



# **Mattel's Unceasing Abuse of Chinese Workers**

## **An investigation of six Mattel supplier factories**

**October 2013**



**中国劳工观察**  
**CHINA LABOR WATCH**

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# Executive Summary

In the span of one year, six Chinese factories making toys for Mattel steal between \$8 million and \$11 million from their workers. Mattel has approximately 100 suppliers in China, and these millions may only be the tip of the iceberg, because it is only through labor abuse that factories are able to accept such low prices from Mattel to produce its toys.

Mattel knows about such legal violations, but it does not take the steps necessary to prevent wage theft and other abuse. Instead, Mattel encourages abuse through its purchasing practices and inaction when labor violations are uncovered.

## **Mattel's complicity in labor violations**

In order to reduce investment risk and maximize profits, retailers like Mattel usually outsource production to factories in developing countries like China. In 1997, Mattel put in place a code of conduct which it purportedly demands factories in its supply chain to adhere to. This code includes basic fairness to factory workers and adherence to local laws. Since that time, despite continually promoting its code of conduct to customers and the public, Mattel has simultaneously demanded rock-bottom prices and short deadlines from factories producing Mattel toys.

Given the intense competition between manufacturers for orders, factories have little leverage at the bargaining table, and most accept the low prices and tight time schedules. But the costs of property and materials in China continue to rise at a rapid pace, and manufacturers are adamant about the quality of raw materials and the end products, so Mattel's factories achieve cost reductions through the degradation of labor conditions, in turn violating Mattel's code of conduct and local laws. Workers at the bottom of the system are forced to bear the brunt of this burden.

Furthermore, Mattel clearly understands the breadth and persistence of labor violations in its Chinese factories. As detailed in a [2012 report](#) published by China Labor Watch (CLW), for over a decade, audits commissioned by Mattel itself have uncovered labor violations in factories producing Mattel toys. But Mattel has taken little meaningful corrective action, and over time, Mattel's public reporting of these audits has become more and more limited.

CLW's 2012 investigative report (linked above) pulled back the curtain on labor violations in just four of Mattel's toy factories. But instead of responding with comprehensive action plans and increased transparency, Mattel denied most of CLW's findings, claiming in a letter to CLW that "[Mattel has] determined that with few exceptions the allegations are unfounded." On May 3, 2013, CLW and its partners sent a follow-up letter to Mattel demanding clarification, but as of October 14, 2013, the company has still not responded.

## **CLW's 2013 investigation: labor violations deepen**

Based on the findings in CLW's newest investigative report, little has improved since last year's investigations. From April to September 2013, CLW investigators entered six

factories in China producing toys for Mattel, acting as workers in the factories for a period of days or weeks, working and living as any other production worker in the factories. These six factories included the Baode Toy Factory, Dongyao Toy Company, Nanhai Sino-American Toy Factory, Guangda Plastics Company, Taiqiang Plastic Products Company, and Merton Plastics and Electronics Factory. The factories together employ more than 20,000 workers.

Through CLW investigators' personal experience and over 300 worker interviews, CLW uncovered a long list of ethical and legal violations in each factory.

One of the most alarming findings was the various methods—many illegal—that Mattel's factories use to reduce their workers' due wages and benefits. Through a combination of unpaid overtime hours, work hour trickery, and voluntary social insurance (social insurance is legally mandated in China), Mattel's supplier factories are stealing millions of dollars from workers. CLW's conservative estimates put the total annual amount at between \$8 million and \$11 million, and this is only the wage theft in six of Mattel's approximately 100 Chinese toy factories.

For example, at the Taiqiang factory, 6.65 hours of each worker's work on the weekend is paid at the normal rate instead of weekend overtime rates. These hours are ostensibly "shifted" from the work week to the weekend. With about 5,000 workers, Taiqiang can save 600,000 RMB (\$98,163) in labor costs each month with such wage trickery.

Despite Mattel knowing about severe, ongoing labor rights violations in these supplier factories, it continues to provide toy orders to these plants year after year.



Hundreds of workers at the Baode Toy Factory on strike

In August, a group of 322 workers at the Baode Toy Factory went on strike to demand compensation for unpaid social insurance. Mattel has carried out an investigation but has not yet publically responded. It must not choose to stop working with Baode as a solution, as this would effectively put its workers into unemployment. Letters, photos, and

other material from the request for collective negotiation and subsequent strike can be found beginning on page 24 of this report.

In total, CLW's undercover investigations revealed 18 sets of legal and ethical violations. These issues are summarized below, and a specific list of each factory's violations can be found in the beginning of each individual report section of this document.

**1. Hiring discrimination.** Some Mattel supplier factories refuse to hire people over a certain age, pregnant women, those with tattoos, or men with long hair, in conflict with China's Provisions on Employment Services and Employment Management.

**2. Detaining of workers IDs.** One factory detained workers IDs for 24 hours, in violation of Article 9 of China's Labor Contract Law.

**3. Labor contract violations.** Some Mattel supplier factories have workers sign incomplete labor contracts, while others do not sign contracts with workers at all or do not complete the signing before the workers go on the job. These actions are all in violation of Article 7 and Article 8 of China's Labor Contract Law.

**4. Ineffective and perfunctory pre-work training.** Mattel supplier factories fail to provide pre-job training to workers that meets the minimum standard of "24 class hours", as stipulated in China's Provisions on Safety Training of Production and Operation Entities. The longest training period among the factories investigated was only one and a half hours. The result of insufficient training is that many workers do not fully understand the risks of their work to their health or how take necessary steps to protect themselves.

**5. Excessive overtime hours.** Mattel's supplier factories have workers doing 84 to 110 hours of overtime per month, two to three times in excess of the statutory limit of 36 hours stipulated in Article 41 of China's Labor Law.

**6. Long standing shifts.** In Mattel factories, some workers stand for 10 to 13 hours of work per day, also violating Article 41 of China's Labor Law, which stipulates that employers should not have workers labor more than nine hours per day.

**7. Harsh night-shift schedules.** At one factory, the company makes workers switch between night and day shifts as often as once per week.

**8. Wage payment delays.** Some factories do not pay workers in a timely manner, sometimes compensating them almost a month after the pay period has ended.

**9. Wage theft.** As mentioned above, Mattel supplier factories use various methods to reduce payments to workers and workers' social insurance. CLW's conservative calculations put the total for unpaid overtime and shifted overtime hours at between \$2.1 million and \$5.3 million per year, while the total for unpaid social insurance is \$5.9 million. The factories often do not provide some types of social insurance, especially retirement insurance, to workers, instead making it

“voluntary”. But according to Chinese law, the purchasing of social insurance is mandatory. By not paying workers’ retirement insurance, factories save in costs equal to 13 percent of the base wage of each worker each month.

**10. Dorms are hot and crowded.** Factories manufacturing Mattel toys provide poor living conditions for their workers. Usually between 8 and 12 people live in a single room, sharing a handful of restrooms and showers with hundreds of other workers on their floor. Air temperature is not controlled well and many workers don’t have hot water for showering.

**11. Inconsiderate housing of workers.** Some factories do not take care to organize workers according to shifts, leading to day- and night-shift workers living in the same room, disturbing one another’s rest on a regular basis.

**12. Worker health concerns.** Workers making Mattel toys are not always given protective equipment or do not properly use it, despite coming into regular contact with harmful chemicals or dangerous work environments. This is in part a product of insufficient pre-job safety training (described above).

**13. Discrimination against pregnant women.** One factory will not allow a woman to take maternity leave unless she proves that she is abiding by China’s family planning policies. This may put a woman having a second child in a position in which she must choose between aborting her baby and losing her job.

**14. Worker fines.** One factory carries out indirect fining of workers. A worker who checks his cell phone will have that day’s working hours reset to zero, effectively not paying the worker for the actual work that he did.

**15. Fire hazards.** Some factories have fire safety concerns, such as blocked escape routes, locked emergency exits, or extinguishers and fire hydrants that have not been properly inspected.

**16. Lack of effective grievance channels.** Mattel supplier factories lack the mechanisms needed to give workers an effective means by which to voice grievances or concerns. For example, there is a union at Dongyao factory, but despite each worker being charged a 3 RMB (\$0.49) union fee every month, there was no sign of union activity, and workers do not even know what the union does.

**17. Lack of a living wage.** The workers making Mattel toys are not paid enough to make a living. The minimum wage that they are paid is not enough to save much or raise a family, so workers become dependent on tremendous amounts of overtime to make an income that still falls short of the local average wages.

**18. Environmental pollution.** One factory disposes of toxic waste and waste water improperly and uses prohibited caustic chemicals, the use of which it hides from official during inspections.



Based on CLW's investigations, it is clear that Mattel has once again failed to ensure that the factories making Mattel toys live up to the commitments in Mattel code of conduct. CLW hopes that instead of responding in denial, as it did in response to the 2012 report, Mattel will approach this matter positively, focused on taking action and preventing the occurrence of future violations. CLW raises the following actions points for Mattel:

- 1. Respond to this report.** Mattel should provide detailed information on follow-up audits to CLW's investigations as well as the immediate and long-term measures that Mattel will take to correct and prevent labor violations.
- 2. Do not abandon the workers at Baode.** Mattel should respond constructively to the worker protests (discussed above and detailed on page 24), and it must not choose to stop using the factory for production, all but guaranteeing that the workers lose their jobs. Mattel should take responsibility for the fact that violations at Baode are in part a product of Mattel's purchasing practices.
- 3. Transparent reporting.** Going forward, all complete audit reports and corresponding corrective action plans should be published in a timely manner on Mattel's website.
- 4. Reform buying and just-in-time practices.** Mattel pays supplier factories too little and demands that these factories deliver products in very short periods of time. The result is that the factories making Mattel toys often try to reduce costs through labor abuse, such as illegally long hours, unpaid wages and benefits, or poor living conditions. Mattel should reform these practices to contribute to reducing pressure on workers.
- 5. Production transparency.** Mattel should publish a list of all supplier factories as well as put the names of these factories on its products. This will increase the transparency in Mattel's supply chain.
- 6. Establish third-party hotlines.** Independent third party actors, such as an NGO, can provide workers with a direct channel by which they can express grievances and potential solutions with factory management. Mattel argues that the hotline run by ICTI (International Council of Toy Industries) serves this role. But the inability of this industry group to respond effectively to violations uncovered by the hotline is reflected in the lack of improvement in Mattel's supply chain.
- 7. Worker committees.** Each factory should have an independent worker committee whose leadership is selected directly by the workers they represent. The candidates for committee leadership should also be nominated solely by workers, not by factory management. This committee would represent workers in discussions with management about any aspect of working or living conditions that workers deem important.

## **The toy industry in China: 15 years of suppressing labor rights**

In 1998, only one year after Mattel established a code of conduct for its suppliers, CLW's founder Li Qiang began investigating the Merton Plastics and Electronics Factory as part of an [investigative report](#) that was published by CLW in 2000. The report revealed that Merton workers did 12.5 hours of work per day, received no days off except for national holidays, were given no retirement insurance by the company, had to pay for expenses in the factory's medical clinic, and did not know whether there was a union or what it did.

Ten years later, in 2009, CLW carried out a second investigation of the Merton factory. Among the violations listed above, only work hours showed improvement, albeit minor. Rather than 12.5 hours of work per day, workers did 11.5 hours, and were sometimes allowed Sundays off.

This year's investigations once again included Merton, 15 years after the initiation of CLW's first investigative report on Merton. And in these 15 years, not one of the major violations above was resolved. In fact, the working hours have even partially reverted back to the poorer state of hours in 1998. CLW's 2013 investigation shows that while workers are still doing 11.5 hours of work per day, they may not get a single day off of work, outside of national holidays.

Mattel has been using Merton as a supplier since CLW's first report in 2000. Despite a code of conduct that predates this publication by three years, Mattel has failed to make Merton adhere to its code of conduct for over 15 years.

Merton is a symbol for the state of the toy industry's labor conditions in China. Over the past decade, conditions in toy factories have either persisted without change or deteriorated. In the struggle for the realization of workers' legal and human rights, the toy industry, including both factories and brand companies, is a hindrance to progress.

Even in relation to other problem industries, the toy industry stands out as being particularly recalcitrant in improving labor conditions. Take, for example, the electronics industry. Foxconn is a major electronics manufacturing supplier, producing for companies like Apple, HP, and Dell. Notwithstanding its own violations, Foxconn's factory in Shenzhen will pay a worker who does 70 hours of overtime in a month about 3,700 RMB (\$604) for that month, also providing all types of social insurance as required by law.

Mattel's supplier the Taiqiang Plastic Products Company, investigated as part of CLW's newest report, is also located in Shenzhen. Taiqiang will pay a worker who does 130 hours of overtime in a month only about 3,200 RMB (\$522) for that month, and the worker will not receive retirement insurance. Said another way, a toy worker working almost twice as many overtime hours as an electronics worker will receive 15 percent lower wages.

Working hours, wages, and social insurance are just a few aspects of the extent to which labor violations persist in the toy industry. Toy workers also live in shoddier, more crowded dorm rooms, work in poorer working conditions, and are more often cheated out of overtime wages.

The sad state of labor conditions in the toy industry is a reflection of the failure of brand companies like Mattel and industry groups like ICTI to uphold their code of conducts. Unless a serious effort is made to stop the reoccurring abuse, 15 years may become just the beginning of a tragic legacy.

# Investigative report on Baode Toy Factory

## Primary ethical and legal violations:

- Hiring discrimination: factory will not hire anyone older than 42, that is pregnant, or that has tattoos.
- Pre-work training is perfunctory, failing to cover health and safety topics, and lasting only one and a half hours, short of the 24 hours required by law.
- When applying to work at Baode, applicants' personal IDs are detained by the factory for a day, which violates Chinese law.
- Workers are made to sign blank contracts.
- Workers' wages are regularly paid a month after due.
- Baode has workers doing up to 13 hours of work per day, accumulating up to 100 hours of overtime per month, far exceeding the 36-hour statutory limit.
- Workers are made to switch between night and day shifts as often as once per week.
- The factory does not pay workers for 30 minutes of work per day, stealing from its workers between 3.6 million RMB (\$588,000) and 18 million RMB (\$3 million).
- Baode does not provide social insurance for workers as is required by law.
- Dorms are crowded, with 10 people to a room.
- Temperatures in the dorms are not controlled and dorm management is very poor.
- Day- and night-shift workers are put in the same dorm rooms, adversely affecting their ability to get rest.
- Sanitation in the worker cafeteria and factory facilities is poor.
- Production facilities are not adequately cooled. Baode does not provide a heat subsidy for workers when temperatures reach above 33 degrees Celcius (91 degree Farenheit), as is required by law.
- Because workers are not properly trained on safety and because the facilities are too hot, many workers do not properly utilize protective equipment, such as workers responsible for spraying paint not wearing masks.
- Workers are given annual physical exams but are not given the results of these exams.
- Environmental pollution: toxic waste is discarded with normal trash, waste water is discharged into a nearby pond, and the use of prohibited caustic chemicals is hidden from official during inspections.
- Many potential fire hazards. Fire escape routes are blocked. Inspections of hydrants and extinguishers may be fraudulent.
- No effective grievance channels. Even workers in the union do not know what the union does.
- Baode may be outsourcing toy production to other factories.
- The factory lacks a living wage.

