

# **An Investigation into Four Toy Sweatshops**



November 15th, 2016

## Executive Summary

The world of toys is a heaven for children, but may be a world of misery for toy factory workers. Workers have to be apart from their loved ones: children, parents and their better half. They put in 11 hours every day, and work 6 or 7 days a week, but earn only the minimum wage as stipulated by law in harmful and toxic working environments. 10 workers are squeezed into a small dormitory room, and in winter, they frequently don't have hot showers. Workers lack complaint channels, and the representatives of the union are assigned by factory management. This situation has lasted for many decades. Tragically, not much has changed so far.

In 2016, China Labor Watch underwent an undercover in-depth investigation in April and September at four toy factories that produce for Mattel, Hasbro, Disney, McDonalds and Wal-Mart amongst others. We discovered a string of violations. Here are six of the most common violations:

### 1. Long working hours without rest breaks, which is in serious violation of Chinese labor law

According to Chinese Labor Law, laborers shall work no more than 8 hours a day. In general, work hours can be prolonged under certain circumstances and under the condition that the physical health of laborers is guaranteed. Overtime hours, however, cannot exceed 36 hours a month. Unfortunately, we found that the average working hours in these four factories was 11 hours a day, with more than 50 overtime hours a month, and at half of the factories, overtime hours had reached 100 hours. Moreover, the extremely high production requirements left workers with barely any time to rest. During the 11 hours that workers put in within a day, all they had was a 40-60 minute lunch break. This is an obvious violation of the right of workers' to having adequate rest.

### 2. Ignoring the Pre-Work Safety Training and lacking safety protection measures

According to Chinese Labor Law, the employers shall grant labor protection articles to workers involved in noxious and harmful jobs, and establish and perfect its system for labor safety and sanitation, strictly abiding by State rules and standards on labor safety and sanitation.<sup>1</sup> However, we found that none of the four factories had ever taken the pre-work safety training seriously; none of them had given instructions on the toxic materials which workers came into contact with; and none of them took the initiative to grant labor protection articles and where there were labor protection articles, this was rarely used. For example, "Banana Oil", is a toxic liquid which is widely used in toy factories. Because of its defatting effect, workers' skins may become chapped under direct exposure without protection. It may also cause eyes and mucosa membrane irritation. If inhaled in high concentrations, banana oil can also impair the lungs and central nervous system. But none of the factories had ever informed workers about the dangers of banana oil,<sup>2</sup> nor did they provide labor protection articles to workers, such as gloves, glasses, masks, etc. Workers had direct contact with banana oil, which was extremely harmful to workers' physical health.<sup>3</sup>

### 3. Refusing to pay social insurance and the housing fund for workers, or failing to pay in accordance with the relevant provisions and laws

Chinese relevant laws stipulate that foreign-invested enterprises shall pay social insurance<sup>4</sup> and the housing fund<sup>5</sup> for workers, and the payment base and rate are also specified by local regulations. But we found that none of the factories followed the provisions strictly: some factory did not pay social insurance nor the housing fund for the workers at all; one factory only paid a portion to some workers; another factory even forced the workers to sign commitment letters showing that they were willing to give up their right to receive the social insurance and the housing fund; and for the factory which did pay social

insurance, the base and rate of payment did not meet the legal requirements. <sup>6</sup>Without doubt, this behavior severely infringed upon the legitimate rights and interests of toy factory workers.

#### 4. Lack of a union which operates effectively, lack of an independent and effective complaints channel

Through our investigation, the four factories either lack a union altogether, or the union exists but they do not actually operate. At one factory, the union appears to have hung a “Union committee” sign at their office, however, throughout the year, the office is closed and there is no contact information. The majority of workers do not know who the workers’ representatives are, nor their contact information. Factories also have not set up an independent and effective complaints channel. Even though some factories have an opinion box, and a complaints hotline, the opinion box is covered in dust, and results are yet to be seen from the complaints hotline.

#### 5. Low wages and poor food and accommodation

According to the Guangdong Human Resources and Social Security Department, in 2016, the minimum wage standard for Dongguan and Foshan is \$223 USD/month. The minimum wage standard for Shenzhen is \$300 USD. At the four factories we investigated, workers at three of the factories which were located in Foshan or Dongguan, had a base wage of around \$231 USD/month. Workers at the fourth factory, located in Shenzhen, had a base wage of \$300 USD. As such, wages are low for workers in the toy industry, and they only earn around 5% more than the local minimum wage standard. This forces workers to have no choice, but to work overtime to earn enough money. Moreover, their meals lack nutrition, and some of the dormitories the workers live in are in poor condition, being old and dirty, and electrical wiring covers the floors.

#### 6. During off season, the factory limits overtime work for workers, with the purpose of punishing and dismissing workers.

Workers’ base wages are very low, and they do not receive allowances for working overtime. Workers are unable to sustain a basic standard of living, as such, many workers usually have to take advantage of overtime work to earn money. During off season, the factory has little to no overtime work, and is a form of “punishment” for workers. This, amongst other methods, is used to force workers to voluntarily resign.

Regarding labor rights violations in toy factories, nothing is new. We can’t tolerate that children’s dreams are based on worker’s nightmares, and we must fight against the unfair oppression of workers who manufacture toys. Any toy that is manufactured in China is a process where workers’ rights have been infringed upon. Workers in toy factories face heavy workloads every day, but only earn an extremely low wage. They have children as well. But after years of separation, when the workers finally return home with various illnesses or occupational injuries, who will protect the dreams of their children? The striking contrast between the life of these workers, and the millionaires who earn profits from toys is shocking. Those who earn high profits from toys have done so by oppressing the interests of workers, and as such, their negligence should be subject to public and moral condemnation.

**Summary of Right Violations at Four Toy Factories**

	Foshan Mattel	Changan Mattel	Combine Will	Weilingfeng
Forcing workers to sign a statement that they were aware of the occupational hazards				X
Hiring discrimination based on gender and region		X		
Lack physical exams before, during, after hire	X	X		
Forcing workers to write a statement foregoing their rights in various aspects				X
Forced labor contracts, leaving no time for workers to examine the contract			X	
Lack of 24 hours of pre-job safety training	X	X	X	
Excessive overtime work	X	X	X	X
Lunch break less than an hour, other rest time reduced	X		X	X
Mandatory overtime; overtime reduction used to punish workers		X		
Cheap labor, wages	X	X	X	X
Untimely wage payment				X
Failed to purchase insurance and housing fund in accordance with the law		X	X	X
Poor living conditions (e.g., unsanitary, crowded)	X	X	X	X
Insufficient bathrooms or showers	X			
Insufficient protective equipment	X	X	X	X
Operation of machines not in accordance with safety procedures	X			
Lack of fire control facilities	X			
Inspection fraud or evasion (e.g., workers copy safety quiz, physical exam fabrication)	X		X	X
Lack of well functioned unions	X	X	X	X
Lack of independent and effective complaint channels	X	X	X	X

<sup>1</sup><Labour Law of the People's Republic of China> Article 52 The employer shall establish and perfect its system for

<sup>2</sup> Although some factory provided the pre-assignment security training, but the training time is very short and too general;

<sup>3</sup> Some factory required workers to sign letters showing that they were fully aware of the dangers of working in the jobs even before orientation trainings were held; some factories handed out protective equipment, but almost none of the workers used it and the factory did not remind or require workers to use the protective equipment.

<sup>4</sup> <"Interim Regulations on the Collection of Social Insurance Premiums">Article 3 stipulates that foreign-invested enterprises shall pay the basic annuities insurance premium, basic medical insurance and the unemployment insurance. < Provisions of Maternity Insurance of Workers and Staff Members of Guangdong Province > Article 2, Article 10, and < Provisions on Social Work Injury Insurance for Employees of Enterprises in Guangdong Province >

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Article 2, Article 4, Article 12, stipulate that enterprises in Guangdong should pay the maternity insurance and the work-related injury insurance for their employees, and employees do not need to pay for this;

<sup>5</sup> < *Regulations on the Administration of Housing Provident Funds* > Article 2, Article 3 and Article 16;

<sup>6</sup> According to the relevant regulations of Guangdong, the minimum wage for basic pension insurance is \$430 USD.

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## Foshan Nanhai Mattel Diecast Company (FNMD)

According to online information, Mattel Toys sells its products in over 150 countries and has five companies in China, including in Shenzhen, Dongguan, and Foshan. FNMD was established in 1998 and is located on East Yong'an Avenue, Guanyao Neighborhood, Nanhai District, Foshan City. FNMD's property covers 93,338 square meters. Employing approximately 3,000 people, online company information states the factory produces plastic toys that include Barbie, Hot Wheels, Matchbox, American Girl, Radica, Tyco R/C, and Fisher-Price. This investigation found toys under Fisher-Price's Little People and Power Wheels brands being produced.

This is our second investigation following the investigation in May 2015. We hope to follow and compare



Factory induction indicates brand companies in cooperation

the changes of working conditions of the factory. During the investigation, CLW's investigator worked at the factory as a regular worker on the production line. Compared to our investigation in 2015, other than small changes to the housing fund and resignation process, living and working conditions have largely remained the same. The situation of pre-work training has deteriorated this year.



(Toys made at Foshan Mattel. We also found toys of Fisher-Price)

## 1.1 Major violations

- Lack of physical exams before, during, after hire
- Lack of 24 hours of pre-job safety training
- Excessive overtime work
- Lunch break less than an hour, other rest time reduced
- Workers' wages within 5% of the local minimum wage
- Poor living conditions (e.g., unsanitary, crowded)
- Insufficient protective equipment
- Lack of a functioning or effective labor union
- Lack of an independent and effective grievance channel
- Mandatory overtime; overtime reduction used to punish workers
- Insufficient bathrooms or showers
- Operation of machines not in accordance with safety procedures
- Inspection fraud or evasion (e.g., workers copy safety quiz, physical exam fabrication)



Hiring poster

## 1.2 Hiring and Training

The hiring of production workers at FNMD is done at the main gate of the factory. The investigator arrived at the factory gate around noon, but hiring for the day had already ceased. The guard gave the investigator a hiring application form (on which an applicant fills out personal information, educational background, work experience, and his or her family situation) and told him that he needed to prepare a copy of his ID for the hiring process. The next day the investigator went to the factory at 8:30 in the morning for hiring. That day, there were about 30 applicants, most of whom were males in their 20s or early 30s from Guangdong, Guangxi, Hunan, and Sichuan Provinces. After all materials were collected by FNMD's HR personnel, applicants were led into the factory for interviews. Applicants first watched a short film about the factory before being interviewed by multiple people. The process included the verification of each applicant's personal ID and a series of questions about previous work experience, the range of motion in applicants' arms, and literacy. (Applicants would be rejected if they could not read.) There were no other apparent hiring limitations. All

applicants on that day passed the interview process. Next, HR personnel took applicants through the workshop. Short-sleeved shirts, shorts, skirts, and sandals were not permitted in the workshop, so a number of people wearing these items stayed back while others entered the workshop. The observational tour concluded the interview procedure. HR personnel told applicants to return two days later (a Saturday) for the training and hiring procedures. HR also mentioned that those who would be living in the factory dorm should bring their belongings with them on Saturday.

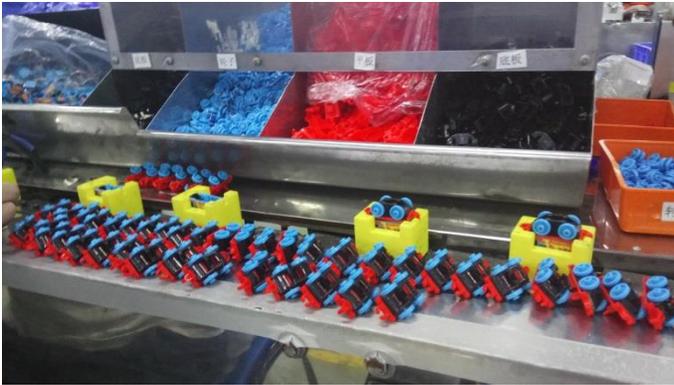
There are four primary production processes at FNMD: injection molding, coating, printing, and assembly. Coating and printing add color to the toy products and require workers to come into contact with paints. Five applicants were taken that day to observe the coating and printing workshops; the factory later arranged a physical exam for them, which was paid for by the company. The other applicants (including the investigator) who observed the injection molding and assembly workshops did not undergo a physical exam.

At the start of training, the trainer told everyone that there would be 24 hours of training in total, but in reality, there were only 12 hours, including four hours on Saturday and eight hours on Monday. New employees began work on Tuesday. Training content on Saturday included an introduction to Mattel Toys, the corporate culture, fire prevention, the use of protective equipment, workers' rights and duties, insurance, and occupational injury prevention. After the training was completed, trainees received a training quiz, but the trainer announced the answers for everyone to copy down. According to the factory's introduction, there should be a factory training, department training, and post training, a total of 24 hours, but workers only had a factory training for 4 hours (including the time used to sign the labor contract). Training sections about machine operations, training on the job post were not included.

Aside from training, labor contracts were signed and dorm applications completed. The contract included the duration of the contract, work content, location, work time, holidays, compensation, social insurance and welfare, labor protection and occupational hazard protection, changes to and termination of the contract, labor mediation and arbitration, service duration, limits on competition, and others. The duration for those who signed the contract for the first time was one year, starting from the day the contract was signed, as such, training on that day was paid. The probationary period was two months. After signing the contracts under the instruction of trainers, two copies of the contracts were submitted, which would be sealed by the factory and one copy to be returned to workers on the same day. Workers in the coating and printing departments also had to sign a Notice of Occupational Hazard. New employees also received employee manuals (for which they had to sign a manual receipt), probationary period uniforms, and work IDs.



