



J. CREW



**Investigation of Two Clothing and  
Apparel Factories in China  
Excessive Overtime, Student Workers, and  
Exploitative Wage Systems**

**November 30, 2011**

**By China Labor Watch**



## TABLE OF CONTENTS

<b>I.</b>	<b>Executive Summary.....</b>	<b>4</b>
<b>II.</b>	<b>Summary of Labor Violations.....</b>	<b>4</b>
<b>III.</b>	<b>Ningbo Hesheng Headwear Co., Ltd. Factory Report.....</b>	<b>6</b>
	<i>1. Application and Resignation.....</i>	<i>9</i>
	<i>2. Labor Contract.....</i>	<i>11</i>
	<i>3. Work Hours.....</i>	<i>11</i>
	<i>4. Salary and Benefits.....</i>	<i>11</i>
	<i>5. Food and Housing.....</i>	<i>13</i>
	<i>6. Workplace Safety.....</i>	<i>13</i>
	<i>7. Rewards and Punishment.....</i>	<i>15</i>
	<i>8. Other.....</i>	<i>15</i>
<b>IV.</b>	<b>Zhejiang Cathaya Clothing Pty., Ltd. Factory Report.....</b>	<b>16</b>
	<i>1. Recruitment.....</i>	<i>18</i>
	<i>2. Labor Contract.....</i>	<i>19</i>
	<i>3. Work Hours.....</i>	<i>19</i>
	<i>4. Work Intensity.....</i>	<i>20</i>
	<i>5. Wage and Benefits.....</i>	<i>20</i>
	<i>6. Room and Board.....</i>	<i>21</i>
	<i>7. Health and Safety.....</i>	<i>21</i>
	<i>8. Other.....</i>	<i>22</i>
<b>V.</b>	<b>Conclusion.....</b>	<b>22</b>
<b>VI.</b>	<b>Joint letter from six companies.....</b>	<b>23</b>

## I. Executive Summary

China's clothing and textile industries are major manufacturers in the global clothing market, supplying foreign markets with a majority of their finished clothing and textile products. China's total clothing and apparel exports to the United States in 2010 were estimated to be worth 38,470,006 USD<sup>1</sup>. While clothing and textile products are still one of America's main Chinese imports, labor conditions in the Chinese clothing and textile industries have continued to be exploitative and damaging to workers' basic rights and freedoms. The presence of this exploitative labor environment places multinational companies at odds with their corporate social responsibility programs. While these multinational companies promote values of corporate social responsibility, they continue to outsource their manufacturing to Chinese textile factories, which have some of the worst labor conditions of all Chinese factories.

This report consists of the findings of China Labor Watch (CLW) investigators who observed conditions and interviewed workers at the Ningbo Hesheng Headwear Co., Ltd. and Zhejiang Cathaya Clothing Pty Ltd factories in July 2011. Both of these factories are known suppliers of finished clothing and other apparel products to the US based clothing chain, American Eagle, among other apparel companies.

While investigators found evidence of labor violations at both factories, these violations were typically more prominent at the Ningbo Hesheng Headwear Co., Ltd. The Zhejiang Cathaya Clothing Pty Ltd factory is part of the larger Chinese Cathaya Group enterprise. Compared to other apparel factories, Cathaya has maintained a higher-quality working and living environment for its workers. However, Cathaya was still found to be violating Chinese labor laws and exploiting workers. This was especially true during Zhejiang Cathaya Clothing's peak production season.

Listed below is a brief summary of the labor violations uncovered at the Ningbo Hesheng Headwear Co., Ltd. and Zhejiang Cathaya Clothing Pty Ltd factories. Following the summary, this report will go into further detail concerning the labor practices and working conditions found at these factories.

## II. Violations discovered at the Ningbo Hesheng Headwear Co. Ltd. Factory include:

- The factory employs many students between 16-21 years old who are on summer vacation. These students work the same hours and have the same responsibilities as normal workers.
- It is extremely difficult to quit one's position at the factory. Workers are fined for quitting before they have worked a certain amount of time at the factory (one or two years).
- Workers neither fill out nor receive a copy of the labor contract.