## Company profile

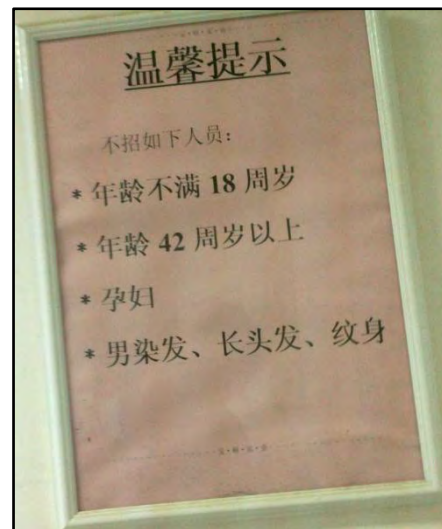
Guanlan Baode Toy Factory (hereafter referred to as “Baode”) was established in the Niuhu Community, Guanlan Street, Baoan District in Shenzhen in Guangdong Province. It is a joint investment between Honk Kong Baofa’de company and Shenzhen Baoyu Company. Baode primarily manufactures plastic toys, and its chief customers include Mattel and Disney. All products are sold in developed countries in Europe and the United States. Hong Kong Baofa’de company is a member of the Hong Kong toy association and has received ICTI certification.

During the period of this investigation, there were around 2,000 employees altogether in the factory, of which about 70 percent are male. At the peak of production, there are more than ten thousand workers. The primary production departments include the cutting, semi-finished products, painting, printing, molding, apparel, gluing, assembly, electroplating, quality inspection, and mixed materials departments.

## Recruitment and training

May is a peak season, and at this time of year, the factory directly hires large numbers of workers. The factory only hires workers whose ages are between 18 and 42, and it restricts the hiring of pregnant female workers and male workers with long hair and tattoos. Applicants can receive training once they’ve filled out an *application form* and pre-employment *training evaluation* and submitted their identification and three one-inch photos.

Pre-employment training is conducted in the factory’s training room. There are only a few wooden stools and no tables in the room. It was raining hard outside on training day, and trainees felt that it was unbearably hot in the room, despite four fans having been turned on. The whole training process took one and a half hours. The HR department spent half an hour introducing the company, wages and benefits, rules and punishments, workers’ rights and so forth. After training, workers were required to confirm and sign their names on the training sheet, which listed items that were purportedly introduced during training, including safety education, environment, and health and safety. But these topics were not actually covered in the training. Next, the occupational safety committee took ten minutes to show how to use a fire extinguisher. The speaker did not use a microphone, so workers sitting in the back could not hear him. After training, workers were told to finish Baode’s *safety education exam*. The scores were not released, and the exam was not really strict. Workers who could not complete the exam could ask somebody else to finish it for them.



This post explicitly states hiring restrictions on age, pregnant women, and more



Left: Workers signing labor contracts; Right: Workers waiting to begin hiring procedures

After training, workers were brought to the HR department. There they filled out labor contracts, employee profile forms, declaration of no criminal history, employee family and relatives form, employee handbook, and the fire prevention rules.

HR personnel did not guide workers on how to fill out the forms. A female HR staff member even yelled at a worker who filled out the form in the wrong way. The HR staff also refused to hire a female applicant from Hunan because she was larger and thought to be pregnant. This young woman was so mad that she threw down her labor contract, took back her ID and just left.

After filling out these forms, it was 5:00 pm, the end of normal working hours. HR personnel usually go to dinner at this time, so they asked the new workers to meet outside the entrance of the HR department at 6:00 pm where they could get their work IDs and be assigned to different departments. The new workers arrived at 6:00, but the personnel did not show up until 6:30. When given work IDs, workers had already been assigned to various departments. When asked how departments were chosen, HR personnel refused to answer, telling workers only that it was practically impossible for workers to switch departments.

After getting work IDs, new workers were scheduled to meet with management and supervisors in their respective production facilities. In addition, workers needed to leave their information, including name, address, and contact information. However, workers' personal IDs were still kept in the HR department.

There is no physical examination given to workers before they go on the job, and they don't receive uniforms. Personal IDs were only given back to workers on noon of the first day of work, and the factory did not explain to workers why their IDs were kept for a day.

## Labor contracts

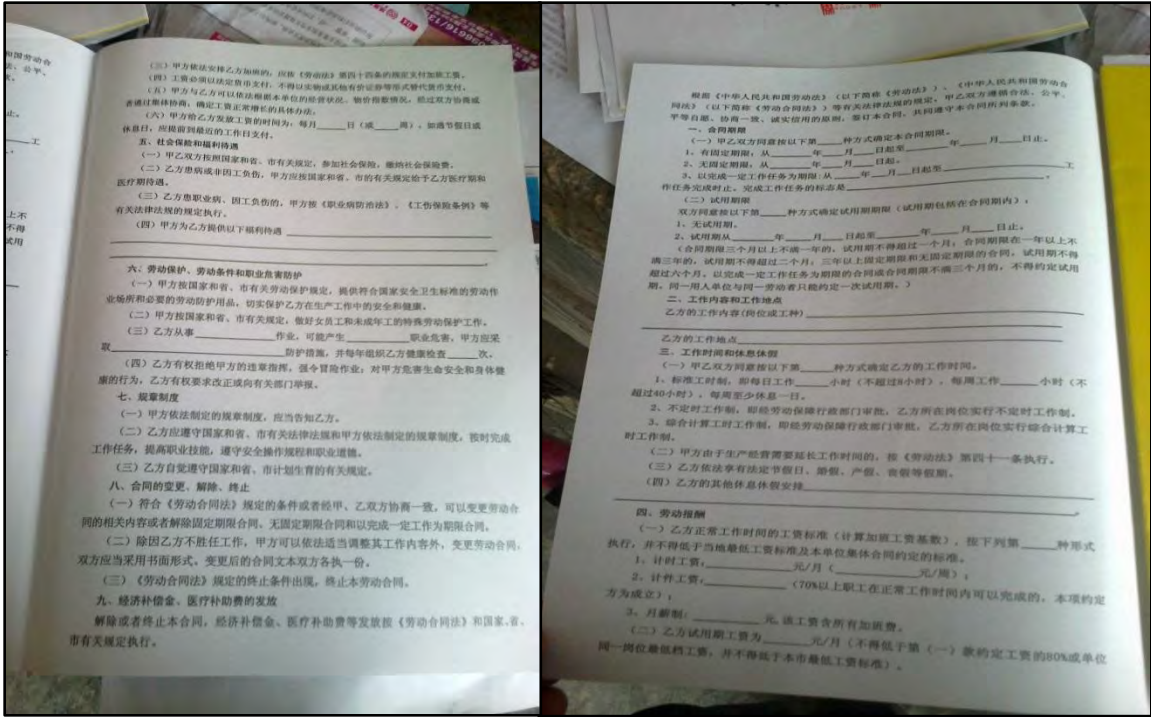
After pre-employment training, workers were required to sign labor contracts. There are two copies of labor contract. Workers only need to fill out the blanks for name, gender, personal ID number, address, and contact information on the employee side of the contract. Then they sign their names. But the contract itself is practically blank. It is a template containing many unfilled blank lines, such as the date of employment, job role, probation period, and more.

Workers receive a copy of the completed contract, but only one week later. This completed version covers the terms of the contract, including the period of probation, working hours, wages and benefits, social security, work conditions, occupational safety, rules and punishment, and so forth.

According to the contract, the probation period lasts six months, and the term of contract is three years. The contract takes effect on a worker's first day on the job, including the time spent on recruitment and training. Salary is supposed to be distributed on the 22th every month, but in most cases, the factory postpones the date. Workers in Baode received their April's wages on April 27, but cutting department workers didn't receive wages from April until May 31.

The labor contract requires both the employer and employee to purchase social insurance, as is required by national and provincial laws. However, Baode doesn't purchase social insurance for its workers.





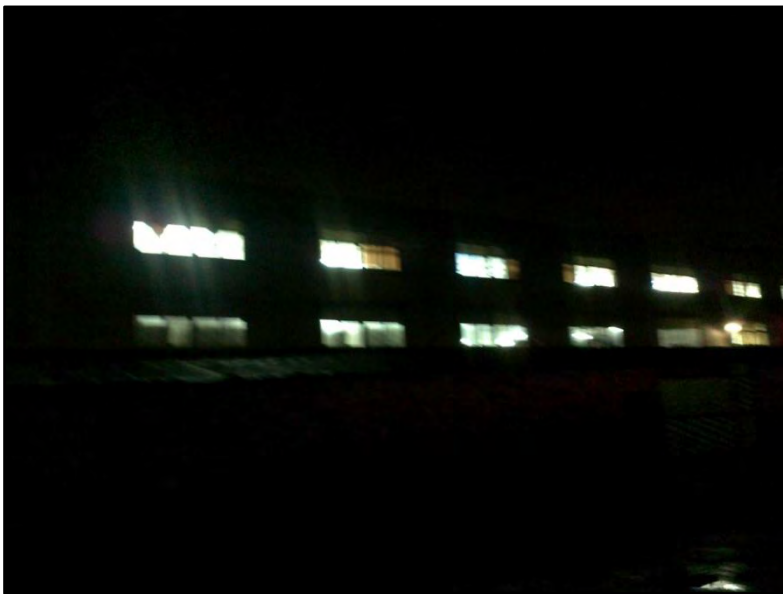
Blank labor contracts

### Working hours

Workers normal work hours are eight hours per day, five days per week. The shift begins at 8:00 am, stopping at 12:00 pm for lunch, and continuing from 1:00 pm to 5:00 pm in the afternoon. Overtime work starts from 6:00 pm, and the factory arranges overtime work schedule based on production needs. Workers in the apparel department may do as much as five hours of overtime per day during peak seasons, doing two hours of overtime every day during the low seasons. During the peak season, a worker will commonly do over 100 hours of overtime per month, which over is three time in excess of the statutory overtime limit of 36 hours. In the case that there is weekend overtime, the names of workers who need to work overtime will be listed on a board. If workers don't want to work overtime, they need to fill out an application form to get approval. There are two copies of the application form, one for the factory and one evidently for the worker. But in most cases, the factory does not give a copy to workers.

The electroplating and cutting departments adopt a two-shift system. The day shift runs from 8:00 am to 11:30 am in the morning and from 12:00 pm to 4:30 pm in the afternoon. Overtime work runs from 5:00 pm to 8:00 pm. Night shifts at 8:00 pm and ends at 8:00 am on the next day, with half-hour breaks at 11:30 pm and 4:30 am. The cutting department switches workers between day and night shifts once a week, and the electroplating department switches every two weeks.





Still working at 9 pm

Three times every day, day-shift workers have to clock in 10 minutes before work begins. These 30 minutes are not calculated into working hours.

The factory adopts a paper-based system to record attendance times. The time will be written in red if workers are late for work. Workers who are five minutes late are

refused entry into the factory by gate guards. This is regarded as absenteeism and results in wage deductions. Work without clocking-in is also regarded as an absence. Three absences lead to termination.

## **Wages and benefits**

### Wages

Wages are distributed each month in cash. During the low season, the total of worker's monthly wages is less than 2000 RMB (\$326). Workers obtain their wages from personnel in each production facility, and they will receive pay stubs that display a breakdown of the wages. Pay stubs include the worker's name, work ID number, days of work, normal working hours, weekday overtime hours, weekend overtime hours, holiday overtime hours, position subsidy, and so forth.

Electroplating and cutting department workers receive a night shift subsidy when they have done night-shift work, which is 3 RMB (\$0.49) per day.

Workers in the departments of apparel, assembly, painting, and shipping are paid on a piece-rate basis if they do not meet production quotas. But that quota is decided by their supervisors without prior notice given to them, so workers do not usually know the quotas.

### Benefits

When introducing work conditions, HR personnel told applicants that the factory would provide social insurances and workers can ask for sick leave. But the factory does not purchase retirement or maternity insurance for workers. Health insurance costs 4 RMB (\$0.65) per month, and unemployment insurance costs 16 RMB (\$2.62) per month. On the leave application form, there is no choice for sick leave. Workers must use personal leave as sick leave, but workers are not paid for personal leave.

Veteran workers said that the factory will purchase retirement insurance for female workers whose age is 45 or above and male workers whose age is 55 or above. 128 RMB (\$21) is automatically deducted from their wages for this.

Workers are paid for leave on legal holidays, and they can take a five-day paid annual leave when they have completed a year of work. The factory requires these five days to be taken during the Spring Festival holiday. During this time, the annual leave is combined with the three holiday days for Spring Festival, together equaling eight days of paid leave.

There is a library and basketball courts in the factory complex. The library is almost always closed and lists no operating hours, so the workers don't use it. There are only four rusty backboards on the basketball courts, and the surface of the court is unfinished and rough. Workers have never used it.

## Living conditions

The factory does not provide free meals or accommodations to workers. Worker can live in the dorm provided by Baoyu company (Baode and Baoyu are different since they have two different legal representatives; Baoyu is similar to a property company). These dorm rooms accommodate 10 people each and each worker needs to pay 30 RMB (\$4.90) for the room and 30 RMB (\$4.90) for utilities every month. There is neither hot water nor fans in the dorms. The roof of the dorm is covered by an iron sheet, and it becomes very hot inside during the summer. The dorm rooms for male workers are on the opposite side of the ones for female workers. There are administrators in the dorms, but they don't actually manage anything. For example, they refuse to fix locks if locks don't work. And people who are not working in Baode toy factory can enter the dorm due to the lack of oversight. Additionally, day- and night-shift workers are arranged to live in the same rooms, disturbing one another's sleep.

There are dorm rooms for married couples in Baoyu company. It is a single dorm room, which costs 180-200 RMB (\$29 to \$33) each month, not including utilities.

Electricity is priced at 1 RMB (\$0.16) per kwh and water at 2.5RMB (\$0.41) per metric ton (one metric ton equals 2,200 pounds).



Shared kitchen in the dormitory



Upper-left photo displays exterior of Baode dormitory. The remaining three photos are various angles of the interior of dorm rooms.

There is a cafeteria provided by Baoyu company. It provides a typical 5 RMB (\$0.82) meal that includes one vegetable dish and one meat dish. Workers say that they really cannot get full off of such little food. To get more food, they must pay 10 RMB (\$1.63). There is a sanitation issue with the cafeteria. Cafeteria staff don't wear mouth covers or gloves when they serve food, and trays and chopsticks are not disinfected after use.

There are many small restaurants outside the factory. The environment in and around these restaurants is not very sanitary, but a meal with two meat dishes and two vegetable dishes is only around 6 RMB (\$0.98). These meals come in disposable lunch boxes, and the rice is not fully cooked. Some workers have diarrhea after eating in these restaurants and don't



want to eat there anymore. Many workers end up bringing their meals with them or cooking after their shifts. They sometimes just eat instant noodles.

In the cutting department, workers only get half an hour to eat, so in order to save time, most workers bring food to work.

