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## INVESTIGATION REPORT OF TWO WALT DISNEY FACTORIES

*Conducted by China Labor Watch and I shop fair –Network Ethical Consumption*

*November, 2010*

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## PROJECT INTRODUCTION

Founded in 1923, Walt Disney Co. has grown from a small animation studio to today's world entertainment empire. The history of Disney Consumer Products (DCP) began in 1929, when Walt Disney first licensed the image of Mickey Mouse for use on a children's writing tablet. DCP extends Disney's brand to merchandise ranging from apparel, toys and home décor to books and magazines, foods and beverages, stationery, electronics and animation art. Disney consumer products are sold in Disney Stores and Resort Parks, and in supermarkets everywhere in the world.

In 1995 and 1996, a number of cases of labor abuse were uncovered in Disney's suppliers in California, Central America, and East Asia. In January of 1996, after a series of investigations of Disney's suppliers in Haiti, the National Labor Committee released a report titled "The U.S. in Haiti: How to get rich on 11¢ an hour." In the years since, Walt Disney has been widely criticized for licensing its copyrights to "sweatshops."

In response to public criticism, in 1996, Walt Disney started an International Labor Standards program. In 2002, Project Kaleidoscope was initiated by a collaborative effort of the Walt Disney Company, the McDonald's Corporation, and seven organizations engaged in addressing international labor issues.

After all the efforts made by Disney, China Labor Watch<sup>1</sup>, in alliance with Austria-based NGO Südwind Agentu<sup>2</sup>, set out to reveal the real labor conditions in Disney licensee factories in mainland China. Two factories manufacturing Disney toys were randomly selected for a series of investigations, through both on-site undercover investigation and off-site worker interviews. The investigations showed that the old problems with Disney remain: Child laborers are still hired in the factories, and labor conditions are still unacceptable.

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<sup>1</sup> Founded in 2000, China Labor Watch (CLW) is a New-York based not-for-profit organization. CLW views Chinese workers' rights as inalienable human rights and is dedicated to promoting workers' fair redistribution of wealth under globalization. Since 2000, CLW has conducted hundreds of independent investigations on brand companies' supplier factories in China, including suppliers of Wal-Mart, IKEA, Carrefour, Dollar General, BestBuy and Target in the retail area, and Nike, Adidas, Puma, Timberland, New Balance, and Reebok in the sportswear area. More than fifty reports have been published on CLW's website, and are frequently cited by the media. More information of CLW is available at [www.chinalaborwatch.org](http://www.chinalaborwatch.org).

<sup>2</sup> Südwind Agentur was founded in 1997 as a non-profit NGO engaged in PR, information and educational work in the field of international development.



## INVESTIGATION FINDINGS

Our investigations of the two Disney suppliers found many miserable labor conditions, which violate both Chinese laws and the Code of Conduct for Manufactures (COC) set by Disney. The following is a list of the main findings, and related laws and COC regulations which are violated.

Investigation Findings	Related Chinese law	Related Disney COC
Child laborers under 16 years old are used.	No employing units shall be allowed to recruit juveniles under the age of 16. <i>Article 15, PRC Labor Law.</i>	Manufacturers will not use child labor. The term “child” refers to a person younger than 15 (or 14 where local law allows) or, if higher, the local legal minimum age for employment or the age for completing compulsory education.
Underage laborers (between 16 and 18 years old) are required to work overtime under high intensity, the same as adult workers.	Juvenile workers hereby refer to laborers at the age of 16 but not 18 yet. <i>Article 58, PRC Labor Law.</i>  No juvenile workers shall be arranged to engage in work down the pit of mines, work that is poisonous or harmful, work with Grade IV physical labor intensity as stipulated by the State, or other work that they should avoid. <i>Article 64, PRC Labor Law.</i>	
Discrimination due to sex and geography exists.	Laborers shall not be discriminated against in employment, regardless of their ethnic community, race, sex, or religious belief. <i>Article 12, PRC Labor Law.</i>	Manufacturers will not discriminate in hiring and employment practices, including salary, benefits, advancement, discipline, termination or retirement, on the basis of race, religion, age, nationality, social or ethnic origin, sexual orientation, gender, political opinion or disability.
Resignation procedures are complicated. Workers are rarely approved for resignation, and have to forfeit part of their wages and “voluntarily” leave the factory.	An employee may terminate his employment contract upon 30 days’ prior written notice to his employer. During his probation period, an employee may terminate his employment contract by giving his employer three days’ prior notice. <i>Article 37, PRC Law on Employment</i>	