---

<sup>1</sup> Source: Office of Textiles and Apparel (OTEXA) <http://otexa.ita.doc.gov/MsrcTRY.htm>



- Workers work 30 days a month during the busy season.
- Workers must work 8 hour shifts and 4 hours of overtime every day.
- The base salary for a factory worker is significantly lower than the legal minimum wage of Cixi County, where the factory is located.
- Workers do not receive a pay stub detailing their wages and the deductions taken from them by factory management.
- Most new employees leave after one or two days because the salary does not adequately compensate them for the difficulty of their work.
- Workers paid by the piece do not know what the piece-rate wage is.
- Workers are not paid for sick, marital, maternity, or annual leave.
- The conditions under which the cafeteria food is prepared are extremely unsanitary.
- Workshop conditions are extremely poor, and include high temperatures and toxic gasses.
- Workers were not aware whether or not the factory had a labor union or laborer representatives.
- When auditors visited the factory for routine inspection, the student workers were sent home to rest.

**Violations at the Zhejiang Cathaya Clothing Pty Ltd. Factory include:**

- The piece-rate wage system employed at the factory all but requires workers to work “overtime” to support themselves.
- This system does not even provide extra pay per unit made during overtime hours, which would seem to be in clear violation of labor laws.
- As a result of the piece-rate wage system, workers often work 12 hours a day, 6 days a week. Some workers even work 15 to 16 hours a day. Investigators saw these workers start work at 8 a.m. and finish it at 11:30 p.m.
- Salaries are not calculated with a base wage.

### III. Ningbo Hesheng Headwear Co, Ltd.

#### Investigative Report



Introduction of Ningbo Hesheng



A worker is making hats



Working environment of the factory



(Left) Workers get off from work/ (Right) Workers work overtime at night



Underage workers

## 慈溪市人民政府文件

慈政发〔2011〕33号

### 市人民政府关于调整我市职工最低工资标准的通知

各镇人民政府、各街道办事处，市政府各部门、各直属单位：

根据宁波市人民政府《关于调整我市职工最低工资标准的通知》（甬政发〔2011〕30号）精神，结合我市实际，现就调整我市职工最低工资标准的有关事项通知如下：

从2011年4月1日起，我市行政区域内的职工最低月工资标准调整为1160元，非全日制工作的最低小时工资标准调整为9.5元。

二〇一一年三月三十一日

Notification from Cixi Government: the base salary is 1,160RMB and the minimum hourly wage is 9.5RMB.



Workers are dining at the cafeteria



Top: (Left) Dormitory/ (Right) Bathroom

Bottom: (Left) First Aid Kits/ (Right) Extinguisher

Right: (From top to bottom) High temperature working environment--processing straw--waste water produced during production--containers for chemical material



**Investigation Date:** July August 2011

**Investigation Methodology:** Interviews

**Departments Interviewed:** Printing and dyeing, Packaging, Assembly, Finalization, Carton Workshop, Security, Human Resources

**Factory Population:** Over 300 Workers

**Workers Interviewed:** 6 workers in printing and dyeing, 20 workers in packaging, 4 workers in assembly, 2 workers in cartons, 2 workers in finalization, 1 guard, 1 worker in human resources, 7 student workers

## **Factory Introduction**

Ningbo Hesheng Headwear Company Ltd. manufactures hats, scarves, and gloves. It primarily manufactures work hats, work gloves, scarves, and other fashion garments. The Ningbo Hesheng Company has a manufacturing history of over 20 years. The factory currently employs over 300 workers and has manufactured products for brand name clothing companies like Liz Claiborne, Gap, Talbots, J. Crew, Target, Betmar, GMA, AHC, Next, Accessorize, KN, and August. The factory has an annual income of over \$11 million USD.

**Address:** 48 East Highway, Cixi, Zhejiang Province

**Phone:** 0574-63402221

**Fax:** 0574-63402724

## **1. Application and Resignation**

### **A. Application Process**

The Ningbo Hesheng factory complex is currently in its busy production season and is actively hiring dyers, odd job workers, hand sewers, lathe workers, yarn spinners, boxers, and workshop testers. Every position has both an age and sex requirement. For example, males are used for dyeing, odd jobs, and boxing, while females are used for sewing, handling lathes, and inspecting the workshop. Lathe workers are required to be between the ages of 18 and 45 and have at least a junior high school education. They need to be able to work in harsh conditions and be in good health.