Training material



Thomas the Tank Engine

Everyone also received a beverage. There are no fees for worker's uniforms. If a uniform is seriously damaged or has been used for the period of one year, a worker can turn it in for a new one. When employees resign, they must return their uniforms; otherwise, there will be a uniform deduction.

### 1.3 Working Hours

Currently Mattel is in its peak production season (from April, May to September). All departments run a two-shift system. The day shift is from 7:30 to 19:30, and the night shift from 19:30 to 7:30 in the morning on the next day. Workers are rotated between day and night shifts every two weeks. During their 12-hour shifts, workers receive only one meal break lasting 40 minutes and another break lasting 20 minutes, which means the actual calculated paid working time is 11 hours per day, three of which are calculated as overtime work. Workers worked six days a week and rest on Sunday. Because it was during peak production season, asking for leave was difficult, and requests for leave were to be made three-days in advance. During off season there was only a daytime shift for most posts. This means that regardless of the season, most workers have roughly the same amount of overtime each month. Workers said that there was no overtime work on Sundays in 2014 and 2015, with the exception of changes to overtime shifts during holidays. Every weekend, workers must sign a form expressing that they are willing to work overtime on the following weekend. If a worker does not wish to work overtime, whether it is weekday or weekend overtime, that person must ask for permission from his line leader ahead of time. Typically, the supervisor will give permission. If the line leader does not consent and the worker does not do overtime anyway, there is no formal penalty; however, the line leader will assign that worker less overtime or no overtime at all in the future, which in effect serves to punish the worker who depends on lots of overtime to earn a living wage.

Attendance is recorded with a card swipe system. Workers must swipe their cards twice each day, once to clock-in, and once to clock-out. Workers have a 14-minute window before the shift begins and a 14-minute window after the shift ends during which they can swipe their cards. If a person arrives more than five minutes late, leaves more than five minutes early, or arrives late/leaves early more than 3 times within a month, that person will lose the month's attendance bonus, which is worth between 40-60 RMB (\$6.44-9.66). If a person forgets to swipe his card, he can request that his supervisor correct the record. There are different production quotas for each production line. The line on which the investigator worked produced Thomas the Tank Engine, with a quota of 3,300 products per day per line. Except for new employees, all could finish this quota. There was a meeting for 15 minutes before getting off work, for calculating production and awarding those whose production amount was ranked in the top three. The prize was a pack of paper towel. The highest production was usually 4200 or 4300. Before finishing the quota, every minute was busy and stressful. Because workers had to maintain one position for a long time, new employees mostly had shoulder aches. Furthermore, although many seats in the workshop had a backrest, the line leader did not allow workers to use it.

### 1.4 Wages and Benefits

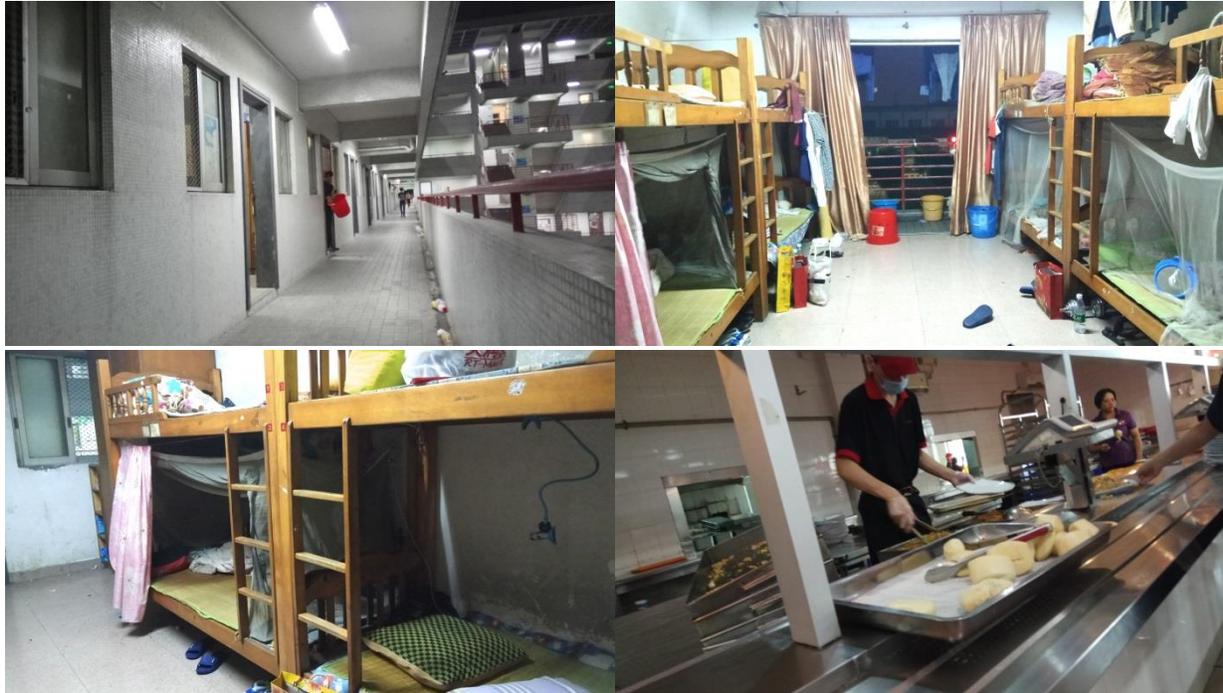
FNMD distributes wages for the previous month, between the 5<sup>th</sup> and 10<sup>th</sup> of the following month. Wages consist of the base wage, seniority wage, overtime pay, position subsidy, night-shift subsidy, meal subsidy, and attendance bonus. The base is 1,560 RMB (\$251), slightly above the local minimum wage of 1,510 RMB (\$243). The seniority wage is worth 100 RMB (\$14.78) per month for workers with one to three years of seniority (\$16), 120 RMB (\$19) for workers with three to five years of seniority, and 140 RMB (\$23) for workers with more than five years of seniority. Overtime is paid at 1.5 times or double the base wage for weekdays and weekends respectively. Position subsidies vary with 200 RMB (\$32) per month for coating and printing workers, and 30 RMB (\$4.83) for molding workers. Assembly workers do not receive an additional subsidy. The night-shift subsidy is 5 RMB (\$0.81) per night. The monthly meal subsidy is 210 RMB (\$34). The monthly attendance bonus is divided by rank, levels A, B, and C, at a value of 60 RMB (\$9.66), 50 RMB (\$8.05), and 40 RMB (\$6.44) respectively. Every consecutive month that a worker has full attendance, he will move up one rank until they reach level A on the third month. If a worker fails to record full attendance for one month, his rank will return to C. Every month, before accounting for insurance and other deductions, workers will earn a gross income of 3,000-3,400 RMB (\$483-\$548).

The main deductions are social insurance and the dorm fee. The insurance deduction is about 250 RMB (\$40) per month, which, according to Foshan regulations, is the minimum coverage for insurance. Compared with last year, workers had the housing fund, which was new and required for all employees. The amount was 78 RMB (1560\*5%). The factory also provided an outline on the purpose and methods of use of the housing fund.

Because the factory was during its busy season, to take personal leave, workers must obtain permission one or two days in advance; otherwise, the line leader may reject the request. For sick leave, a worker must obtain a slip from a doctor in the factory clinic or record from the hospital. If urgent, a worker may go to the doctor first and return with medical records later. The labor contract says that sick wages are paid at 80% of the monthly base wage, but CLW was not able to confirm whether or not this was actually paid in practice. Legally stipulated holidays will generally be given to workers as paid leave. During training, the trainer explained that after a year of work at FNMD, a worker will be allowed five days of annual vacation, but the factory typically arranges workers to take leave at the same time, and workers cannot choose themselves.

## 1.5 Accommodation and Welfare Facilities

There are some facilities available to workers, including a yard and calisthenics equipment, a gym with treadmills and ping pong tables, a basketball court, and a small soccer field. The dormitory has an ATM, clinic, library, multi-purpose room (where karaoke is set up every Saturday evening), badminton court, two TV rooms, and free WiFi (though the signal is not strong). But in reality, other than the TV room, the other facilities were barely used. Most workers stay in their dorms after work and use their cell phones. Workers said that every month there is also a birthday party for anyone whose birthday occurs in the given month. These workers will receive a small gift, which is typically a daily use item.



(Pictures on the top and left: workers' dormitory. The last one: the dining hall)

The dorm's H-shaped buildings have six floors, each floor with 36 rooms. Floors 1 to 3 house males, while floors 5 and 6 house females. Floor 4 is split between men and women. The dormitories have a few dedicated sanitation workers to clean public spaces and dorm rooms. Each room has four bunk beds and can accommodate eight people. There is one locker for each person. Each room's ceiling has four electric fans and a balcony where clothing can be hung to dry. There are public bathrooms on each floor, altogether providing about 20 showers/toilets (the shower and toilet are in the same space), which equals a maximum ratio of about 14 people per shower/toilet. Male workers may be given a warning if they enter the female part of the dorm without permission.

The monthly rental fee for the dorm depends on the seniority of a worker. In the first year of work, a person must pay 45 RMB (\$7.25) per month, the second year 35 RMB (\$5.64) per month, the third year 25 RMB (\$4.03), and the fourth year 15 RMB (\$2.42). The cafeteria provides three meals per day in addition to a meal at night time (for the night shift). The cafeteria can accommodate 400 workers. There is a TV in the cafeteria that allows people to watch real-time video streams of the kitchen, presumably to monitor sanitation. The cafeteria also has air conditioning. Workers use their factory IDs as meal cards. When a person resigns, the remaining amount of money on his meal card is returned to him. Breakfast food includes porridge and breads, and one meal costs 3-4 RMB (\$0.48-0.64). Lunches and dinners include stir-fries, rice, and noodles for 2-6 RMB (\$0.32-\$0.97) depending on the food chosen. Altogether a worker will spend between 10-15 RMB (\$1.61-2.42) per day on meals. Workers, however, say that the food is not very good.

Regardless of whether a person eats in the factory cafeteria, he will receive the 210 RMB (\$34) monthly meal stipend. New employees could apply for advance payment if they have financial difficulties, but could only apply for a maximum of 210 RMB. They would need to register at the employee service center first, and then receive the money through self-service machines. They could only use the money to eat in the dining hall, not anything else.

## 1.6 Occupational Safety and Labor Protection

The assembly and injection molding departments are in the same production workshop, while the coating and printing departments, which use paints, are separated. There is an air conditioning system and fans installed in the workshops. The company sometimes distributes protective equipment for different positions. The various types of equipment include masks, ear plugs, gloves, and protective footwear. Workers can trade in worn or broken equipment for new equipment by requesting it from a line leader. The investigator was in one position called the “dipping” position. It requires the worker to dip the connector point of a plastic unit into a thinner solution for seven seconds, partially dissolving the spot, after which the worker removes the unit and attaches it to another. Thinners, sometimes called banana oil, contain a toxic chemical typically used to dissolve paints and plastics. This chemical can cause serious skin irritation and cracking, eye and respiratory tract irritation, and nervous system damage. It is also flammable. During training, however, the trainer did not introduce thinners or their dangers. In fact, when asked about it, the trainer said that thinners are not really hazardous to humans, saying that if a person got some on their hand, they should simply clean it off. In the workshop, a worker’s position will change with product orders, so it is possible that many workers at FNMD have worked in the “dipping” position and come into contact with thinners. While the thinner container has a “poisonous” label on it, no supervisor or manager said anything to employees about the contents or dangers of using thinners. They also did not distribute protective equipment to workers in these positions—including the investigator—so workers in the “dipping position” came into direct contact with the thinner. According to a record posted in the workshop, workers complained to Mattel management that the odor of the banana oil was really strong. The company responded: “If employees feel uncomfortable, they can get a mask from their line leaders.”

Workers also apply a type of white-colored wax solution which is used to add luster to the surface of toys. The proper name and health risks of this chemical are unclear to workers. There is also a soldering position in which workers use an electric soldering iron. Smoke is created from this process, but there is no special equipment to handle the smoke created from it. The company also does not give masks to soldering workers to protect them from inhaling the chemicals. The paint odor is very strong in the coating and printing workshops. While the company will give workers masks to wear, monitoring is too lax. Many workers were observed working without using protective equipment.



(A production line and workers in the workshop)

Workers in these positions will undergo pre-job, on-the-job, and pre-resignation physical exams, paid for by the company. This does not apply to workers in other departments. The investigator did not observe any first aid kits in the production workshops. If a worker is injured, he must approach the line leader, who will retrieve it. This presents a problem because the line leader is not always present on the line. On the investigator’s line, the line leader was absent about a third of the time.

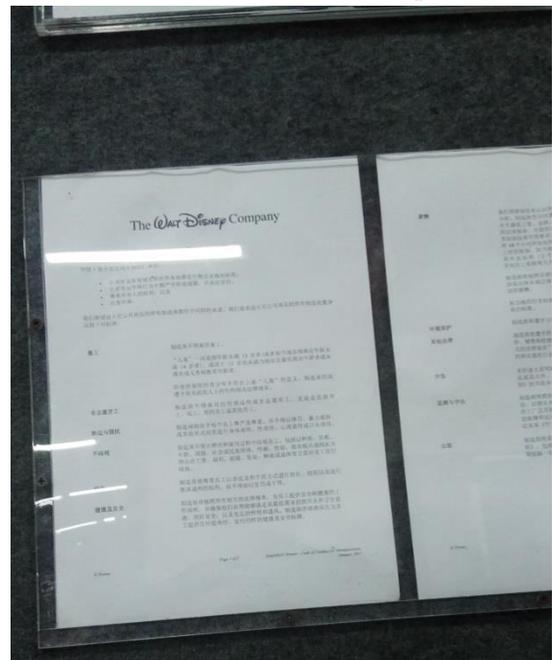
## 1.7 Fire Safety

Passageways in the workshops appeared to be clear. But given the size of the facilities and the large number of workers, exits are few and small. Especially for new workers, the workshop can seem like a maze. It takes a few days for a worker to acclimate to the arrangement of the workshop and escape routes. When workers finish their shift and head toward the exit to clock out, the exit will become really crowded. In the case of an emergency, such congestion could prove to be dangerous. Workers said that a fire drill was carried out last year at FNMD. However, because worker turnover at the company is relatively high—for example, about a quarter of the 30 workers hired with the investigator had left within two weeks of being hired—there are quite a few workers who had never participated in a fire drill.