	<p><i>Contract.</i></p> <p>Where both parties in a labour relationship lawfully terminate or cancel a labour contract, the employing work unit shall pay the wages of the laborer in full in a single amount when the labour contract is terminated or cancelled. <i>Article 9, Payment of Wages Tentative Provisions.</i></p>	
<p>Employment contract is fully prepared by the factory, rather than signed with consent of employees.</p>	<p>The conclusion of employment contracts shall comply with the principles of lawfulness, fairness, equality, free will, negotiated consensus and good faith. <i>Article 3, PRC Law on Employment Contract.</i></p> <p>An employment contract shall be invalid or partially invalid if: (1) A party uses such means as deception or coercion, or takes advantage of the other party's difficulties, to cause the other party to conclude an employment contract... <i>Article 26, PRC Law on Employment Contract.</i></p>	
<p>Workers are forced to work overtime for up to 150 hours per month.</p>	<p>The employing unit may extend working hours due to the requirements of its production or business after consultation with the trade union and laborers, but the extended working hour for a day shall generally not exceed one hour; if such extension is called for due to special reasons, the extended hours shall not exceed three hours a day under the condition that the health of laborers is guaranteed. However, the total extension in a month shall not exceed thirty six hours. <i>Article 41, PRC Labor Law.</i></p>	<p>Manufacturers will, at a minimum, comply with all applicable hour...laws and regulations, including those relating to...overtime, and maximum hour...Except in extraordinary business circumstances, manufacturers will not require employees to work more than the lesser of (a) 48 hours per week and 12 hours overtime or (b) the limits on regular and overtime hours allowed by local law or, where local law does not limit the hours of work, the regular work week plus 12 hours overtime.</p>
<p>Some workers cannot get even one day off per week.</p>	<p>The employing unit shall guarantee that its staff and workers have at least one day off in a week. <i>Article 38, PRC</i></p>	<p>Except in extraordinary business circumstances, employees will be entitled to at least one day off in every seven-day period.</p>



	<i>Labor Law.</i>	
Pension insurances are not offered to all employees.	<p>Laborers shall, in accordance with the law, enjoy social insurance benefits under the following circumstances: retirement; illness or injury; disability caused by work-related injury or occupational disease; unemployment; and child-bearing. <i>Article 73, PRC Labor Law.</i></p> <p>The collection and payment scope of basic pension:... privately owned enterprises in cities and towns and other enterprises in cities and towns as well as their staff and workers. <i>Article 3, Provisional Regulations on Collection and Payment of Social Insurance Premiums.</i></p>	Manufacturers will, at a minimum... provide legally mandated benefits.
The actual pay amount and pay date are different from those shown on pay stub.	<p>The wages paid to laborers shall not be deducted or delayed without justification. <i>Article 50, PRC Labor Law.</i></p> <p>When an employing work unit pays wages, it shall provide a copy of his/her individual wage account to each laborer. <i>Article 6, Payment of Wages Tentative Provisions.</i></p>	
Pre-service health exams are not offered, or offered but paid for by workers. In-service and leaving health exams are not offered.	<p>The employing unit must... provide regular health examination for laborers engaged in work with occupational hazards. <i>Article 54, PRC Labor Law.</i></p> <p>With regard to the workers who engage in operation exposed to occupational disease hazards, the employer shall, in accordance with the regulations of the public health administration department under the State Council, make arrangements for pre-service, in-service and job leaving</p>	



	<p>occupational health checkups and truthfully inform the workers of the results of the checkups. The expenses for occupational health checkups shall be borne by the employer. <i>Article 32, The Law on Prevention and Control of Occupational Diseases.</i></p>	
<p>No safety training is offered.</p>	<p>The production and business operation entities shall offer education and training programs to the employees thereof regarding production safety so as to ensure that the employees have the necessary knowledge of production safety, know the relevant regulations and rules for safe production and the rules for safe operation, and master the skills for safe operation for their own positions. <i>Article 21, Production Safety Law.</i></p>	
<p>Some workers use chemical materials during work without protection.</p>	<p>The employing unit must provide with occupational safety and health conditions conforming to the provisions of the State and necessary articles of labor protection, and provide regular health examination for laborers engaged in work with occupational hazards. <i>Article 54, PRC Labor Law.</i></p> <p>The employees of the production and business operation entities have the right to production safety according to law. <i>Article 6, Production Safety Law.</i></p>	<p>Manufacturers will provide employees with a safe and healthy workplace in compliance with all applicable laws and regulations, ensuring at a minimum reasonable access to potable water and sanitary facilities; fire safety; and an adequate lighting and ventilation. Manufacturers will also ensure that the same standards of health and safety are applied in any housing that they provide for employees.</p>





<p>No fire drills. Fire hazards exist.</p>	<p>State organs, organizations, enterprises and institutions shall perform the following duties on fire control security: (I) Formulate fire control safety system and operation rules on fire control safety;...(IV) Organize fire prevention inspection and remove hidden danger in time;...(VI) Ensure that evacuation passageway and safety exit are unblocked and set up evacuation marks on fire control safety conforming to the state regulations. <i>Article 16, PRC Fire Control Law.</i></p> <p>For the sites of production and business operation and the dormitories of the employees, there shall be exits that meet the requirements for emergent dispersal of people, have eye-catching marks and be clear of obstructions. It shall be prohibited to close or obstruct the exits of the sites of production and business operation and the dormitories of the employees. <i>Article 34, Production Safety Law.</i></p>	
<p>Harsh and unreasonable discipline practices exist.</p>	<p>If an employer's rule or regulation with a direct bearing on the immediate interests of employees violates laws or administrative statutes, the labor administration authority shall order rectification and give a warning. If the said rule or regulation caused a employee to suffer harm, the employer will be liable for damages. <i>Article 80, PRC Law on Employment Contract.</i></p>	
<p>Trade unions are not in operation.</p>	<p>Laborers shall have the right to participate in and organize trade unions in accordance with the law. Trade unions shall represent and safeguard the</p>	<p>Manufactures will respect the rights of employees to associate, organize and bargain collectively in a lawful and peaceful manner, without penalty or interference.</p>



	legitimate rights and interests of laborers, and independently conduct their activities in accordance with the law. <i>Article 7, PRC Labor Law.</i>  <i>Also see PRC Trade Union Law.</i>	
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Overall, the labor conditions in these two factories are unacceptable. These two plants were selected randomly. There are hundreds of additional small factories in mainland China manufacturing products bearing the Disney brand. The labor conditions in these factories are worrying.