### **B. Student Workers**

CLW investigators uncovered between twenty and thirty student workers currently employed at the Ningbo factory. A majority of them work in the boxing and assembly workshops. The youngest student worker was found to be 16 years old (born in February, 1995), and had only just graduated from middle school. The oldest of the student workers was 21 years old. He told investigators he will begin his sophomore year of college in the fall. The parents of these student workers were also working at the factory and were the ones that had originally gotten their children the job.

Student workers work the same amount of hours and have the same responsibilities as adult employees. However, they receive a significantly lower salary. Students are paid 45 RMB (US \$7) for an eight hour shift or 6 RMB per hour (US \$0.94). Student workers receive an hourly overtime wage of 6.6 RMB (US \$1). On average, student workers are required to work between 3 and 4 hours of overtime per day. Student workers are required to work on Saturdays and Sundays. The factory does not require student workers to sign a labor contract and does not offer them any social insurance

benefits. These student workers told investigators they are often left exhausted by the amount of hours they work.

Student workers in the assembly workshop are assigned a daily production quota that they are required to fulfill. Currently, their daily production quota is 30,000 pieces. Dividing their salary by their expected quotas, workers would make 0.1 RMB (US \$.02) for each piece manufactured. Assembly workshop student workers usually end up producing around 40,000 pieces per day.

### **C. Beginning Work**

New factory workers beginning work for the first time are required to provide the factory with their identification cards and two pictures. The factory will make one copy of a worker's identification card and then have them fill out a job application form.

The factory does not require workers to get a physical examination and does not provide them with any occupational or safety training. There is also no required work uniform. A worker can begin working at the factory the same day he applies for a job. Before committing to a job at the factory, a security guard will take a potential employee on a tour of the factory, briefly introducing them to their responsibilities.

### **D. Resignation**

Many of the workers interviewed in this investigation said it is very difficult to resign from the factory. If a worker works less than one week at the factory before leaving, they will receive no pay. Investigators were given different answers when they asked workers about the factory probationary period. Some workers told investigators that the probationary period lasted one month, while other workers said it lasted three months. Representatives from the factory's human resources department told investigators that the length of the probationary period depends on a worker's performance and can range between one and three months.

Mechanics, dyers, semicircle mechanics, sewers, and factory testers are all required to work at least two years before they are allowed to resign. Should these workers resign before they have worked for two years at the factory, they will be fined 200 RMB (US \$31). Factory managers and technical personnel are required to pay a 500 RMB (US \$78) fine if they resign before completing two years of work at the factory. All other factory personnel are required to work at least one year at the factory before being allowed to resign. Should any of these workers work less than one year at the factory, they will be fined 100 RMB (US \$16) upon leaving.

All workers are required to notify the factory at least a month before their resignation. Workers will receive their wages five days after resigning.

## 2. Labor Contract

After completing one week of work, a worker will sign a three-year labor contract with the factory. The worker must sign two copies of the labor contract. Many factory workers said that the labor contract is a mere formality and carries no real protections or guarantees for workers. Workers do not have the opportunity to review their contract prior to signing it and are not given a copy of the contract for their own records afterwards.

## 3. Work Hours

The average worker works 8 hours per day, 7 days a week, and 30 days a month. The factory's busy production season lasts from April to September. The factory schedules overtime hours according to the production quotas it needs to fulfill. During the factory's busy production season, workers are required to work 4 hours of overtime per day. Workers who do not want to work overtime must talk with their supervisors. If they fail to talk with their supervisors and do not show up during an overtime shift, they will be recorded as absent from work. If a worker is absent for more than three days, the factory will regard him as having quit.

**Factory hours:** 7:00am—11:00am, 12:00pm—5:00pm, 6:00pm—9:00pm  
(sometimes as late as 10:00 pm)

Workers must swipe their employee cards when beginning and ending their work shifts. Since the packaging workshop is not located in the same building as the main factory, packaging workers are not required to swipe their cards when working. Their workshop managers record their hours for them.