## 1.8 Rewards and Punishments

Management implements a point system with workers. If a worker accumulates a certain amount of points, he can receive a daily use item. Points are gained through achieving surplus production, having a low ratio of defective products, providing constructive suggestions for production processes, and participating in company-organized events, such as a blood drive. There are no direct fines on workers at FNMD. No workers interviewed expressed that they had previously been fined. In order to guarantee production, the factory implemented some additional rewards, including additional full-attendance award and lottery for those who had taken no leave.

The one restriction that is constantly repeated by management is the prohibition of smoking anywhere in the factory, including the bathrooms or dorms. The management even sends texts to workers' phones reminding them of this rule, stressing that anyone breaking the rule will be fired. Despite this, there are some workers who still break the rule. When a worker wants to leave their post to use the restroom, they must inform the line leader or materials worker so that someone can take their place until they return. There are no explicit rules regarding limits on the frequency of bathroom use.



Disney's Code of Conduct found in the factory

## 1.9 Resignation

During the probation period, a worker needs to apply for resignation three days in advance. After the probation period, that time becomes one month. When the investigator raised the subject of his resignation with the line leader, he was given the resignation form on the same day without any issues. After filling it out, the investigator returned it to the line leader. Three days later, the investigator was able to go to the employee service center to complete resignation procedures, which includes handing in the factory ID, uniform, and employee manual. Next, a paystub with owed wages was printed out and handed to the resigning employee for

verification. However, a copy of the paystub was not given to the resigning employee to keep. The wages were distributed on the same day.

### 1.10 Others

Staff at the employee service center at FNMD said that the company did not have a labor union and any issues should be brought to the employee service center. Every Friday is “consult day” at the employee service center, where staff will set up a table in a location where workers pass through when they finish their shifts. This is meant as a time for workers to ask any questions they might have about wages, company policy, etc.

There is also an opinion box, a company number on the worker ID, a company WeChat account, and a new worker “tea party.” The opinion boxes are placed at the location where workers clock in and out, as well as in the dormitory. On the box is a notice explaining that notes are collected every Monday. But when asked about it, none of the workers CLW interviewed said that they had ever used the opinion box. The new worker “tea party” is held at the end of each month—this is also when the monthly employee birthday party is held. During the “tea party,” workers can raise any issues, and the issues will receive a response via a posted notice in the workshop. Some of the issues which have been previously expressed include the poor attitude of line leaders, unreasonable work position arrangements, and poor food quality. The poor attitude of line leaders was the most frequent complaint. The company response was that “We will conduct communication and stress management training with management.” The employee turnover rate at FNMD is quite high. Many workers who were hired along with the investigator expressed that they only planned to stay for two or three months. Of the 30 or so workers who entered FNMD with the investigator, about a quarter left within a couple of weeks. One primary reason behind such high turnover is low wages.

Wages in toy factories like this one are lower than in other industries, and some view toy factories as a last option. One worker said that he planned to leave for a smaller factory where the management is more lax. Even though the investigator mentioned that smaller plants with lax management might be more prone to accidents, the worker did not seem to mind. He wanted to smoke at will. He also did not want to purchase insurance because he was not confident that after paying into it for years he would get anything back. There were some employees at FNMD with physical disabilities, such as being deaf and mute or suffering from movement impairments. The company will give a reward to workers who recommend people with physical disabilities into the company. The government encourages companies to hire workers with disabilities and will provide tax subsidies for doing so.

## Chang'an Mattel Toy Erchang

### 2.1 Brief Introduction

Chang'an Mattel Toy Erchang (MATTEL MCA) is a large “three import and compensation trade” enterprise from Chang'an Dongguan. It is an export-oriented enterprise created by the Guangdong Changan Group under the Chang'an government and the large US multinational - Mattel cooperation. It is also a subsidiary of the Foreign Economic Development Corporation of the Guangdong Changan Group. The main products of the enterprise are plastic dolls (Barbie). Established in September, 1986, Chang'an Mattel Toy Erchang now has a factory covering over 30,000 square meters, a living area of over 20,000 square meters, and employs over 6,000 workers. It has passed the certification audit under ISO9001 (2000 international quality certification and ICTI Business Operational Standard certification) and produces more than 120,000 toys daily. Address: First Industrial Zone, Chang'an. Tel: 0769-85312683.

The factory is mainly for production, and its production departments include the assembly workshop, car workshop, spray painting workshop, vinyl workshop, injection molding workshop, printing workshop. The three dormitory buildings in the factory are labeled A, B and C. The 3rd - 5th floors of dormitories A and B are for women, whereas the 6th and 7th floors of dormitories A, B and C are for men. The cafeteria is on the 1st Floor, and the conference room and library are on the 2nd floor. Outside the factory are factory-rented dormitories and warehouses.



## 2.2 Major violations

- Hiring discriminations based on region and gender
- A severe lack of occupational safety training
- Workers must “apply” to resign
- Excessive overtime. Workers on average worked more than 100 hours overtime, and worked 68.3 hours per week.
- Forced overtime, workers must apply for not working overtime, which is usually rejected.
- Insufficient lunch and rest time. Workers only have a 30-minute lunch break
- Did not purchase housing fund for workers.
- Terrible accommodation conditions, bad food and dirty dormitory.
- Insufficient occupational safety management. Workers seldom use protection equipment.
- Lack of a well-functioning union.

## 2.3 Job Application and Training

### 2.3.1 Recruitment

The factory recruits through agencies and direct recruitment. The recruitment time begins at 8:00 am and 2:00 pm. The recruitment notice only requires candidates to have good health, and they must bring their identifications when applying. After candidates’ IDs are verified, they are handed a job application form. They are then allowed to enter the living area (training



Brief introduction of department departments and compensation

room), where they will fill out the information sheet, and wait for the interviews. Every candidate has to pass the interview in order to sign the labor contract.

Interview questions are relatively simple, such as: Where did you work? What is the reason you left your previous job? The interviewer would then examine the candidate’s palms and the back of his/her hands. During the interview, the investigator found several unsuccessful candidates. The reasons for failure: the candidate was previously expelled or dismissed from the factory, or was unable to articulate clearly during the interview.

In addition, during the subsequent investigation, it was understood that the factory did not recruit past male workers from South Zhaotong. The management said it was because there was fighting at the factory between the male workers from South Zhaotong before.

After the interview, the successful candidates would be given two labor contracts and a notice for new workers. Contracts are to be filled out under the guidance of staff. After the contracts have been filled out, both copies must be returned to staff, along with the notice for new workers. New workers then line up to take photos. After the interview and the morning procedures regarding recruitment are completed, workers are notified that they would start training at 2:00pm.

The whole process of recruiting, interviews and signing contracts lasts about two hours or so.

### 2.3.2 Training

Training should begin at 2:00pm, but new workers had to wait in the training room until 2:50pm when it officially began. During the training, there was 10 minutes of rest time, and factory cards and uniforms



would be distributed to the workers. If they lose the factory card, they would need to pay a \$1.50 USD fee for a new one. New workers' uniforms were provided with mesh vests. If they lost this, they would also need to pay the \$1.50 USD fee. Training ends at 4:10pm. From 4:10pm till 5:00pm, workers were assigned to different departments, and they were led by each department's staff to the workshops, and shown how to punch in and out. Since the new workers all worked the night shift, the staff told them to gather in the workshop tomorrow before 7:30pm, and they would be assigned to different production lines. Those who needed to be assigned a

dormitory room stayed in the training room. Others were allowed to leave. The time for orientation training was counted as four paid hours.

For training, due to the limited training time and as the instructor spoke very fast, the general content of the training was: dining and accommodation at the factory, an introduction to the factory, the structure of the workshop, promotion mechanisms, production flow, wages and working hours, wage components, performance evaluation indicators, allowances, attendance bonus, social insurance, housing fund, paystubs, the use of the bank card, workers service center, Mattel's counseling room, the mediation office, business and cultural activities, job training, management support training, paid leave, labor discipline (factory regulations).

请在以下（三）、（四）、（五）、（六）项中你认为合适的“□”打“√”。

三) 员工加班（包括休息日及节假日）均属自愿；如员工不加班，应由本人填写《不加班通  
提前3小时交给直接上司。你是否知道？ 知道  不知道

四) 如果工厂按规定需要你加班，你是否同意？ 同意  不同意

五) 您是否同意在每月工资中扣除医疗基金2元？ 同意  不同意

六) 你是否了解到以下相关内容？ 了解  不了解

The form reads: For the questions 3, 4, 5, 6 below, check the appropriate boxes.

3. Working overtime (including rest days and holidays) is voluntary: If workers decide to not work overtime, they should fill out the form, “not working overtime...”, and turn in the form to the manager 3 hours in advance. Do you understand?

I do/don't

4. Do you agree to work overtime if the factory requires you to do so according to regulations?

Agree/Disagree

5. Do you agree to a deduction of 2 yuan (\$0.3 USD) medical allowance from your monthly wages?

Agree/Disagree

6. Do you understand the related content below?

I do/don't

After the training, the workers had to fill out the form above under the guidance of staff, as such, they could not answer according to their own will.

When assigning dormitory rooms, a manager spoke to new workers about the dormitory rules, such as: everyone must make their beds after waking up; workers must take turns keeping the dormitory clean; if they don't do the cleaning, the manager would supervise and not allow workers to rest until they finished cleaning; men are prohibited from staying in the female dormitory, and they must not wear underpants walking in the corridor and so on.

## 2.4. Labor Contract

There are two labor contracts in total, signed by new workers under the guidance of staff. The contract period is two years, and the trial period is seven days. During the trial period, if a worker wants to resign, he/she must give three days' notice. If they wish to resign after the trial period, he/she must give 30 days' notice. The company and the worker each hold a copy of the labor contract.

On the labor contracts, a worker is required to write his/her name, gender, job number, department, education, marital status, identity card number, current address, duration of contract and trial period, their signature, telephone number, home telephone number.

In the course of the investigation, when interviewed about the understanding of the contract, most of the workers knew the trial period lasted seven days. They knew that within the seven-day period, they had to give 3 days' notice for resignation. After the seven-day period, they had to give 30 days' notice. However, most of them did not know the details of the contract, because they thought the contract was just a formality that had no effect on anything.

## 2.5 Work Schedule

Factory regulations state that workers work five days a week and two hours of overtime a day. In addition, there is ten hours of overtime every weekend (Saturday). The schedule is almost the same throughout the year, whether it is off-season or peak season. The monthly average overtime is about 100 hours.

Department / Shift	Morning schedule	Afternoon schedule	Overtime
Packaging Workshop/ Day Shift	07:30—09:40	12:10-15:20	16:00—18:00
	09:50—11:40	15:30-18:00	
Packaging Workshop/ Night Shift	19:30—21:40	00:10—03:20	04:00—06:00
	21:50-23:40	03:30-06:00	

Every department's work schedule is almost the same; all of them require workers to work ten hours a day. If a worker decides not to work overtime, he/she can fill out an application form. The workers can request the application form from the production line manager. They can also go to the workers' service center to obtain the application form. However, it is difficult to receive approval for the application.

Packaging workshop: the daily rest schedule: 9:40 - 9:50 and 15:20 - 15:30. Lunch lasts for 30 minutes. Since it would be overcrowded if all workers go to the cafeteria for lunch together, the departments take turns for lunch. The specific time for lunch would be announced by the respective manager in the workshop. Walking from the workshop to the cafeteria takes about 5 minutes. Going back and forth takes about 10 minutes. After adding the time taken to queue for food, the actual time for eating is very limited.

Workers are to punch in within the 15 minutes before work and punch out within the 15 minutes after work. These 15 minutes are not counted as working hours, as such, are unpaid. If the workers do not punch in or out within the 15-minute time window, they need to explain to the manager and sign in/out. There are no early morning meetings which occur prior to the shift starting nor afternoon meetings which occur after the shift ends. If there is a meeting, this will usually occur within the 30-minute time frame before the shift finishes. The meeting is mainly about production outputs.

Each department has a specified production target. There are no punishments for not meeting the target, however, workers on the team would not receive any production bonuses if targets are not met. The department to which the investigator was assigned had a production target of 450 units on the first day. The target was 1000 units on the second day, 1200 units on the third day, 1400 units on the fourth day, and 1450 units on the fifth day. It was said that the production capacity of that production line was 1850 units. New workers could only achieve the above targets in the first few days, when the targets were lower. Due to different workloads of different positions, some of the workers had lots of difficulties in meeting the targets. (Sometimes, the items would pile up at the worker's station) In such cases, the manager would consider the worker unsuitable for the job, so they would not pass the trial period and would be encouraged to resign.

## 2.6 Wages and Benefits

### 2.6.1 Wages

According to the orientation training, the monthly payment of wages is issued between the 15th and 17th of each month; the labor contract also specifies that workers receive their monthly wages between those dates. Usually, wages are issued before the 17th of each month. The payment comes in the form of cash or bank transfer (China Guangfa Bank). According to notes on the paystubs, during major holidays, the payment of wages may be postponed.

