China Labor Watch

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2014 ANNUAL REPORT

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Particularly since the 1990s, branded retailers have sourced out manufacturing services—or even set up their own factories—in China, where political and developmental factors have led to weakened labor law enforcement. Despite year after year of public commitments to uphold international labor standards, or at least respect local law, brand companies often refuse to give up small slices of profit to live up to such commitments. Unfortunately the public is unaware of the reality of labor abuse because global supply chains severely lack transparency. Under such circumstances, CLW strives to increase transparency and connect labor abuse to the brand companies who permit, facilitate, or encourage the conditions for labor rights violations.

In 2014, CLW has persisted in its independent watchdog role, conducting dozens of investigations into labor rights violations. Aiming to use public pressure as a tool of oversight, CLW frequently publishes results or shares information with the media. Resulting outcry from media, consumers, investors, and other stakeholders has led to company responses, and in some cases even remedy.

**Electronics Supplier Quanta**—In February last year, CLW published an investigative report of the Quanta Shanghai factory, a major supplier of electronic products to Apple, Sony, Dell, and HP, among other brands. All of these companies have established “codes of conduct” and frequently promote their corporate social responsibility records. But this did not stop them from allowing Quanta to discriminate against applicants, hire tremendous numbers of...
temp workers and underage workers, make workers take 12-hour shifts sometimes seven days a week, steal their wages ($1.8 million/month), and institute a high-pressure, disrespectful working environment.

**Campaign Against Child Labor**—CLW revealed a number of child worker cases in China in 2014. Cooperating with French documentary group *Cash Investigation* (France channel 2), CLW investigated a Huawei supplier plant in Nanchang, exposing the use of child labor at the factory.

CLW continued to track labor violations in supplier plants of Samsung Electronics. Since 2012, CLW has uncovered the employment of child labor at least four Samsung supplier factories. Two of these cases occurred in 2014. In the summer at a Samsung supplier factory called Shinyang, CLW discovered the employment of several children. The investigative findings and contact information of the children were shared with a New York Times reporter who subsequently followed up and published a report. Along with CLW’s independent publication, Samsung received tremendous public pressure.

Just a month or so later, CLW uncovered evidence of more child workers at the Samsung supplier HEG, which CLW had already outed for exploiting child workers in 2012. A couple of months after the 2014 report, HEG brought a lawsuit against CLW for defamation. CLW has used this as an opportunity to conduct further investigation into the use
LABOR RIGHTS INVESTIGATIONS AND PUBLIC ADVOCACY

of child workers at HEG, revealing the cover-up of facts by HEG, Samsung, and the children’s school. CLW’s follow-up investigation showed that the Chengdu Urban Construction Vocational School had sent a large number of child workers (under 16) and underage workers (under 18) to work at HEG.

The worker hotline in China supported by CLW received a case in 2014 in which a factory worker alleged that the company was employing child workers. After hotline staff conducted follow-up, CLW notified the relevant brand company, which subsequently sent personnel to the factory to investigate, uncovering more than 100 child workers.

CLW’s investigations and media reporting has also gained the attention of some Chinese government departments. Public government data revealed that labor and education departments in China have increased monitoring and punishment of child labor and student labor in 2015 relative to 2014.

SHINYANG CHILD WORKERS ON THE PRODUCTION LINE
Yue Yuen Shoe Factory Strike—In April 2014 an historic labor strike occurred at the Yue Yuen Shoe Factory in Dongguan, one of the largest footwear manufacturers in the world and a major supplier to top brand companies, including Nike, Adidas, Puma, Salomen, Ascis, Timberland, and many others. The labor action, one of the largest in modern Chinese history, was primarily a protest against unpaid social insurance over many years. As more than 40,000 workers at Yue Yuen shoe factory in Dongguan carried out a work stoppage and marched in the streets, CLW staff interviewed workers and reported on developments. CLW was one of the first organizations to report on the strike, elevating the struggle of Yue Yuen workers to the international level. News agencies around the world, including the BCC and The New York Times, reported on the event, often referenced CLW’s reporting or interviewed CLW for commentary.

