

China Labor Watch

2015 Annual Report



中国劳工观察
CHINA LABOR WATCH

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2015 China Labor Watch Review

February

CLW published its first investigation report in 2015 based on pay stubs studies. This report revealed Apple suppliers-Foxconn and Pegatron's exploitation of workers through low wage and excessive overtime hours.

Furthermore, we organized a conference about women rights in China, which attracted more than 20 domestic NGOs to participate.

March

CLW made a statement on the unnatural death of iPhone 6 worker at Pegatron plant in Shanghai. CLW also contacted Apple, urging investigation into this issue and other cases of Pegatron worker deaths.

In addition, CLW launched an appeal to help a worker who contracted Chronic n-hexane poisoning while working with zero protection in a toxic environment, producing bags for brands like Dell, Hewlett-Packard, and Samsonite in a factory called Hangzhou Ligao Travel Products.

April

CLW Executive Director Li Qiang published an article on Southern China Morning Post, exposing the unnatural deaths of workers in Apple's suppliers, and urging Apple to take actual actions to improve labor conditions.

Later this month when Apple released its Apple Watch, we organized a protest in the New York City against Apple's continued failure to uphold its labor rights promises and demanded that Apple commit \$10 of each product to pay for higher wages for manufacturing workers.

May and June

We launched our field investigation projects and send undercover investigators to multiple toy factories that manufactured for big brands such as Hasbro, Mattel, Disneyland, and Marvel. We also had our investigators worked in a Samsung supplier, Huizhou HEG Technology, for two weeks before she was discovered, interrogated, threatened, and forced to leave.

July

On July 15, CLW Program Coordinator Kevin Slaten participated in a protest against Uniqlo and in support of Chinese workers' strike. Before that, we made a statement on this issue and contacted Uniqlo, demanding that Uniqlo respond to workers' requests.

On July 17, four days after the strike in Jingyu Toy Products, CLW carried out a follow-up investigation to understand more about the strike and Jingyu's labor conditions. Based on this investigation, we published a report and exposed details of the strike and Jingyu's labor violations.

August

This month, CLW sent investigators to two strikes in Shenzhen and Dongguan. Via on-site interviews, we brought to lights the truths of these strikes.

Also, we closely followed and reported the two unnatural deaths in Foxconn Zhengzhou in four days. Foxconn is Apple's largest supplier, and hires about 300 thousands workers in Zhengzhou. Since 2008, we have made substantial efforts pushing Foxconn and Apple to improve labor conditions.

September

Executive Director Li Qiang published an article "US must acknowledge worker abuse linked to its corporate giants like Apple" on *Southern China Morning Post*, drawing people's attention to multinational companies, the ever forgotten actor that should be responsible for the poor labor conditions in China.

October

CLW released a report on Apple's supplier-Pegatron Shanghai, and revealed its labor right violations in more than 20 categories. Compared with 2013, we barely see any improvement in labor conditions.

Furthermore, we co-conducted an investigation about forced student internships with Danwatch in Denmark, which resulted in a report that was also published in October.

November

Based on our in-depth investigation in five toy factories producing for international brands, we drafted a report of labor conditions in this industry. We listed in detail the five factories' labor right violations in 29 categories, and supplemented it with more rigorous original analysis.

December

CLW Program Coordinator Kevin Slaten accepted the interview of International Business Time, and commented on the international toy brands' labor right violations in China.

CLW drafted a response to ICTI CARE's statement that intended to disassociate these big toy brands with labor right violations in China.

We launched an online petition project, calling on toy companies such as Mattel, Hasbro, and Disney to end labor rights abuses, pay their workers full and fair compensation, and improve working conditions. In total, we collected about 50,000 signatures, and attracted 1 million viewers on Facebook.

Factory Investigations and Investigative Reports

For any companies, the pursuit of profits and capital accumulation is always the priority. Some companies may take corporate social responsibility seriously and spend significantly on labor conditions, but when they encounter loose supervision, the pursuit of profits will overwhelmingly remove the last sense of social responsibility. This is exactly what is happening in China. Because of the Chinese government's lax supervision and emphasis on economic development, the large multinational companies find they can maximize their interest by squeezing low-and middle-income workers without being punished. Through subcontracting manufacturing to suppliers in China, brands companies such as Apple and Samsung can on the one hand transfer the corporate social responsibility to the former, on the other hand enjoy huge profits without any critique on its ethnic standards.

For this reason, China Labor Watch has spent a lot of energy and made every effort to supervise these multinational companies and their suppliers in China, pressing them to be accountable for workers, and take the responsibility they should have taken since the moment they entered China. This year, CLW has conducted 4 factory investigations and entered 9 factories in toy and electronics industries. We sincerely hoped that we could witness improvement in labor conditions, but again we discovered violations in as many as 29 categories. As such, we argue the big companies including Apple, Samsung, Mattel, Hasbro, and Disney have failed to uphold their labor rights promises.