Wage components: Normal working hours (in hours) + Overtime pay (in hours) + Paid leave + Night shift allowance (\$0.75 USD/day, based on the number of days) + Performance bonus + Attendance bonus + Position allowance + Growth allowance + Meal allowance (\$0.60 USD/day, based on the number of days) - Social insurance - Housing fund - Medical allowance - Accommodation utilities - Meals - Personal income tax. Combining the above information and the average overtime payment per month, monthly wages are around \$480 USD to \$523 USD. The actual wages would be around \$374 USD/month - \$419 USD/month. (Wages converted into dollars)

Payroll Calculation: the base wage is \$234 USD, wages for normal working hours are \$1.34 USD/hour, normal overtime payments are \$2.01 USD/hour, and overtime payments for weekends are \$2.69 USD/hour. Public holidays are paid an amount of \$10.75 USD per day, with no overtime. Attendance bonus for the first month is \$4.50 USD, \$6 USD for the second month, \$7.50 USD for the third month. After the first three months, it is \$7.50 USD per month. If in one of the months, a worker does not have full attendance, they will not receive the attendance bonus. If in the next month, the worker has full attendance, he/she will start with receiving \$4.50 USD again. All departments adopt the above wage structure and calculation. The factory has also set up different bonuses for each department, such as skills allowance, position allowance, work process allowance.



Introduction of wage and benefits

Deductions: Personal income tax, Social insurance, Housing fund, Meals, Utilities for Accommodation, \$0.30 USD per month for medical allowance. \$32 USD is deducted each month from workers' wages for social insurance. According to the deduction, the base for insurance calculation was \$374 USD. In the investigation, we found cases where the base of \$449 USD was used for the insurance calculation. Workers need to fill out an application for the housing fund, and we did not find any workers who had applied for the housing fund. The \$0.30 for Medical allowance is for the costs of the medical room at the factory, where a free diagnosis and a counseling service are offered.

### 2.6.2 Benefits

In the factory, there is a billiards room, a badminton court, a library and a computer room. Except for the badminton court located on the roof of the third floor of the dormitory, all other activity rooms are indoors. In the few days that the investigation took place, workers were found to use the badminton court.

The company organizes tours of the city in Dongguan or parties at the factory. During the investigation period, the company held a party, and there were around 400 - 500 workers who attended. Towards the end of the party, there was a quiz contest. If a worker is able to answer a question raised by the moderator, they will receive a roll of paper towel as a prize. There are small gifts for new workers or for workers' birthdays. Every new worker is offered a yogurt as a gift, whereas the birthday gifts are different. To our knowledge, workers on their birthdays would get a lump of paper towel.

### 2.6.3. Vacation

During the new workers' orientation training, the company would inform workers about paid leave: 11 days statutory holidays, maternity leave and sick leave (workers need to have medical proof), marriage leave, bereavement leave. Paid leave is introduced in accordance with legal standards. In the investigation, we did not know any workers who had applied for paid leave.

At the company, workers receive no pay on the day he/she applies for leave and if they are absent from work.

## 2.7. Accommodation

### 2.7.1 Meals

The first floor of the factory's living area is the dining hall, which can accommodate more than 1,000 people. Since each department takes turn to have meals, it doesn't feel very crowded in the dining hall. Workers can choose how many meals each day to eat at the factory cafeteria; they have two different standard meals to choose from. There is only one standard breakfast, which costs \$0.30 USD per meal, and two standard meals for lunch and dinner - \$0.57 USD per meal and \$0.75 USD per meal. If workers choose to have three meals per day, spending \$0.75 USD per meal (lunch and dinner), they have to spend \$1.80 USD a day for food at the factory. The factory's cafeteria only serves food on work days and during overtime on rest days. Normally, it does not serve food on rest days.

If a worker has every meal at the factory, \$43 USD or \$53 USD would be deducted from his/her wages (Calculated based on 30 days/month). As the factory does not provide food on weekends, the number of days' workers actually have meals at the factory is less than 30 days per month. Secondly, if the worker orders a meal at the factory, but does not actually go to eat it, wages would still be deducted accordingly.

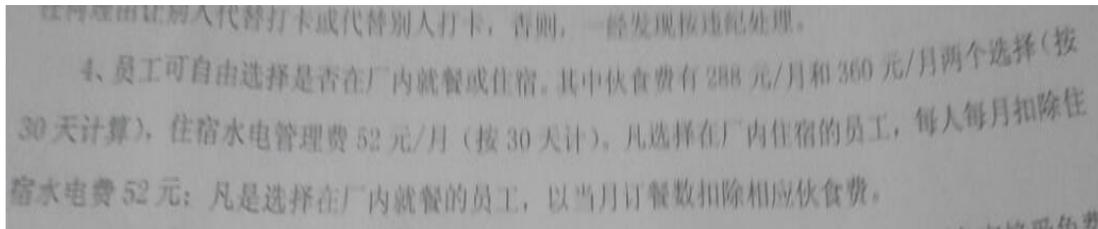
Even though the cafeteria offers two standard meals, the dishes are not of much difference. Both the \$0.57 USD and \$0.75 meals are

Workers resting during dinner



with two kinds of meats and one kind of vegetable, but the \$0.57 USD meal has less meat.

In the course of the investigation, the workers complained about the food, mainly because they use less oil for cooking, and there is hardly any meat. There is no difference between the food at the factory and fried rice purchased for \$0.75 USD from restaurants outside the factory. Sometimes when there is not enough food, workers are not allowed to have more. In this regard, the workers say: "This kind of food is not worth the price. They should have given us something better. If workers are not well fed, the food really will not do." (Picture below translated into English)



(4. Workers can freely choose whether they will dine in the factory and live in the dormitories. The cost of food is either 288 yuan/month (\$43.13 USD/month) or 360 yuan/month (\$53.91 USD/month) depending on workers' choices. (calculated based on 30 days/month). Management fees for the dormitory's water and electricity amounts to 52 yuan/month (\$7.80 USD/month, calculated based on 30 days/month). Workers who live at the factory dormitory's have \$7.80 USD deducted from their wages for water and electricity fees. For workers who choose to eat at the factory cafeteria, deductions are made according to how many meals they order at the cafeteria.)

## 2.7.2 Dormitory

There are dormitories located at the factory and outside the factory. Staying at the factory requires a monthly deduction of \$7.80 USD from wages for utilities. (Calculated based on 30 days per month), if a new worker chooses to stay at the factory and has not worked for a full month, utility costs would be deducted from wages based on daily usage.

The dormitory to which the investigator was assigned was at the factory, where there were two other dormitories and all of them were 5-stories high. Each floor had 12 rooms, and each room could accommodate 8 people. Every room had two ceiling fans, and every worker had a separate storage cabinet. Each cabinet had a small grid which contained a charger (for mobile phone charging). There were two shared toilets on each floor, each with three squatting toilets. Each floor had a bath room where there were eight small cubicles for workers to take showers. The dormitories at the factory were very decent and clean overall. The workers could not litter nor smoke in the living area.



(Employees' dormitory)

When entering the dormitory, the administrative staff mentioned that workers were lucky if they are assigned to dormitories at the factory, as the conditions here are pretty good. However, the dormitories outside the factory had terrible conditions. Although the investigator did not find out the conditions of the dormitories outside the factory, through speaking to different workers, he learned that the dormitories were in poor condition. The bath room was just a room, there were no cubicles; it felt very bad taking showers there.

## 2.8. Occupational Safety

### Employees at work



### 2.8.1 Fire Prevention

The workshop and living area are well-equipped with fire hydrants and fire extinguishers. There are also safety signs and emergency lights at every corridor, entrance and exit. The corridors on every floor are installed with an electronic voice prompt, prompting workers to pay attention to safety. Since each fire extinguisher was placed in a special box, it was impossible for the investigator to verify whether there were periodic checks for them. He found no fire drill briefings or photographs either.

### 2.8.2 Labor Protection

During training, the instructor did not mention the use of PPE, and only a small number of workers used PPE in the workshop. In the investigation, it was discovered that there were some employees using thimbles. However, the thimbles were used to protect the products, and not to protect workers.

Workers can pick up some PPEs in the workers' service

center. However, the investigator went to the center a couple of times, and did not find any workers who were picking up PPEs.

### 2.8.3 Chemicals Management

Chemical management was spoken about at the training, and it was clear that only professionals would handle the chemicals. Those who were not professionals were prohibited from entering the chemical management room. In the production process, the investigator discovered the illegal use of chemicals. In the packaging workshop, there was a transparent plastic bottle of "open water", without any labels on it. In order to understand what it was, the investigator, on the pretext of working, opened the cap of the plastic bottle and found that it had an unpleasant smell.

### 2.8.4 Occupational Health

Workers from related departments were offered an occupational health examination from the company. During the investigation period, an occupational medical bus entered the factory. The investigator did not find out which departments underwent the examination, and thus could not verify the results of the examination for both new and resigned workers.

### 2.9 Incentive Measures

The company called the incentive measures 'labor discipline'. During the training, the measures were briefly explained. Since the instructor spoke very fast, the investigator could not clearly hear the specific content. The instructor said that if workers were interested, they could go to the library to read the workers handbook.

There are smoking areas in the factory; if a worker is found smoking by the security guard or manager in a non-smoking area, he/she would be immediately dismissed.

During the investigation, a worker wanted to quit, and deliberately smoked at the gate so the security guard see. The investigator then bumped into the worker a while later at the workers' service center, and found out that the worker was undergoing dismissal procedures.

In the course of the investigation, no cases of penalties were found.

### 2.10 Resignation

In the trial period, workers need to give 3 days' notice to the manager for resignation and during the period of the contract they need to give 30 days' notice. Workers who resign have their wages settled in



A male worker on his post

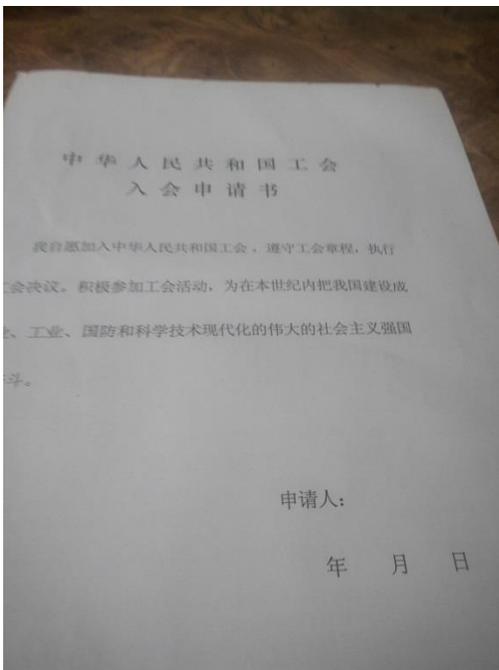
cash, the day after they quit. When the investigator asked to resign in the trial period, he found that not only did he have to turn in the resignation application form, he also needed to sign the 'trial period failure' form. Through speaking to different workers, the investigator learned that if a worker was dismissed by the factory, they would not be hired again in the future.

## 2.11 Others

### 2.11.1 Complaint Channels

There are complaint channels at the factory; workers can call the "care hotline" or the "workers service center". On a number of visits to the service center, there were workers inquiring or handling formalities. Dongguan social insurance must be cancelled after quitting, before workers can purchase social insurance at other factories in Dongguan. If they do not cancel the insurance in time, the workers would be barred from working for other factories. Thus, there are many workers going to the service center to consult on this matter.

### 2.11.2 Labor Union



Union membership application form

During the first day of work and training, new workers had to sign a statement with regards to joining the labor union. In the factory's production area and living area, it was discovered that there were signs that there were labor union activities. However, the workers' activities were carried out in the name of the factory or the Mattel family.

During the investigation, a worker said: "Caring is taking action, but I do not know what actions have been taken, there isn't even enough food for a meal. How is this taking action, huh?"

### 2.11.3 Workers' Words

Workers were interviewed in the few days in which the investigation took place. Most of the workers thought the wages were low, the food was not good, and the workload was heavy. Thus, they decided to resign. Some workers willing to stay were fired, because they failed to finish their jobs and pass the trial period due to the heavy workload.

Most of the workers said wages were too low, and they would like more overtime. They hoped to earn an average of about \$449 USD for wages, not counting the deductions. After deducting related expenses, the workers' desired monthly wages would only be around \$374 USD to \$419 USD.

## Combine Will (Dongguan) Industrial Co., Ltd

### 3.1 Principle rights violations

- The factory does not provide social insurance for all workers. Workers' names are drawn randomly, and if their name is drawn, social insurance would be purchased.
- Workers have 3 days of training, however, most of the time, workers are undergoing self-study. The third day was set aside for training at the workshops, however new workers in the spray painting department did not have any training
- Chinese labor law stipulates 36 overtime hours per month. Those in the spray painting clocked in 70 overtime hours, the cutting department put in 100 overtime hours, and the assembly department had 50 overtime hours.
- At times, workshop temperatures are beyond safe, and may exceed 31 degrees.
- PPE was hardly used by workers, and management did not ensure workers were wearing the appropriate equipment.
- In the spray painting department, workers came into contact with isopropyl alcohol and banana oil, however, they rarely used protective equipment.
- Factory has limited information on fire drills, there were only fire inspection booklets.
- Some workers, who had lived at the dormitories for a few days, were deducted accommodation fees for a whole month.

