

May 7th, 2009

Robert A. Iger, CEO
The Walt Disney Company
500 South Buena Vista Street
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Dear Mr. Iger,

I write regarding very disturbing evidence of widespread, systematic and serious violations of human, children's and worker rights at the **Yiuwah Stationary factory in China** where your **Disney** products are produced. Last month, the death of 17 year old worker Liu Pan in this factory alerted our investigative team of the possibility of both child labor and unsafe working conditions in the factory. Our follow up investigations revealed these and other serious violations of worker rights.

Specifically, we urge you and the Disney company to immediately address and correct violations of **child labor**; **worker safety issues** including a lack of training or explanation of occupational hazards and the use of outdated and malfunctioning machines; **contract violations** with many workers never having signed a labor contract, **forced overtime** with workers getting only two days off a month and being forced to work on Saturdays and holidays, and **vacation and maternity leave routinely denied**.

What makes matters worse is that **Disney has conducted audits** of the Yiuwah factory in China, which the factory proudly displays on its website. How have these auditors missed noticing children working, untrained workers on dangerous machines, contracts blatantly disregarded, forced overtime and vacation and maternity leave routinely denied?

We urge Disney to commit to the following concrete steps to address these violations.

1.) Illegal Child Labor: The workers report that there are children 14 and 15 years of age illegally employed, and workers as young as 13 hired in the busy season. Liu Pan was 17 when he died and 14 or 15 when he began working in the factory.

- ***Disney must not further punish these children by simply firing them. These children should receive a stipend of one year's salary and paid transportation to***

return home to their families. This way, they may have a chance to return to school.

2.) Worker safety issues: All that is necessary for hire at the Yiuwah is a valid ID card. No health inspection is required. No training is provided and workers are directly put onto the factory floor. In addition to lacking health exams or training, there is no internal factory handbook providing relevant information about the factory to workers.

Because the machines are old and outdated they often lead to worker injury. In our investigation, we spoke with a worker from Sichuan who explained that the pressure from the machines would often lead to worker injuries and that the extreme temperatures from a machine had scalded four fingers of his left hand. In the case of casualties, the factory will pay \$23,529 in addition to providing \$7,353 in insurance- a total of \$30,882. Nevertheless, the unsafe machinery continues to be used. Chinese media reports on Liu Pan's death explain that a new worker was put on the same machine shortly after the machine malfunctioned and caused his death.

- *Disney must conduct a thorough investigation. Outdated and dangerous machines must be replaced or fixed. Safety training must be provided to workers and a worker handbook must be developed outlining occupational safety hazards.*

3.) Contract violations:

When entering the factory, workers only sometimes sign a labor contract. The contract is for one year with a 3 month probationary period. One reason workers do not sign a contract is that they fear if they want to leave the factory during the period of the contract they will be unable to as it would violate the contract terms. The factory does not give workers a copy of the contract and tells workers who have misgivings about the contract that it doesn't matter because the contract is bogus and all they need to do is sign.

- *This disregard for contracts is clearly in violation of China's Labor Contract Law, which requires that all workers sign contracts. Furthermore, according to Article 19 of the law the contract must clearly state the work the job entails as well as occupational hazards, which are currently not included in the contracts. The contract system must be re-evaluated.*

4.) No paid vacation or maternity leave: Paid vacation is limited at the factory and workers are denied rest on national holidays as well as for maternity leave. Instead of taking paid vacation, workers are forced to take unpaid time off. Lax hiring procedures allow workers to quit and get rehired in lieu of paid vacation.

- *Disney must immediately correct these violations.*

5.) Low pay and forced overtime: There is mandatory and illegal overtime, giving workers only two days off per month. Overtime pay is also shockingly low, and workers only receive 60% the legal minimum for their overtime work.

The base salary is only \$0.66/hour or \$1,356/year, the minimum wage in Dongguan. Workers are required to work around 22 hours of overtime each week and are only compensated \$62.12. This means that workers are illegally underpaid \$463.44 each year, around 40% of the overtime pay they are owed! Instead of paying workers at the legal rate of 1.5 times normal pay for regular overtime (\$0.97) and 2 times for weekends and holidays (\$1.30), the factory only pays at the rate of \$0.71/hour.

- ***The current overtime system is involuntary and illegal. All overtime work should be voluntary. In addition, all overtime work should be paid according to legal standards.***

6.) Disney auditors have certified this factory as meeting its labor standard requirements: How have these auditors missed noticing children working, untrained workers on dangerous machines, contracts blatantly disregarded, forced overtime and vacation and maternity leave routinely denied?

Each year that Disney has been in the factory, for over two years, it has conducted audits on the factory and failed to identify these problems. This systematic failure of the Disney auditing mechanism to uncover blatant and serious labor violations in the Yiuwah represents major flaws in the Disney factory auditing system. CLW strongly suspects that auditor corruption is at the root of the problem that has allowed Yiuwah to pass these inspections and achieve the Disney certification it so proudly displays on its website.

- ***Disney must publicly disclose the names of the auditing company that have certified Yiuwah over the past two years and failed to identify the problems in the report. Furthermore, Disney should conduct a wholesale re-appraisal of its auditing system. Instances of corruption are rarely isolated, and it is highly likely that the incident in Yiuwah is representative of wider corruption in the Disney auditing system.***

We look forward to a conversation with Disney about how to improve factory conditions and particularly the apparent problems with its auditing system in China. You may contact CLW at clw@chinalaborwatch.org or reach us at 212-247-2212.

Sincerely,

Li Qiang
Executive Director