## 4. Salary and Benefits

### A. Salary and Minimum Wage

The minimum wage rate in 2011 for Cixi County is 1,160 RMB (US \$181) per month or 9.5 RMB per hour (US \$1.5). Workers at the Ningbo Hesheng factory only earn 45 RMB (US \$7) for every 8 hours of work or 5.6 RMB per hour (US \$.87). Workers get paid an additional 6.6 RMB (US \$1) per hour during overtime hours. Therefore, the investigators concluded that a worker at the Hesheng factory makes less than the township hourly minimum wage.

Workers receive a paycheck on the 30<sup>th</sup> of every month. Workers can choose to have their wages deposited directly into their bank accounts or receive cash from the

factory. Workers do not receive a pay stub with their salaries. Workers are required to sign a release form stating that they have received their paychecks. If a worker believes there was mistake made with the calculation of his salary, he can appeal to either his workshop supervisor or a factory financial affairs officer.

## **B. Labor Intensity and Salary Equivalent**

Both human resource personnel and workshop workers told investigators that, given the amount of regular and overtime hours they work, they believed their salaries were extremely low. At most, an individual is only able to earn around 2,000 RMB per month (US \$312), including both regular and overtime hours. This has led the Ningbo factory to experience increased difficulty attracting new employees. As a result, the factory resorted to hiring the aforementioned student workers to fill in the gaps in its workforce. A dyeing workshop worker told investigators that his workshop had recently hired more than twenty new workers, but after they discovered what their salary was, most of them quit after only two or three days of work.

The factory has also been having significant difficulty recruiting workers for the boxing workshop. Currently, only three employees work in the boxing workshop, one of whom is the factory's director. The other two boxing employees are responsible for cutting and binding. No workers were able to tell investigators how much money they received for each piece they completed. Workers told investigators that they made between 80 and 90 RMB per day (US \$12-14). The factory director promised the investigators that if they stayed and worked, they could make 2,500 RMB per month (US \$390).

The finishing workshop also operates on a piece-rate wage system. The entire workshop only consists of three laborers. For every hat they manufacture, workers can earn 0.2 RMB (US \$.03). They must finish one hat every two minutes. Investigators were told that workers can produce between 400 to 500 hats in one day.

## **C. Welfare and Benefits**

Workers are not provided with paid sick leave. If a worker becomes sick and needs to take time off from work, he must first talk to his workshop supervisor. Providing proof of illness from a doctor is not required by the factory. The factory does not have its own medical clinic, so workers must go to the local county hospital for medical attention.

Workers can decide whether or not they want to purchase the social insurance plan provided by the factory. The current social insurance plan the factory offers to its workers costs 95 RMB per month (US \$15). Investigators discovered that no workers in the finishing shop and only one worker in the dyeing workshop had chosen to purchase insurance coverage.

Workers are not provided with paid annual leave, marital leave, or maternity leave. Workers do receive pay on nationally mandated holidays. There are no recreational facilities on the factory grounds for workers to use.

## **5. Food and Housing**

### **A. Food**

The factory has its own newly built cafeteria. Workers are required to pay for cafeteria meals in cash and must bring their own rice to eat. The cafeteria employs two women to run meal services at the factory. Both of these women are not familiar with proper food sanitation and cleanliness guidelines. They do not wear a work uniform or facemask when cooking food. The kitchen has only one stove and does not have a ceiling fan. The food is cooked early in the day, so it is mostly cold by the time workers come to eat. Vegetable dishes cost 1 RMB (US \$.16) each, while meat dishes vary between 2 and 5 RMB each (US \$.31-.78). Workers will usually buy four or five dishes to eat. Workers are also given the option of returning home during mealtimes to cook food for themselves.

### **B. Housing**

The factory provides workers with employee housing. Each dormitory room houses two to three workers. Workers told investigators that the average dormitory room is between 11 and 12 square meters and includes a washroom. There is a communal bathroom for workers to share in the dormitory building. The factory dormitories are battered and old, but investigators were told the factory was in the process of building new dormitories that would open soon. The old dormitories would be demolished after all the workers had moved into the new dorm buildings.