The cafeterias of the workers and management are separated, and meals 110 RMB (\$18) per month for management. Such meals contain a meat dish and a soup, and dishes vary from day to day. Workers are yelled at and asked to leave if they are found eating in these cafeterias.

On the first day CLW's investigator worked, the supervisor told him to have meals with other workers. The investigator ended up



having meals in the cafeteria where management have meals. After eating a few bites, the investigator was caught by a department secretary who proceeded to call the team leader and ask the investigator to leave right away. Every day for the next few days, the investigator was told not to eat in that cafeteria again.

Top: cafeteria food. Bottom: cafeteria serving people do not wear masks or gloves when serving.

## **Occupational safety, protective equipment, environmental protection, and fire prevention**

### Occupational safety

There is an occupational safety committee and an occupational safety office at Baode. Workers receive a short training (mentioned above) about how to use a fire extinguisher and no other training is provided after that.

There are electronic fans in production facilities. But the roof of the facilities are made of iron, trapping in the heat and making it very muggy during the summer. The situation is even worse in cutting, semi-finished product, and gluing departments. When weather reports put the temperature outside at 28 degree Celsius (82 F), the thermometer inside the facility indicated a temperature of 35 C (95 F). Workers in these facilities say that the temperature inside is too high, and after just a short period of work they are drenched in sweat. When it's hot, male workers in semi-finished product department will work shirtless and in flip-flops.

### Protective equipment

In the assembly department, workers are given hats before work. In the mixed material department, workers are given masks, earplugs, and gloves. Workers in the painting department are given activated oral masks. The labor contracts clearly indicate that work in the painting department involves safety concerns from chemicals like benzene. The activated carbon masks that are distributed are very thin, and there is a black carbon layer inside. Workers don't wear the masks because they think the masks do not work, and wearing them makes workers even hotter. If workers do not ask their supervisors for a mask, the supervisor will not give them one

Workers in the printing, electroplating, and semi-finished products departments are given gloves. Only when these are worn out will workers receive new ones. When workers resign, they must return the items or else wages will be deducted.

Workers in the printing and painting departments are exposed to thinners and ethanol. These chemicals are not well sealed after use, and the odor produced by these chemicals is really unpleasant. A lot of new workers cannot bear the odor when they start work in these two departments. The odor is so irritating that it will make many workers nauseous.

The factory arranges a physical examination once a year for all workers, and the examination is conducted inside the factory. The cost of the physical exam is paid by the factory, but workers are never told or given the results of their physical exams.

Workers in the semi-finished product department told CLW that they witnessed a veteran worker being told that he might have a lung problem based on his physical exam. It may have had something to do with his job in the painting department, and the factory switched him to the semi-finished products department.



Inside the production facilities at Baode

Machines in the factory are not checked routinely, and CLW did not find any records of inspections.

CLW also learned of other instances of safety incidents. A worker in the in the cutting department had his hand pressed in a molding machine, and a molding department worker was once knocked over by a piece of metal.

There are first-aid kits located in production facilities, each containing swabs, cleaning solution, anti-inflammatory, and a hemostatic. The kits are unlocked. The dorms have neither first-aid knits nor clinics.

### Environmental pollution

Production garbage and toxic waste are dumped directly into garbage cans without proper separation. This trash is then piled up outside the factory, polluting the ground, attracting many mosquitos, and creating a rank odor.



Environmental pollution created by Baode factory

Wastewater is also directly discharged into a small pond outside the factory. Because the factory is low-lying, water will run into the factory on rainy days. Boards and sand bags have been placed to try to prevent this. In addition, rain will leak in through the roof of the production facilities. When rain is heavy, water will accumulate in front of the factory, and sewage will overflow and mix with this water, producing a pungent smell. When this happens, workers much take off their shoes and walk through the water, the sewage system broke which makes the irritating odor widespread. Workers have to take off their shoes and walk through the puddle, which causes rashes and itching on their legs.

Baode factory also has a room in which it cleans electroplating materials with a prohibited caustic liquid chemical. When the officials inspect the factory, this room is locked and

factory personnel tell the officials that the room is unused despite the fact that it is using this prohibited chemical inside the room.

Nobody is in charge of cleaning bathrooms. Cigarette butts and toilet paper are all over the bathrooms, and the floor tends to be black. There are only two or three toilets in the men's and women's bathrooms in the assembly, apparel, and semi-finished products departments, but there are around three hundred workers in each department. The bathrooms lack signs indicating whether it is designated for men or women, and the door to the women's bathroom is broken. When the toilet is clogged, no one comes to unclog it.



Workers walking through flooded, polluted water

### Fire prevention

Team leaders in the production facility have no awareness of fire prevention. They do not know, for example, that things should not be piled up in fire escape routes. Emergency exits are kept locked. There was a fire drill held by the factory in April. The alarm sounded, and the workers ran from production facilities to the basketball court, standing in line. When workers arrived, management showed them how to use a fire extinguisher and then took pictures of the drill, and then workers went back to work. The whole drill lasted about half an hour.

Hydrants and fire extinguishers are purportedly inspected on a routine basis, and there is a record for the inspections. But CLW once saw a



Emergency exit kept locked



supervisor in the semi-finished product department filling out the inspection form on the hydrants and extinguishers without actually inspecting them. This same supervisor was responsible for the emergency exits, which he kept locked.

Fire extinguishers in the dorms are quite old, and no one ever inspects them. What is worse, there is no fire hydrant in or around the dorms. Despite this, workers are free to use chargers and electronic appliances in the dorms, pressure cookers and induction cookers.

## Rewards and punishments

If a worker has not shown up for work five minutes after the designated clock-in time, it is recorded as an absence and the worker is not allowed to enter the factory. Three consecutive absences is regarded as self-resignation, for which a worker does not receive due wages.

There are seven categories for rules that regulate worker behavior at Baode. These include clocking in, clocking out, asking for a leave, resignation, others.

According to the handbook, workers receive a “normal warning” for not wearing work IDs during work, clocking in late, clocking out early, a half-day absence, failing to wear proper protective equipment, failure to attend training, wearing flip-flops during work, and throwing garbage away in the wrong place.

A worker will receive a “serious warning” for clocking in for others, tampering with work IDs, clocking in at a department other than her own, clocking in late or clocking out early



Inside the production facility

nine times, two days of consecutive absenteeism, violating standard operating procedures at work, reading or falling asleep during work, working in the wrong position, not obeying management, and carrying things into work that have nothing

to do with work.

There are six additional rules that can lead to the termination of a worker.

Several veteran workers expressed to CLW that low-level supervisors at Baode are abusive. For example, one supervisor in the semi-finished products department will yell at workers, directing at them phrases like “shoot you”, “destroy you”, and “kill you”.

Workers say that there is no award system adopted by Baode.

## **Resignation**

Workers can apply for resignation after working in the factory for three days. Workers can leave at will when they work less than three days, but they will not receive due wages.

During the probation period, workers need to fill out a resignation form and inform the department head three days before resigning. There are three copies of the resignation form, one of which the worker will receive. After resignation, workers will receive a resignation receipt. They will receive due wages at 4:00 pm after checking out of the dorm.

After the probation period, workers need to apply for resignation a month in advance.

## **Grievance channels**

There is a labor union and care center at Baode, but there is no worker hotline. Workers have no idea whether or not there are worker representatives at the factory. Even workers who work in the labor union have no clue what the union does. The union and care center are mentioned during pre-work training.

Workers can talk to department heads and office personnel when they have any problems. Workers told CLW that they have complained about quite a number of problems—including questions about resignation and taking leave—but their supervisors and office staff do not know the answer. When complaining to the care center, the staff there is rude, not allowing workers to enter the center for consultation.

In May 2011, workers in the cutting department undertook a two-day strike, demanding a high-temperature subsidy. Factory management and the local labor department both got involved. Management at the time told workers that they would be given such a subsidy, but it was never paid to workers.

## **Student workers and underage workers**

According to Baode workers, the factory hires thousands of student workers and underage workers from technical secondary schools in China’s inner provinces, such as Hubei, Hunan, Sichuan, Shanxi, Yunnan, Guizhou, and Guangxi. They are arranged to have an internship in the factory which lasts three to four months. Student workers need to sign labor contracts, working the same jobs and overtime hours as any other workers. But these students are not

paid overtime wages, workers tell CLW. Teachers at these schools try to prevent student workers from learning of it, so they tell normal workers not to tell students about overtime wages. Every overtime hour a student worker completes, the teacher who is in charge of intern can earn 4 RMB (\$0.65). A worker told the investigator that during the peak production season (June and July) in 2011, the factory hired around ten thousand student workers. At that time, the factory did not screen the applicants at all, and anyone who has an ID card could work in the factory. The factory would not even check the ID cards for accurate information.

## **Outsourcing production and client inspections**

### Outsourcing production for processing and assembly

Workers told CLW investigator that when labor is in short supply, production is outsourced to other factories. These companies include Dongguan Tongxing Plastics Company, Dongguan Gaoda Electronics Company, and Dongguan Tangxia Hongsheng Plastics and Metals Company. An employee of Gaoda that came to Baode to get materials told CLW that Gaoda's factory only has 100 people, all of which are tasked with making parts and assembling products for Baode, after which they bring the products back to Baode.

### Client inspections

Workers told CLW that a couple of years ago, a client wanted to inspect the conditions of the factory. Before the client arrived, the factory informed workers and told them to prepare. The production facilities were cleaned, and attendance records were filled out properly. Workers were told to wear all protective equipment properly and to have their ID cards with them. According to workers, clients have not inspected much since then.

CLW's investigator once asked workers if they knew what the ICTI plaque hanging in the factory meant. They said they didn't know. One worker took a closer look, reading "International Council of Toy Industries". The investigator asked if the workers knew what this group did, or if they had ever called ICTI's hotline. The workers said that they didn't know anything about ICTI.

## **Lack of a living wage**

Workers at Baode only earn a base wage of 1,600 RMB (\$261), the local minimum wage in Dongguan. Even living in the cramped quarters of the dorms, which is one way workers try to make ends meet, a worker will have almost no savings left at the end of the month after accounting for wage deductions, food, and other costs. Only when a worker works 11 hours per day can he manage to save somewhere around 1,000 RMB (\$163) per month. But these wages and this work schedule are unsustainable with a family.

## Worker action at the Baode Toy Factory

In August 2013, hundreds of workers at Baode went on strike for unpaid social insurance payment. Below are translations of letters sent by the workers to the factory and local union as well as images from the ensuing strike. All original photos and materials were provided to CLW by the workers involved in the action. Ultimately, workers only received compensation for unpaid high-temperature subsidies.

**集体协商谈判要约书**

宝安区观澜宝德玩具厂：  
深圳市总工会：

我们是332名宝安区观澜宝德玩具厂的员工，其中有85人工厂从来没有给买过社保，其余247人是从2008年才陆续购买的社保。我们很多工人从1989年宝德玩具厂成立之初就进厂工作，为宝德厂的发展和深圳市的繁荣都做出过贡献。因工厂方面未能依照《深圳经济特区企业员工社会养老保险条例》等有关规定给我们购买养老保险，导致我们按照目前社保缴纳情况，大多数人将面临到了退休年龄无法领取养老金或者养老金大幅缩水的状况。


此前我们曾多次找过厂方相关负责人，但没有得到正面积极的回应。最近很多员工对厂方的种种恶劣做法意见很大，甚至有罢工、拉横幅上街示威的打算。我们工人们联名选出的员工代表也在积极的做工人们的说服工作，希望双方通过理性对话的方式解决此项争议，以避免不必要的冲突。此事明显属厂方违法造成，我们也不希望因为此事给工厂和社会造成不良影响，所以，我们在此向厂方发出正式协商谈判要约，要求厂方尽快派员与我们工人代表就社保欠缴的补缴和补偿事宜进行协商谈判。

谈判内容：欠缴社保的补缴和补偿。  
要求厂方：7月31日前作出回应。

我们希望厂方积极回应我们员工的要约，不要在社保问题上一错再错，给社会造成更大的负面影响。我们恳请深圳市总工会能支持我们工人，派员指导、监督此次协商谈判的开展。

宝安区观澜宝德玩具厂工人  
2013年7月19日

员工方联系人：  
联系电话

 @不能再忍耐  
weibo.com/caowo189

### **Request for Collective Negotiation**

Guanlan Baode toy factory (Shenzhen):  
Labor Union of Shenzhen:

We are 322 workers from Guanlan Baode Toy Factory. The factory did not buy any social insurance for 85 of us, while the insurance of the rest of us was not purchased until 2008. Many of us have been working for Baode since 1989, when the factory was built, making contributions not only to the factory but also to the city. As the factory has not purchased social insurance for us, as stipulated by *Policy on Employees' Social Insurance in the Shenzhen Special Economic Zone*, most of us will either be unable to receive pensions or receive a lesser amount of our earned pension at retirement age.

We communicated with the relevant personnel in the factory several times, but so far we have not received any positive feedback. Recently, many workers have been extremely unsatisfied with the factory's behaviors and even plan to go on a strike or carry out a demonstration. The representatives that we elected have taken great effort to persuade the factory, hoping both workers and the factory can resolve the dispute through rational dialogue, avoiding unnecessary conflicts.

This incident is consequence a product of the factory's illegal conduct. We do not wish this incident will negatively influence the factory or society. Therefore, we formally demand the factory to negotiate with us. We request the factory to send representatives as soon as possible to carry out discussions with our workers representatives with regard to the issue of paying workers our owed social insurance and compensation.

Negotiation content: repayment of and compensation for owed social insurance.

Request to the factory: respond by July 31.

We hope the factory will respond to our request positively. If mistakes continue being made on this social insurance issue, it may lead to negative impact on society. We implore the Labor Union of Shenzhen to support us and dispatch personnel to instruct us and monitor this negotiation.

Workers of Guanlan Baode Toy Factory

2013/07/19

## 关于集体谈判要约的最后通知

宝安区观澜宝德玩具厂：

我们332名宝安区观澜宝德玩具厂的员工，因公司方面社保长期欠缴一项，已于7月24日向厂方送达了《集体协商谈判要约书》，要求厂方尽快派员与我们工人代表就“社保欠缴的补缴和补偿”事宜进行协商谈判。我们要求厂方于7月31日前作出积极回应。我们工人一直以来保持最大的克制，希望通过合理有序的双方谈判对话方式解决此项争议。但厂方仍然找各种借口和理由，拒绝与工人方面诚意谈判。

我们一致决定，向厂方发出最后通知，要求厂方积极回应员工方谈判要约，派出有充分授权的厂方代表，安排时间和地点与员工方诚意谈判。希望厂方在8月2日（周五）14：00前，作出书面回复，须有法人代表签字并加盖公章。

如果公司方仍然置工人集体诉求于不顾，恣意破坏工厂的和谐局面，我们员工方将采取必要的行动以维护我们的权益、表明我们的态度。

同时也请深圳市政府、深圳市总工会派员对员工方的要约和行动进行协助和指导。此最后通知同时呈送深圳市政府、深圳市总工会。

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宝安区观澜宝德玩具厂员工

2013年8月1日

 @不能再忍耐  
weibo.com/caowo139

**Last notification for Request for Collective Negotiation**

Guanlan Baode Toy Factory (Shenzhen):

We, 322 workers from Guanlan Baode toy factory, had sent the *Request for Collective Negotiation* on July 24, demanding the factory to negotiate as soon as possible with our representatives about owed social insurance and compensation as soon as possible. We asked for a positive response before July 31. We workers have been maintaining maximum restraint, hoping to solve the conflict through reasonable and effective negotiations. However, the factory has used all types of excuses to refuse honest negotiation with workers.