In the second week of the strike, CLW revealed that Adidas began to pull equipment out of the factory, which caused a backlash for Adidas.

The official union inserted itself into the strike, mediating terms for workers to receive some of the backpay owed to them. CLW publicly called for the union to hold representative elections at Yue Yuen and allow the representatives to commence collective bargaining as soon as possible.

The Wall Street Journal estimated that the April strike cost Yue Yuen about $60 million.
Qilitian Workers Defend Their Rights—After the Yue Yue strike, labor protest around unpaid social benefits became increasingly frequent. Beginning in July 2014, a series of strikes and disputes occurred, involving hundreds of workers at the Shenzhen Qilitian Golf Articles factory, a major supplier to Nike. The workers at Qilitian formally drafted a complaint with specific demands. CLW publicly reported on the strike and notified Nike, urging the company to support a fair resolution for workers. The opening text of Qilitian workers’ demands is displayed in the box below.

Apple’s Supply Chain—In September, CLW published two investigative reports covering labor rights infringements at supplier factories to Apple Inc. The first report, released in cooperation with advocacy organization Green America, found over 20 sets of problems at Catcher Technology in Suzhou, which makes iPad and iPhone parts. The second report also revealed more than 20 sets of violations at a second factory called Jabil Circuit, an American-owned plant in Wuxi which provides iPhone 6 covers to Apple. Both factories had been investigated in 2013, which allowed CLW to carry out a comparison of working conditions between 2013 and 2014 to gauge whether Apple had brought reform to its supply chain, as it has promised to the public and other stakeholders. Unfortunately, CLW’s investigations discovered the same or even more problems in 2014 when compared to the previous year. In August 2014, after public pressure brought by CLW, Green America, and other groups over safety concerns in Apple’s supply chain, Apple committed to banning two
LABOR RIGHTS INVESTIGATIONS AND PUBLIC ADVOCACY

toxic chemicals—n-hexane and benzene—which have seriously or fatally poisoned countless workers. While the ban was a positive step, it only applies to final assembly factories instead of Apple’s entire supply chain, and this action falls very short of accounting for other widespread safety problems, like a lack of legally mandated occupational safety training for workers, insufficient protective equipment, a number of mysterious deaths that have occurred in Apple plants, and general exhaustion from overwork.

Investigating Toy Factories—In November before the holiday season, CLW published a major report exposing labor abuse in Chinese toy factories. The report’s findings, together with CLW’s probes into other industries and past investigative work, suggests that labor conditions at toy plants may have actually deteriorated over the past few years relative to other industries. In December, CLW’s Executive Director Li Qiang was invited to deliver testimony at a Congressional hearing on the involvement of American toy companies in the rights violations alleged in CLW’s report. While Hasbro and Mattel were both requested to testify, it was regrettable that neither company agreed. Instead, a member of the board of a toy industry group testified and left the hearing early.

About two weeks later, Mattel’s Vice President for Environment, Health and Safety, Corporate Social

Sent a letter to CLW, much of it denying allegations in CLW’s investigative report. After the holiday break, CLW’s Executive Director Li Qiang publicly responded to Ms. Low.

Media Attention—CLW’s research have garnered attention around the world, and in 2014, CLW’s investigative findings have been reported on by The New York Times, The Wall Street Journal, BBC, and Der Spiegel. In China, CLW’s reports have been covered by major outlets including Sina News, Phoenix News, NetEase, and IT Times. CLW has
made appearances on CNBC, CNN, BBC World, and other broadcasters.

Public Talks—In February 2014, CLW’s Program Coordinator Kevin Slaten participated in a speaking tour organized by the NGO Eine-Welt-Landesnetzwerk (One World Country Network) across five venues in Germany to discuss labor rights in Chinese consumer electronics factories, including at a conference attended by public procurers in the city of Schwerin.

