



China Labor Watch  
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October 29<sup>th</sup>, 2009

Robert A. Iger, CEO  
The Walt Disney Company  
500 South Buena Vista Street  
Burbank CA 91521

Dear Mr. Iger,

I write regarding China Labor Watch's recent investigation of **Merton Plastics and Electronics Factory** where your **Disney** toys are produced. CLW has investigated Merton several times over the past decade, and published reports following strikes in 2000 and 2006. Subsequently, inclusion of Merton in the Kaleidoscope factory remediation project brought significant change to the factory. Nevertheless, according to a recent investigation similar violations to those reported by CLW in the past continue today.

Specifically, we urge you and the Disney company to immediately address and correct violations of **illegal scheduling** where Saturday is not continued overtime and therefore is both mandatory and paid at half the legal overtime wage; **excessive overtime** with 11.5 hours of work each day and 123 hours of overtime/month; **no annual vacation** for Spring Festival; **difficulty quitting**; and **poor living conditions**.

CLW began investigating Merton in 1998, long before Kaleidoscope, when it was a sweatshop plagued with strikes and particularly poor conditions. CLW issued a report on Merton in 2000 detailing underpaid overtime regularly lasting through the night, 120 consecutive workdays without rest, excessive fines, overcrowded dorms, audit falsification and contract violations. Kaleidoscope was an opportunity to remedy these serious problems.

Four years after Kaleidoscope's launch, CLW returned to Merton after a major protest in 2006 involving nearly a thousand workers, and numerous injuries and arrests. In a CLW follow-up investigation, many of the same wage, working hour and safety violations from the 2000 report persisted. At the time, Disney refuted the CLW investigation and stated that the strikes were merely caused by a "disgruntled worker". Rather than explaining how Kaleidoscope was enabling changes at Merton, Disney **denied the existence of serious problems** that need to be fixed.

This tactic of evasion resonates with Disney's overall supply chain management strategy. This May, CLW issued a report about a Disney supplier in which an illegal child laborer was killed by unsafe machinery. Over several years of factory inspection, Disney auditors at the factory turned a blind eye to child labor, serious safety violations, and a number of other illegal labor practices. The **systematic failure of Disney's auditing force** allows the company to produce toys and other products in sweatshop conditions, defend itself with flawed audits, and address serious problems only when called upon to act by external allegations.

In this current report, many of the worst violations that led to Merton's long history of worker strikes have been addressed. The issues that remain are no less important, however, and Disney's systemic issues with responsible sourcing remain. Kaleidoscope should be commended for its success, even as Disney must continue to oversee implementation of factory remediation at Merton. In addition, Disney should change purchasing policies that direct orders to factories with the worst conditions as well as the audit system that once again failed to identify serious labor violations.

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

**1) Illegal Work Scheduling:** Merton operates on a 6 day/week system of 6 hours and 40 minutes per day. Saturdays are mandatory and treated as regular working hours paid at half the legal Saturday wage rate, or only \$0.71/hour.

- *According to the Labor Law, all Saturday work is considered overtime, and therefore must be voluntary and paid at the legal rate of 2 time normal wages.*

**2) Excessive overtime:** Working hours last 11.5 hours daily with overtime, and total monthly overtime is 123 hours, in excess of the legal limit.

- *Confirm that overtime hours do not surpass the legal limit.*

**3) No annual leave:** The factory does not provide paid annual vacation.

- *Paid annual vacation should be implemented starting in 2010.*

**4) Difficulty quitting:** Workers are routinely denied applications to quit. When workers in the probationary period apply to leave the factory, managers change their request to "voluntary quitting" so wages will not be paid. After the probationary period, workers are made to wait in order to leave the factory with the wages they are entitled- one worker who applied to leave in September 2009 was only approved for February 2010.

- *Investigate and revise quitting procedures to comply with the Labor Law.*

**5) Poor living conditions:** Food in the canteen is poor. In the dormitories, beds are falling apart because bugs have destroyed the wooden boards workers sleep on, there is

no hot water to shower or electrical outlets to charge phones, and workers are prohibited from airing out their bedding except on weekends.

- *Dormitory and canteen conditions should be investigated and improved.*

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](mailto:clw@chinalaborwatch.org) or reach us at 212-247-2212.

Sincerely,

Li Qiang  
Executive Director