We have agreed to send the last notification, asking the factory to positively respond our negotiation request. Specifically, the factory should dispatch representatives with sufficient authority to arrange a proper time and location to sincerely negotiate with our workers.

If the company still ignores our request, deliberately ruining the harmonious atmosphere at the factory, we will take necessary actions to protect our rights and express our attitudes.

Meanwhile, we ask for staff from Government of Shenzhen and the Labor Union to assist and guide our activities. This last notification will also be sent to the Government of Shenzhen and the Labor Union.

Workers of Guanlan Baode Toy  
Factory

2013/08/01

Below are photos taken by workers from strike on August 8, 2013. Some workers congregated outside in protest, while others sat at their work stations but refused to work.







## 诉求

一、要求工厂自1999年起补缴社会保险，国家法律规定自1999年起工厂应为员工缴纳社会保险，我们自1999年补缴的时限符合国家法律的规定。

二、我们愿意与工厂一起向社保部门提出补缴申请。目前工厂正在收集员工的入职年限与补缴年限的数据，请厂方及时整理数据。

三、有补缴的滞纳金，我们同意按照国家法律规定处理。

四、要求厂方对2007年<sup>前</sup>断绝员工的工龄，应当发放补贴。

观兰宝德院员工

2013年9月18日

### **Demands**

1. We demand the factory to provide back pay of retirement insurance beginning from 1999. National law requires that the factory should provide retirement insurance payments for workers beginning from 1999. The 1999 time scope for back payment that we are providing abides by national law.
2. We are willing, together with the factory, to apply for a back pay application from the Social Insurance Department.
3. In regards to the penalty for delayed payment of social insurance, we agree to abide by regulations set out by national law.
4. We demand the factory to provide subsidies related to the interruption of workers' seniority in 2007.

Employees of Guanlan Baode Toy Factory

September 18, 2013

# Investigative Report on Dongguan Dongyao Toy Co., Ltd

## Primary ethical and legal violations:

- Hiring discrimination: factory will not hire people with tattoos.
- Pre-work training is only 30 minutes, falling woefully short of the 24 hours of training required by law to ensure the health and safety of production workers. The training does not take measures to ensure that workers sufficiently understand safety knowledge.
- The factory does not purchase all types of social insurance for all workers, as is mandated by law.
- Factory commits wage theft by shifting some working hours onto weekends, thereby avoiding the need to pay some weekend overtime and paying workers 1.8 million RMB (nearly \$300,000) less per year.
- Workers toil for 11 hours of work per day, accumulating 100 hours of overtime per month, almost three times the statutory limit of 36 hours.
- Dorm rooms are crowded, housing up to 12 workers.
- There is no hot water in the dorm showers.
- Fire extinguishers in production facilities are excessively pressurized, making explosion more likely.
- Due to a lack of effective safety training, workers do not understand the harm that their work may pose to their health, leading to many workers not wearing safety equipment or not following standard operating procedures.
- The factory does not proactively provide safety equipment to workers; workers must ask for it first.
- Workers must pay a 3 RMB (\$0.49) union fee every month, but there is no sign of any union activity. Workers don't even know what the union does.
- Lack of effective grievance channels.
- Lack of a living wage.

## Company profile

Dongguan Dongyao Toy Co., Ltd is a Hong Kong-owned company. It mainly produces plastic and stuffed and electronic toys for European and American markets. Dongyao's parent company was established in March 2006 in Hong Kong, with Dongyao itself registered in Dongguan as Dongguan Dongyao Toy Co. in September of the same year. Company address: Xin'an Street, Ludong District, Humen, Dongguan, Guangdong; Tel: 0769-81619866; Major customer: Mattel.

东莞东耀玩具有限公司			
地 址:	东莞市虎门镇路东新安大道		
注 册 号:	441900400076186	登记机关:	东莞市工商行政管理局虎门分局
企业类型:	有限责任公司(台、港、澳资)	法定代表人:	杨启明
注册资本:	850.0000万港币	经营期限:	2018-09-25
企业状态:	登记成立	成立日期:	2006-09-25
经营范围:	生产和销售各类玩具、电子零件、电子产品(收音机、CD机)、婴儿用品(婴儿座椅、婴儿车、婴儿秋千)、日用品(太阳档、围裙、餐巾、眼罩、坐垫、挂饰)、电子产品(摄像眼镜)。		
最后年检年度:	2012		

## Company registration information

The company has three factory buildings, namely the main factory, building A, and building B. Each building has four floors. There are also two dormitory buildings. Dongyao's production departments includes the machine sewing department, cutting department, hand sewing department, silk screening department, molding department, painting department, electronics department, embroidery department, packaging department, and warehouse for finished products. There are currently around 1,500 employees in Dongyao, among whom two thirds are male and one third are female. CLW's investigation did not find the company recruiting student workers or dispatch workers. In the molding department, the average employee age is between 27 and 28.



Packaging of Dongyao products. As is highlighted, the company produces for Mattel's Fisher-Price toys.

## Recruitment and Training

### Recruitment

The recruitment procedure is relatively simple. There is a recruitment office next to the factory gate in which basic information on the factory and its departments are provided. Job applicants can pick a department and ask the recruitment personnel about vacancies. If a department in which applicants are interested in is no longer recruiting, the recruitment personnel will let them know. Otherwise the recruitment personnel will start checking IDs, including whether or not the photo matches the person. An applicant is required to present his ID, submit two one-inch photos, one copy of his ID, and fill out a recruitment questionnaire and job application form. Having done all of that, applicants will be informed to register at 8 a.m. on the next day outside the factory gate.

During the registration, a man around 30 years old was denied application for a job because of a tattoo on his arm. The recruitment personnel said that the tattoo was too large and that it would draw criticism from the manager who inspects workshops frequently. However, during the investigation inside the factory, CLW found that there were many employees with arm tattoos working at Dongyao.

## New employee training

New employee training takes approximately 30 minutes. After the recruitment personnel reconfirmed new employees' personal information and handed out worker manuals and company time schedules, new employees are brought into a small room of around 10 square meters to receive their training, which mainly introduces company regulations, regular working hours, benefits (including marriage leave, maternity leave, and sick leave), occupational safety (by watching two short videos on how to use labor protection equipment), dining, accommodations, and social insurance.

Application for new employees

After the training, employees sign labor contracts, fill out employment surveys, and new employee application forms. Unlike the job application form, which requires applicants to fill in basic personal information, the new employee application form asks questions about employees' willingness to voluntarily participate in certain activities. They also have to sign-in for training attendance. Employees fill out all the forms following the instructions of the trainer with the exception of labor contracts. A workers can indicate whether he wants to purchase social insurance by checking "purchase" if he is willing to purchase it or "unwilling to purchase" if not. For details, see the new employee application form.

## Other issues

According to the worker manual, employees pay the following price for lost or damaged items. Company ID: 1.1 RMB (\$0.18); work ID: 0.5 RMB (\$0.08) (0.25 RMB or \$0.04 for the cover and 0.25 RMB for the buckle); winter uniform: 19.5 RMB (\$3.17); summer uniform: 14.5 RMB (\$2.36); work hat: 4.5 RMB (\$0.73). These items are purportedly first given to workers at no cost to them.

But during interviews, some employees said that the costs for these items were deducted from wages. Others said that employees working for less than a year did not have to pay for these items. Based these interviews, it is most likely that employees who work in the firm for less than a year need to pay for their uniforms when they resign.

## Labor Contracts

The process of signing the contract is relatively simple. A worker only needs to write down his name, address, ID number, and phone number in a box on the contract designed for the employee's information. Then the worker signs his name and leaves his fingerprints on the last page of the employee section of the contract. Employees will receive a copy of their contracts.

The term of contract is three years without a probationary period. When the contract is being signed, trainers make it clear that there is no probationary period and that the contract includes a three-year term.

Regarding the content of the contract, CLW interviewed a dozen workers who dismissed the matter lightly. They replied that the contents were all the same and that there was really nothing to look at. However, when asked about the details of the content, these workers were unable to answer.

## **Working hours**

According to new employee training and the worker manual, employees work 6.67 hours a day, 6 days a week, 26 days a month.

<b>Department</b>	<b>Morning working hours</b>	<b>Afternoon working hours</b>	<b>Overtime hours</b>
Electronics department	07:45—11:45	13:15— 17:15	18:15— 21:15
Machine sewing department	07:45—11:45	13:15— 17:45	18:45— 21:45
Molding department, day shift	07:45—19:45 (half an hour for lunch and half an hour for dinner)		
Molding department, night shift	19:45—07:45 (half an hour for a meal and half an hour break after midnight)		

In the molding department, regular working hours are from 07:45 a.m. to 11:30 a.m. or 12:00p.m. and 12:30 p.m. to 15:15 p.m. Employees take turns having a half hour lunch break. That is, one worker takes a break while the other takes responsibility for two workers' workload. If workers decide not to do overtime, they can get off work at 15:15. Apart from



the 30-minute meal break, employees do seven hours of regular work each day, including overtime of 0.33 hours.

Employees who do not want to work overtime only need to verbally inform their direct supervisor. If he chooses to do overtime, a worker's shift will end at 21:45, equaling total overtime of 4.33 hours for the day. Apart from March and April this year, during which there was almost no overtime, employees do around 100 hours of overtime per month.



Various photos of workers in and around the Dongyao factory.

Based on the above work schedule, there is 0.33 hours (around 20 minutes) of mandatory overtime each day.

In the molding department, there is no production quota, though the number of products a worker finishes each day is recorded by designated personnel. There are also no restrictions imposed on going to the restroom or drinking water. Workers in the same position as CLW's investigator usually produced 500 units per day. Each worker operates one machine, and they can adjust the speed of machines themselves.

## Wages and benefits

### Wages

According to new employee's training, a month's wage is distributed during the 25th to the 30th day of the next month. The contract specifies that the wage is distributed on the 30th. Usually the wage is paid before the 30th day in cash form or via bank transfer.

Workers in the molding department work overtime every day, for a total of 11 hours per day of work. With the addition of overtime wages and a high-temperature subsidy from June to October, a worker has a monthly wage of around 2,800 RMB (\$455.28), earning about 2,500 RMB (\$406.5) after deductions.

A molding department worker's wage is calculated in the following way: actual wage is equal to the sum of the base wage, night shift subsidy (dining subsidy), overtime wages, and temperature subsidy minus deductions, including a union fee, social insurance fees, accommodation fee, and meal fees. Before May 1, 2013, the base wage was 1,218 RMB (\$198). After May 1, the base wage rose to 1,310 RMB (\$213).

In the molding department, there is a 5 RMB (\$0.81) subsidy for night shift workers. From June to October, there is also a 150 RMB (\$24.39) high temperature subsidy. Overtime hour wages are paid at 1.5 times the regular wage on workdays and two times the regular wage during weekends. Employees do not usually work on legal holidays, but if they do, their overtime pay on those days is three times the regular wage. All employees must pay a union fee. According to the social insurance policy introduced during new employee training, the company pays for retirement insurance, unemployment insurance, medical insurance, work-related injury insurance, and maternity insurance. After training, recruitment personnel will once again introduce the policies of purchasing social insurance when employees are filling out new employee application forms. If employees choose not to purchase social insurance, the factory will still purchase medical insurance and work-related injury insurance for them and deduct 9.06 RMB (\$1.47) from their monthly wages.

### Benefits

There is a basketball court, e-reading room, and two pool tables inside the factory. But on the basketball court located near Building A, the backboard faces the wall and it is impossible to use it. The e-reading room and two pool tables are located near the staff cafeteria. The 10 square-meter e-reading



Backboard faces the wall

room can only accommodate 10 people. Employees who are not on shift use the pool tables every day for entertainment.

## Leave policies

According to information explained during new employee training, employees enjoy paid vacation, including the 11 legal holiday days, maternity leave, sick leave with medical certificate, marriage leave, and funeral leave. These paid vacations are mandated by law. However, during the investigation, CLW did not meet anybody who had actually enjoyed these vacation days.

At Dongyao, if an employee asks for personal leave or is absent from work, he loses the day's wage.

## Living conditions

### Meals

The staff cafeteria at Dongyao can accommodate about 200 people. It costs about 7 RMB (\$1.17) per day to eat three meals in the cafeteria. Meals can be paid in cash via meal tickets. New employees can get meal tickets in advance by filling out a form with administrative personnel. Meal tickets are purchased on a weekly basis.

Breakfast includes porridge and pickled vegetables. For lunch and dinner, there are two meat dishes and one vegetable dish. A meat dish typically contains only two to three chunks of meat, the rest all being vegetables. CLW found that those who dine at the staff cafeteria tend to be older in age than those who choose to eat outside. One employee told CLW that eating outside is costly, at about 10 to 12 RMB (\$1.63 to \$1.96) per meal, and would claim a

large proportion of his income at his current wage level. Employees who just began working at Dongyao also tend to eat inside the factory cafeteria.



During the period of investigation, CLW also discovered several instances of foreign matter (such as plastic cord) or unclean, rotten vegetables in the food.

### Accommodations

There are two dorm buildings in the factory complex, one behind the main factory building and the other next to factory building A. Inside the dormitory behind the main factory building, the staff cafeteria occupies the ground floor. Employees live on the floors above this. A room has six bunk beds and can accommodate 12 people. But there are usually six to eight people in each dorm room. There are independent restrooms and shower rooms inside each room. Since hot water is not provided in the shower room, employees need to fetch hot water from a water heater located on each floor. There are two ceiling fans in each room, but they are not sufficient to keep the room cool, leading some workers to sleep on the floor because their beds are too warm to be comfortable.

The corridor in the middle of the dorm building divides female and male workers' living quarters. On each floor there are eight female dorm rooms and eight male rooms. Between these areas, there is no divide and people can enter other's rooms as they wish.



Left: female workers' dorms; right: male workers' dorms



## Occupational safety and fire safety

### Fire prevention

There seem to be sufficient escape routes in the factory, and the company examines the condition of its fire extinguishers once a month. CLW's investigator observed an abnormality on the pressure gauge on some of the fire extinguishers. Fire extinguishers whose indicator is located in the yellow area function are overly pressurized and are more likely to explode. The picture below shows one such fire extinguisher



Over-pressurized fire extinguisher

located in the dorm area.

### Occupational safety

During new employee training, trainees learn about occupational safety by watching a video that is less than 3 minutes long. A worker in the molding department said that new workers would be asked to answer certain questions on an employment questionnaire, handed out by department administrative personnel. The questions are mostly about machine operation. All new employees have to do is to copy the answers given on a sample questionnaire. Other than that, there is no occupational safety training.