Workers are required to pay 70 RMB (US \$11) per month in rent fees as well as monthly water and electricity bills. Investigators noticed that a large number of married couples were living in the dormitories because renting an apartment outside of the factory was too expensive. Most apartments outside of the factory cost between 200 RMB and 300 RMB per month (US \$31-47).

## **6. Workplace Safety**

### **A. Workshop Environment**

Workers were asked by investigators whether or not the factory had a workplace safety committee, but none of them had ever heard of such a thing. Workers are not

provided with any safety training before beginning work in the factory. Instead, workers are given a simple introduction to the responsibilities they will have. If workers agree to the position they are offered, they may begin working immediately.

The dyeing workshop is very dark and damp and the air temperature is very hot. There are pools of dyed water scattered around the workshop. The chemicals in the dye are very concentrated and can cause workers to have trouble breathing. The situation is so bad that workers often leave the workshop to take a quick breath of fresh air before returning to their dyeing tasks. The factory has issued facemasks to the workers but the hot air temperature in the workshop makes it too uncomfortable to wear these masks for a long period of time. The heating wires in the finishing workshop are extremely hot but workers do not wear any protective gloves. Investigators discovered that many workers suffered serious burns and blistering from working with these heating wires without gloves. Although every work station has its own electric fan, it is not powerful enough to significantly decrease the workshop's high air temperatures.

## **B. Worker Protection**

Workers in the dyeing workshop wear protective plastic shoes, facemasks, old gloves, and protective belts. The finishing workshop also provides workers with a protective belt. Investigators noted that most of the protective equipment administered to workers is old and worn out.

The factory does not require workers receive a physical examination during their tenure at the factory. Workshops have first-aid kits which contain antiseptic, band-aids, rubbing alcohol, cotton swabs, burn ointment, adhesive plaster, and gloves. The first-aid kits are not locked and their locations in the workshops are clearly marked. The name and number of a medical professional is written in the box in case of an emergency.

Although workers are required to clean the workshops daily, the boxing and assembly workshops are still quite messy. Hats and other materials are scattered around the workshop.

## **C. Fire Safety**

The fire exits in the workshops are clearly marked and unblocked. Workers told investigators that the factory organizes a fire drill once every year. Employees are taught basic first-aid and how to use fire extinguishers.

## **7. Rewards and Punishments**

After completing one year of work at the factory, workers will receive a yearly bonus of between 1,000 RMB and 3,000 RMB (US \$156-468). The factory distributes this annual bonus during the New Year's holiday. Workers told investigators that the amount of an individual worker's annual bonus depends on his overall work performance. As a result, each worker will receive a different annual bonus. The factory does not provide workers with any other financial rewards beyond the annual bonus.

## **8. Other**

Workers were not aware whether or not the factory had a labor union or worker representatives. If workers have any questions or concerns, they can talk to their workshop supervisor.

Most of the workers at the Ningbo Hesheng factory are migrants from Sichuan and Anhui provinces. One worker told investigators about a fight that broke out between a worker from Sichuan and a worker from Anhui. The instigator of the fight was fired by the factory and barred from collecting his remaining salary.

Workers told investigators that outside auditors occasionally come and inspect the factory for labor violations and illegal labor practices. Workers are informed of these inspections ahead of time. Auditors happened to visit the factory only a few days before CLW investigators arrived there. Investigators were informed by workers that during the factory inspections, all of the student workers were sent home. They returned to work after the auditors had left.

## IV. Zhejiang Cathaya Clothing Pty Ltd.

### Investigative Report



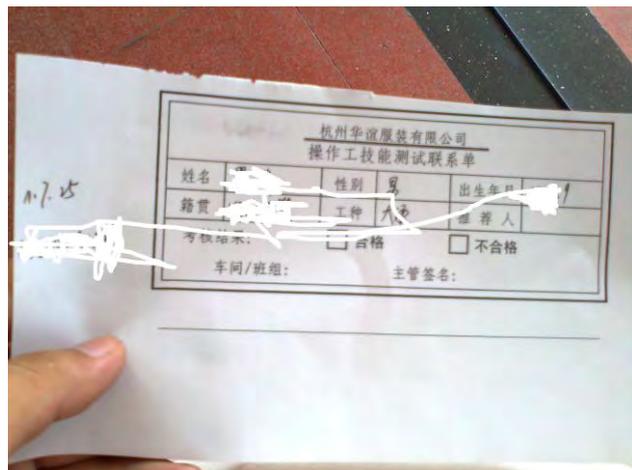
Zhejiang Cathaya Clothing Pty Ltd environment



The factory sign of Sino-Italy Apparel Co., Ltd



A worker is pressing clothes.