It is clear that the International Labor Standards program and Project Kaleidoscope are not working as well as Disney declared. CLW believes that external independent supervision is essential in enforcing corporate codes of conduct. However, supervision is impossible in this case, since all information regarding the supply chain is kept secret by Disney. For this report, considerable time and resources were spent just to find two real Disney suppliers. In the past decade, requests were made repeatedly by labor activists that Disney makes factory information accessible, in order to allow independent organizations and shareholders to participate in the monitoring process. Yet Disney has not taken any meaningful steps to improve the transparency of its supply chain. Disney says, “In our contracts with licensees and vendors, many of them have required us to agree to keep their factory sources confidential.”

Li Qiang, Executive Director of China Labor Watch, responds, “Disney’s position is groundless. Trade secrets should never be an excuse for a company to refuse to fulfill its social responsibility.”

## INVESTIGATION REPORT OF HENGTAI FACTORY

### Factory Background

Hengtai Factory was established in 1998 and is headquartered in Hong Kong, New Territories. The production factory is located in Pinghu, Longgang District, New Wood Industrial Estate. The factory is over 19,000 square meters, and now has over 2,000 employees. The factory departments include production, administration, human resources, Shipping Department, Customs Departments, Sales Department, Purchasing Department, Finance Department, Warehouse Department, and Quality Control Department, with 16 functional departments and 20 workshops.

The factory specializes in manufacturing plastic toys. Brands include KFC, BKC, Disney, BIC and Tacobell. Products are mostly exported to Europe and the United States.

Location: Pinghu, Longgang District, New Wood Industrial

Estate, 518111, China

Tel: 0755-84690003



• Pic 1 Products of Hengtai.

This report reveals that:

- The factory hires underage and child laborers who work the same amount of time as adult workers do.
- Excessive overtime is required. On average, overtime work from Monday to Saturday is 32 hours/week, and workers are sometimes required to work on Sundays.
- The set piece rates in the packaging department are unrealistic.
- The factory fails to provide social insurance in accordance with laws of China to its employees.
- 
- Workers are not adequately protected, and fire safety is ignored in the workshop.



- Entertainment facilities have been built on the factory campus, but most are not accessible to workers.
- Workers find it very hard to resign.
- There is a trade union, but workers report that they are not aware of a union at the factory.
- In July 2010, a strike took place due to excessive working hours and low pay; the striking workers were all from the Oil Injection Department.

## **Hiring and Recruitment**

According to Hengtai's job poster, workers should meet at least one of the following requirements: 1) natives of Henan Province; 2) referenced by current employees in the factory; or 3) affiliated with a labor dispatching company. If none of the three is met, recruitment will fully depend on the security guard's mood. If the security guard is in a bad mood, he will simply deny that the factory is recruiting new workers. The age requirement is 16 to 45.

For those who are admitted, a health certificate authorized by a local hospital is required. Candidates without the certificate have to pay the factory \$6.7 (45 RMB) in order to apply for it. Even after the fee is paid, a worker has no way to know whether and when he will actually receive the health exam.

Orientation training will be held for new workers. The human resources department gives each new worker several documents to sign before the training, including an employment contract, a commitment of *not* receiving pension insurance, a commitment for voluntary overtime, and a form stating that he has received safety training. After the required documents have been signed, the human resources staff explains the factory's disciplinary rules, working hours and wages to the new employees, all in less than 20 minutes. The new employees then receive their factory ID card, two uniforms, and a work cap. (It will cost 50 RMB for a replacement, if an employee loses the card.) After this orientation, employees begin working. The workers' orientation is not counted in the working hours.

## **Employment Contract**

The employment contract is signed upon recruitment. The contract is fully prepared by the factory, without negotiation with workers. Workers are asked to fill out personal information, sign and fingerprint. The content of the labor contract is not explained during the orientation training. The contract will be kept by the factory, and employees will not be able to get a copy of their contracts until one month later.

## **Working Hours**

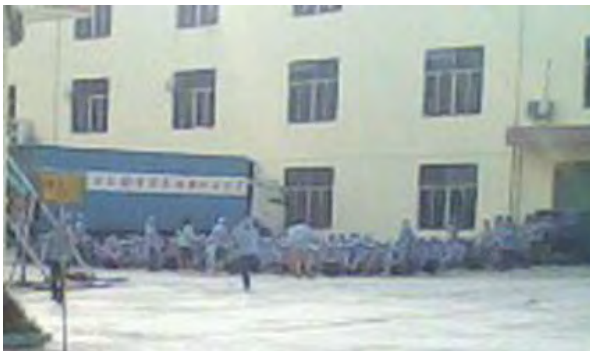
As of August 31, 2010, normal working hours of the Packaging Department are from 8 am to 12 pm, and 1 pm to 5 pm. Overtime work at night begins at 6 pm and ends at 10 pm. Work in the Oil Injection Department begins at 8:15 am and ends at 10:15 pm each day, with breaks from 12:15-1:15 pm and 5:15-6:15 pm. The Injection Department adopts a two-shift work schedule, one shift from 7:30 am to 7:30 pm and a second shift from 7:30 pm to 7:30 am. Workers may change their shift once every two weeks. The only exception is from September 1-7, 2010, when the work hours of the Oil Injection and Packaging Departments changed to 8 am to 1 pm, 2 pm to 7 pm, and 8 pm to 10 pm.



