing announcement boards in the cafeteria, transportation platform and the office interior.
4. The desks in the security bureau can have dispatch forms, but any other documents with dates should not be left out.
5. The penalty rules posted behind the visitor verification area should be removed entirely.
6. The factory rules and procedures for handling working hours and penalties during factory investigations should be totally removed
7. The passage to the second factory should be blocked, and "Huasheng Factory 2" should not be mentioned.

#### B. Workshop

1. Make sure all emergency fire exits are unblocked and that all fire equipment is unobstructed.
2. Adjust material requisition forms according to requirements, for instance, C shift workers must not be stated to work on Saturdays in their records.
3. Other dated forms or announcement about the punishment system cannot be seen outside.

4. The goods delivery plan should be straightened up, and special notice should be taken not to have any work scheduled for Saturdays.
- C. Transportation Department
1. Any forms or documents that have not been properly straightened out in the office should be collected.
  2. Our company does not have drivers or cars, all drivers and dispatchers will be considered delivery people.
  3. The goods delivery chart cannot have delivery times listed from 2AM-8AM.
  4. The following two people should be avoided during factory investigation, and their names should not appear on any records:  
*(Chart with information for chauffeur and driver removed)*
- D. Production Department
1. A selected staff person will be in charge of the message board at each department head's desk, and these people must be notified in the soonest possible time after the customer arrives at the factory so that they can clear out whatever needs to be cleared.

## 沃爾瑪驗廠注意事項

### 各部門均需注意事項：

- 一、個人桌面、部門台面及本部門負責的區域內除已整理好的符合沃爾瑪要求的表單及文件可以出現外，其它任何帶有日期的表單及資料均需藏起。
- 二、有罰款或懲罰字樣的文件，表單，規定等均需收起。
- 三、本部門清查文件時，有涉及到C班人員的，應注意將星期六的也要清掉。
- 四、本部門如有保留其它部門的表單同樣也要將那些表單按要求整理好。
- 五、各部門特別注意4月4日-4月6日的記錄一定要清理出來，我司4月4日-4月6日，所有人員均放假，不能有任何記錄。

### 以下是各部門在客戶突然到來時需特別注意事項：

#### A、後郵部

- 1、當客戶到來時，前門保安立即通知人力資源部李莉，並同時通知後門保安，後門保安要控制彩印部人員過老廠來，并讓聯合瑞華人員立即撤出老廠。同時把通往二廠通道的路封好，并通知各部門負責人。
- 2、當客人已到還沒進入時，需有一保安員將“生產部每天加班通知及卡機上的通知”去掉。
- 3、飯堂公告欄，運輸貨台公告欄，辦公室內公告欄由後郵部負責清理。
- 4、保安部桌面隻可以有送貨單，其它有日期的東西均不可以放在桌面上。
- 5、來賓証後面的罰款規定需全部取出。
- 6、公司內的規定、規章有與驗廠要求的上班時間或有處罰字樣的全部取下來。
- 7、二廠通道要堵起，不可說有華生二廠。

#### B、倉庫

- 1、各消防通道保持暢通，消防器材不可堵塞。
- 2、領料單一定要按要求整理好，如有C班員工填寫的領料單，星期六的日期也不可出現。
- 3、其它有日期的單及罰款通告都不可暴露在外面。
- 4、交貨計劃表一定要整理好，特別注意不可出現星期六日期。

#### C、運輸部

- 1、辦公室內沒整理好的表格及文件均需收起。
- 2、我們公司沒有司機及車輛，所有司機及送貨工均為車隊的。
- 3、貨台旁的送貨計劃，不可有凌晨2:00-8:00的送貨計劃。
- 4、以下2人驗廠時回避，所有記錄不可以有此2人名字出現。

|        |     |          |     |   |
|--------|-----|----------|-----|---|
| 000102 | 胡思美 | 運輸部;運輸組; | 搬貨員 | C |
| 000789 | 李其泉 | 運輸部;運輸組; | 司機  | C |

#### D、生產部

- 1、各工段組長的桌面各宣傳欄指定人員負責，要能在客戶到時最短時間內通知到各負責人，把需要清理掉東西全部清理掉。

**Page 2**

2. Our company does not have vehicles or chauffeurs; all chauffeurs and dispatchers will be part of the car group. The following three workers should be absent for the inspection, and their names should not appear on any records.

*(Chart with drivers' names removed.)*

3. The daily production printing and B machines in the production department's newspaper cannot be left on top of the table, but should be said to have been given to the literature worker to be handled; other work units daily papers should be straightened out as needed. (I'm not sure what the first sentence is referring to. Possibly clarify)

4. The "temperature records" and "lake concentrations" for the *shuangmian* machine should not be printed on the factory paper and should be adjusted to meet requirements.