New Website—CLW worked together with a talented website developer in Europe to re-design the CLW website and database. The custom database allows users to search CLW reports by factory name, industry, year, and related brand company. The new website was launched in the autumn of 2014.
LABOR RIGHTS INVESTIGATIONS AND PUBLIC ADVOCACY

LABOR AND HUMAN RIGHTS VIOLATIONS IN CLW’S 2014 MAJOR INVESTIGATIVE REPORTS

Note: The lack of a checkmark means that the violation was unconfirmed.

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<th>Investigative report of Quanta Shanghai Manufacturing City</th>
<th>Another Samsung supplier factory exploiting child labor</th>
<th>Investigative Report on HEC Technology (Huizhou)</th>
<th>Two Years of Broken Promises</th>
<th>Exploitation</th>
<th>Who Else Continues to Exploit Toy Workers?</th>
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<td>Apple</td>
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<td>Prefuncio or lack of physical exam</td>
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<td>Wages paid at illegal rate</td>
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<td>Unpaid insurance benefits</td>
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<td>Locked or obstructed safety exits</td>
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<td>Abusive management practices</td>
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<tr>
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<td>✓</td>
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<tr>
<td>Lack of effective grievance channels</td>
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<td>Lack of effective labor union</td>
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In addition to its watchdog and public advocacy role, CLW continued to support a number of programs in China aimed at directly assisting workers and developing Chinese civil society. These programs primarily included a complaint hotline and training for workers and activists.

**Worker Hotline**

In 2014, the hotline received over 1,200 calls from Chinese workers, about two thirds of which included contact via the instant messaging platform QQ. This figure does not include frequent email contact.

Similar to years past, most of the hotline cases (84%) were inquiries (consultation) about relevant labor regulations. A tenth of cases were complaints related to a cooperating factory where hotline staff could directly contact management to clarify information or request a response to a worker’s complaint. The remaining 6% of cases were so-called confiding cases, in which workers hoped to discuss personal matters, get to know the hotline’s work, or simply thank hotline staff.

Hotline cases in 2014 were composed of a diverse set of content. The top categories included wages (16%), labor contracts (15%), and insurance (13%). The chart below displays each issue category as a proportion of 2014 cases.

When contrasted with 2013 figures, cases related to contracts, resignation, and compensation all increased in proportion. As the Chinese economy restructures in the face of the “new normal” of slower overall economic growth, more employers are relocating operations or even going
under. In either case, the employer will need to rescind or revise contracts with most of its employees. In such cases, Chinese regulations require monetary compensation to affected workers. But unable or unwilling to pay, many employers shortchange workers or simply disappear, leaving hundreds or even thousands of employees with mass wage arrears.

In addition to the broader economic environment, workers themselves have developed a stronger sense of rights awareness and willingness to demand their rights. More and more workers, especially those approaching retirement age, are demanding compensation for years of unpaid insurance benefits that employers are required to provide under law. The now famous manifestation of this trend is the Yue Yuen Shoe Factory strike in April 2014. Compensation-related hotline cases skyrocketed to nearly one-fifth of all cases in the second quarter of 2014 (compared to less than 1% in the first quarter), as first workers from Yue Yuen and then workers from other factories increasingly inquired or filed complaints about compensation for unpaid insurance.

Indeed, the hotline received complaints about insurance from Yue Yuen workers as early as July 2013 and subsequently received many more. In March, these complaints increased, and the hotline again communicated the issue to Yue Yuen management. A day before the strike, staff warned the factory that a strike was impending if workers’ demands were not met. But management did not take its workers’ demands seriously until after workers shut down production for two weeks and made international headlines.

In the months following the Yue Yuen strike, as the right to social insurance galvanized workers across southern China, CLW staff provided advice to workers who were on strike, struggling to obtain the unpaid benefits compensation.

The hotline received information from workers in September last year about the employment of many child workers (under 16) at their factory. CLW notified a buyer of the plant which ultimately pressured the factory to send the approximately 100 kids back to school.