The normal number of working hours from Monday to Friday is seven hours per day, and five hours on Saturday. Overtime work from Monday to Friday is 5 hours per day, and seven hours on Saturday.

The factory's job poster states that employees only need to work 26 days each month. In reality, workers are often notified on Saturday evening that they will have to work overtime on the weekend. Some departments post the names of those required to work more overtime at the entrance to the workshop, while others give workers verbal notification. Failure to work overtime despite notification will not result in a fine. However, if multiple such failures to perform overtime occur, the worker will be in violation of the factory's "hidden rules" and will be fired for other reasons.

Employees have a weekly morning meeting with leaders in the factory, including supervisors of



• Pic 2 On a morning meeting.

the workshops. Regardless of who is running the meeting, employees must arrive at the workshop ten minutes earlier than usual to wait for the leader of the meeting. All of the workers kneel to listen to the leader speak. When the supervisor or manager is unsatisfied with employees' work performance from the previous week, the leader severely chastises workers.

Time-wage workers must meet the production requirements displayed on the walls of the workshop. In packaging workshop B, every group has 8 workers, who have to finish

assembling 400 items each hour. In accordance with that requirement, each worker has to complete 4,800 pieces within a 12-hour work day. There are four groups, each of which makes the same product (Figure: sunglasses, bags). While each group has eight employees, according to the bulletin board on the wall in the workshop, only three people met the requirement of 4,800 pieces every day. Supervisors will force the employees who did not meet the goal to work overtime for an extra 10 or 20 minutes, or will take deductions from their wages.

The Oil Injection Department pays their employees a piece rate, approximately \$0.0045 (0.03 RMB) for each completed piece. If the work is very complicated, the wage may be slightly higher. Piece rate workers also complete made-to-order custom products, and workers are required to finish 4,000-6,000 pieces every day. Therefore, even if a worker is fast and completes more than required, his daily wage will still not surpass \$14.9 (100 RMB), including compensation of \$0.45 (3 RMB)

## **Wages and Benefits**

Workers' average monthly salary is approximately \$268 (1,800 RMB). The calculation of real wages is as follows: basic wage + overtime work – meals (\$43/290 RMB) - accommodation (\$10.4/70 RMB) - drinking water (\$1.5/ 10 RMB). After these deductions, the basic monthly factory wage is approximately \$164 (1,100 RMB). The employees work regular hours Monday through Saturday. When working overtime, employees receive a calculated wage increase of 150% (overtime wage is \$1.4, or 9.48 RMB per hour). Overtime on Sunday is 200% of the basic wage, and the wage for work performed on a holiday is 300% of the basic hourly wage. If employees work overtime on Sunday, then the following Friday or Saturday, they will receive their wages in cash for the overtime hours worked.





• Pic 3 Workers on-site on a **Sunday**

According to the employee manual and the wages article, employees' wages should be paid on the 22nd of each month. However, the factory actually pays wages on the last week of each month, on Tuesday or Friday afternoon. If, during the month, the factory suspends work, the wage payment date extends beyond the duration of the shutdown. The payment of wages clause in the employee manual and the actual time of payment of wages are inconsistent.

During the probation period, employees are not permitted to buy pension insurance. After the probation period has ended, if employees want to purchase insurance, they must fill out a written application, but only after they have paid for it in full. During the new employees training orientation, human resources staff tells workers, "You all are not from Guangdong province, buying this for such a short time is useless. Even if you buy it now, you cannot retire, so it is best not to buy it. But if you really want to buy it, wait until after the probation period is over and then apply."



• Pic 5 Basketball court (left) and Recreation Center (right).

According to the factory introduction, the factory has many benefits and facilities for the employees to use, such as a basketball court, a badminton court, a recreation room, and a karaoke room. However, some of these facilities are not truly intended for use. The basketball court

is filled with products made by the factory (Figure: basketball court). The employees have never used the karaoke room or the staff recreation room. For the duration of time that workers have been at the factory, the door to the staff recreation room has remained locked. The most visible items are two televisions in the employees' dining hall. However both of the TVs are hung in the air, almost as decorations.

These supposed entertainment facilities are only there for looks. The factory's employees are only able to engage in a few activities in the nearby area, including surfing the Internet in an underground Internet cafe, cross-stitching, or shopping.



• Pic 4 Empty first aid kit.



The factory has a medical clinic in which employees can buy a few basic medicines. There is no difference between the prices charged by the clinic in the factory and outside pharmacies. The workshop and dormitories both have medical kits, and the outside of the box has a detailed list of the drugs in the kit. Within the medical kit, however, there are no drugs.

### **Labor Protection and Fire Safety**

In September, customer representatives arrived for a factory inspection. In preparation, each workshop was tidied up. When the representatives went to visit a workshop, the supervisors had the employees don items of protective gear. After the representatives left, all of the employees wearing earplugs removed them, returning them to a pouch inside their work station.