5. The housing registration headcount should be adjusted to meet requirements, the name list in effect cannot be left out, and all other documents or forms containing dates should be collected. All assignments should follow the schedule on the computer.

6. In the board room, everything should be collected next to the sign that says: "Board room workers should do report forms every day."

7. The "boiler operating state condition inspection chart" form in the boiler room should not include the portion. "Boiler room manager monthly patrol check chart" and other documents should be organized and left on the table.

8. All fire safety exits, stairways, as well as all important passageways and intersections cannot be obstructed.

9. The door to the ink room next to the nail machine should be left open, so as to go to JLT. (JLT?)

10. All fire safety equipment should have one meter of space of free space around it. All fire safety equipment must be unobstructed.

**E Sales Department**

1. All working times should be straightened out, and the clock-out time records should also be put in order.

2. The staff lists and clerk tables should be put in order

**F Product Management Department**

1. *(This sentence is unclear)*

2. The product management table and forms should be organized

3. The canteen quality publicity board and other quality boards should be straightened out.

4. The "incoming material testing report" in the product testing room should be organized as required.

5. The "record of tool maintenance" in the product testing room should be organized as required.

**G. Engineering Department**

1. The "facilities maintenance record cards" on the two boards near the door and on the table in the A section of the engineering department should be put in order.

2. The "facilities maintenance card" and "facilities movement attitude award card" should constantly be adjusted to meet requirements.

Please have section managers from every department finish putting things in order before Tuesday, and maintain until Wal-Mart and Office Max complete their inspection. If it is necessary to put out anything for use that does not meet requirements, these things must be immediately put in order upon customers' arrivals.

- 2、我們公司沒有司機及車輛，所有司機及送貨工均為車隊的，以下3人驗廠時回避，所有記錄不可以有此三人名字出現。

|        |     |          |      |     |        |     |       |
|--------|-----|----------|------|-----|--------|-----|-------|
| 003157 | 劉德壽 | 生產部,辦公室: | 司機 B |     |        |     |       |
| 001651 | 張海東 | 生產部,辦公室: | 司機 A | 王尚: | 002271 | 覃國勇 | 輔助工 A |

- 3、生產部印刷及啤機工段的生產日報表也不可放在桌面上，說已交到文員處，其它工段的日報表要按要求整理好。
- 4、雙面機的《相關溫度記錄》《漿糊濃度記錄》沒驗廠前不要再用廢紙復印。同樣要按要求做記錄。
- 5、版房《嘜頭單》，按要求檢查好，隻存放有效的《嘜頭單》，桌面上其它有日期的表格及文件全部收起。全部按電腦上生產計劃作業。
- 6、木樣房除《木樣房每日工作報表》，其它全部收起。
- 7、鍋爐房《鍋爐運行狀況檢查表》表格，不要有時間點，《鍋爐房廠長每月巡檢表》整理後可放在桌面上。
- 8、各消防通道及電梯，及公司主要通道及路口不可堵塞。
- 9、釘機旁水墨房的門要關起，說是走 JIT。
- 10、各消防器材前1米內不可以放任何東西，所有消防通道不可以堵塞。

E、營業部

- 1、樣辦上日期需全部清理，樣辦出入記錄時間同樣需整理。
- 2、跟單員及營業員桌面隨時整理。

F、品質部

- 1、品質部現辦公室不可有材料報表，要整理好。
- 2、生產內品管桌面及報表要清理好。
- 3、飯堂品質宣傳欄及其它品管負責的宣傳欄的整理。
- 4、測試房《來料檢驗報告》按要求整理好。
- 5、測試房《儀器維護保養記錄》按要求整理好。

G、工程部

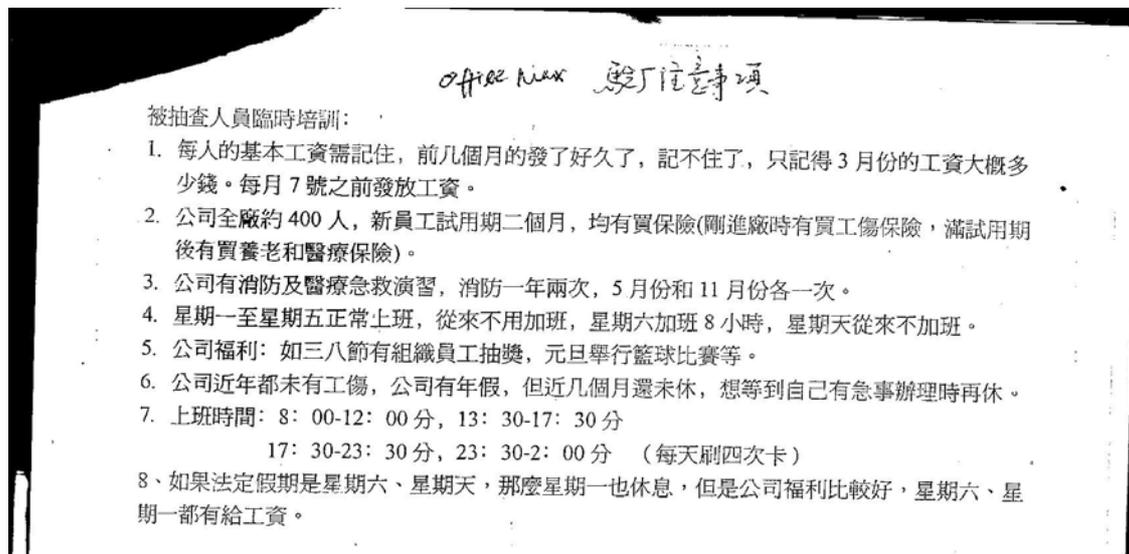
- 1、工程部內《設備維修記錄卡》、門兩邊的兩宣傳欄，桌面等均需清理好。
- 2、現場《設備保養卡》《設備運行狀態卡》要時刻保持按要求狀態。
- 3、《工程維修單》藏起，就說口頭通知。