Apple-Pegatron and Foxconn

In February, CLW released a report on Pegatron and Foxconn, the two largest suppliers of Apple. This is a continuation of our previous investigations in Apple suppliers since our first report in 2008. Apple and its suppliers have made many promises of improving workers' treatment, but only partly fulfilled these promises when facing with pressures from media and public opinion. Thus, we think it is necessary to provide continuous supervision on the transnational companies that lacks self-discipline such as Apple.



CLW collected 96 pay stubs from Pegatron workers between January 6 and January 30 in 2015. The pay stubs included workers from 18 different departments and 25 different sections. Based on analysis of these pay stubs, we found that:

1. Apple consistently suppresses labor costs by shifting production to cheaper manufacturers
 - While Apple earns huge profits, labor costs are relatively low.
 - Apple shifted production orders from Foxconn to cheaper Pegatron in order to offset Foxconn's rising labor costs.

- In 2014, Pegatron Shanghai still possessed about an 8% cost advantage over Foxconn Longhua, translating into a \$61 million annual advantage at just one of many Pegatron factories that service Apple.
2. Apple is unable to effectively monitor its supply chain; Pegatron still has excessive working hours
 - Apple constantly claims that it is monitoring suppliers' compliance with Apple labor standards.
 - Research of Pegatron workers' pay stubs reveals average of 60+ working hours per week, 52% of workers completed more than 90 hours of overtime per month, even working as many as 132 hours of overtime.
 - Workers desire overtime because their base wages are too low; base wages cannot meet the local living standard.
 3. It is media attention that has improved labor conditions, not Apple's self-monitoring
 - Media reports in 2010 and 2012 influenced changes in Foxconn's labor conditions.
 - Apple responded to the reports by hiring a third-party organization to improve public relations, though important promises remain unfilled.
 - Receiving little attention previously, Pegatron's excessive working hours reduced quickly after a 2014 BBC report.



Thus, we argue that Apple must take more responsibility for improving labor conditions. Apple has sufficient profits to improve workers' treatment, and its executives make public commitments to workers, yet poor labor conditions remain unresolved. Earning three-fifths of the profit in the industry, and with \$178 b in cash reserves, if Apple doesn't reform labor conditions, who will?

Apple-Pegatron

This is our second report on Apple in 2015. Our main purpose is to compare Pegatron's labor conditions in 2015 with that in 2013. To conduct this investigation, we sent an undercover investigator to Pegatron and had him actually worked there as a production line worker. During the investigation, we also conducted a dozen of interviews and collected 127 pay stubs. After all these efforts, we revealed 23 categories of legal and ethical labor rights violations at Pegatron Shanghai.

CLW's investigation showed that in 2015, Pegatron workers still suffered from violations in some key categories of working conditions such as salary and work hours. Workers' median overtime per month was 80 hours (83 hours in the busy season). According to this number, we estimated that 50% of Pegatron workers' workweeks were above Apple's 60-hour maximum standard,

which was in stark contrast with Apple's Progress Report which claimed 97% of all workweeks were compliant with that standard. Laboring under this bust schedule, during the busy season Pegatron workers earn about 4,000 RMB (\$629) per month, of which approximately 1,750 RMB (\$275) is overtime pay. In addition to this low-wage exploitation, the workers are required to attend unpaid meetings, equating to 15 minutes of unpaid overtime each day (6.5 hours per month).

Compared with results of the 2013 investigation, we only found limited improvements in hiring discrimination, resignation, insurance, and work hours, while there were no changes in most of the categories, and some problems including housing, contracts, fines, and meal costs worsened after Apple and Pegatron's two-year long "efforts" on improving working conditions.

Our report also attracted considerable media attention. Media including International Business Times, CNET, and AFP directly reported our investigation, and numerous other media reprinted these reports.

Huizhou HEG Technology

CLW has investigated working conditions at Huizhou HEG Technology over the past few years. This current report marks the fourth year of monitoring. HEG is a state-controlled company supplying to mobile handset brand companies, including Samsung, OPPO, Huawei, and TCL.



For two weeks in June 2015, a local organization with which CLW collaborates dispatched an investigator to work undercover at HEG. During the course of the investigation, the investigator was suddenly approached on the production line by HR personnel. The investigator was taken to a small office in the factory where she was interrogated by company personnel. During this process, the company revealed that it had been watching her and knew she had been sent by China Labor Watch. The HEG personnel had knowledge of the investigators' past social insurance records. During the interrogation, they threatened several times to call the police. After deleting photos from her phone and detaining her for a few hours, the company let the investigator leave.

While the discovery of CLW's cooperating investigator by HEG management in June influenced the progress of the investigation, a number of findings were still gained.

Before overtime, workers only earn slightly above the minimum wage. This makes them reliant on long hours to make a living. Workers have to do excessive hours, usually two or three hours each day. During peak season, it could be as much as seven hours of overtime a day, working from six in the morning until midnight. What we need to know is that the Chinese labor law permitted overtime hours is 36 hours a month, about one hour and a half each day. That is to say, HEG workers' overtime hours excessively

exceeds the maximum set by Chinese law. In addition, we also found other violations such as gender-based hiring discrimination, underage workers, zero protection during work, and limited pre-work training.