Employees in the Oil Injection Department are constantly exposed to hazardous substances, and in an entire year of work, employees do not receive any health examination. Additionally, there are no policies regarding transferring to perform a different job. The factory provides workers with gloves and masks. At the entrance to the Oil Injection Department, one can smell the pungent oil fumes. Yet supervisors do not require workers to wear any protective gear. Conscientious employees could obtain their own safety equipment, yet none of the workers are even aware of the work hazards. All of the workers choose not to use safety equipment because it is easier to perform their jobs without wearing it. Workers allergic to the oil may contract erythema, and their hands may become covered in red rashes. After the rashes fade, the epidermis of the skin on the hands begins to fall off. The supervisors of the factory do not help employees if this skin condition arises, and employees must deal with it themselves.

The workshop and dormitories' fire extinguishers most recent inspection was this past July. In the factory, dormitories and workshops, many areas are visibly full of boxes of products. Both the outside parking lots and the downstairs of the dormitories are also full of the factory's products. In the locations where goods have piled up, one must detour around them, creating an inconvenience for employees and a safety hazard.

### **Rewards and Punishments**

Specific disciplinary measures are attached. There are specific penalties if one does not abide by certain rules, including keeping a clean room and wearing the proper work hat; the penalty for other infractions is \$1.5 (10 RMB). On September 7th, the assembly B quality inspector walked through a workshop without a hat and with disheveled hair. However no one told her she must wear a hat. If hair appears in the products, it is not the responsibility or fault of the manager not wearing a hat, but rather the employees responsibility for not discovering it. The supervisor may furiously shout at the employees for any minor transgressions in their work. Supervisors are at liberty to fine or fire the workers for trivial reasons.

Smoking on the factory grounds incurs a fine of \$44.5 to \$74.5 (300 to 500 RMB). If the circumstances are very serious, the employee will be fired. In some circumstances, the department manager will conduct an evaluation. Regardless of the situation, if the supervisor says good things about the worker, it will not be a big problem.

### **Accommodation Conditions**

1) Dormitories



The factory has four dormitories, two for women, one for men, one for the transit division of the company. The men's dormitory has five floors. Since the factory has many more women, the first floor of the men's dormitory is also for women. The second floor and up is for male employees, and the entire building has one supervisor. This so-called residential supervisor is usually just a new employee that is assigned to look after the beds. Each dormitory room has six beds, with twelve people, and one bathroom, and a balcony smaller than three square meters. All of the dormitories have shared bathrooms and bathing facilities. Every factory employee is required to live in the dormitory, and their salary is deducted \$10.4 (70 RMB) each month for living accommodation. After the probation period, employees can apply to live in other dormitories, but the factory will still deduct \$10.4 (70 RMB) from an employee's salary. The reason is that, "The dormitories are rented by the factory, and if you do not live here, the factory still has to pay to rent them."

Every Monday through Saturday, a woman cleans the dormitories, however the cleaner's only responsibility is to clean the corridors of each floor. There is no one responsible for cleaning the dormitories or other living quarters. Walking through the dormitory corridors at noon, there is garbage everywhere, and the smell is slightly nauseating. A number of my fellow co-workers quit the job because of the poor conditions in the dormitories. Many others choose to live in outside dormitories. See the figures below:



• Pic 9 A dormitory Room

Pic 9 A bed on the floor.



• Pic 9 The hallway of dormitory building.

• Pic 9 A bad fan in the room.

## 2) Food

The normal employee dining hall has two functions, one is the aforementioned karaoke. The primary function is to feed employees, and the dining hall can hold 1,000 people. The cost for food in the factory is \$43 (290 RMB)/month, each day has four meals, breakfast, lunch, dinner, and late supper. The breakfast and dinner main food is noodles, usually vermicelli-based. Lunch

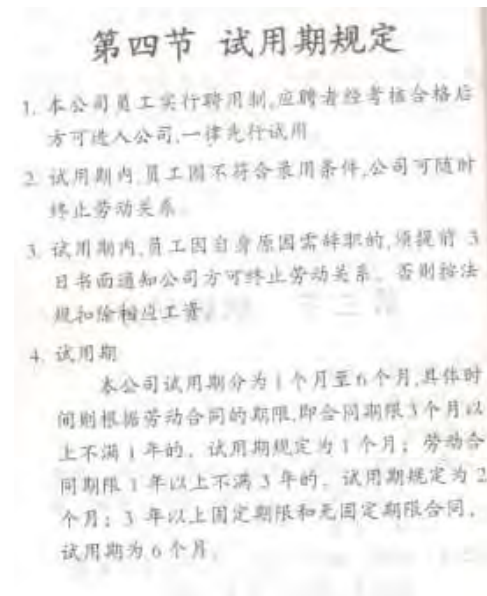




and dinner are rice-based. Normal employee meals include one meat and two vegetable dishes. The vegetables are usually bean sprouts, pumpkin, cabbage, white lotus (cabbage), or spinach. The meat dish is usually winter melon with chicken, green pepper with fish, or celery pork. In all of the meat dishes, one can only see two small pieces of meat or fish. Regardless of what kind of food or oil it is cooked in, workers often detect food additives, hair or cockroaches.