During CLW's investigation inside the production facility of the molding department, the room was noisy, full of the irritating scent of plastic, and hot, with the average temperature above 30 degrees (based on thermometer readings and daily temperature records). No one wore safety equipment, such as ear plugs or masks.

Some workers wore gloves on one hand to prevent the hand from being burnt by freshly completed products, which were still hot from the hot pressing process inside the molding machine.

When workers loaded material into the machine, they would often use non-standard operating procedures, making them more likely to suffer from injury.



Employees at work

CLW asked the workers whether there was protective equipment. Workers said that there is, but workers have to get it themselves from the administrative office. The factory thus does not take the initiative to provide protective equipment to its workers.

The use of protective equipment is slightly different in the cutting department, where a minority of workers will wear masks.

## **Rewards and punishment**

The 11th chapter in the worker's manual introduces regulations on rewards and punishment. According to the manual, the bonus a worker receives is related to certain points he gets. The workers CLW interviewed said that their bonus is not affected as long as they are not caught. CLW also did not meet any worker whose points had been deducted.

## **Resignation**

Based on CLW's interviews, workers' resignation requests are almost always approved. Since there is no probationary period in the contract, workers who want to resign have to work another month before they can actually leave the factory, no matter how long they have worked for the firm. CLW came upon three employees who had already handed in their resignations. Two of them resigned after working at Dongyao for only about ten days. A resigning employee can get her remaining wages paid cash the day after resignation.

## **Other issues**

### Union

Regarding the monthly 3 RMB (\$0.49) union fee workers must pay, it is emphasized during the new employee training that all employees at Dongyao, regardless of their position, must pay this union fee.

However, CLW did not observe any sign of union activity in the living area or productions areas of Dongyao. There is a union representative list posted in the dorm, but it is not clear as to how these representatives were chosen. On the bulletin board in the dorm area, there is a union personnel list, on which six names are listed, including the names of the union president, committee members, and an accountant. The list has the stamp of Humen Federation of Trade Unions on it.

CLW spoke to a dozen workers about the union and union representatives. Workers expressed that they either did not know or wasn't clear on these issues.

### Grievance channels

The only grievance channel for workers at Dongyao is the suggestion box into which employees can submit written suggestions. The box is located on the ground floor of dorm buildings. Also, workers can go directly to human resources regarding any problems they

may have or anything they want to know about. With its lock covered in rust, the suggestion box seems long abandoned.

### The voice of workers

During CLW's interviews, workers who had resigned said that they did so because wages were barely enough to cover their living expenses. Since March this year, monthly earnings for a worker have been about 2,000 RMB (\$325.2) or lower. After deducting for accommodation fees, utilities, and other expenses, there is only 1,000 RMB (\$162.6) or so left.



# Foshan City Nanhai Sino-American Toy Factory

## Primary ethical and legal violations:

- Training is only one hour long, far short of the 24-hour legal mandate.
- No mechanisms put in place after training to ensure that workers understand the information, especially safety information.
- Workers are not told that this factory's working environment may pose risks to their health.
- Despite safety risks, factory does not ensure the health of workers by carrying out regular physical exams.
- Workers do 84 hours of overtime per month, over twice the Chinese statutory limit of 36 hours.
- Many workers stand for 10 hours of work per day.
- Overtime is often mandatory.
- Workers are not paid for some overtime work; for example, if they do 29 minutes of overtime, they are only paid for 15 minutes of that time. This overtime hour trickery leads to wage theft of between 374,000 RMB (\$61,100) and 5.2 million RMB (\$850,000) per year.
- Very crowded dorms with 12-people per room.
- One dorm room has workers from both day and night shifts, so sleeping workers are disturbed by those that are working opposite shifts.
- Showers do not have hot water.
- There are no electric outlets in dorm rooms, so workers have to regularly pay a store to have their phones charged.
- Safety equipment is not worn properly or not worn at all, either because workers don't have it or do not understand the risks posed to their health. For example, some workers who spray paint all day long do not wear masks because they do not understand harmful effects of these chemicals.
- Fire safety is lacking.
- Low-level management is verbally abusive to workers.
- Lack of effective grievance channels. Most workers don't even know that there is a part-time union staff member.

## Company profile

Established in October, 1984, Foshan City Nanhai Sino-American Toys Factory (hereafter “SATF”) is a joint venture between the town government of Shishan and Mattel, America’s largest toy company. SATF specializes in the production of plastic toys, which are exported to Europe and the United States. With more than 6,000 employees, the company is one of the largest toy producers in Guangdong Province, both in company size and in the number of employees. SATF’s products include Barbie and Disney.

Mattel has a strong presence in SATF, with its red, round-shaped “Mattel” logo printed on both the factory wall and bulletin boards in the employee living area. The Mattel logo is also seen on employee uniforms, staff card, and employee handbooks, which are given to each employee when she enters the company.



Company sign: Foshan City Nanhai Sino-American Toys Factory

Suppliers to SATF include Qilide, Haodajing Precision Toys, Dongguan Keda, Qiwei Plastics, Shunjing, and Foshan Rongling Plastics.

Non-contract workers: SATF hires dispatch workers from Yujun Moving Company to do some heavy lifting work. The lifting is tiring and the hours are long. Two workers interviewed said that they worked 12 hours a day but received a monthly wage similar to those of contracted workers at SATF, 2600 RMB (\$430). A typical dispatch worker is around 40 years old, as the job is unattractive to younger people.

## **Recruitment and Resignation**

### Channels for hiring new employees

The company hires workers mainly through 1) recruiting outside the company gate, 2) internal recommendations 3) the internet

### Underage employees

There are underage workers in the factory. Workers under the age of 18 do the same amount of work as adult workers and receive no special protection.

### Physical Examination

In May 2013, workers did not receive pre-employment physical exams. According to human resources, the company will arrange free physical exams for workers who stay in the firm for a certain period of time. But they did not specify how long that period is.

### Recruitment procedure

8:00—9:00 Filling out forms with personal information in the hiring room

9:00—10:00 New employee's training

10:00—11:00 Signing labor contract, filling in the training form, having photos taken for worker ID.

### Training

The entire training process is completed in an hour. Most of the training consists of newly hires watching a video made by the factory that includes information about the company, firing and hiring, wages, fire control, labor protection, how to deal with chemicals, and anti-terrorist measures.

Following the video, there is a 10-minute quiz section in which employees are asked questions relevant to the video content. Those who answer correctly get a free mug.

Employees are not paid for the training. The paid work starts the next day, on which employees start working formally in the factory. Workers are required by the HR department to change the starting date on the labor contract to the day after the training.

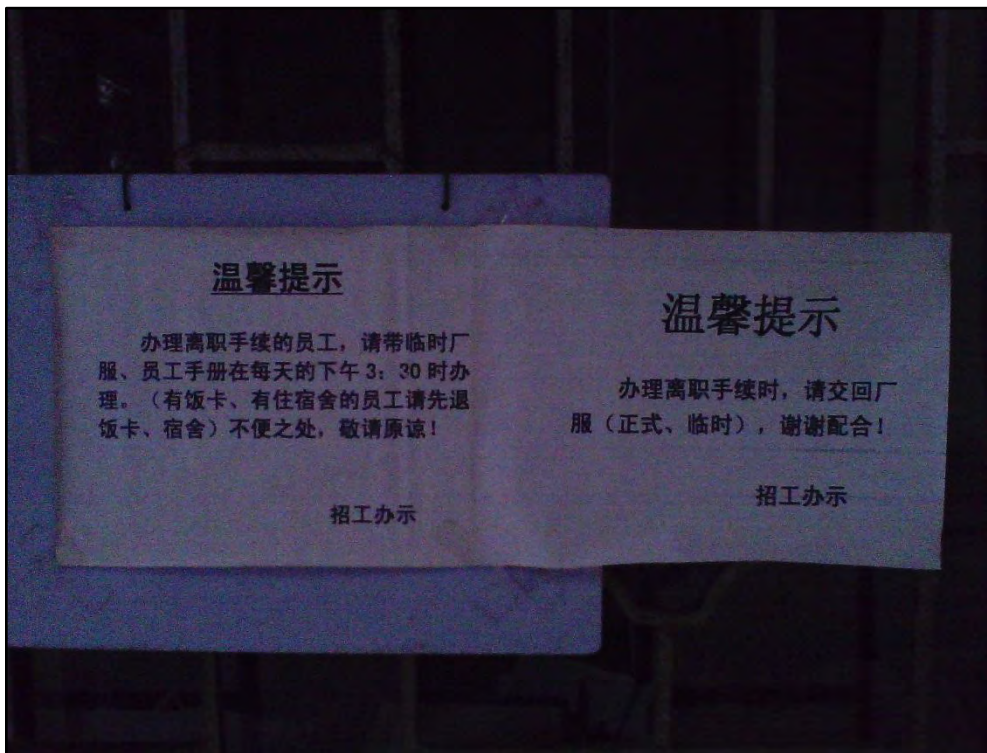
### Resignation

There are two types of resignation: formal and informal. Through formal resignation, workers hand in a resignation form to the team leader. After getting approval, they have to work for another month before receiving their wages. Through informal resignation, workers inform the team leader and simply do not show up for work the next day. On the factory record, these workers are recorded as absent. After three-days of absenteeism,

workers can get their wages. There are no fines imposed on employees for the three days of absenteeism. The vast majority of workers resign in this informal way.

### Resignation procedures

The recruitment office is in charge of check-out procedures. Workers who want to resign give back their uniform and employee handbook to the office. They also need to give back dining cards or dorm keys if they have them. Employees pay for lost uniforms –10 RMB (\$1.6). After these procedures, the office issues a certificate with which employees can receive their wages from the wage office. Around 50 workers leave the company each day. Resignation produces usually takes 1 to 2 hours.



Resignation procedure notices



Workers lined up to receive wages

## **Labor Contracts**

Employees get one of the two copies of the labor contract, which are signed the day they join the firm, after the training. The starting date on the contract is the next day after joining the firm. The term of the contract ends on the last day of 2014. There is a one-month probationary period.

Listed in the contract are terms, work content, locations, working hours, vacation, wages and compensation, social insurance, worker's benefits, labor protection, prevention of occupational disease, changes and termination of the contract, and limitations on seeking other employment. Different from what is described in the labor contract, worker's overtime hours far exceed 36 hours per month. The factory also fails to inform workers on potential dangers of occupational injuries during the production process.

## **Working hours**

The company has adopted a system of five eight-hour working days per week, but workers are usually on duty 10 hours per day for 6 days per week. Some workers perform their work standing, some sitting.

### Working Schedule

Shift	Working hours	Note
Day	7:30—18:30	One hour for lunch from 11:30 to 12:30
Night	19:30—6:30 (the next day)	One hour for night time meal from 23:30 to 00:30

### Overtime hours

Workers can inform the management orally that they don't want to work extra hours, but they still need to get management's approval, which is not always granted.

### Attendance

Attendance is recorded by a slide card check-in mechanism. Production line team leaders will receive the attendance record the next day and will also record the attendance of their team members by hand. If workers forget to clock-in, they can ask their team leader to record their attendance.

Clock-in time is within 14 minutes of the time when work begins. Workers cannot slide their cards more than 15 minutes before work starts. Clock-out time is less than 14 minutes after work ends. After 15 minutes, they cannot slide their cards to clock-out.

Any slide card machine in the factory can be used by any employee at SATF. Employees can use machines outside of their own departments.

According to factory regulations, if a worker is found clocking-in for others or asking others to clock-in for him, employees are immediately fired and will not receive any compensation.

When working overtime, time worked is measured in 15-minute units. If employees do more than 15 but less than 30 minutes of overtime, it is recorded as 15 minutes; if they do more than 30 but less than 45 minutes of overtime, it is recorded as 30 minutes.

If employees take a whole day off, there is no need to clock-in; if they take less than a day off, they should clock-in and clock-out.

If they are late for work or if they leave early two times, workers receive an oral warning. The third time, they lose their full attendance bonus, which is 50 RMB (\$8). The fifth time, they receive a written warning.

If employees ask for leave but do not get approval, or if they do not return to work after their leave is over, it is recorded as absenteeism. Employees do not get paid for days of absenteeism, and they also lose their attendance bonus.

After two days of absenteeism in one month, or three days of absenteeism per year, workers are immediately dismissed without compensation.

Regulations on leave:

Work tenure	Legal holidays
Between 1-9 years	5 days or 40 hours
10-19 years	10 days or 80 hours
20 years or more	15 days or 120 hours

Others Issues

Each assembly line has an assigned production quota. For example, in the vinyl department, in which liquid plastic is turned into semi-finished toys, three workers (two operators and one trimmer) work around one machine to finish their quota, which is 6,000 products per day. Part of the 6000-unit production quota is completed by machines, while the rest are made by hands. The manual process involves using clamps and rubbing rough product surfaces with a small blade. Working like this for a day will cause pain and even blisters due to holding the hand clamps.



Inside the production facility at SATF

## Wages and benefits

### Wages

The previous month's wages are distributed to employees from the 18th to 28th of each month. If the pay day happens to be on a holiday or weekend, wages are paid on the nearest working day. Before May 2013, the hourly wage was 6.61 RMB (\$1.05); from May 2014, wage was paid by the new standard, 7.82 RMB (\$1.24) per hour. Workers receive a monthly wage of around 2500 RMB (\$369.8). For wage details, see the chart below.