The contact information used for the entrance test



At 11:30pm, the factory floor is still lit up with workers working overtime.



The workshop is rather clean and spacious, but the clothes are a bit unorganized.

**Investigation Date:** July and August 2011

**Investigation methodology:** On-site interviews, off-site interviews

**Factory Population:** approximately 300 workers. There are 4 workshops in Cathaya. Both Zhejiang Cathaya Clothing Pty Ltd and Sino-Italy Apparel Co., Ltd belong to Zhejiang Cathaya Group and manufacture their products at the same workshops.

**Number of Workers Interviewed:** 1 employer in the Human Resources Department, 2 custodians, 2 workers in the Cutting Department on the third floor, 4 workers in the Ironing Department on the second floor, 1 workshop manager, 3 workers from other workshop and 1 storekeeper.

**Product:** Bebe summer T-shirts

**Factory Introduction:**

Zhejiang Cathaya Clothing Pty Ltd was established in 2003. It is a holding company of the Zhejiang Cathaya Group. Cathaya was previously named Zhejiang Silk General Import Company. The developments made in the shipping and export industries since 1950 have greatly aided Cathaya's brand evolve and mature. Cathaya has grown into a company with some of the strongest and most advanced manufacturing technology



in China. In 2008, Cathaya obtained an Olympic manufacturing license, which allowed them to manufacture silk products for the Beijing Olympic Games. Some examples of silk products manufactured by Cathaya for the games included Fuwa silk scarves, Fuwa silk shawls, Fuwa silk ties and Fuwa silk fans.

**Address:** No.11 Ningyue Road, Zhejiang Hangzhou Xiaoshan Economic Development Zone

**Contact:** +086-0571-82865570

**Fax:** +086-0571-82865576

## 1. Recruitment

The Zhejiang Cathaya factory is currently recruiting cleaners, wrappers, sewers, pressers and ironers. Potential employees are required to be at least 18 years old and have a junior high school education. There are no recruitment restrictions regarding gender, but investigators were told that candidates are ultimately chosen according to their gender and work experience. The factory only recruits female candidates to work as cleaners, wrappers and sewers. Ironing and pressing positions are open only to men. All positions require at least three years of work experience.

If a guest wants to visit the factory, the factory custodian will write their visitor information down, listing the name of the worker, the guest's identification number, gender, their reason for visiting, as well as the length of time of their visit and their departure time. The custodian will save a copy of this visiting information.

When applying for a job, all a candidate needs to do is bring his identification card to the factory's human resources department. A recruiter in the HR department will record the personal information of each candidate. At this point, the recruiter will direct the candidate to a specific workshop where their operational skills will be tested. During the operational skills test, the workshop manager will ask a candidate questions regarding basic steps in the manufacturing process and then require candidates to perform those steps for them. If the manager is satisfied with the worker's performance, he will give the worker a passing grade and sign his application form. The worker then brings this information back to the HR department, where he will have his temporary residence permit and bank card prepared. Workers will then be asked to fill out a registration form. After doing this, a worker can start working the next day.

Workers are not required to have a physical examination performed before beginning work. The factory also does not provide workers with any occupational or safety training. There is no set uniform workers are required to wear.

Workers are required to go through an initial probationary period of one month. After

completing the probationary period, the labor contract is signed.

## 2. Labor Contract

The labor contract is valid for one year and must be resigned for every subsequent year of employment. Workers told investigators that they sign two copies of their labor contract and are given one copy for their own personal records. None of the interviewed workers were able to produce a copy of their labor contract when asked by investigators. A factory HR officer told investigators that labor contracts are a mere formality and many of the stipulations stated in the contract are never followed. For instance, although the contract stipulates a specific base wage for all workers, the factory does not follow this regulation. Instead, workers' salaries are calculated according to a piece-rate wage system, under which there is no guarantee they will receive a promised base wage. Since investigators were unable to obtain a labor contract, there is no way for them to confirm the contract's specific guidelines.