Toy Industry

Toy manufacturing has been in China for more than 20 years. A 2015 report from HKTDC Research states that 75% of toys globally are produced in China. According to a report from the U.S. Department of Commerce, 85% of U.S. toy consumption, worth \$22.2 billion, came from Chinese imports in 2010. Yet CLW's most recent set of investigations have found that poor working conditions in Chinese toy factories continue. The toy companies implicated in the investigations include Hasbro, Mattel and Mattel-owned Fisher Price, McDonald's, Jakks Pacific, Disney, NSI Toys, Battat, and MGA Entertainment.



From May to July 2015, CLW conducted in-depth investigation into five major factories: Foshan Nanhai Mattel Diecast Company, Jetta (Guangzhou) Industries, Combine Will (Dongguan) Industrial Company, Winson (Taiqiang) Precision Manufacturing (Shenzhen) Company, and Dongguan Zhenyang Toy Company. Altogether, the factories employ over 20,000 workers. CLW's investigators were sent into each of the factories to carry out undercover research as frontline production workers.

The joyful fairy tales associated with many toys are belied by the tragic stories woven into toy production. In workshops that are hazardous to their health, millions of workers toil under cruel management, 11 hours a day, six days per week. Over the course of a year, a toy worker may only be able to see her parents and children one time. Making the minimum wage, workers must bear such conditions just to get by.

Many workers at one toy factory did four-hour shifts without taking a break for water or the restroom. When asked why, the workers explained that it wasn't possible to take water breaks with so much work to do. A worker named Ms. Li at another toy plant is only five years from retirement. She found out that management had a policy to push out workers close to retirement in order to avoid pension payments. For Ms. Li, this policy means that she may be left without the full amount of her earned retirement funds. She said knowing this keeps her awake at night.

The violations we discovered in these factories are not isolated incidents, but common procedures in toy industry. International toy companies inescapable responsibility to improve labor conditions in China.

Workers' Hotline and Dialogue

In 2015, CLW's workers' hotline was still an important channel for workers to resolve their grievances. Because of China's economic restructuring, there were growing cases where employers did not pay wages before bankruptcy. In 2015, we on average dealt with 15 cases each month, with the highest number-18- in July and August. 30% of the cases were about wages, and 15% were about labor contracts.

Due to the political environment in China, from July to December, we had to reduce community activities in Shenzhen, and move the worker dialogue and training to Tianjin and Shanghai. We organized 6 dialogues with workers and grassroots activists in Tianjin, Shanghai, and Foshan. And among the 6 dialogues, one was with women rights NGOs. Given the political pressure in China, it was not easy to organize these events. We successfully promoted the communication among women NGO employees, and strengthened cooperation between these NGOs, and rebuilt their NGOs' confidence. Also, we held a labor training program in Pegatron Shanghai. The most important part of these dialogues was discussions on potential labor rights violations, responsibilities of trade unions, and available channels for conflicts resolution.

China Labor Watch on Media

In 2015, China Labor Watch's reports were widely cited by international media including the Reuters, Bloomberg, and the Guardian. CLW director Li Qiang and program coordinator Kevin Slaten were interviewed or quoted by The Nation, International Business Times and Fortune.

Major media that has reported China Labor Watch:

International Business Time

[Apple Supplier Factory in Shanghai Rife With Labor Abuses: Report](#)

BBC

[Apple bans 'bonded servitude' for factory workers](#)

Fortune

[Hasbro, Mattel Toy Suppliers Slammed In Labor Report by Claire Groden](#)

Bloomberg

[Chinese Factory Gauge Shows Weakness That Spurred Rate Cut](#)

The Guardian

[China tackles pollution, but has long way to go on labor](#)

Business Insider

[Apple's inability to monitor standards lets Pegatron pay low wages, NGO says](#)

Independent

[International Workers' Day: Four countries that don't seem to understand its significance](#)

Reuters

[China sports shoe maker Yue Yuen hit by factory strikers](#)

The Nation

[2 Things You Won't Learn From the New Steve Jobs Film](#)

The Wall Street Journal

[Electronics Firms Vote to Ban Charging Workers Fees for Jobs](#)

Forbes

[America's Most Reputable Technology Companies](#)

Statement of Activities and Changes in Net Assets

	Unrestricted
REVENUES	
Contributions and Grants	\$399,441
Interest Income	<u>53</u>
TOTAL REVENUES	\$399,494
EXPENSES	
Program Expenses – China	83,939
Officer Salary	98,488
Office Salary	47,167
Payroll Tax and Benefits	11,608
Outside Services	2,400
Travel and Meals	12,209
Rent	26,317
Telephone and Internet	2,650
Office Supplies and Expenses	1,696
Professional Fees	3,000
Insurance	1,254
Humanitarian Assistance	16,695
NYS Charitable Organization Filing Fee	75
Bank Service Charges	<u>480</u>
TOTAL EXPENSES	\$307,978
CHANGE IN NET ASSETS	91,516
NET ASSETS – January 1, 2015	48,903
PRIOR PERIOD ADJUSTMENTS	<u>(3,710)</u>
NET ASSETS – December 31, 2015	<u>\$136,699</u>