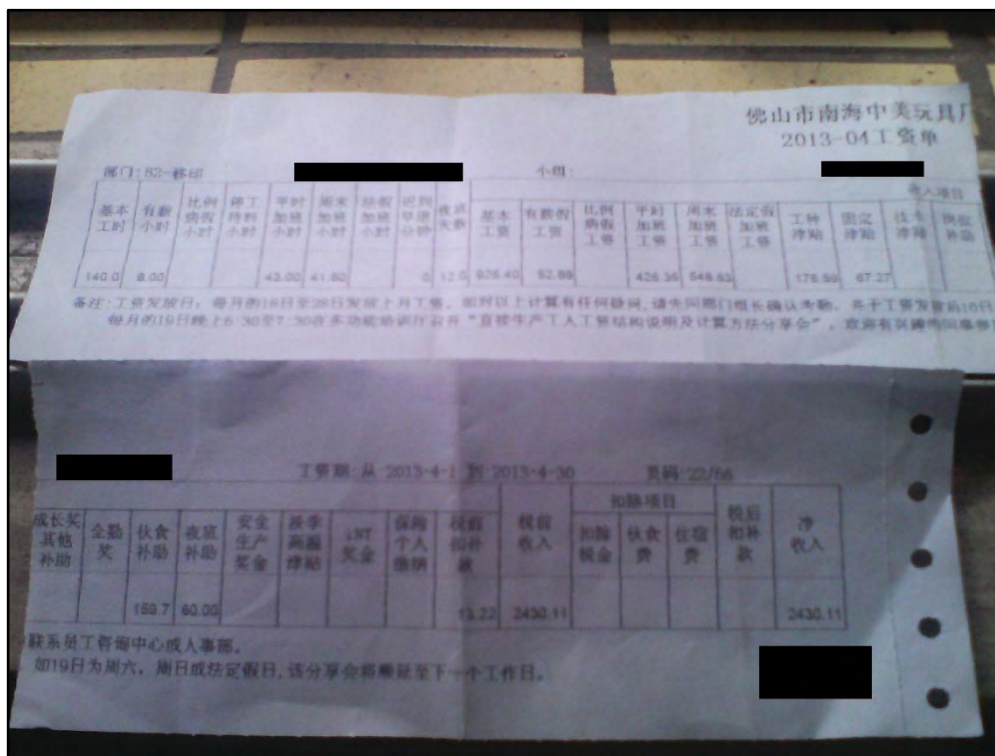


Wage breakdown (monthly, unless otherwise noted)

Item	Amount or others	Notes	
Base wage	1100 RMB (\$174.6), 1360 RMB (\$215.9)	1360 RMB (\$215.9) after May 2013; 1100 RMB (\$174.6) before that.	
Overtime pay	Around 1,000 RMB (\$158.7)		
Night shift subsidy	5 RMB (\$0.8)/day	Based on actual working days.	
Full attendance bonus	40 RMB (\$6.3), 50 RMB (\$7.9), or 60 RMB (\$9.5)	40 RMB (\$6.3) for the first full attendance month, 50 RMB (\$7.9) for the second, and 60RMB (\$9.5) for the third. No full attendance bonus during maternity leave, sick leave, or birth control leave.	
Special position subsidy	200 RMB (\$31.7)	For certain types of production workers	
Meal subsidy	190 RMB (\$30.2)	For all workers	
High-temperature subsidy	150 RMB (\$23.8)	Distributed from June to October, for workers who spend at least 20% of the work days in temperature higher than 32 degree centigrade	
Permanent bonus	80 RMB (\$12.7)	For all production workers	

Deduction breakdown (monthly)

Item	Amount	Notes
Accommodation fee and utility expense	50 RMB (\$7.9)	Shared equally among each resident of a dorm room, based on the actual utility expense.
Tax	Tens of RMB	Deducted directly out of wages, but workers have no idea how the deducted number is calculated.



An employee's pay stub for April. The items read as followed, from left to right, top row first. (All currency in RMB.) Base wage hours: 140; other paid hours: 8; weekday overtime hours: 43; weekend overtime hours: 41.50; night shift days: 12; base wage: 925.40; paid leave wages: 52.90; weekend overtime wages: 426.35; weekend overtime wages: 548.63; position subsidy: 176.50; set subsidy: 67.27; meal subsidy: 159.7; night-shift subsidy; pre-tax deductions: 13.22; pre-tax wages: 2,430.11; due wages: 2,430.11.

### Difficulty in resignation

If employees want to take less than one day off, they hand in a written request for leave to the team leader, who then needs to approve the request. If the request is for more than 1 day but less than 7 days, a worker needs to hand in a written request for leave one day ahead of time to the assistant director of their department, and only with his or her approval can a worker take the leave. For leave of more than 15 days, the signature of both the department director and the manager is required.

For sick leave, employees need to get a medical certificate from a town-level or higher level hospital. It is more difficult to ask for personal leave than sick leave. For example, a worker at SATF caught a cold and wanted to take sick leave during working hours. He was refused by the director, who told him, “No, because you’ve worked here for less than a week.”

### Other benefits

There is a TV room and basketball court. However, although there is gym and computer room, they usually remain closed. The library is open, but the books within are out of date and low quality. They are not the type of books that young people like to read.

## **Living conditions**

### Meals

There is a staff cafeteria. Employees pay for the meals but receive a meal subsidy of 190 RMB (\$30.2) per month from the company. A standard lunch or dinner, which includes a vegetable dish and a meat dish, costs 3.5 RMB (\$0.56). Employees pay an extra 1 RMB (\$0.16) or 1.5 RMB (\$0.24) if they want one more dish. It usually costs 12 to 13 RMB per day, or nearly 400 RMB per month, to eat in the cafeteria.

The workers complain about the food, saying that there is too little meat and too few varieties of dishes (sometimes the same dish is offered for several consecutive meals). Many workers choose to eat outside the factory.

### Meal timetable

Item	Time	Notes
breakfast	6:30—7:40	
lunch	11:50—12:50	A lot of people and long lines
dinner	17:30—19:00	
late night meal	11:30—12:30	

## Accommodations

After one day of training, new employees go to the dorm administrator and are assigned a dorm. There are about ten dorm administrators, all of them locals to the Dongguan area. New employees need to purchase and bring their own mat, blanket, and bucket before they are assigned a bed. The administrator marks each new bucket by its owner's name, company ID number, dorm number, and bed number. Each worker has their own locker at their bed foot. A dorm room accommodates 12 people. Workers in the dorm rooms take turns cleaning the room.

Usually residents of a dorm room are from different departments, so they don't know each other well and don't often communicate with one another. Workers on day shifts and night shifts share the same room. When day shift workers come back to the dorm to take an afternoon nap, the noise they make can interrupt night shift workers, who by then are deeply asleep.

The factory operates 24 hours a day. The living area is close by and is therefore very noisy.

There are shower rooms, water dispensers, and restroom on each floor, but there are 200 people living on the same floor sharing around 10 toilets and shower. The water pressure is not high enough to flush the toilets, and this has caused the restroom to become very unsanitary. There is no hot water for showers. You can find workers filling their bucket with hot water from the water dispenser for showers.

The several dorm buildings are connected to one another, making the living area very crowded. This, plus no greenery, makes workers feel depressed.

## **Occupational safety and labor protection**

### Occupational safety

Workers do not know that a "Environment, Health and Safety Committee" exists at the factory and do not really benefit from the environmental safety training as they usually don't pay much attention to the training and are not required to take quizzes on the information afterwards. The factory does not provide enough occupational safety training in regards to production operations. Workers were not told that the working environment is likely to cause harm to their health.

Most of the operators of heavy machinery are not given safety shoes.

Personal protective equipment is not distributed in a timely manner. Workers in the vinyl department are exposed to noise and toxic gases and therefore should be required to wear glove, ear plug, and goggles. But goggles are not given to workers except when there are inspections by superiors.

The spraying department is filled with a pungent smell, but in the actual production process, there are spraying workers who do not wear masks. They don't because they haven't been

told of the harmful effect of volatile gases and therefore do not think of self-protection measures as necessary.



Paint spraying worker not wearing mask while working

### Other issues

The company does not arrange physical examinations for current or resigning employees. There is no first-aid box in workshops or dorms.

Though spraying workers receive a special position allowance of 200 RMB (\$31.7) per month, most young people do not want to work in such position because of the pungent, toxic gases these workers are exposed to. There are only a few positions, including spraying, that are still open. Sometimes new employees have no choice but to accept such unpleasant jobs, and they can't change their departments afterwards.

### **Fire control**

Employees have not heard of a fire drill ever being carried out in this firm.

## Rewards and punishments

There is no known behavior that would result in an award. But there are many regulations specifying what kind of actions would result in punishment. For more details, see the following table from the eighth chapter (“Work discipline”) of the SATF employee handbook.

NO.	Description of actions	Punishment
1	Not wearing factory ID when entering company areas; not wearing uniforms or labor protection equipment as requested while working.	Oral warning
2	Not obeying rules while entering or leaving company areas, or refusing to answer questions by security or management, or refusing to let company guards check packages, vehicles, when bringing articles into the company while (minor offense).	
3	Conducting immoral, uncivilized, and unhealthy activities. No serious consequence or loss caused.	
4	Parking against rules.	
5	Work fault due to negligence (minor offense).	
6	Laziness and low-efficiency (minor offense)	Oral warning
7	Unauthorized operating or starting machines out of your own responsibility (minor offense, no serious damage)	
8	Impolite, insulting others	
9	Violating worker’s discipline or dormitory, cafeteria, or attendance rules (minor offense)	
10	Violating company’s dress code	
11	Abusing company resources, using company resources to deal with personal matters (minor offense)	
12	Wasting company resources such as water, electricity, and food	
13	Delaying work without proper cause, causing company losses	Written warnings
14	Maliciously attacking or making false accusation against	

	coworkers or providing fraudulent evidence	
15	Connecting to outside internet or downloading software on company computer without company's permission	
16	Vandalizing (minor offense)	
17	Taking pictures or making videos inside the firm without permission.	Written warnings
18	Continuing to waste water, electricity, or food after oral warning	
19	Spreading rumors (minor offense)	
20	Refusing to accept reasonable work arrangement and assignments	
21	Tearing documents or public notices, etc.	
22	Continuing to waste public property, water, electricity, or food after correction	Written warnings
23	Threatening or insulting superiors; carrying out violence against superiors or coworkers (serious offense)	Termination of labor contract (dismissal)
24	Continuing to disobey reasonable orders from the management or deliberately working slowly after warning	Termination of labor contract (dismissal)
25	Clocking-in for others, entrusting others to clock-in, or forging attendance records	
26	Illegal strike, work slowdown, or instigating others to slow down or to go on strike; spreading rumors to create trouble, leading to severe damage for the company or causing negative influence	
27	Exposing company secrets, including personal wage information	Termination of labor contract (dismissal)
28	Smoking or throwing cigarette butts in non-smoking areas	

## **Other issues**

Low-level managers often orally insult workers. If a worker is not working fast enough, they would tell him “Do you still want to keep your job?” To a male worker they would say, “Work faster! You work like a girl.”

There is only one union staff, and this person is part-time. Once a worker walked into the union office to consult on wage matters and got the reply that it’s not the union’s business and that the worker should go to human resources. Most workers do not even know that the union exists, let alone ask it for help.

There are no electric outlets in the living area. There is only one row in the dorm administrator’s office on the first floor, managed by an assigned staff member. Workers can charge their electronic equipment using a multi-purpose battery charger at only certain times of the day. But there are still not enough plugs. A mobile phone store 50 meters away offers charging service at a price of 1 RMB (\$0.16) each time. It is very difficult to charge electronic equipment whose batteries are not removable, such as laptops and e-readers.



# Investigative report on Dongguan Guangda Plastic Products Company

## Primary ethical and legal violations:

- Training is only 40 minutes long, far short of the legal minimum of 24 hours for manufacturing workers.
- Safety is only briefly touched upon in training, and no steps are taken during training or after to ensure that workers have actually learned the information.
- During a worker's probation period, the factory will not let him resign with three-days' notice, as is required by law.
- Guangda does not sign a labor contract with many workers, which is a violation of Chinese law.
- Factory does not purchase social insurance for workers as required by law.
- Workers do 11 hours or work per day, six days per week, accumulating 100 hours or more of overtime per month, almost three time in excess of statutory limits.
- In order to meet production quotas, the rate of work is very fast, and workers complain of a lot of receiving a lot of pressure to meet quotas.
- Trays and utensils in the workers' cafeteria may not be sanitary.
- There are safety concerns in production facilities. Workers do not wear protective equipment properly or the equipment is not effective.
- Dorms are not sufficiently cooled, so many workers choose to sleep on floors instead of their beds.
- Ineffective grievance channels, including no semblance of a union.
- Wages for students may be less than those of normal workers, despite doing the same work.
- Lack of living wage.

## Company Profile

Established in May 1995, Guangda Plastic Products Co., Ltd. (hereafter “Guangda”), the factory is located at No. 638, Meijing Avenue, Changtang Administrative District, Dalang Town, Dongguan City, Guangdong Province. Its phone number is 0769—83318515. The company’s headquarters is located in Hong Kong, and the total investment of the company is 0.14 billion HKD (\$18 million), with registered capital of 0.108 billion HKD (\$14 million). The factory is 65 thousand square meters (700 thousand square feet) and has over 2,000 employees. The major products manufactured by Guangda include plastic ware, plastic toys, toy carts, children’s beds, and fitness equipment. The company’s major clients are international toy companies, including Mattel, Tomy, and Hasbro.

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企业类型:	有限责任公司(台、港、澳资)	法定代表人:	丁炜章
注册资本:	10800.0000万港币	经营期限:	2015-07-09
企业状态:	登记成立	成立日期:	1995-07-10
经营范围:	生产和销售童车、童床、健身器材及五金塑胶制品(以上产品不含酸洗和电镀工序)、玩具、日用塑胶制品;产品内外销比例按批文规定执行。		
最后年检年度:	2012		

Official registration information of Guangda



Guangda Plastic Products Company

## Recruitment and training

### Hiring

During the period of CLW's investigation, a large number of student workers who had been employed at Guangda during the summer had been returning to school. The company had started recruiting new workers to fill the labor shortage. At the gate of the factory, a recruiting stand was set up, expressing that Guangda was looking for spray paint workers as well as injection molding workers.

There is no age limit for job applicants. Applicants only need select a position and fill out a form for new employee information. They then will get a notice of employment from recruiters, on which some basic information of recruitment is listed, such as job training time, location, assigned department, and when new workers will start their shift on the next day.

### New worker training

After getting the notice of employment, new workers need to attend a training session, held on the fourth floor of a building in the living quarters of the Guangda complex. The training lasted around 40 minutes, in which factory personnel quickly discussed factory regulations, occupational safety, salary, benefits and vacation, and amenities.

When the trainer was explaining the factory's rules and regulations, only the levels of punishment for violations of regulations were stressed. These levels include warning, serious warning, and verbal warning, resulting in corresponding deductions of points. If a worker loses all of his points within a year, he will be fired. If a worker is found smoking within the factory complex, that worker will lose of his points and be terminated.

The explanation on wages was very brief. The trainer quickly touched upon basic wages, overtime wages, and the composition of wages, which is base wage plus overtime wages, bonuses, and subsidies. Workers can receive a full-attendance bonus and subsidies for certain positions, but these amounts vary across departments. It was not mentioned whether wages may be deducted for any reason.

As for meals and dorms, the training session mainly covers how much workers need to pay for these services and what procedures they need to go through if choosing not to eat in the factory's cafeteria.

Workers are told in the training that working hours are eight hours per day, five days per week, and overtime requires approval from supervisors.

According to factory regulations, workers receive paid leave, including marriage leave, maternity leave, funeral leave, and sick leave.

Resignation is also covered in the training. During the probation period, workers can simply tell their supervisor directly in order to resign. After the probation period, employees need to apply for resignation 30 days in advance.

Finally, occupational safety is briefly touched upon. It includes explanations on how to use chemicals, fire safety, preventing electrocution, and the wearing of protective equipment.

### Labor contracts

The factory does not sign labor contracts with workers during the hiring process. Some workers have told CLW that their contracts are signed a week after being hired, others report that almost a month passes before they sign a contract. What's more, workers at Guangda can also choose not to sign labor contracts. This purportedly makes resignation easier for workers down the road. If a worker does choose to sign, the procedure is very simple, requiring newly hires only to fill out their personal information and sign their names on the last page of the contract.

CLW has discovered several workers at Guangda with over ten years of experience at the factory who have not signed a labor contract with the company. These workers estimated that there are 200 to 300 similar veteran workers in the factory. After having worked at the factory for so long, they are eligible for a non-fixed term contract, but the factory has never signed this with them.