Because the workshops are too hot, purified water is offered to the employees. But they will be charged \$0.2 (1.5 RMB) for it.

### Resignation Procedure



• Pic 10 Employee Code Chapter Four, Section 4.3

Within the factory, there is an unwritten rule that employees still within the probation period are not allowed to quit. Only after the end of the initial probation time, within a week are the most workers permitted to resign.

After working in the factory for one week, the feeling was not the same during the time of recruitment. The recruiting staff supervisor had said that there would be ten hours of work each day. When I approached the recruiting supervisor and told them that I want to quit, the supervisor said that during the probation period one cannot quit. If you have a problem, you can find the manager. After approaching and telling the manager the problem, the manager did not immediately react, he said, "I can't resolve this problem for you, you should take the problem to human resources." I went to human resources and said the same thing. She responded: "This factory has no such policy. Go back to work!" A moment later I asked again, I want to quit, who do I find who will

give me a solution. She responded: Either you leave without resignation, or you should talk to your manager regarding resignation.

After the probation period, employees are allowed to resign. Resignation requires a 30-day notice to the department supervisor, and the supervisor must allow the employee to resign. However there are some prerequisites, every week, the supervising manager only accepts one application for resignation. Employees wanting to resign must queue to apply for resignation, and will only be successful with the manager's endorsement.

### Miscellaneous

#### 1) Unions

The factory has a union, but it is unclear if the union does anything concrete. From the moment one enters the factory until one leaves, there is no mention of unions. Additionally, 90% of the workers surveyed do not know what a union is. Among the 10% of people who know what a union is, they also did not know if the factory actually had one.

#### 2) Strikes



In July 2010, the factory had a strike, and the striking workers were all from the Oil Injection Department. The cause of the strike was primarily because that for 12-hour work days, the wage that workers received was between \$1.35 and \$6 (9 and 40 RMB). The factory subsequently fired those who participated in the strike, altogether approximately 70 employees.

### 3) Labor Dispatch

The factory has several hundred employees who are sent by labor dispatch companies. Those workers are often not yet 18 years old, and not even 16 years old, which is below the legal working age. These workers are distributed throughout the different departments and working lines in the factory, the most of the young dispatched employees work in the packaging department of the factory. The working hours for these children are as long as for adult workers.



## INVESTIGATION REPORT OF CHAMPION CROWN INDUSTRIES, LTD

### Factory Background

Champion Crown Industries, Ltd., formerly known as the Leader Shine in Taiwan since 1986, was established in 1991 in Hong Kong to manufacture plastic transformers.

Its plastic products range from plastic transformers, mini capsule toys, candy toys, figurines, promotional premiums, electronic and educational toys as well as household utensils.



In July, 2010, the factory was producing Doraemon toys, Disney toys, and products for Expo Exhibition.

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### The report reveals that:

- The factory hires underage and child labor who work the same amount of time as adult workers do.
- The factory fails to follow China's Labor Law to provide physical examinations to workers upon hiring and termination.
- The factory fails to provide social insurances according to China's Labor Law to its employees.
- Overtime work is excessive and mandatory and in breach of China's Labor Law
- Overtime wage is illegally low at \$0.97 (6.5RMB) /hour.
- Workers are allowed to take only 1 day off each month.
- The labor union does not exist in the factory.

### Hiring and Resignation

Job applicants should be referred by current employees or inquire at the security guard in person for job opportunities. The factory claimed that it only hires employees above 18 years old, whereas many of them are actually younger than 18 years old or even child labor below 16 years old. There was a junior high schoolgirl working in the factory through the summer. She worked the same amount of time as many other adult workers did. In addition to the contract workers, the factory also hired a big number of temporary employees who were not required to wear the uniform, and they held different employee ID cards.



Workers do not go through a physical exam before employment. All employees will be provided with one-hour orientation training on factory policies, work safety, and so on. Workers are paid during the training period. Contract workers should wear the uniform provided by the factory for free, but the uniform should be returned when a worker leaves the factory.



• Pic 11 Bar stating that, direct recruitment is in process, with lots of opening positions.

During probationary period, workers intending to resign should submit a leaving notice seven days in advance, and thirty days in advance if it is during the contract period. The chance of leaving and getting paid the back dated wages is very slim. Most workers just simply give up their half-month wages and leave.

### **Labor Contract**

The factory signs a contract with the worker within the first month of hiring. Both the factory and the worker will get a copy of the signed contract. However, most workers consider the contract just a superficial routine since the factory does not follow the contract. As a result, most workers do not take the contract seriously.

### **Working hours**

The factory practices a one shift system. The work schedule is as below:

Morning	After	Overtime
07:30—11:30	13:00—17:00	18:00—22:00

The factory is on a 22days/month, 5 days/week, 8hours/day system, and the rest of the time is counted overtime. Except the week of the pay day during which workers can take one day off, workers work 7 straight days a week during busy seasons. Otherwise, workers can take time off on Sunday nights. Overtime work is mandatory. Some workers report that overnight overtime happens quite often. There is no peak or low season in the factory. Rather, the factory operates whenever it gets orders. Workers must ask for leave if they intend to take time off, or it would be considered absenteeism, which results in deductions of three days wages.