## 3. Work Hours

Regular working hours	Working hours in the peak season	Regular overtime hours	Overtime hours in the peak season	Piece Rate	Production Quota	Salaries
>12hours, from 8:00am to 9:30pm.	15-16 hours, from 8:00am to 9:30pm(usually later)	4 hours	5-6 hours	0.5 RMB/piece	270--400 piece/day	2700-2800 RMB

Workers routinely work 12 hours a day for 6 days a week. During the factory's peak production season, workers work between 15 and 16 hours daily. Workers usually work from 8:00 a.m. to 9:30 p.m. Workers take turns eating lunch and dinner. Lunch breaks are scheduled at 11:00 a.m., 11:25 a.m., and 11:40 a.m. and dinner breaks are scheduled at 4:30 p.m., 4:45 p.m., and 5:00 p.m.

Workers receive a 50 minute break for lunch and a 40 minute break for dinner. Workers told investigators that, because their salaries are calculated according to a piece-rate wage system, they feel pressured to end their designated break time early and continue working.

After working in the factory for a week, the factory will provide workers with an electronic identification card free of charge. Workers are required to swipe their cards at the start and end of their work shifts. Workshop managers will also record work hours by hand. If a worker forgets to swipe or has a problem with his ID card he can

address the issue with his workshop manager.

## **4. Work Intensity**

The factory is currently amidst its peak production season so workers are required to work multiple overtime hours every night. Throughout this entire investigation, workers had only enjoyed one day off.

Investigators placed in the ironing department workshops on the second and the fifth floor of the factory experienced an extreme overtime schedule. They were often forced to work till 11:35 p.m. Two workers in the second floor workshop had to ask for sick leave because of the enormous work burden.

Although there is no required daily production quota assigned to the pressing department, the pressing workshop supervisor still requires workers to iron a total of 1,600 t-shirts per day. Each worker is responsible for ironing between 270 and 400 t-shirts. Workers are not told how much they are paid for each t-shirt they manufacture, but investigators discovered that workers make 0.5 RMB (US \$.08) per t-shirt.

## **5. Wages and Benefits**

### **A. Wages**

The factory helps workers open up a bank account with the Bank of China (BOC) and obtain a bank card so they can have access to their wages. The factory deposits workers' salaries directly into their bank accounts. If workers have a BOC bank account located outside of Hangzhou, they are required to open a new account in the city.

Workers told investigators that they earned between 2,700 RMB and 2,800 RMB per month (US \$421-437). After deductions for social insurance and other fees, workers receive a net monthly salary of around 1,800 RMB (US \$281). Workers' salaries are calculated according to a piece-rate wage system. There is no guaranteed base wage and no overtime wage rate provided.

### **B. Benefits**

The factory does not provide workers with paid sick or personal leave. Workers who wish to ask for leave must first talk with their workshop supervisor and provide him with a request letter detailing why they are asking for leave.



The factory provides workers with the option of purchasing social insurance. Workers will have 8% of their total salary deducted in order to pay for the insurance each month. In the case that workers choose not to purchase social insurance, they will be refunded 150 RMB (US \$23).

## **6. Room and Board**

The factory provides workers with room and board. Workers are given the option of boarding in the factory dormitory or living outside of the factory. The factory has its own cafeteria; many of the workers told investigators that the food tastes very bad. In order to eat at the factory cafeteria, workers are required to purchase a meal card which they use to pay for their meals. The factory provides workers with a monthly food subsidy of 180 RMB (US \$28).

Each factory dorm room houses between 3 and 4 workers. The room includes a bathroom, shower, balcony, electric fan, and air-conditioning unit. There are also family style dormitory rooms available for working couples. Although workers are not required to pay rent fees, they are responsible for their own utility bills. One worker told investigators that he usually pays between 50 and 60 RMB per month (US \$8-9) in utility fees. Workers will not be provided with a living subsidy if they choose to live outside of the factory. The average monthly rent for an apartment outside the factory is 270 RMB (US \$42).