In many other cases throughout 2014, the hotline assisted workers in communicating concerns to management, winning unpaid compensation, or even achieving knock-on policy change within the company. For instance, one factory agreed to institute heat subsidies during warm weather for all of its workers.
TRAINING

CLW supported the training of hundreds of workers and activists in 2014. In one project, workers learned how to better negotiate with management. In another project, women working in the public interest field were invited to attend an exchange event in China which revolved around issues like fundraising, developing a team, and gender-specific issues, like the particular struggles of women workers in China. Participants expressed strong satisfaction for these events and the opportunity to learn more from others working within China’s civil society. CLW will continue to support programs that empower Chinese civil society through direct training and exchange.

WOMAN READS A LEGAL MANUAL BEING DISTRIBUTED DURING A HOTLINE PROMOTIONAL EVENT.
ACKNOWLEDGEMENTS

Donations
The generous individual donations of 50 people in 2014 directly supported CLW mission to increase transparency of supply chains and factory labor conditions, advocate for workers’ rights, and support the Chinese labor movement.

Volunteers and Interns
Cyril Legret
Chen Mengyao
Birte Zimmer
Huang Xiaoxin
Liu Pei-Shuo
Allison McCarty
Patrick Griffin
Huang Qisi

Board of Directors
Dorothy J. Solinger
professor of political science at the University of California at Irvine

William J. Hurst
associate professor of Asian studies at the University of Texas at Austin

Li Qiang
CLW founder and executive director

New York Staff
Li Qiang - Founder and Executive Director
Kevin Slaten - Program Coordinator
Liu Chang - Program Assistant
Cai Wei - Program Assistant
The following CLW financial statement has been audited by a certified public accountant in the State of New York.

**Revenues:**
- Contributions and grants $237,988
- Interest income 15

**Total revenues** $238,003

**Expenses:**
- Program expenses - China 59,894
- Officer salary 72,000
- Office salary 51,266
- Payroll tax & benefits 10,590
- Travel & Entertainment 13,577
- Rent 25,185
- Telephone and internet 8,683
- Office supplies and expenses 4,860
- Professional fees 3,000
- Insurance 1,178
- Cooperative worker training project 7,564
- Bank service charge 372

**Total expenses** 258,169

**Change in net assets** (20,166)

**Net assets at the beginning of the year** 69,069

**Net assets at the end of the year** $48,903
HOW YOU CAN HELP

Follow CLW on Social Media

Receive regular updates on labor news and CLW’s most recent activities.

Subscribe to CLW’s Newsletter

Receive info directly at your inbox about CLW press releases, upcoming events, and other news. Directions to subscribe can be found here.

Join Urgent Appeal and Petition Campaigns

CLW will sometimes lead campaigns to pressure international brand companies to take responsibility for rights violations in their supply chains. Your support, as a consumer and citizen, to sign and share petitions is the foundation of the force behind our public campaigns.

Support Our Mission

Stand with CLW to increase transparency in global supply chains and strengthen workers’ rights. CLW is a 501(3)(c) nonprofit organization and your contribution is tax deductible. There are two ways to contribute:

(1) Secure donation via Paypal. Send contribution to clw@chinalaborwatch.org

(2) Make a check payable to “China Labor Watch” and send it to:

China Labor Watch
147 W. 35 St, Ste 406
New York, NY 10001

If you would like a detailed receipt, please fill out the form on the following page and send it to CLW with your contribution.

Your support means a great deal to CLW. Thank you for standing with us!
CONTRIBUTION FORM

China Labor Watch is a not-for-profit organization. Your contribution allows us to continue to focus our work on labor conditions in China. Your contribution is tax deductible under Section 501(c )(3). We will send a receipt of your contribution if you complete the following information.

Date __________________
This gift is from a:  __ Individual/family __ Business __ NGO/NPO

Donor Information (please print or type)

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Your Gift to China Labor Watch:

__ $10 __ $25 __ $50 __ $100 __ $250 __ $500
__ $1,000 __ $2,500 __ $5,000 __ Other $________

Gift will be matched by ________________________________
(Company/Family/Foundation). ____ form enclosed ____ form will be forwarded

_____ I (we) wish to have our gift remain anonymous.

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Date

Please make checks, corporate matches, or other gifts payable to:
China Labor Watch, 147 W. 35th St., STE 406, New York, NY 10001
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+1 212-244-4049
chinalaborwatch.org