The workers swipe an electronic employee ID card to get their working hours recorded. If they discover mistakes when getting paid, they can report to the line supervisor. The factory allows workers one day off after pay day to deposit their money. If managerial persons feel employees work too slowly, they would assign a fixed amount of work to each worker to force them to speed up. Always, some workers fail to finish the work, which increased the nervousness in the workshop.



## Wages and Benefits

Workers get about \$134 (900 RMB) base pay every month plus overtime compensation paid at \$0.97 (6.5 RMB) per hour flat rate, regardless when overtime work occurs. If a worker worked 30 days straight and covered overtime hours on every single day, the worker would be able to get \$312 (2096 RMB) per month. However, in reality the pay will not reach that number because the factory switches between hourly rate and piece rate, whichever is more profitable to the company. The pay stubs given to workers are scrambled codes which are not understandable at all.

The cost of social insurance is required to be covered by both employers and workers. Only a small number of workers understand that the factory should pay partially for their social insurance. However, most workers choose not to buy social insurance after being told by the factory that insurance is costly and useless. Workers are granted paid legal holidays and paid maternity leave. Employees having been working for more than one year are granted paid annual leave. Occasionally, the factory would hold entertainment events, for example, Ping-Pong contests, and the winner gets a monetary prize.

## Dormitory and Canteen Conditions

The use of factory dormitory and canteen is optional, and the service is quite acceptable. The monthly lodging fee is about \$4.4 (30 RMB) and the daily dining expense is about \$0.88 (6 RMB) including lunch and dinner. Containing 4 bunk beds, a dormitory room can house eight people at most, but usually rooms are not filled. Each dormitory room has its own individual bathroom and hot water is available every night from 10 p.m. to 11:30 p.m. The factory canteen is on the first floor of the dormitory building. Workers each can get three dishes and one soup. All tableware is sterilized, which many employees feel happy about.



• Pic 12 Exterior view of the factory building.

## Labor Protection and Fire Safety

Few workers have heard of the ESH (Environment, Safety & Health) committee. The factory provides simple training on work safety issues to new employees upon hiring. The indoor temperature is acceptable and the ventilation equipment works well. Workers are exposed to the strong fume of a type of super glue. Many workers have allergy symptoms, such as a running nose and dry lips. The waste is categorized into hazard chemicals, household garbage, and recyclable wastes to be managed separately. The use of edge tools (such as scissors and knives) is strictly controlled. First aid kits are accessible in the workshop; however, just a few kinds of medicines are available.

In the workshop, aisles and emergency exits are clearly labeled, bright and block free. Likewise, in dormitory buildings, aisles and emergency exits are clearly labeled, bright, and block free. Emergency exits are unlocked. Workers do not receive training on fire safety. No fire drills have been held in the past.



### **Rewards and Punishments**

It was stated in the documents that all workers' performance will be evaluated and graded on a four point scale; reward and punishment policies are clearly defined. Grades and disciplinary status are associated with workers' salary.

### **Miscellaneous**

Workers reported that a labor union is absent in the factory but there are workers' representatives, which is nothing more than a title. The factory gives workers empty promises. The factory was fined once by the department of labor for extensive overtime work disclosed by some workers during an audit. From then on, the factory started to coach its new employees to prepare them for audits.

Workers went on strike in 2008, according to some workers, due to wage issues. However, the strike ended up with the factory decreasing workers' wages. Workers reported that the factory does not care about their personal development.





## MY DAYS WITH CHAMPION CROWN INDUSTRIES LTD.

*In August, 2010, an intern of China Labor Watch was hired by Champion Crown factory as a common labor worker, who wrote this story. She worked in the Assembly Department for two weeks.*

With excitement, I told the security guard that I was looking for a job in his company. He raised his head lazily, spared a glance at me, and said, “Show me your ID”. In the meantime, he made a call and told the person on the phone that someone was here for a job interview.

A few minutes later, a young lady led me to the office of administration. She checked my resident ID again, asked me how I heard about this company and where I had worked in the past. I was told then to fill out a form about my previous work experience. Quickly reviewing my work experience, the lady handed me a permit to the dormitory and told me to start working the next day at 7 am - within one hour, I got my job successfully.

Workers can choose whether or not to use the lodging and boarding services provided by the factory. The monthly lodging fee is about \$4.4 (30 RMB) and the daily dining expense is about \$0.88 (6 RMB) including lunch and dinner. With 4 bunk beds, a dormitory room can at most house eight people, but usually rooms are not filled. Each dormitory room has its individual bathroom and hot water is available every night from 10 p.m. to 11:30 p.m. Factory canteen is on the first floor of the dormitory building. We each can get three dishes and one soup. All the tableware is sterilized, which many employees feel happy about. However, as long as an employee has registered for factory dining service, he or she would be subject to \$0.88 (6 RMB) deduction/per day, regardless of whether or not the employee uses the service.

I was woken up by numerous alarm clocks in my dorm. It was 6:45 a.m. Following other workers, I finally found the office I should report to. A lady came to me with a pile of documents about the factory policies and asked me to read it over.

It was stated in the documents that all workers’ performance would be evaluated and graded on a four point scale; reward and punishment policies were clearly defined; employees were not allowed to go over one’s supervisor’s head, and so on. After 30 minutes, the lady came back and seemed surprised seeing me still reading the documents. To my surprise, she did not ask me any questions to test my knowledge about the factory policies. Instead, she gave me a disposable cap and emphasized on four points: first, I should always wear work hat and uniform once I enter the workshop; second, all wastes should be categorized into hazard chemicals, household garbage, and recyclable wastes; third, use of edge tools (such as scissors and knives) is strictly controlled, and the fire route should not be blocked at any time.