### 3.2 Company Overview

Combine Will International Holdings Limited is a listed-company in Singapore, and is based in China's Dongguan City, Guangdong Province. The company occupies an area of 159,000 square meters, and employs around 10,000 people. Combine Will International Holdings has invested in 5 manufacturing factories in China's Guangdong province (4 are located in Dongguan, and 1 is located in Heyuan). The company has offices and branches in the US, Japan, Hong Kong, Guangzhou, Shenzhen, Shanghai and etc.

Combine Will (Dongguan) Industrial Co., Ltd is a wholly owned subsidiary of Combine Will International Holdings Limited, and was established in 2001. The company is located at Dongguan's Hengli Town, Xincheng Industrial Zone, and mainly manufactures plastic and metal toys. Currently, there are 4 modernized factory workshops, 3 dormitories, which covers a total of 32,686 square meters. The total floor area takes up 57,375 square meters, and the factory employs around 1,700 workers. The company carries out a systematic and people-oriented management approach. They have passed the ISO9000, OHSAS18000, ICTI, ISO14001, and other relevant certifications. The company has a garden-style factory design, and the dormitory area has various health and entertainment facilities, including a library, a training room, a gym, a Karaoke room, a table-tennis room, a billiard room, a television room, badminton court and a basket court.

Customers: McDonalds, Disney, Mattel

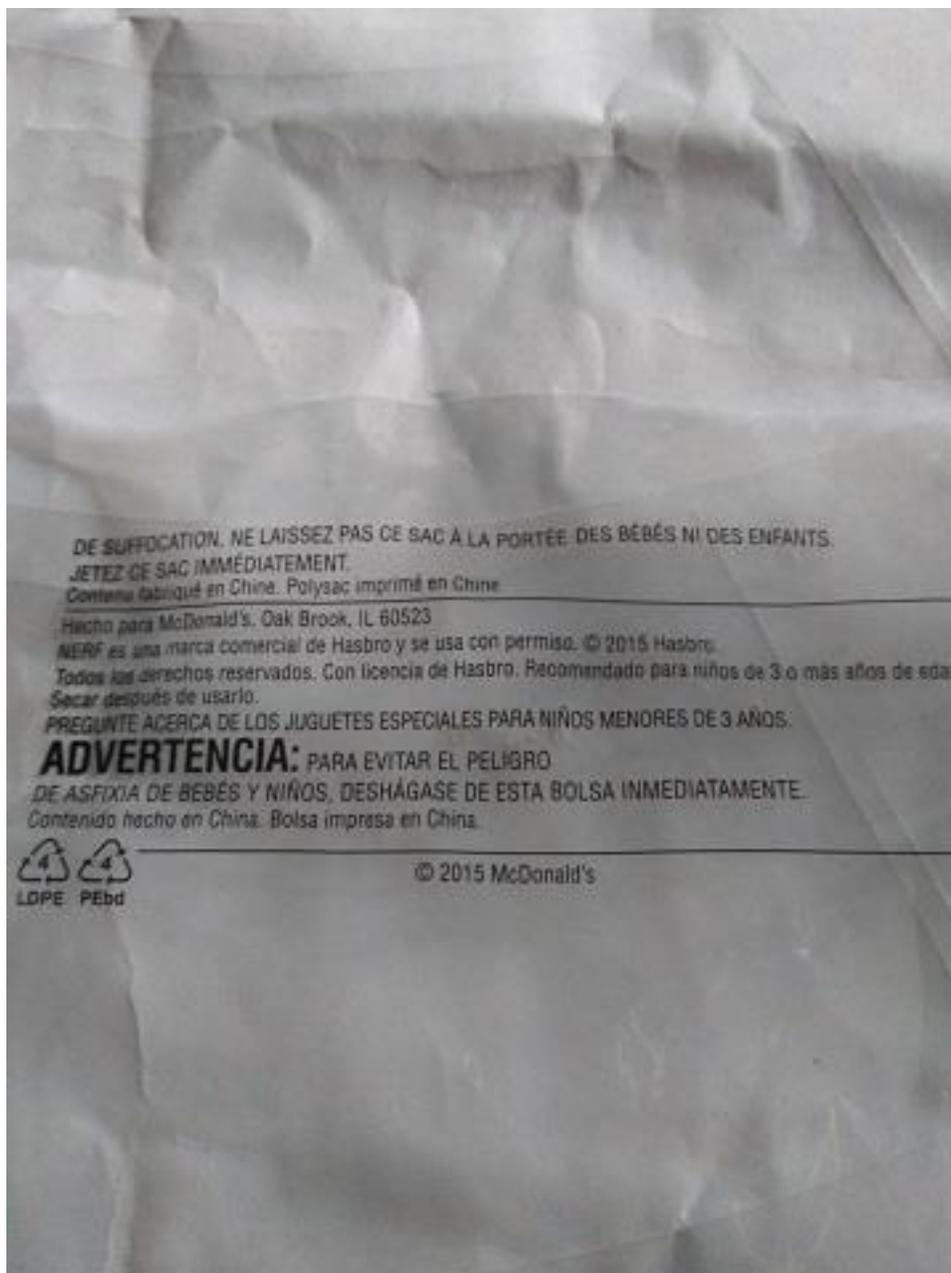
Address: Jingfu Road, Xincheng Industrial Zone, Hengli Town, Dongguan

Phone number: 0796-83372813



(Toys made at Combine Will during the investigation. Brands include McDonald, Nintendo, Sanrio.)

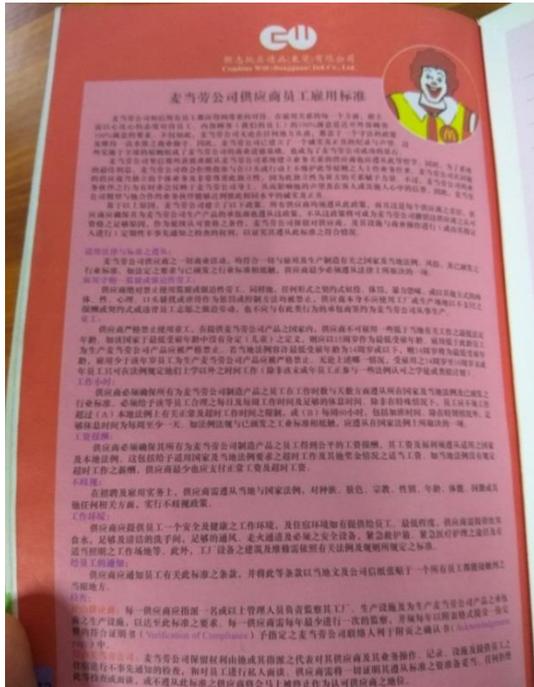
Hasbro has replied to our report, claiming that none of the four factories produced for Hasbro, but we found a document at Combine Will, which stated that Hasbro authorized McDonald to use its brand of "NERF". Please refer to the picture below:



### 3.3 Employment and Training

#### 3.3.1 Application

There are no requirements for age, gender or hometown when applying, and workers don't need to provide a health examination report either. When applying, applicants must provide their identification cards, a copy of the ID card, a postal savings card of Dongguan city, in addition to two one-inch photographs of the applicant. After providing this information, applicants then go to entrance number 5 of the factory, to apply for related job positions. Currently, the company is recruiting for positions in the assembly, cutting and spray painting departments. Those applying for the spray painting department must have an interview with the manager of the department. If they are successful in the interview, they can then enter the spray painting department. If they do not pass, they can choose to apply for the assembly department.



McDonald Code of Conduct

After the interview, applicants will fill out an application form and a notice of employment conditions, and the labor contract is then signed (two copies). After filling out their information, applicants have their fingerprints taken. Altogether, the application process including the filling in of forms, takes around 2 hours. This time is not recorded as work hours, and is not paid. Factory staff then notify successful applicants that they must arrive at 7.50 am the next day, at the entrance of the personnel department in the living quarters to punch in for training. Paid work hours begin after workers punch in.

#### 3.3.2 Training

Workers rushed to the entrance of the personnel department at 7.50 am on the second day, waiting to punch in and undergo training. The investigator entered the personnel department with 6 new workers, to begin the first day of training. Of the 4 hours of training in the morning, the factory staff only used 50 minutes for workers' introductions, an overview of the company, personnel regulations, wages, working hours and dormitories. The rest of the time was for new workers to self-study in the training room, and the factory's staff notified new workers that there will be an assessment in the afternoon, and workers could study by themselves since the contents of the assessment are in the PPT and worker's code of conduct.

The assessment took place in the afternoon. The contents of the assessment were made up of 30 questions, and included fill-in-the-blank questions, multiple choice questions and true/false questions. The assessment could be completed in less than 30 minutes. If workers had nothing to do, they would stay in

the training room and chat until they could leave at around 5.30pm. This sort of training continued for two days. The third day was also for training, but was undertaken at the workshops.

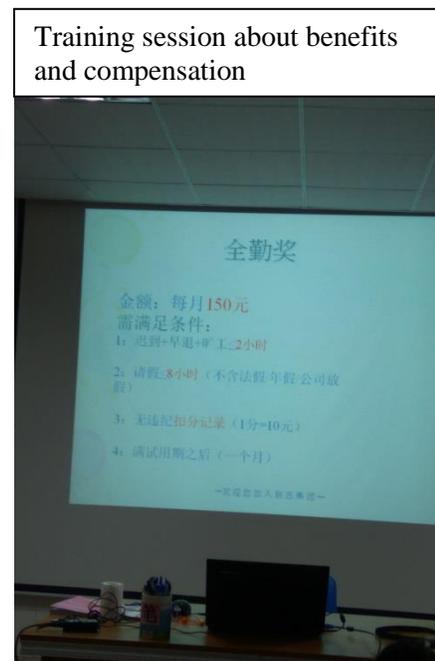
Training on the second day was similar to that on the first day, except for the content. The content included pre-job training, where safety training for the assembly department was undergone. They also mentioned information about the spray painting department. Workers in positions in the assembly department may come into contact with poisonous substances or work in a harmful environment, which includes: loud noises, soldering iron, with some workers having contact with glue. In addition, the types of protective equipment and preventative measures against harm for these positions were also mentioned. In the spray painting department, workers were trained on safety and the use of protective equipment. New workers were also notified that on the third day, they would undergo pre-work training at their respective workshops. Workshops arrange the training, which is targeted at the positions in the workshop, and new workers must pass the training, obtain a work license for the position before they can operate the machines. The speaking portion of the training took around 40 minutes, and the rest of the time was used for self-study. In the afternoon, the assessment was the same as the day before, however, was different for the spray painting and assembly departments.

The third day had been set aside for training at the workshops, however, new workers in the spray painting department began work after they entered the workshop. They did not receive any training at all. New workers in the assembly department worked at each of the positions in the workshop once and subsequently took the assessment in the afternoon. In the morning, work uniforms were distributed (Two sets of uniforms for summer and a work hat) along with a workers' code of conduct handbook. The work uniform was distributed for free, and must be returned upon resigning.

### 3.4 Labor contract

There are two signed labor contracts and new workers were handed a copy on the first day of training. Factory staff gave new workers one contract which had the contract period, training period, work position, wage, and the payment date for wages; and another contract which needed to be filled out by new workers themselves. New workers fill out their personal information, and sign both contracts, whilst also completing the labor contract which was required to be filled out. The contracts were then handed to the factory, who signed and stamped the contracts, before a copy was returned to workers. The contract period is for 3 years, and the trial period is one month. There were time constraints, and before workers had the chance to read the labor contract thoroughly, they had to hand this over to factory staff.

A copy of the labor contract is usually distributed to new workers after a week. However, this time, workers kept the contract once the factory redistributed the stamped copy. Thus, workers were able to check the content of it at any time.



### 3.5 Work hours

The factory implements a 5 day, 8 hour working system, with overtime of 2 to 3 hours every day. According to workers, there wasn't a lot of overtime work in the past 2 to 3 months, and in one month, they didn't have to work overtime for at least two Saturdays. Working overtime for 3 hours on work days is considered very little. This month, the overtime hours are: Around 70 hours for the spray painting department, 100 hours in the cutting department, and 50 hours in the assembly department.

The factory has established a spray painting department, assembly department, printing department and a cutting department. In addition, there are also some addition departments, such as the logistics department and personnel department. The working hours of each department are specified below:

<b>Work hours Department</b>	<b>Morning</b>	<b>Afternoon</b>	<b>Overtime</b>	<b>Comments</b>
<b>Assembly</b>	8:00—12:00	13:30—17:30	18:3—20:30/21:30	Shifts are rotated bimonthly
<b>Printing</b>	7:45—11:45	13:15—17:15	18:30—20:30/21:30	
<b>Cutting</b>	8:00—11:00	12:00—16:30	17:30—20:00	Shifts are rotated once a month
<b>Spray Painting</b>	7:45—11:45	13:15—17:15	18:30—20:30/21:30	

Work begins at different times for each department, and workers put in around 10 or 11 hours of work per day, with a 90-minute meal break. Overtime is applied with the department manager, and workers who agree to work overtime only need to sign the overtime sheet. If a worker has signed the overtime sheet, but doesn't want to work overtime anymore, they can tell the manager.

Workers must punch in to work in the 15-minute time frame before the shift officially begins, and punch out in the 15-minute time frame after the shift officially ends. If workers punch in or punch out outside the time frame, they must explain to their department manager and then punch in accordingly. There are no early morning meetings, nor meetings which occur after the shift ends. If there is a meeting, this is usually during work hours, and workers stop working when there are meetings. Meetings are usually about productivity and disciplinary issues.



(Workers resting during meal break)

Through interviews and also through our investigation, each workshop had a specified production target, and the target was different for different positions in the workshop. Interviews revealed: The daily production target for the assembly department was around 4000, and to achieve this, workers must work from the start of their shift till the end of their shift to reach this output. Workers sit whilst working and as there are a large number of products and the assembly line operates very quickly, if the work piles up, the manager would come and urge them to work faster. Some workers expressed that there was a lot of pressure at work.