## **7. Health and Safety**

For the most part, the factory is clean and spacious, but clothes, packing boxes, stools and iron hangers are often left unorganized and strewn throughout the factory workshops. There are no clear boundaries on the factory grounds separating walkways for pedestrians and those reserved for production. The air temperature inside the workshops is very hot and there are no ceiling fans to help alleviate the extreme heat. Every pressing worker is provided with a small floor fan placed next to their work station. The emergency exit in the factory is closed but not locked. Factory safety regulations and notices are posted on emergency exits throughout the factory.

Fire extinguishers are located in specially marked boxes throughout the factory workshops. Investigators found no evidence of an inspection card that would suggest that the extinguishers are checked for irregularities. Investigators found no first-aid kits in the factory workshops.

## 8. Other

Among all workers interviewed for this investigation, the longest a worker had been working at the factory was eight years while the shortest was only six months.

Workers told investigators they felt relatively independent when working in the factory. They were allowed to go to the bathroom or get a drink of water whenever they pleased. If workers begin to feel sleepy during the afternoon, they are allowed to listen to their own music. Additionally, there are loudspeakers installed in the workshops for music and announcements.

## V. Conclusion

“Made in China” has become a tag normally seen on clothing and every-day textiles in the Western world, to the extent that one may wonder, “Where else would this possibly be made?” In Western society, convenient shopping and cheap clothing have become commonplace in this buyer-driven market economy. Although companies like American Eagle, Gap and Target embody these Western shopping principles of high-quality and affordable products, they also drag along with them the realities of the clothing and textile industry in China.

Since the beginning of China’s market reform in 1980s and recent economic boom, China has been plagued with sweatshop-like factory conditions in every industrial sector. Excessive work hours, low wages, child labor and hazardous working conditions have become commonplace in clothing, textile, toy and electronics factories. In order to maintain its reputation as the „world factory“, Chinese factories have had to devalue its employees’ salaries in order to provide multinational companies with cheap products to be sold in the West. As a result, migrant workers across China have been experiencing social, physical and psychological maladies of all sorts. Their lack of corporate knowledge and awareness of the labor laws in China have further suppressed their ability to improve their lives as factory workers.

China Labor Watch’s investigation has uncovered unacceptable piece-rate wages (which stand lower than the local minimum wage), excessive work hours (in some instances 16 hour per work day), illegal underage labor and dangerous working environments at the supplier factories of the abovementioned companies. They need to improve transparency in their supplier factories in order to more effectively audit and improve working conditions and the livelihood of the factory workers. Further, a revised social responsibility code will allow these companies to reinvent their philosophy towards the clothing and textile industry in China and the way it affects Chinese workers and Western



## VI. Joint letter from AE, Gap, J.Crew, Liz Claiborne, Talbots and Target

AMERICAN EAGLE  
OUTFITTERS, INC.

Gap Inc. J.CREW

LIZ CLAIBORNE INC  
A PORTFOLIO OF BRANDS

TALBOTS  
*Established 1977*



Li Qiang  
Director  
China Labor Watch  
147 W. 35th Street, Suite 406  
New York NY 10001

November 11, 2011

Dear Mr. Li,

We wanted to provide you and China Labor Watch with an update on the independent audit we commissioned to investigate working conditions at Ningbo Hesheng Headwear Co. This independent assessment noted similar findings to those raised in your October 31, 2011 report.

Safe and fair working conditions are of utmost importance to all of our companies. We have begun collective remediation with Ningbo Hesheng Headwear Co., and are working with factory management on the required corrective actions and root cause evaluation. Our hope is that by partnering with Ningbo Hesheng Headwear Co. to build and improve its management systems we can help avoid similar issues in the future. We also hope that a collaborative approach between our brands and factory management in addressing the issues found through our assessment and your investigation will yield more sustainable improvements to working conditions at Ningbo Hesheng Headwear Co.

We want to thank you for bringing these issues to our attention. We appreciate investigations such as yours, as it helps to inform our monitoring processes and leads to improvements in factory working conditions, which is a goal that we all share.

Sincerely,

American Eagle Outfitters, Inc.  
Gap Inc.  
J. Crew  
Liz Claiborne, Inc.  
The Talbots, Inc.  
Target