After this 15 minute “training”, I was assigned to the Assembly Department production line A. Here is a quick introduction of the building – the Injection Department is on the first floor where workers use water quite often and the floor is always wet; the Spraying Department is on the second floor where the fume of the paint is very strong and employees’ uniforms are stained all over. My department is on the third floor including two workshops respectively for assembly and quality control. There are three production lines in the assembly workshop. My first assignment was to insert small Disney toys into individual plastic bags. In the afternoon, I was assigned to work on seals. This job was not complicated, but both of my hands were dyed red after processing a large number of seals.



Working hours of all the workers are 7:30 a.m. to 5 p.m., with one hour lunch break from 11:30 a.m. to 1 p.m. Workers take one hour off from 5 p.m. to 6 p.m. for dinner, and then go back to work overtime until 10 p.m. The factory is on a 22days/month, 5 days/week, 8hours/day system, and the rest of the time is considered overtime. Overtime work is mandatory and workers do not have any choice. As a result, Sunday night is the only time when workers can take a break in a week. The long working hours have far exceeded the maximum working hours allowed by law. However, the price of the labor-intensive work is very low: workers get about \$134 (900 RMB) base pay every month plus overtime compensation is at below \$0.97 (6.5 RMB) per hour flat rate, regardless the dates and time when overtime work takes place. If a worker works 30 days straight and works overtime on every single day, the worker would be able to get about \$312 (2096 RMB) per month. However, this pay level is too “idealist” to be real. The factory chooses to pay workers at hourly rate or piece rate, whichever is more profitable to the company. The pay stubs given to workers are unscrambled codes that workers by no means can understand.

Contract workers should wear the uniform provided by the factory free of charge, but they are required to return the uniform when leaving the factory. In addition to the contract workers, the factory also hired a big number of temporary employees who are not required to wear the uniform, and they were using different employee ID cards. The temporary employees were assigned to all different departments. Although the factory claimed that it only hires employees above 18 years old, many of them are actually under 18 years old or even child labor below 16 years old. One of my co-workers was a junior high schoolgirl working in the factory through the summer. She worked the same amount of time as many other adult workers did.

The factory would sign a labor contract with workers within the first month of hiring. However, most workers think the contract is just a formality – first, the content of the contract is not understandable nor explained to the workers; second, the factory does not comply with the contract. As a result, workers do not usually pay serious attention to the contract.

According to the workers, the factory is very stingy that it offers little benefits to them. For example, workers of other factories get fruits and sometimes bonus for Chinese New Year. Moreover, many times the factory gives workers empty promises. The factory was fined by the department of labor for excessive overtime work disclosed by some workers in an audit. From then on, the factory started to coach its new employees to prepare them for audits.

In the Assembly Department, workers have to repeat the same movement again and again once they get onto the production line. The product materials are continuously sent along, which seems endless. We were not allowed to walk around during work hours, not to mention taking breaks. If one wants to drink water or use the restroom, he or she should request permit from the line supervisor. The noise in the workshop was almost unbearable.

Most of the time, I was working on the seals. In detail, I should attach two parts of the seal together using super glue. The job seems simple, but demands a lot of patience. For example, the amount of glue should be perfect – seals with glue spilled out are defective products, whereas with too little glue the seal are likely to fall apart. The super glue smelled pungent. On the third day, my lips chapped. A co-worker of mine told me that she caught cold very often. I guess that was a symptoms caused by the glue as well.

My life in the following days was fixed among the dorm, canteen, and workshop. What I was facing everyday on the job were numerous seals. I did not feel pressured at all in the beginning, as we worked on one production line and my being slower was not obvious to my supervisor. By the end of one day, our line supervisor suspected that someone in our line was loafing on the job, which sped down the whole line. She said: “Your productivity is too low. Those who were loafing on the job know exactly what happened! According to my calculation, every one of you





should be able to finish at least one seal within 7 seconds, which means at least 350 within one hour. Tomorrow, you must complete the production quotas I assign to you!”

On the next day, each of us was assigned a number of seals we have to work on. Everyone started working as soon as we arrived. There were times during which I felt my hands were moving automatically without thinking, the parts of the products sent to me endlessly, and the whole workshop was comprised of numerous moving hands. My speed was slow as I just started. I could seldom complete the production quota assigned to me, which caused attention of the line supervisor.

My daily agenda was eating, sleeping, and working. Life was so boring. More than that was the pressure added to my life as everyday I had to finish required production quota. We did not talk to each other, as all of us were working as fast as we could to complete or even exceed the quota – so we could earn more. Co-workers from same provinces were friendly to each other, but indifferent to other people at all.

We had very little time after work and there were very few options for entertainment. Older employees liked to go shopping, and younger ones killed their time by chatting online. Books were not accessible. The theme of our life was to make more money – the more the better. Anything else was secondary.

I woke up in the mid-night, hearing the noise coming from the workshop. It was 1:40 in the morning. Whenever the machines were operating, some of us must be ready to work, as we were affiliating with machines, just like a screw. After this peak season, we might move to next factory. I am wondering, however, whether our future is lying in another factory as well.