In the spray painting department, workers can be paid piece wages or a salary<sup>1</sup>. For piece wages, workers on a line are required to produce a daily output between 3000 and 4200. If the molds are damaged, or there are other reasons not related to the worker which may affect output, pay for that day is calculated according to a salary (workers do not have a specified production target). If workers choose to receive a salary, they must produce at least 2600 or 2800 pieces, if they are unable to reach these amounts in the long term, then they could be urged to resign. During the investigation, there were no workers who had been urged to resign. From our understanding, some workers who receive a salary are able to complete the required number of pieces if they work quickly. However, workers said: “Working like this is very tiring, and the pressure is high”.

In the department that our investigator was in, they were able to go to the toilet or have a drink of water by themselves. However, they must place their factory cards on the table prior to going. This makes it

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<sup>1</sup> For a salary, workers are paid a fixed amount every day. Overtime hours are made additionally, on top of the fixed wage.

easier for the manager to see who isn't in their position, and who has gone to the toilet or had a drink for too long.

### 3.6 Compensation

According to the labor contract, the previous month's wages are paid between the 20<sup>th</sup> – 25<sup>th</sup> of each month for workers and are paid between the 10<sup>th</sup> -15<sup>th</sup> of each month for personnel/management employees. Under normal circumstances, wages are paid before the 23<sup>rd</sup> of each month. Payments are made via bank transfer. (Dongguan postal savings card)

Wages are composed of: regular work wages + overtime wages (according to the number of hours worked) + productivity award + full attendance award + food allowance (\$0.60 USD/day, according to the number of days) – social insurance – medical allowance – utilities for accommodation. Normal workers have two standards for base wages. In the spray painting department, workers receive \$1.58 USD per hour, and the base wage is \$274 USD/month. The wages for workers in other departments are \$1.35 USD per hour, and the base wage is \$235 USD/month. Workers are paid more in the spray painting department as the risk of occupational injuries are high, and workers also come into contact with chemicals more frequently compared to workers in other departments.

In the spray painting department: Workers who are paid a salary, receive around \$480 USD/month, whilst work that is paid according to piece wages are around \$600 USD per month (each worker is paid \$0.0060 to \$0.0105 USD for each piece). There are two types of workers in the spray painting department, workers who undergo hand spray painting and normal workers who use machines for spray painting or who rub oil on the products. Normal workers in the spray painting department receive around \$420 USD in wages, and workers in the assembly department receive \$375 USD. The factory implements wages according to a combination of a salary and piece wages. If the piece wage does not reach the minimum wage standard by law, then a salary will be paid. Workers in the assembly department are paid a salary, and a collective productivity award is also distributed. Through investigations, some workers said that the award was paid unevenly. Some workers who were slow at work or who had taken half a month of leave, received a higher amount under the productivity award, compared to workers who had actually worked more.

Full attendance award: If workers are late for half an hour, or are absent from work, they will not receive the full attendance award. Each worker receives \$22.50 USD per month for the full attendance reward, but they do not receive this during the trial period.

Before commencing work, the factory would explain to new workers about social insurance and the medical fund. For the factory's medical fund, in the first month, \$1.50 USD is paid to the factory, and thereafter, fees are paid to the hospital. Workers can choose whether or not they would like to participate in the medical fund. According to the number of years of contribution, the worker can then enjoy the benefits of subsidies from the medical fund. Subsidies are mainly for cases where workers have an illness and cannot receive reimbursements. Workers purchase medical insurance as part of their social insurance package. If workers are sick, there are some instances in which the medical insurance will not cover, or will only partially cover. The subsidies from the factory's medical fund will reimburse for the amount which is not covered under the medical insurance.

For workers' social insurance, \$32.24 USD is deducted from wages. According to interviews, workers' names are drawn randomly, and if their name is drawn, social insurance would be purchased. If a worker wants social insurance to be purchased, their name must be drawn.

Even if a worker does not want to purchase social insurance and their name is drawn, social insurance is purchased anyway.

With regards to other deductions, there will be explanations for each category below. This will not be elaborated here.

### **3.7 Holidays and Recreational facilities**

#### **3.7.1 Holidays**

When new workers undergo pre-work training, the factory explained to workers about paid holidays: The law stipulates 11 statutory holidays, maternity leave, marriage leave, bereavement leave, annual leave etc. Workers' who apply for sick leave must have a doctor's certificate. Holidays as described above, are according to standards stipulated by law. The investigator did not find any workers who had applied for the leave categories stated above.

#### **3.7.2 Recreational Facilities**

The kitchen, workers' dining hall, personnel department, television room, gym, media room, table tennis room, library, training room and union, are all located on the first and second floor of the living quarters.

Here, it is important to note the current state of the gym, library, television room and table tennis room. Through many days of interviewing and investigating these areas, the library was never open and whilst the television room was open, few workers were watching television in the television room on the second floor. Many workers would rather go to the canteens located outside the factory to watch television. On weekends, the table tennis room was sometimes open, but was usually used for training for bakers. According to workers' who underwent training in the table tennis room, if workers wanted to play, they had to bring their own table tennis bats and table tennis balls. The gym was open once at 9.00pm, however, the investigator did not see anyone using it. Workers did not use the badminton rooms or billiards room. Workers only used the billiards room to take an afternoon rest.

After the shift ended, or during the 60 or 90-minute break (including meal breaks), workers' spent their free time resting in the living quarters, such as, the dining room, on the tables and chairs near the bicycle parking lot, or the billiards room located on the second floor. As long as there is a place to sit, workers' would take a rest there. Workers did not use the television room. In the afternoon, many of the workers sit on the roadside at the factory entrance, to smoke or play on their phones.

### **3.8 Occupational safety and fire facilities**

#### **3.8.1 Occupational safety**

During the training, occupational protection measures, the use of protective equipment and the risks associated with chemical substances was covered. Workers who are exposed to occupational hazards have an annual health examination, and also have checkups at Hengli Hospital. For workers who have only

been working for 3 months, if they are in positions that are exposed to occupational hazards, they must also take a health examination. When workers resign, after they turn in their resignation form, the factory will also arrange for a health examination. The costs of the health examination are borne by the factory. When entering the spray painting department, there was a pungent banana smell, and also the smell of rotten bananas. This smell was a combination of isopropyl alcohol and banana oil. Workers who worked in the spray painting department rarely used protective equipment, and as there were no morning meetings, if workers need to use protective equipment, they must retrieve it themselves. If they don't, no one tells workers to use the protective equipment.



(Workers using chemicals without any proper protection)

During training, workers were told that workshops would be monitored on a regular basis. However, during the investigation, the entrance had an “Environmental Monitoring Report” which was from March 2015. The workshop also had the same report, which was dated from March 2016, and there were some work positions that had failed the monitoring assessment.

The workshop had signs leading to the first aid kit, but upon following them, the investigator did not find the first aid kit. However, whilst following the signs, there were marked bottles of eyewash hung on the walls.

The temperature of the workshop was monitored electronically, and there were cooling curtains in the workshop to decrease the temperature. However, the spray painting workshop did not have these curtains, and relied merely on fans to lower the temperature. The workshop had a record of the temperatures, which was recorded once, during the morning between 9.00am to 11.00 am, and again at around 3.00pm. The temperatures in the morning is around 29 to 30 degrees, and in the afternoon, is around 30 to 31 degrees. However, when temperatures reached over 34 degrees outside the factory, the workshop temperature exceeded 31 degrees. Regardless of the temperature, workers did not receive an allowance for working in an environment with high temperatures.

### 3.8.2 Fire facilities

Every year, the factory arranges a fire drill. Fire facilities are checked and signed on a bimonthly basis. With regards to the fire drill, this was not undergone during the investigation period, and was only mentioned when workers were interviewed by the investigator. Workers could not remember when the fire drill takes place. The factory did not publicly display any images or content related to the fire drill, only having fire inspection booklets. There was nothing unusual with the fire control signs or emergency routes.



(Fire extinguishers in the factory campus)



A meal at the dining hall

### 3.9 Meals and accommodation

#### 3.9.1 Meals

Meals at the factories are free, a \$36 USD monthly allowance is provided to workers who do not eat at the factory. Food allowances are made according to the number of days, with each day amounting to \$1.20 USD, each meal amounting to \$0.60 USD. There are no allowances for statutory holidays or for sick leave.

Reservations must be made if workers are having meals at the factory and each reservation is for one month. If during the month, the worker does not want to eat at the factory, they will not receive a meal allowance for that month. They must cancel their reservations for next month, before the month ends (that is, the 30<sup>th</sup> of every month); then, they will receive the meal allowance.

The factory provides for two meals every day (lunch and dinner), and each meal has two meat dishes, one vegetable dish, and workers can also have soup if they wish to. For the two meat dishes, these includes dishes such as broiled fish and tofu, scrambled eggs with green peppers, pork with beans, potatoes and pork, broiled fish and green peppers, minced meat and eggplant. For each meal, there are 4 meat dishes, and workers choose 2 to have with their meal. For vegetable dishes there is: spinach, mushrooms and bok choy amongst others, with workers selecting one vegetable dish to have for their meal. Workers can collect their meals from multiple counters and there is one counter where the meals taste a bit better, but workers must pay an additional \$0.30 USD for each meal. The cafeteria for workers' is separated from that of personnel/management employees.

The investigator had meals at the factory on a few occasions and found that there was an abundance of food. However, there were issues with hygiene. When the investigator was eating the potatoes and meat dish, he found a plastic thread, which was the same color as the potatoes. Through interviews, many of the workers expressed that the food was not good, and upon further inquiry as to what they were not satisfied with, they did not provide any specific reasons. However, through observations, the investigator saw that the dishes did not have much meat, there wasn't a lot of oil used, and the color of the dishes was very off-putting. In the potatoes and meat dish, you will usually see two pieces of meat, about the size of your thumb. In most cases, the meat is around the size of your fingernail. If a worker has worked there for some time, there are times where the factory gives each worker a drumstick, but this only occurred once. The investigator did not eat it, but according to workers, the drumstick did not taste good. For the spinach and bok choy, you could see leaves which had already turned yellow and were also of very bad quality.

### 3.9.2 Accommodation

The factory provides accommodation, but accommodation fees are deducted from workers' wages. Accommodation is \$0.15 USD/day, and utilities are divided between workers' in the dormitory. Water expenses: \$2.44/liter, electricity expenses: \$0.15 USD/kWh. After applying for accommodation, workers' must live at the dormitories for at least 3 months before they can move out.





(Employee's Dormitory)

The factory has three dormitory buildings, and they are all located in the living quarters of the factory. Workers' dormitories are located from the 3<sup>rd</sup> to the 5<sup>th</sup> floor, and each building is separated into women's dormitories, men's dormitories and management dormitories. Each floor has 33 rooms and a hot water room. There aren't many workers living at the factory's dormitories, and currently, there are around 3-4 people living in each room. Each room has 5 bunk beds and 3 lockers, and there is a small balcony outside the room. To the left and right of the balcony, there is a sink for workers to wash their face, and also two bathrooms (the shower and toilets are in the bathrooms).

On both sides of the rooms are bunk beds and lockers, and the room, which the investigator was in, only had 3 people. There was nobody using the top bunk, and there was no bed plank on top either. The bed was quite shabby, and the frame of the bunk bed was made of metal, which was rusty, and didn't seem very sturdy. When sitting on the bed, you could hear it creaking. The state of the lockers was okay, and looked sort of new, however, when you opened the locker, there was nowhere to put daily supplies or clothing. The locker was rusty, and there was a thick layer of dust, with debris left behind from the previous worker. The ceiling had two fans, and when they were in use, you could hear a buzzing sound, and also feel it spinning above your head constantly. When you look closely at the top of the fan, you could see that a layer of dust covered most of the area.

On the ground and beside the bed, there were rubbish that was yet to be collected and also electrical sockets. The electrical wiring covered the beds and the ground, and were all tangled up. The shower in the bathroom could not be used, and workers who needed hot water had to go to the hot water room. The toilet and sink was covered in yellow stains and green moss.

Through interviews, the investigator revealed that some workers, who had lived at the dormitories for a few days, were deducted accommodation fees for a whole month. Though there were some workers who had also lived for a few days, but did not have accommodation fees deducted. For workers who had accommodation fees deducted, they said that factory management was terrible, and as such, they just allowed management to deduct fees.

### 3.10 Factory regulations and rules

In the worker's code of conduct handbook, section 6 of chapter 2 has information regarding the administrative disciplinary rules. The section clarifies the purpose, categories, implementation guide, the

points system and details of implementation for the disciplinary rules. During training, workers were clearly told that for each point deducted, their wages would be deducted by \$1.50 USD. If they have a total of 10 points deducted, they would be dismissed and never hired again. Other than the administrative disciplinary rules, there were no rewards measures.

### **3.11 Resignation**

During the trial period, resignations are to be handed in 3 days before, whilst after the trial period, resignations are to be handed in 30 days before. Whether it is during the trial period, or after the trial period, workers can go to the personnel department to carry out resignation procedures 3 days after they notified the factory of their resignation (They must retrieve a work handover form from the office at the department, and the manager is to sign this form). A day before the resignation procedures are carried out, the department must issue information regarding resignation for the worker. After the resignation procedures, workers must wait until 3.30 pm in the living quarters to sign a wage form, confirming their wages, and must check if they have received wages through bank transfer, before 6.30 pm. If they have not received wages, they must notify the personnel department as soon as possible.