### **Working hours**

The regular working hours at Guangda are eight hours a day, five days a week, plus three hours of overtime on each weekday and 10 hours of overtime on Saturdays. The monthly average overtime is about 100 hours. The factory hits a low season beginning in September, when weekday overtime is reduced to two hours per day and there is



Guangda workers getting off work for the midday break

usually no Saturday overtime.

During training, newly hires are told that Guangda operates a shift in two batches, in which workers get on and off shift at varying times. But in reality, almost all workers end their shifts together. A small number of workers end their overtime shifts at 8 pm, but most do not leave work until 9 pm.

With the exception of the molding department, which has a night shift, all the departments at Guangda operate on day shifts. Regardless of the shift, all workers work 11 hours per day. One worker shared his pay stub with CLW; it revealed that he had worked 106 hours of overtime in June.



Working loading material in to a machine

Based on interviews with workers, overtime at Guangda is usually optional.

The second day after entering the factory, the investigator refused to work overtime because his shoes were damaged. The group leader agreed, which was sufficient to not take overtime. But a supervisor mentioned to the investigator that doing the overtime would have been better because the schedule had already been arranged. But his opinion did not prevent the investigator from being able to successfully turn down overtime.

Workers told CLW that different departments have varying production quotas. In the painting department, each worker must do 3,000 products per day, though most new workers can only finish about 2,000 per day. Due to this gap, low-level supervisors will constantly push workers to work quickly. One such new worker said to CLW, "Every day these supervisors are pushing us like crazy. It's a lot of pressure." In painting department, some workers quarreled with supervisors because of this pressure. These workers ended up simply leaving on the spot without taking pay.

## **Wages and benefits**

### Wages

As was mentioned in training, workers' wages are composed of base wages plus overtime wages, bonuses, and subsidies. Workers are told that they need to pay for meals and accommodations, but it is not clear that whether it is automatically deducted from their wages.

Workers are not informed on issues related to social insurance. Some workers told CLW that they can get retirement insurance after a year at Guangda. Others said two or three years. Having meals in cafeteria costs workers 210 RMB (\$34) per month. But the cost is calculated on a weekly basis, which is around 59 RMB (\$9.64) per week). Workers also need to pay 42 RMB (\$6.86) per month in dorm fees. All of these costs are deducted directly from workers' wages.

Pay stubs are normally distributed on the 26th of every month, and wages will be transferred to workers' bank accounts in the Industrial and Commercial Bank of China automatically.

The pay stubs show that wages are calculated by hours worked. The base wage rate is 7.6 RMB (\$1.24) per hour. Weekday overtime is 11.4 RMB (\$1.86) per hour, and weekend overtime is 15.2 RMB (\$2.48) per hour. After accounting for all overtime wages and any bonuses, a typical worker may earn around 2,800 RMB (\$457) a month.

Workers in injection department will also receive a position subsidy of 2.5 RMB (\$0.41) for a day shift and 5 RMB (\$0.82) for a night shift. Workers expressed that they have a hard time differentiating between this subsidy and the high temperature subsidy, which is paid at the same rate as the position subsidy for injection workers. On pay stubs, the subsidies are combined into one item.

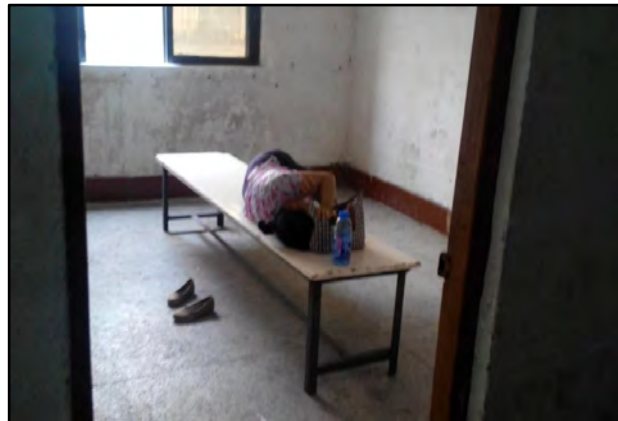
### Benefits

Guangda company regulations state that workers have paid annual leave, sick leave, and maternity leave. But CLW's investigation revealed that not annual leave may be granted to workers as laid out by the factory.

There are basketball courts, a ping pong room, a library, a computer room, and a television room. Most of these facilities are used regularly by workers. Many workers live outside of the factory complex, so break rooms have also been set up in the production facilities.



Above and below: Guangda's break room for workers



Most of break rooms are not furnished, and some are used by workers to park bikes. On August 14, the factory asked workers who parked their bikes inside break rooms to move their bikes outside to the designated area, otherwise the factory would remove the bikes. A few break rooms have a long bench inside, but in most cases the bench is occupied by one or two workers who are lying out and taking a nap.

There is a smoking room and a clinic in the factory. The clinic is located in the production area of the factory complex. There are first-aid kits in the dorms, but there is no medicine inside. The smoking room is located in the living district, and many workers smoke here after their shifts.

## Rewards and punishments

During training, punishments are mentioned, and workers are told that there are no fines on workers as part of the punishment system. According to the factory's rules, every worker has ten points when they start work at Guanda. When all ten points have been lost, the worker in question is fired. As mentioned previously, smoking anywhere around the production area of the factory complex results in a ten-point deduction and termination.

There are no awards mentioned in training or by other factory personnel. Trainers told workers that they can refer to the factory handbooks, which are

purportedly located in the dorm rooms, for more information. However, CLW failed to find the handbooks after searching three dorm rooms. During interviews, workers said that they also didn't know about the handbooks.



Smoking room in the living quarters at Guanda

## Meals and accommodations

### Meals

The cost to a worker to eat in the cafeteria is 210 RMB (\$34) per month, which is automatically deducted from the worker's wages. Managers above the level of team leader can eat in the factory cafeteria for free. The worker and management cafeterias are segregated. Workers are sent to the cafeteria on the second floor, while managers go to the one on the first floor. For workers, lunch and dinner contains two meat dishes, a vegetable



dish, and a soup, and for management, meals contain one extra meat dish.

The food in the management cafeteria is much better than the food in the worker cafeteria, which is very bland and is only sufficient to fill workers' bellies. Veteran workers at Guangda tend to eat outside. All workers that CLW interviewed agreed that the food in the factory cafeteria is poor, and the cost of eating outside is almost the same as eating in the cafeteria. There are also more choices if eating outside.

Workers choosing to have meals in the factory can get a meal card, and it will be checked (for both date and category of meals) after having a meal. Workers who lose this card need to pay 5 RMB (\$0.82) to get a new one.

The cleaning of trays and chopsticks are managed by the factory, but the cleaning may not be done thoroughly. CLW's investigator once grabbed a tray with old food still on it.



Three meals at Guangda. Clockwise from upper left: lunch, dinner, breakfast.

### Accommodations

Workers need to pay for accommodation, which is 42 RMB (\$6.86) per month. Management above the level of team leader can live in the dorms for free. There are five dorm buildings in the factory. Usually there are four bunk beds in each room, and four workers are assigned to live in each. On each level, there are bathrooms and shower rooms, which are connected. There is no furniture in each room except for bunks. There are two electronic fans per room. But that many workers sleep on the floors because the fans do not effectively cool the rooms.

On the third floor in dorm building A, there are no places made available for hanging clothing after being washed, so workers must hang their clothes in their rooms or in

hallways. But it is really dark in hallways, and serves as an ineffective place to dry clothing.



Dorms at Guangda

## Occupational safety

CLW discovered several departments at Guangda with safety concerns, including the electronics, printing, injection, and painting departments. The examples below are taken from only two of those: the injection and painting departments.

In the injection department, it is very noisy, and a great amount of dust floating in the air. Workers in this department are provided with masks, gloves, and earplugs. Workers can switch their old masks for a new one every day, but gloves and earplugs can only be switched when they are worn out. In any case, workers do not wear the earplugs despite the noise. On average, the temperature inside the injection facility is 33 degrees Celsius (91.4 degrees Fahrenheit) as indicated by a thermometer in the facility. There were a few days during the investigation when it was raining, and the entire facility became very stuffy inside.

Workers in the painting department are provided with gloves and masks. Workers don't always wear the gloves because, as one worker put it, doing the painting work with both gloves on is really difficult. And even wearing the masks, the paint odor is very strong, which makes some workers sick.

Fire prevention equipment seems to be examined every month. CLW's investigator checked some fire extinguishers at random and did not find any expired fire extinguishers.

## **Resignation**

During training, workers were told that they need to inform managers of their resignation decision 30 days in advance during the probation period. On his fifth day in the factory, CLW's investigator told his group leader that he wanted to resign. The group leader then told a manager at around 4:30 p.m. The manager wanted to know more about the reasons for resignation, such as a heavy workload. He tried to persuade the investigator to stay, but the investigator persisted in wanting to resign. The manager said he didn't have a resignation form and had the investigator go to the HR department to get one.

When CLW's investigator was led to the proper resignation personnel by a co-worker, the staff member asked in exasperation how he could want to resign after just a few days. This person then went on to say that the investigator may need to wait until September 30 to resign, at the earliest September 15. The day was August 16. The investigator said that he could not wait that long and showed his hands, which had skin peeling off of them from the work, to the staff member. This person then proceeded to call the investigator's manager, who once again tried to persuade him to stay and work. Ultimately, CLW's investigator was unable to successfully leave according to company procedures.

## **Others issues**

### Labor union and worker representatives

During training and the course of CLW's investigation, there was no mention or sight of a labor union or worker representatives. According to trainers, workers can talk to the HR department if they have any concerns and complaints.

### Student workers

During the course of the investigation, CLW observed many students resigning from Gaungda to return to school, perhaps as few as 20 and as many as 50 every day. Student workers are evenly distributed among different departments. They work same hours as normal workers.

CLW discovered that the wages for student workers may be different from that of normal workers. CLW came across one student worker who had worked in the injection department for a month but did not receive the position subsidy that workers in that department usually get.

### Grievance channels

The factory's grievance channels include an opinion box and talking to personnel in the human resources department. There are no other grievance channels that workers can

utilize when they have problems. At one point, CLW's investigator looked inside the opinion box and found not one letter.

# Investigative report of the Taiqiang Plastic Products Company

## Primary ethical and legal violations:

- Hiring discrimination: will not hire anyone older than 40 or with tattoos.
- Perfunctory training is primarily a process of filling out forms, falling woefully short of the 24 hours of training required by law to ensure the health and safety of production workers.
- Many workers do not receive their labor contracts in a timely manner, sometimes waiting between a week and a month.
- Factory commits wage theft by shifting some working hours onto weekends, thereby avoiding the need to pay some weekend overtime and paying workers 7.2 million RMB (nearly \$1.2 million) less per year.
- Workers are producing for 11 hours per day, accumulating 110 hours of overtime every month, over three times the statutory limit of 36 hours.
- Most overtime is mandatory.
- The factory does not provide all types of social insurance to workers, as is required by law.
- Dorms are crowded, with eight people per room.
- Gender discrimination in assigning factory dorms to women only while men had to pay for accommodations outside.
- There are chemicals, including paints and thinners, involved in the production process, but workers are never trained on the potential harm of these chemicals to their health.
- Lack of a living wage.

## **Company profile**

Taiqiang Plastic Products Company (hereafter “Taiqiang”) was founded in 1988 as a subsidiary of Yongsheng Corporation. It is a Hong Kong-invested company primarily manufacturing children’s toys. Taiqiang’s primary customers include Mattel and Disney. Taiqiang has two production facilities, including Sanwei Taiqiang and Caowei Taiqiang. At the peak of production, there are around 5,000 employees altogether. The primary production sectors include the injection, spraying, and assembly departments. The investigator was designated to work in the assembly department at Sanwei Taiqiang. Therefore, the results of this investigation are based mainly on the circumstances of the Sanwei facility.

## **Recruitment and Resignation**

The company has received a lot of orders recently and is hiring large numbers of workers, including long-term workers and summer workers, the latter being constituted primarily of students. The company mainly hires workers through recruiting outside the company gate and internal recommendations. Based on this investigation, there is no labor dispatch companies involved in hiring for the factory. Taiqiang only hires workers between the ages of 18 and 40 with middle school education or above. Applicants have to provide their identification and health certificates. Students are not required to provide their health certificates in this case. Among student workers, the investigator did not find any child labor, those under 16 years of age. CLW estimates the average age of these student workers to be 20 or above.

The company says that it only accepts health certificates provided by Xixiang Renmin Hospital. Health certificates provided by any other hospitals from other provinces are considered invalid. CLW’s investigator witnessed three applicants lose their opportunity to interview because of this health certificate rule. The investigator had his health certificate provided by Longji Hospital in Longhua New district in Shenzhen, and the interviewer accepted it as valid.

After checking the applicants’ identification and health certificates (except for students), the interviewer will check whether an applicant has a tattoo or not. CLW’s investigator witnessed a male applicant being rejected only because a burn scar on his left arm was considered a “tattoo”.

After the physical examination, all applicants who passed this preliminary test were brought to Sanwei to interview and accept training. The company hires at 9 a.m. and 1 p.m., but the interviews and training are conducted at 2:30 p.m. During the interview and training period, applicants need to provide their identification, health certificates, and copies. The training is nothing more than just filling out all kinds of forms. The applicants need to fill out eight tests and forms in total, including the *employee background inquiry*, *training sign-in sheet*, *external accommodation application form*, *trainer evaluation form*, *employee record sheet*, *declaration form*, *training exam*, and *physical examination form*.



Left and above: training at Taiqiang

Human resources personnel tell the applicants how to fill out these forms. If the answers on these forms stray from the directions of the HR personnel, the forms will be considered invalid.

#### Employee background inquiry

This includes employees' personal data and work experience. Recent graduates are not

required to provide work experience.

### External accommodation application form

Due to the recent hiring spree, the company's dorms are inadequate to accommodate so many people. There is no dorm in Caowei, and only some in Sanwei. Male applicants are told at the beginning that there are no available accommodations and they have to live outside. Before that, they have to fill out the *external accommodation application form*.

### Training sign-in sheet

Relatively simple. Applicants need only to sign their names in the signature box; the rest of the form will be filled out by the company.