以上要求，請各部門星期三之前沒整理好的全部整理好，並維持到沃爾瑪及 OfficeMax 驗廠完畢。如有必須放在外面要用而又不符合要求的東西，驗廠人員到時請務必及時清理 OK。

### Items for notice during factory inspection

Temporary preparation for workers who are spot-checked:

1. Every person must remember the base pay, which was given out several months ago, if you don't remember, just remember approximately what was paid in March. Payment is given out before the 7<sup>th</sup> of every month.
2. There are about 400 people in the company factory, there is a two month probationary period for new workers, and everyone has social insurance. (When workers just enter the factory, workers' compensation is purchased, after medical insurance and retirement insurance are purchased.)
3. The company has medical first aid and fire safety practices, as well as offers fire safety training twice per year in May and October.
4. Workers work normal hours Monday through Friday, never work overtime, work 8 hours of overtime on Saturday, and never work overtime on Sunday.
5. Benefits: For example, on International Workers Day there is a worker-organized raffle, on New Year's, there is a basketball tournament.
6. In the past few years there has been no worker injury; workers get paid vacation on Spring Festival, but have not rested in a few months because they are saving it for future personal business demanding immediate attention.
7. Working hours are 8-noon, 1:30-5:30, 5:30-11:30, 11:30-2 (every day four o'clock punchings)
8. If there is legally required rest on Saturday and Sunday, there is also a day given on Monday, and because the company has good pay, pay is given for Saturday and Sunday. (Not sure about this sentence)



Handwritten part at bottom of Page 3:

The Communication Manager strictly forbids entering work procedures, such as those pertaining to resignation, production and printing, into computers. Keep this in mind!

传曾经理要求严禁玩输电脑工序  
如经发现即离厂。(生产. 彩印. 所有  
人员须知悉) 切记!

陈礼 1/4-09

**Page 4:**

Hello everyone

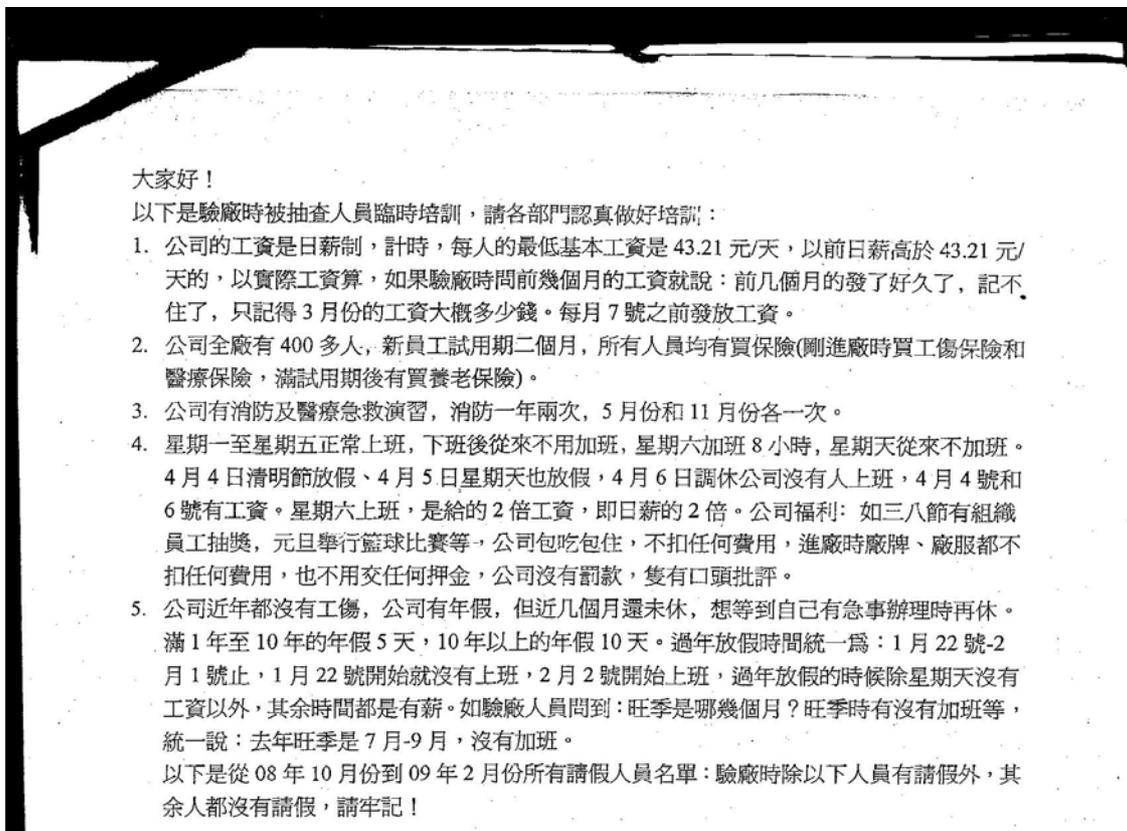
Below are teaching materials for temporary training of workers spot-checked during a factory investigation, please maintain the department's rigorous training:

1. The company's wages are on a daily, hourly schedule: the base pay is 43.21 RMB/day and before the wages were higher than 43.21 RMB/day, calculated according to working time. If asked about wages several months before the inspection, state that after so long you cannot remember but can only remember approximately what was paid in March. Payment is given out before the 7<sup>th</sup> of every month.
2. There are about 400 people in the company factory, there is a two month probationary period for new workers, everyone has social insurance (when workers first enter the factory, workers compensation is purchased, after medical insurance and retirement insurance is purchased).
3. The company has medical first aid and fire safety practice training, which takes place twice per year, in May and October.
4. Workers work normal hours Monday through Friday, never work overtime, work 8 hours of overtime on Saturday, and never work overtime on Sunday, On April 4<sup>th</sup>, everyone is off for the Qing Ming Festival. The 5<sup>th</sup> is a Sunday so everyone has off, and the 6<sup>th</sup> is scheduled rest. The 4<sup>th</sup> and the 5<sup>th</sup> are paid. Saturday, there is work, at 2 times the normal pay rate. The factory provides room and board and doesn't charge anything. No one requires any money from workers when they enter the factory. The factory doesn't institute any penalty fines, only oral criticism.
5. In recent years, there have been no incidents of worker injury. The company provides New Year's vacation but no one has rested in the past few months.

Workers of 1-10 years are given 5 days of rest, 10 years and over get 10 days. At Spring Festival, everyone is off at the same time. From January 22<sup>nd</sup> to Feb 1<sup>st</sup>, starting on January 22<sup>nd</sup> no one works. On February 2<sup>nd</sup>, people start working again. During this break aside from Sundays when no one is paid all workers receive their base salary. If the inspectors ask; the busy period is from July to September but there is no overtime.

The following is a list of all workers who requested time off from October, 2008 to February of 2009; during the inspection aside from these workers who requested time off, no other workers asked for time off, remember!

(Charts removed)



#### Page 5

6. Working hours are from 8AM-Noon, 1:30-5:30, 5:30-11:30, 11:30-2 (every day four clock punchings).
7. If there is legally required rest on Saturday and Sunday, there is also a day given on Monday, and because the company has good pay, pay is given for Saturday and Sunday. (Isn't this information listed previously in this report?)
8. Wages are paid via the bank, Shenzhen Development Bank.
9. All workers have labor contracts. Contracts from before Jan 1, 2008 are unlimited

work contracts for 10 years, all other contracts are: Jan 1 2008 to Dec 31 2010; after Jan 1 the starting date is the day the worker entered the factory and signed, lasting until December 31, 2010.

6. 上班時間：白班：8：00-12：00分，13：30-17：30分

    夜班：17：30-23：30分，23：30-2：00分（每天刷四次卡）

    上夜班時中途休息半個小時。

8、如果法定假期是星期六、星期天，那麼星期一也休息，但是公司福利比較好，星期六、星期一都有給工資。

9、工資發放形式都是通過銀行轉帳，不發現金，銀行是深圳發展銀行。

10、所有人員都有簽定勞動合同，08年1月1日之前入職的，簽合同時工齡已滿10年的，簽的是無固定期限勞動合同，其餘的勞動合同簽定時間是：08年1月1日---2010年12月31日；08年1月1日之後入職的，勞動合同簽定日期是：入廠當天就簽定勞動合同，也是簽到2010年12月31日止。