### **3.12 Communication channels and the union**

The factory has a union, an opinion box and an internal complaints hotline. During the investigation, the opinion box was found to be covered in dust, and it seemed as though it was not used for a long time and was just left there. On the side of the opinion box was the factory's contact information and other related information.

There are photos of the union's president and representatives in the living quarters and in the factory. The union has meetings and elections regularly, and the union shares an office with the party branch on the second floor of the living quarters. The door of the office has the party branch's meeting times (regular meeting times), and there was a sign for the union, but no other related information about the union. During interviews, workers did not know about the current situation of the union.

During training, workers were told about the complaints channel, and other than the complaints channel provided by the factory, workers were also told about Hengli Town's related organizations. If there were any issues, they could resolve these through the factory and Hengli's related departments.

### **3.13 Other**

During the investigation period, a client came to the factory, and according to the bulletin, the client was from Brazil. On the day the client came, the manager made sure that all workers had worn their protective equipment, and even the manager was wearing a hat (Usually, the manager doesn't need to wear a hat). Whilst the client was observing the workshop, the investigator discovered that opposite the spray painting workshop, the assembly workshop's door was closed. The investigator was curious and asked other workers why workers at the assembly workshop weren't working. A worker then said: "They're working, there are people coming out of the workshop, you didn't see! There is probably something that they didn't want the client to see".

## Shenzhen Weilifeng Plastic Products Co., Ltd.

### 4.1 Summary of Rights Violations

- Forced workers to sign a statement that they were aware of occupational hazards associated with their posts even before they were assigned a post
- Forced workers to sign a statement to abandon their previous work experience
- Forced workers to give up participating in the employee endowment insurance before enrollment
- Forced workers to give up purchasing the housing fund
- Forced workers to sign a disciplinary statement that might expose workers to verbal and corporal abuses
- Did not provide workers with sufficient occupational safety training other than a half-hour introduction about fire safety and occupational hazards
- Wages were not paid on time
- During investigation, workers worked 26 overtime hours per week, and more than 100 hours per month, severely exceeding the legal limit as stipulated by Chinese laws (36 hours/month).
- Did not provide enough protective equipment to workers who were exposed to occupational hazards such as chemicals and noise.



(Toys made at Weilifeng. Brands include Disney, Fisher-Price, and Mattel)

### 4.2 Company Introduction

Shenzhen Weilifeng Plastic Products Co., Ltd.(深圳市伟利丰塑胶制品有限公司) was established in 1982, and is headquartered in Hong Kong. The production base is located in Pinghu County, Longhu District, Shenzhen City. Its factory building covers an area of 45,000 square meters, and includes living and entertainment facilities which can accommodate 6,000 employees. The factory mainly produces plastic, electronic, cloth/plush toys and amongst others.

During the investigation, the factory primarily produced for Mattel and Disney. In addition, there were also codes of conduct of two brands- Walmart and radio flyers.

### 4.3 Hiring and Employment

Weilifeng mainly recruited in front of the factory gate. Our investigator arrived at the factory at 9 am. The job interview required applicants to bring their IDs and photos. The interview was quite simple, mainly checking the authenticity of applicants' IDs. There were not many applicants on the day, with only around 10 people applying for a position. There were no discriminations based on age or sex and applicants were not charged for a security deposit, or an agency fee.

After the interview, applicants began to fill in forms. The form was made up of three sections, which were basic information, applicant's statement, and employee's health records. In the employee's health records section, there was one paragraph, "I am fully aware of the potential occupational diseases and the consequences associated with this post. I am willing to work at this

post." The factory required new employees to sign here, although they had not been assigned to any posts, and thus were not aware of the "the potential occupational diseases and their consequences associated with this post."

After that, new employees must write four statements, which were:

- 1) Statement: I have worked at \_\_\_ factory but do not have evidence to prove this. Therefore, I decide to give up all previous work experience and guarantee that I will never prosecute the company for any legal repercussions which may arise. Hereby certify.
- 2) Guarantee: I \_\_\_ guarantee that, upon starting working at Weilifeng Plastic Products Co., Ltd., I will adhere to all arrangements of the management, and all rules and regulations of the factory. If I violate these rules and regulations, I'm willing to accept any punishment and will never complain.
- 3) Statement: I \_\_\_, am an employee at Shenzhen Weilifeng Plastic Products Co., Ltd., Work ID \_\_\_, ID \_\_\_, and because I have participated in the New Rural Endowment Insurance, am not willing to purchase the social endowment insurance of the company. I will be responsible for any consequences. Hereby declare.
- 4) Statement: I \_\_\_, ID \_\_\_, have received the notice about the housing fund purchase from the company, and I am aware of the relevant laws and regulations about the housing fund. However, due to personal reasons, I will voluntarily give up the purchase of housing provident fund. All the consequences arising from this has nothing to do with the company. Hereby declare.

These four statements were required. Some wording in the statement was too absolute, such as "all work arrangements", "all rules and regulations", "accept any punishment from the factory". Employees were not consulted on their own wishes regarding the social insurance and housing fund, and were merely



Mattel's Labor Standards



Training records form.

required to handwrite the statements based on the individualized template provided above.

According to Chinese law, those who have participated in the New Rural Endowment Insurance do not need to participate in the employee endowment insurance. However, workers, if they wish, can discontinue the rural endowment insurance and join the employee endowment insurance. As the coverage of rural endowment insurance is lower than that of the employee endowment insurance, the latter is a better choice. Nevertheless, the factory, firstly, did not ask employees whether they had participated in the rural endowment insurance, and secondly, did not ask them whether they would be willing to switch to the employee endowment insurance from the rural endowment insurance.

About the housing fund, employees did not receive a “notice about housing fund purchase” from the company. The factory did not explain “relevant laws and regulations about the housing fund purchase” either. More importantly, along with the other 5 insurance categories as stipulated by law, the housing fund is compulsory. Regardless of the agreement reached between employers and employees, the employer is not exempt from the statutory obligation of purchasing housing funds for employees. Employers are to purchase housing funds in the required manner and for the amounts as stipulated by law.

The process of filling in forms and writing statements was completed at around 12pm. The factory then asked employees to participate in the training session at 3pm. In the training, a video about fire safety education was firstly played. Then, an employee at the human resource department introduced some basic information about the factory, living facilities, rules and regulations, and working conditions, and this continued for about an hour.

Meanwhile, new employees were required to sign training records which specified that the training included eight components: introduction of the company, employee’s life, factory regulations, corporate social responsibility, unknown (fire control related), an introduction to the counter-terrorism policy, lean production, professional ethnics, and employment guidelines. However, when employees signed this form, information about the training time and location was left blank. When employees entered the workshops, they were once again, required to sign a training record that did not specify the training time and location. Despite signing the record, in reality, they did not receive any training at all.

After the training with HR was completed, new employees were assigned to different departments. The CLW investigator was assigned to the assembly department. In the workshop, a staff member from management continued the training, which mainly covered fire control equipment, the use of fire extinguishers, workshop layout, personal protective equipment, and chemicals they would have contact with. The training lasted for about half an hour.

At around 5pm, all procedures were finished, and new employees could begin working the next day. A physical examination was not arranged. Filling in forms and training took a total of more than five hours, which were not paid



(New employees during training)

#### 4.4 Labor Contract

The factory did not sign labor contracts with new employees when they were first employed. The labor contract was signed after the first or second week. Employees were called to the workshop office by an office worker during work. The main content of the contract had already been filled in, and employees only need to sign their names and dates. After signing, employees could obtain a copy of the contract.

The labor contract included the duration and the type of contract, work duties, work location, rest and holidays, etc., and there were 12 items in total. The duration of the contract was three years, beginning from the date employees entered workshop, and excluded the time used for training. The trial period was 6 months.

There were several points that the investigator thought were problematic (using the contract for the assembly position as an example):

Article 4 on labor protection, labor conditions, occupational hazards protection. Item 3 states, “Party B will undertake assembly work, which may involve    occupational hazards, Party A should take    protective measures, and according to the regulations of the health administrative departments of the state council, organize occupational health examinations during work and when employees leave the factory, and inform party B of the examination results.”

Article 5 on labor remuneration, stipulates that the payday should be the 7<sup>th</sup> of each month, which will be postponed under special circumstances such as holidays and settlement of exchange. However, according to the law, the payment should be made to workers in advance when there are holidays. Despite this, the factory usually paid workers between 15<sup>th</sup> and 20<sup>th</sup> of each month, regardless of any special circumstances, which may occur.

Article 8 on the cancellation, termination, renewal of the labor contract. Item 1 states, “Party A may

cancel this contract without making any compensation to Party B and the company reserves the right to pursue the relevant economic losses if Party B has any of the following situations: ... (g) unsolicited leave without prior written consent of Party A.” Employees can leave as long as they complete the relevant procedures and do not need a written consent from the company if they wish to resign. If employees leave the company because of the latter’s reasons, the company is still required to pay monetary compensation.

In addition, requirements like “Party B has the obligation to read all institutions and regulations and follow the new institutions, notices, and regulations issued by Party A” are too high and unreasonable. There are also some unclear areas in the labor contract.

In short, the contract stipulates the factory’s rights, and worker’s obligations and responsibilities with great length. However, the contract rarely mentions worker’s rights such as conditions when workers can terminate the contract and when they can receive compensation, and these are usually included in a standard labor contract.

#### **4.5 Work Time**

There were two work-shift systems in the factory—the one shift system and the two-shift system. Currently (at the time when the investigation was conducted), it is peak production season, and workers have overtime of 3 hours each day and work six days a week, with a day off on Sunday. Some departments take turns in having a day off. There were no cases of continuous work. This work schedule has surpassed the maximum working hour limit as stipulated in the Disney Supplier Code of Conduct.

The work schedule applied in the assembly department was the one-shift system, and working hours were: 07:10– 12:40, 13:20 – 18:50, namely 5.5 hours in the morning and afternoon respectively, with a 40-minute lunch break. There were no breaks during work in the morning and afternoon.

The work schedule applied to the injection modeling department was the two-shift system, and working hours were: day shift 07:30– 19:30, there were two meal breaks of 30 minutes each, for lunch and dinner. Night shift: 19:30 – 07:30. Workers in the night shift also had two 30-minute meal breaks.

The factory recorded work hours by having workers punch in with their fingerprints, and workers need to do this four times a day. If they forget to punch in, they could make up for it, but the factory implemented a points reward system, and those who forgot to punch in would have points deducted.

There were 40 minutes for lunch. Workers need to punch in with their fingerprints before and after the meal. Time was not sufficient. Workers work for 5.5 hours and after lunch, they continue working for an additional 5.5 hours. In this sense, 40 minutes were far from enough.

During the investigation, the investigator asked for leave on a Saturday, which went rather smoothly. After work, the investigator notified the line leader and an officer worker about taking leave, and was approved. No written request for leave was required and there were no other obstacles.



(Inside the workshop)

Because the products on the production line changes frequently (during the investigation, products were different every day), no production targets were set, and thus workers were never held back after their shift ended, for not reaching the target. The workshop required workers to punch in 10 minutes before work and punch out within the 10-minute time frame after work. Except for a morning meeting on Monday in the department, workers did not have meetings before and after work.

#### **4.6 Labor Remuneration and Welfare**

As discussed above, although the contract specified that wages would be paid on the 7<sup>th</sup> of each month, workers are only paid at around the 15<sup>th</sup> of each month. Wages were composed of base wages, overtime pay, seniority pay, and model employee encouragement award. The base wage was \$304 USD (which was converted to \$1.75 USD/hour in the contract), and overtime pay was calculated according to legal standards. Seniority pay was made to employees who had worked for more than one year. Their base wages were raised \$1.50 USD for each additional year they worked, and payments were made up to a maximum of \$7.50 USD. Model employee encouragement award is in fact a full attendance award, but is issued in 4 month cycles. Those who have never come late, left early, been absent, or asked for leave during work can receive this award, overtime work is also taken into consideration when receiving this award. The standard is: \$4.50 USD for those who have met the above conditions in one month, \$6.00 USD/month for those who meet the conditions for two consecutive months, \$7.50 USD/month for three consecutive months, and \$9 USD/month for four consecutive months.

Deductions of wages are mainly for accommodation, food, social insurance, and housing fund. Employees will receive a meal card for dining at the dining hall, and deductions will be made according to the amount of money the worker spends. Food expenses for male workers are about \$90 USD each month. Accommodation fees inside the factory are \$10.50 USD per month.

With regards to social insurance and housing fund, as mentioned above, new employees are required to write statements and abandon these rights. However, after assuming their positions, if employees wish to, they can make a written application for the social insurance and housing fund (These two rights are statutory. The factory is actually setting obstacles and exempting itself from its obligations by asking



A meal at Weilifeng

workers to abandon these rights first and then allowing them to apply again.)

The CLW investigator tried to apply for the employee endowment insurance and housing fund. It proceeded smoothly, with little obstacles or prevarications. However, according to interviews, the percentage of workers who apply to purchase the employee endowment insurance and housing fund is not high. Among the 3866 workers at Weilifeng, only 1471 of them purchased the employee endowment insurance. (please refer to the picture attached below.) For those who did, the individual payment is: \$24.33 USD for pension (with the legal minimum wage of Shenzhen as the payment base), \$0.78 USD for medical insurance, \$3.04 USD for unemployment insurance, \$28.15 USD in total. The factory pays \$39.54 USD for pension (also with the legal minimum wage of Shenzhen as the payment base). Both the individual payment and company payment of the housing fund amounts to a total of \$15.21 USD (with the legal minimum wage of Shenzhen as the payment base).

The investigation was close to mid-Autumn festival and the national day. The holiday arrangement was: one day off at the mid-Autumn festival, and five days (October 1<sup>st</sup> to October 5<sup>th</sup>) for the National Day. Workers are paid during statutory holidays.

