



China Labor Watch
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July 1, 2009
Robert A. Iger, CEO
Jennifer Anopolsky, Senior VP Corporate Responsibility
The Walt Disney Company
500 South Buena Vista Street
Burbank, CA 91521

Dear Mr. Iger and Ms. Anopolsky,

On May 21st, you pledged to CLW that Disney would invest in **improving Yiuwah** rather than abandoning the factory **in search of another cheap supplier to exploit**. Yet on June 17, Disney announced that it would cease new orders of any Disney-branded products in the Yiuwah factory until conditions were improved. Disney reneged on its promise of monitoring and remediation at Yiuwah under scrutiny from the New York Times, which featured Liu Pan's death in a June 23rd article about deteriorating working conditions in China.

This change in course is **irresponsible** and **inhumane**. After taking advantage of Yiuwah's cheap prices at the expense of its workers, immortalized by Liu Pan, Disney sets a terrible precedent by abandoning its supplier at the first sight of a reporter. Disney production may only account for 5-15% of Yiuwah production, but Disney's audits have driven international faith in Yiuwah and Disney's actions now have a profound effect on the work conditions and livelihoods of the workers who, for three years, have faithfully produced cards and gift boxes bearing the Disney name.

The issues at stake run deeper than a single factory. Just as Liu Pan's death represents deteriorating work conditions in China, Yiuwah represents the **failure of Disney's standards** to protect Chinese workers. Disney claims to engage with a number of multi-stakeholder forums to identify best practices to improve monitoring and remediation approaches. Yet time and again, these practices have failed to materialize. In fact, this is the **third factory** in a year that Disney has abandoned after a CLW investigation!

A vicious cycle has emerged in Disney's Chinese supply chain. First, Disney chooses suppliers that charge **cheap prices** for goods. Second, factories facing razor-thin profit margins **pay low wages and cut safety standards** to make ends meet. Third, **Disney's poor auditing system** turns a blind eye to violent labor abuses. Fourth, a strike, tragedy or investigation occurs and Disney is confronted with a remediation opportunity. Finally, instead of improving its suppliers, **Disney washes its hand of the exploited factories** and moves on to new factories to **begin the process again**.

Just last December, **Disney abandoned Debao Plastic Factory** after workers organized a strike to protest 80 days without receiving wages. CLW reported the following conditions at Debao, a Disney audited factory, last November shortly before Disney abandoned the factory:

- **Poverty-level wages:** The average worker at Debao made between 900 and 1,100 RMB per month (\$132-\$162). There were also hourly workers at Debao, paid at a rate 25 RMB (\$3.70) per day for the first three months of employment. This is 10 RMB below the minimum wage of 35.44 RMB (\$5.21) per day.
- **Long hours & mandatory overtime:** Workers worked at least 12 hours a day, seven days a week, in excess of the legal limit. With overtime, they often put in 14 or more hours, and sometimes even worked through the night. Furthermore, workers did not receive overtime pay for the work they put in on weekends.
- **Dangerous work environment:** There were no air conditioners on the molding department floor, where temperatures get very high. Many workers fainted on the job due to the heat. Workers in the manual department who make paper boxes often cut their fingers, but Debao did not provide them with gloves. Some of the workers in the molding department who work with extremely hot objects were equipped with gloves, but many did not wear them because of a lack of training and awareness about workplace safety issues.
- **Squalid living conditions:** Drinking water was only available on the first floor of the dormitory, meaning that workers on other floors trekked through the facilities to obtain clean water. Although workers paid a six RMB cleaning fee for their dorm room, it was still dirty and infested with cockroaches and mosquitoes. The showers lacked hot water and workers complained about the quality of the food in the cafeteria which cost them between 3-5 RMB for lunch and dinner.

Last June, CLW contacted Disney directly about China Innovation Co, a third Disney-audited supplier factory with equally dismal labor conditions. Shortly thereafter, disgruntled workers organized a strike to combat excessive violations. **Disney abandoned China Innovation Co. too**, confronted with the following violations:

- **Safety problems:** Workers were not given necessary safety equipment including face masks and access to eye-washers. The ventilation system was always turned off except during audits. Illegal chemicals were used and no health examinations were provided
- **Illegal deductions:** Workers were owed money for overtime work as well as for social insurance fees, including pension, medical and work injury.
- **Labor contracts:** Workers were not given a copy of the labor contract.
- **Workers coerced to cheat auditors:** During audits, face masks were distributed, the ventilation system was turned on, and use of the paint gun was prohibited. In addition workers were asked to leave certain areas of the factory, including about 800 workers who left the drawing department. When audits ended, workers returned to the factory and if necessary, worked overtime lasting all night. Workers were given small bonuses for leaving the factory and for answering auditors' questions "correctly".

Liu Pan's death must mark an end to this pernicious cycle of paying unsustainable prices to factories and abandoning them when the results become evident. Disney must carry out its original promise to implement a remediation plan in Yiuwah, following CLW's original recommendations.

By investing in its supplier partners, Disney can actually realize its standards instead of simply talking about them. Finally, Disney can re-envision its auditing system as a way to improve factories in need, rather than a way to assuage fears that cheap goods actually bear a human cost.

It is time to stop running, to invest in Disney's failed monitoring and remediation mechanisms, and to take responsibility for the tragedies they have caused. Yiuwah Factory is the place to start.

We still look forward to a conversation with Disney about how to improve factory conditions at Yiuwah, and Disney's best practices for factory monitoring and remediation. You may contact CLW at clw@chinalaborwatch.org or reach us at 212-247-2212.

Sincerely,

Li Qiang
Executive Director