There were not many entertainment facilities, only a basketball court and a library. Because the work schedule is very long, only a few workers will use the basketball court. The opening hours of the library are not reasonable. It is open for two hours at noon, however, workers only have 40 minutes for lunch. The library closes at 7pm, but workers only finish their shifts at 5:50pm. When workers have a day off on Sunday, the library is never open. (And even during opening hours, the library may not actually be open.)

#### 4.7 Meals and accommodation

The factory has a dining hall and dormitories. Workers can choose whether or not they will live and eat in the factory. If they choose not to, they will not be deducted for meals and accommodation but won't receive an allowance either.

The dining hall provides lunch and dinner, but not breakfast, so it is inconvenient for those who live in the factory to have breakfast. Most workers don't have breakfast and have lunch at around 12pm. The dining hall provides dishes with prices ranging from \$0.30 USD to \$0.75 USD. Rice is \$0.15 USD per person. Workers can choose from these options freely. Workers at different departments have different meal schedules, so the dining hall is not too crowded during meals. Workers can get their foods in two or three

minutes.

There were an adequate number of dormitories at the factory and during the investigation, there were many vacancies. Accommodation fee is \$10.50 USD, and includes water and electricity. The standard for accommodation is 8 people per room (the investigator's room only hosted seven people, all of whom were new employees). The dormitory was equipped with bunk beds (one locker for each bed), a fan, balcony, and bathrooms. Compared to other factories investigated, the living conditions here were better. The dormitories were spacious, and the sanitation was good (This could have been because they were all new employees). However, the two restrooms in the dormitory did not have showering facilities, as such, showering was inconvenient. There were no power outlets inside the dormitory, so electric equipment could not be used. The dormitories only had USBs that could be used to charge electronic devices.

In addition, there were drinking fountains, self-service washing machines, hair dryers and etc. on each floor.



(Weilifeng employees' Dormitory)

#### 4.8 Occupational safety and labor protection



Many posts involve regular contact with chemicals, but workers are not provided with enough protection.

While working in the workshop, workers were exposed to various occupational hazards, including chemicals, noise, smoke and so on. Chemicals used were mainly "T-589A glue". The factory did not explain the ingredients of the glue, and the investigator did not find any relevant information either. Its properties and functions were similar to banana oil, but according to workers, it was not banana oil. It is most likely volatile because we could smell a particularly pungent odor. Smoke mainly came from glue guns and soldering fumes. Noise was mainly from the ultrasound machines. Because products produced on the production line changed frequently, each worker's job position was not fixed, so, in theory, everyone could be exposed to these occupational hazards.

Protective equipment supplied by factory included activated carbon masks, glasses, earplugs, and gloves. Masks, according to regulations, must be replaced every three days, whilst the glasses and earplugs can be used long-term. In reality, the equipment was not strictly used. For example, many workers who used glue at their posts did not wear masks, and they rarely wore glasses. According to factory regulations, workers who were within 3 meters from the ultrasound machine must wear earplugs, but many workers did not wear them.

#### **4.9 Fire control**

Workshop and dormitory channels were unobstructed, and were not blocked. The factory spoke a lot about fire safety.

During the investigation, there was one fire drill. Workers participated in the fire drill at different times according to the department they were in. The assembly department, where the investigator worked, participated in the fire drill at 4pm. The assembly department occupied the fourth and fifth floors of the workshop building, with a total of almost one thousand workers. After the alarm was sounded, all workers went downstairs and convened on the plaza. Then, there was an introduction about how to use the fire extinguisher and other issues about fire safety. This exercise lasted for 20 minutes.

#### **4.10 Reward and punishment**

The factory implemented a point reward system. Workers would receive or be deducted some points according to their performance and obtain corresponding rewards or punishments.

Workers receive points when they participate in the company's various activities, if they are staff representatives or a dormitory manager, if they report misconduct etc. Points are mainly deducted for the following: if workers forget to bring their factory cards or wear their uniforms during work hours, if their factory cards/uniforms are lent to others, if they arrive late or leave early, if they forget to punch in or punch in for others, if they are away from their posts etc. If a certain number of points are deducted, the worker's contract will be revoked.

During work, workers were not restrained from drinking water or using the restroom. Workers at most posts could leave their posts without using a departure card.

#### **4.11 Resignation**

The resignation process was relatively smooth. The CLW investigator found an office worker at a related department and told him that he wanted to quit, and subsequently received a resignation form. The investigator could leave after completing the form and finishing 8-hours of work the next day. On the third day, he only needed to complete some procedures, sign the paystub, and wages would be paid to the

worker's bank card in three days (the investigator did not check whether he had received his wage). As the mid-Autumn festival was around the corner, if the resignation procedures are not completed before the festival, the factory would need to pay holiday wages for an additional day. Therefore, this may have accelerated the resignation process. More than ten workers in the assembly department requested for resignation, and the process was relatively smooth for all of them.

#### 4.12 Others

At the entrance of one of the rooms on the first floor of the dormitory building, there were hanging signs which had “union committee”, “employee's home”, “people's mediation committee” and so on written on them. However, it was never open during the investigation period, and there were even signs on the door which said “employees only” and “do not enter unless invited in”. In the workshop, there was a board with the names, pictures and duties of workers' representatives, though there was no contact information. There were a few hundred workers in one workshop, and except for some senior employees, no one knew who the workers' representatives were.

In addition, according to Mattel's GMP standard, it states that “in factories with more than 1000 workers, there must be a medical room to treat regular and work-related injuries...”, but Weilifeng did not have this.

企业参保信息		[更新时间: 2016-08-30]
社保单位编号	244737	
投保起始年	2002	
投保起始月	4	
当前状态	正常	
参保总人数		
养老参保人数	1471人	
医疗参保人数	3866人	
工伤参保人数	3866人	
失业参保人数	3866人	

## The Problem with ICTI

The business model of international toy brands to increase profits by placing short term orders and pressure on prices is contributing in great parts to labor rights violations. Thus the responsibility for the precarious situation of the workers not only lies with the toy manufacturing companies in China. When criticized for violating workers' rights, toy brands reject allegations by stating they have participated in ICTI Care, an international toy production standard for working conditions that has been formulated by an organization that is controlled by toy companies. This organization audits toy factories in China, and subsequently sends out a certification for factories that satisfy the ICTI Care toy standard. Actually, however, the standard is very low and not implemented accurately. And ICTI Care, instead, is used by toy brands to push responsibility to the factories.

First of all, the standard of ICTI Care is in serious violation of Chinese Labor Law. For example, Chinese Labor Law stipulates that laborers shall work for no more than 8 hours a day and no more than 44 hours a week on the average. In general, work hours can be prolonged, however, this can only occur under certain circumstances and under the condition that the physical health of laborers is guaranteed. Overtime hours, however, cannot exceed 36 hours a month.<sup>7</sup> But according to the ICTI Care Process (ICP) requirements, the overtime hours during the "Seasonal OT" could be 72 hours/week for Class A factories, and 78 hours for Class B and Class C factories.<sup>8</sup> Which means factories who have workers putting in 72 hours a week, and who work consecutively for 13 days, clocking in 144 overtime hours in a month are still able to receive certification for the lowest level of the standard. Obviously, the ICP standard is far too low, having no constraints on the majority of toy factories, and also seriously violates the legal requirements of Chinese Labor Law.

Furthermore, the standard of ICTI Care is not implemented accurately in practice. Many factories with the ICP certification did not follow the requirements of ICTI Care strictly. The audit results of ICTI Care do not necessarily reflect the real situation in toy factories. The differences between the audit results and the findings of investigative researchers in factories are striking and highlight that in certified factories the requests formulated by ICTI Care are not met. Some factories may falsify data or bribe auditors in seeking to pretend that they have met the ICTI Care requirements.

Taking the corruption problem as an example, ICTI Care has formulated other standards, with one being targeted at occupational safety and training, however, toy factories that don't meet these standards are able to pass the ICTI Care and receive the certification through bribing the auditors. A statement from the China's semi-official Guangdong Toy Association raised serious allegations in June this year: "ICP audit staff receiving individual envelopes of money has quietly become a trend. In some production sites, there is the unspoken rule that ICP auditors only have to enter the factory, and they will be handed an envelope with \$1,500 USD, or else, it would be hard to pass the audit." The statement also mentioned "confessions" from company owners: 'Currently in Dongguan, ICTI-ICP audits have 3 prices. The yearly audit is \$12,000 USD which is a fake certificate which you can use; if you pay \$20,000 USD then you don't receive a certificate but it is guaranteed that you can receive orders; if you pay \$27,000 USD then you will receive the formal certificate.' Companies only have to go online and contact these inspection consulting companies, and you will often receive these this promises: If you are willing to pay costs, then you will definitely pass the ICP audit.<sup>9</sup> We also confirmed this statement through our investigations in the

factories mentioned above.

Cases of corruption are abound in China, jeopardizing the normal business of toy factories. And it will be the workers who will ultimately pay for these envelopes of money. ICTI Care has already realized this problem but, unfortunately, the process is still ongoing and it's unclear whether or not their actions will be effective. ICTI recently addressed the issue of corruption, and stated there was no evidence in support of the bribery allegations. However, the issue of corruption of the ICTI program was raised in previous years. In 2009, CLW provided evidence which revealed that the ICTI Care Program was corrupt and evidence included interviews with factory managers, and 3<sup>rd</sup> party auditors who were appointed by ICTI. As such, ICTI's recent claims that they lacked evidence to substantiate the claims on corruption and bribery is both invalid and unreliable. ICTI have implemented a policy, whereby if a factory is found to have bribed auditors, the ICTI certification would be revoked. However, we question whether there is any factory or auditor who would openly admit to being corrupt.

Last but not least, brand companies in the toy industry only use ICTI Care to push the responsibility onto factories, rather than being a tool that invests in improving the labor conditions of workers. Factories are ultimately responsible for actions relating to rights violations. However, if toy companies, who are responsible for purchases, do not fund for improvements, factories are unable to meet the toy industry standard. If toy companies need to, they can relax the toy standard at any time.

## Summary

The global division of labor is highly hierarchic. Large brand companies are on the top of this system, with toy manufacturers in the middle and toy workers in the bottom. In order to maximize their profits and remain competitive in the market, large brand companies have transferred the labor-intensive manufacturing to developing countries and outsourced the production to local facilities through sourcing agencies. Given the intense competition between manufacturers for orders, factories have little leverage at the bargaining table and have to accept the low prices. In some instances, they even lower their prices themselves to compete for orders. Nevertheless, all of these ultimately fall on workers' shoulders.

Multinational companies are enthusiastic about this system. One important reason is that they do not need to be responsible for the legal and ethnic violations of supplier facilities. Because they do not hire workers directly, they can avoid responsibility in relation to the terrible working conditions, and pass this responsibility onto contractors. Mattel is one of the few brand companies that has its own facilities in China. In the investigation, two of the factories investigated are owned by Mattel, and we have discovered that both factories are violating China's labor laws. Nevertheless, Mattel would blame the Chinese government and the toy industry for such problems.

Brand companies such as Mattel, Disney, and Fisher-Price would usually outsource its production to dozens of or even a hundred manufacturers to make sure that each supplier only produces a small portion of its product. Usually, the order from one brand company accounts for no more than 20% of the manufacturer's total orders. In this case, if sued by workers or criticized by human rights or labor organizations, the brand company could shirk responsibility, laying blame on other businesses that also contract production to this manufacturer. When there is enormous public pressure, the brand company will just terminate their contract with the manufacturer for its violations of labor laws and code of conduct to show its support for labor rights.

However, in fact, the real reason is that brand companies do not want to be responsible for the working conditions in the manufacturer's facilities. In addition to a few companies who sincerely intend to promote corporate social responsibility, most of them only want to procrastinate to muddle through.

Do those big companies really lack the money to slightly raise works' wage and to improve working conditions? According to Mattel's annual financial report, in 2015 Mattel's total sale is 5.7 billion USD, but the spending on advertising and promotion accounts for 12.6% of total sales, namely 720 million USD. This is to say, for a toy of 20 dollars, Mattel spend 2.5 dollars on advertising, but the Chinese workers who make these toys only receive less than a dollar. Mattel would rather spend ten times the amount that workers earn, on advertising rather than slightly raise the order price so that workers can earn higher wages and do not have to rely on excessive overtime to support their living standards.

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<sup>7</sup> See < *Labour Law of the People's Republic of China* >, Article 36 and Article 41;

<sup>8</sup> Once a factory has met the ICTI CARE Process (ICP) requirements, as confirmed by an external and unannounced audit, ICTI CARE issues a "Seal of Compliance", which could be classified into three classes: Class A\ Class B\ Class C. Among them,

- 1) Class A (60-hour workweek) belongs to the Class A category, and it requires overtime hours during "Seasonal OT" to be greater than 60 hours/week but less than or equal to 66 hours/week. However, the Class A60" is aspirational and optional for factories, not mandatory.
- 2) Class A requires overtime hours during "Seasonal OT" to be greater than 66 hours/week but less than or equal to 72 hours/week.

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- 3) Class B requires overtime hours during “Seasonal OT” to be greater than 72 hours/week but less than or equal to 78 hours/week. Any week during the “Seasonal OT” should not involve more than 25% of the total number of the direct workers.
  - 4) Class C requires any working hours to be less or equal to 78 hours/week in the past 12 months.

<sup>9</sup> See < A report regarding the ICTI-ICP Audit which affects the development of China’s toy industry >, Guangdong Toy Association, Chinese link: <http://news.ctoy.com.cn/show-27739.html>; English link: <http://www.chinalaborwatch.org/newscast/608>.