### Trainer evaluation form

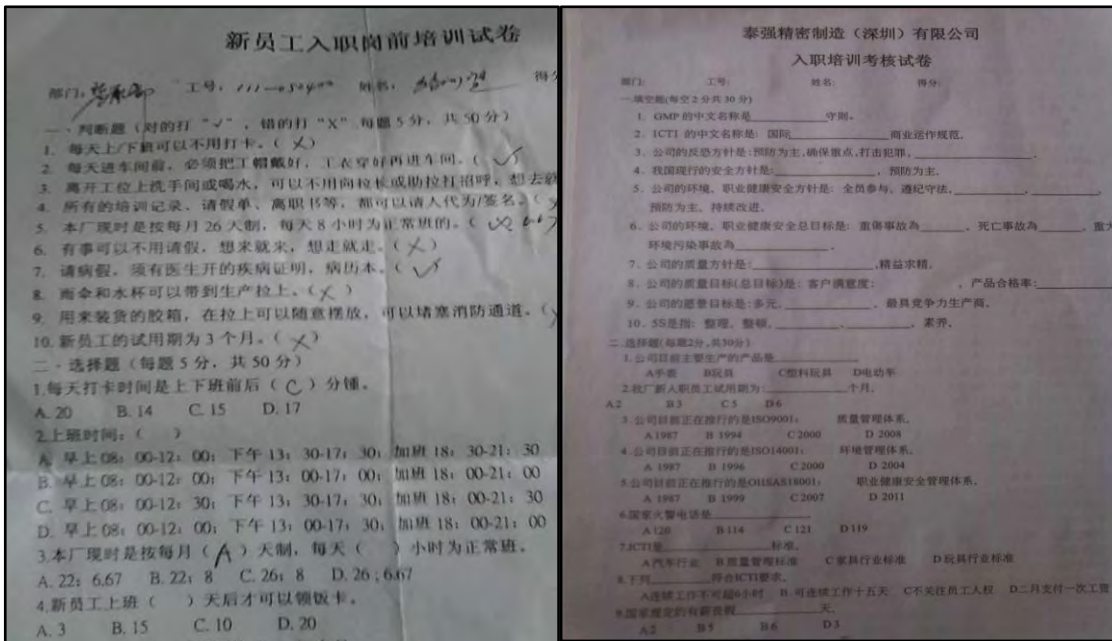
This is given to workers to comment on trainer performance. Workers are told that they cannot give the trainer a full score on every assessment item.

### Declaration form

This form indicates that Sanwei and Caowei are managed by the same company and the workers agree to relocate if needed.

### Physical examination form

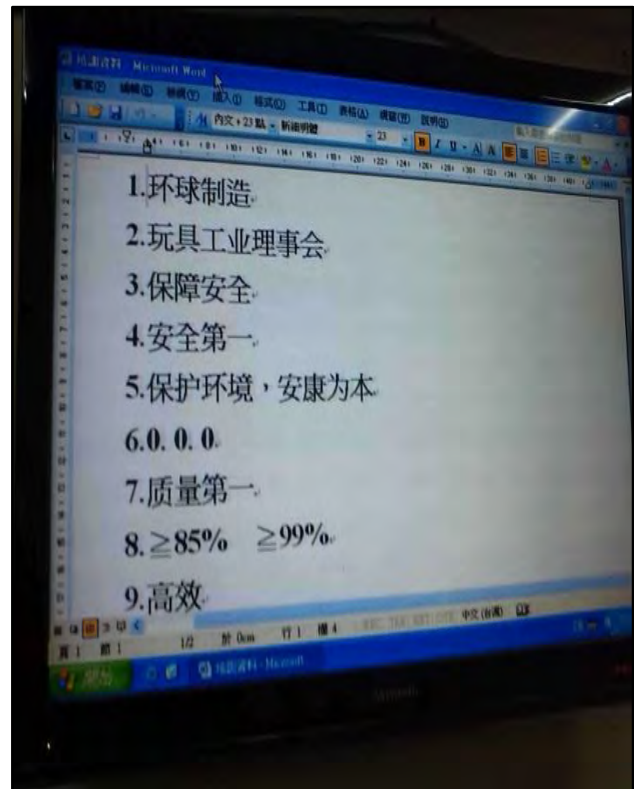
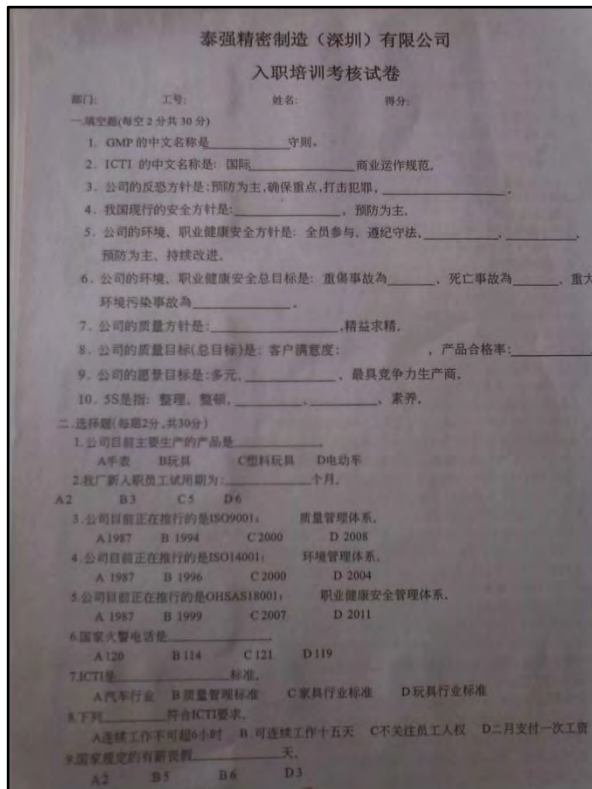
This can be filled out by the applicants themselves. There are some physical exam questions listed at the top, and an applicant is to fill out the form based on her health condition.



Some forms that are required to be filled out during the training session



Except for *the training exam*, all forms can be filled out by the applicants based on their own situation. The training exam is constituted of fill-in questions and multiple choice questions. Applicants can fill in blanks based upon answers displayed on the screen, and the manager from the administrative department announces the answers for multiple choice questions through a recording. Applicants simply copy answers based on the answers given to them. Applicants who fail the exam are required to fill out more exam sheets until they do it correctly.



Answers to training test questions are shown on the screen; workers copy them directly

According to Chinese labor law, workers who want to resign during probation period need to give three-days' notice, and they are required to give a month's notice if they are formal workers. There is a six-month probation period before a worker can become a formal worker at Taiqiang. During the probation period, workers can get a resignation form from an administrative assistant or a supervisor without difficulty. For example, during this investigation, some students wanted to resign after working only more than a month, and they were approved to resign after informing a supervisor three days in advance.

The second day of training is calculated into working hours and is run by a head of the production department. Before starting work, there are three forms require to be filled out, including the *training sign-in sheet*, *workers dining record sheet* and *the training test*. These three forms are distributed to every applicant to fill out. However, there is no trainer present, so the majority of the applicants are not able to complete the tests. As a result, in most cases, the applicants who have work experience in plastic toy companies complete the training exam first, and other workers will copy the answer directly. The questions are really basic knowledge. Applicants can only sign the training sheet when they submit their tests.

### **Labor contracts**

During the training session, the company will sign labor contracts with workers directly. There will be two copies of the contract, one each for the worker and the company. However, Taiqiang failed to sign labor contracts with workers immediately. When asked by the investigator why this happened, the head of the administrative department said that they have no time to print out all the labor contracts needed due to the large number of new workers being hired (112 workers were hired on that single day). As a result, it took them one week, or even longer, to finish the contract signing process. At the latest, a labor contract will be signed with each worker within a month of the worker’s entry into the factory.

### **Working hours**

The company has adopted a system of five 6.67-hour working days per week, and workers have to work six days per week, including overtime. With the exception of the injection department, all workers do day shifts. Most workers do 11 hours of work per day. The working hours for the assembly department are shown below.

Sector	Normal Working Hours	Clock-in Time	Clock-out Time
Assembling Department	08:00—12:00	07:46—08:00	12:00—12:14
	13:30—16:10	13:16—13:30	16:10—16:24
	16:10—17:30		17:30—17:44
	18:30—21:30	18:16—18:30	21:30—21:44

Workers in the assembly department have a 90-minute break at noon (while workers in the injection department are only given enough time to have lunch) and a one-hour break in the afternoon. During the peak season, workers usually have work at least three hours of overtime (that is, three hours beyond the normal 6.67-hour working schedule). Because the company has had a lot of orders to finish recently, there has been no limit on how long overtime will last. June, July, and August are the busiest months for the company. During these months, the average daily overtime reached four hours and twenty minutes. Altogether, the overtime reached 130 hours per month if the overtime on Saturday is taken into account.

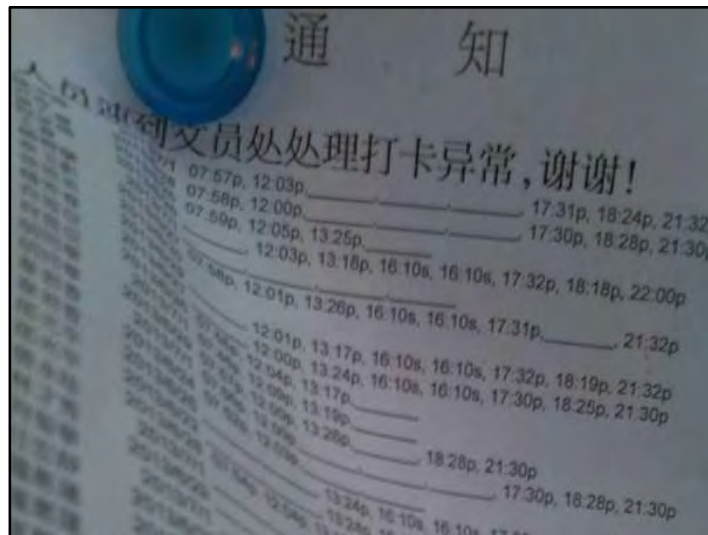
The workshop is a five-floor building, and the investigator was designated to work in the assembly department. In the assembly department, there are three production lines in total and around 150 workers.

The company supposedly adopts a voluntary overtime system. Most workers will choose to work overtime due to a base wage that cannot sustain basic living needs. Workers who don't want to work overtime can talk to their supervisor directly. The investigator once informed his supervisor that he did not want to work overtime and was rejected. The supervisor tried his best to coax the investigator into working overtime because production orders were heavy. The monitor then went on to say that the investigator could choose not to work overtime on the next day.

Evening shifts begin at 8 p.m., and there is a break during the shift. Whether it's day shift or night shift, workers can freely use the restroom and water dispenser without their supervisors' permission. Workers do not need to obtain any permission slip for this sort of leave and they won't be punished for this behavior.

During the peak season, work is exhausting. Other than getting a drink or going to the restroom, workers stay on production lines. The assembly department has an eleven-hour day shift, while the injection department runs continually. The injection department, workers have meals in turns and the machines do not stop.

Normally, workers do not need to gather for morning or evening meetings. In some special situations, workers will be called together for a meeting before



Announcement about mistakes in clock-in records

going home and announcements will be made.

Attendance is recorded via a finger-print check-in system. Workers' finger prints are recorded during the training session). If the check-in system does not work correctly, office personnel will print out the record and leave it in an obvious place so that the relevant worker comes to the office to correct the problem.

## **Wages and benefits**

The base wage is 1,600 RMB (\$262) per month. Taiqiang pays weekday, weekend, and holiday overtime according to the law. A worker's salary is composed of the base wage, overtime wages, position subsidy, night shift subsidy, and meal subsidy (only for night shift workers). The overtime wage is 13.78 RMB (\$2.25) per hour on weekdays, 18 RMB (\$2.94) per hour on weekends, and 23.57 (\$3.85) RMB per hour on holidays. The night shift subsidy is 7 RMB (\$1.14) per day, and the meal subsidy for night shift workers is 5 RMB (\$0.82) per day. During the peak season, a worker can earn around 3,200 RMB (\$523). Little is deducted for social insurance. After the peak season ends, salaries are low. Some veteran workers say they only earn around 1,800 RMB (\$294) after October.

The salary will be transferred to workers' bank accounts automatically on the 20th every month.

During training, one part of the exam explained that workers will receive two work uniforms and a hat for free. But in the first four days, workers didn't get their uniforms. Hats had been distributed to workers before they entered the production facilities, and they are required to wear the hats when they work. Workers must purchase uniforms or hats if they are lost, and workers have to pay for the uniforms and hats if they are not returned upon resignation from the factory. A hat is worth 5 RMB (\$0.82). Once returned uniforms and hats are cleaned and then reused.

According to labor law, companies should provide their employees with social security. At Taiqiang, workers can choose which type of social insurance they want to buy, but law requires that all types of social insurance be purchased upon being hired. Taiqiang only makes workers purchase two types of insurance: health insurance and work injury insurance. In addition, during training, factory personnel tell workers that they need to fill out a form declaring that they are willing not to buy retirement insurance. It was only on the third day that workers were asked to fill out these forms. Because most of the new workers hired at that time are student workers who can only work during the summer, most are not willing to buy retirement insurance.

## **Living conditions**

The company provides accommodations to workers, and workers need to fill out the dorm application form). There are eight beds (four bunk beds), a bathroom, and an air conditioner in a dorm room. However, there is no electronic outlet in the dorm room, so

workers have to charge their electronic appliances in the security room, which is located on the first floor. The rent for a dorm room, 40 RMB (\$6.54) per worker, will be automatically deducted each month, and the workers need to pay utilities (including water and electricity) by themselves. There is no dorm available at Sanwei, and workers at Sanwei can choose to live in the dorms in Caowei.

Since these workers have to commute, there is free shuttle service provided by the company. Only female workers can live in the dorms. After the hiring, management denied male workers' requests to live in the dorms, telling them that there were no dorm rooms left. Under such circumstances, new workers who are not local residents have no place to live. After talking to the dorm manager, male workers were allowed to find available beds in the dorms by themselves. The manager said they could complete the move-in procedures the second day. There were actually quite a number of available beds in the dorms. But old workers would not allow new workers into their rooms, saying the rooms were full. New workers were only left with the choice to live outside, for which they did not receive a subsidy.

The dining services are outsourced to a food company, which delivers food to the factory every day. There is no cafeteria in Sanwei. But due to the great number of student workers during the peak season, the factory set-up a make-shift cafeteria on the second floor. The price of a meal ranges from 5 RMB to 8 RMB (\$0.82 to \$0.31), and workers can choose the food they want. The 5 RMB set contains five types of food, two with meat and three without meat. Workers need to fill out a dining form in advance. The form indicates the total number of days workers have eaten at the factory. The human resources department will distribute a meal card to each worker, and the card will be checked every time workers have meal. The meal card will be collected at the end of the month in order to calculate the cost of meals for each worker. This amount of money will be automatically deducted from the worker's salary, and at the beginning of the next month, workers will get a new meal card.

## **Occupational safety and labor protection**

There is no occupational safety training for the newly hired workers, and the management and supervisor usually don't spend time explaining the relevant knowledge to new workers.

Workers in the assembly department need to wear hats to work. Although hats have been distributed during the hiring session, the majority of workers choose not to wear them. When around management, workers will wear the hats for a moment, taking them off when out of a supervisor's sight. Most workers in other departments wear protective equipment as required, such as uniforms, hats, and masks.

There are signals attached to fire exits everywhere in the production facility. Every month, factory personnel fill out an inspection form. There are also emergency exits in the production facility. According to a veteran worker, the company usually carries out two fire drills every year, but they haven't actually received any fire prevention training. There are only notices related to fire prevention posted on the bulletin board.

The machines which produce heat and a pungent odor are all protected and are kept at a distance from workers.

The chemicals which the investigator observed in the factory during the investigation included thinners and paints.

First-aid kits are located on each floor and there are some common medical supplies inside each, including band-aids and scissors. The first-aid kits are not locked and are examined every day to make sure the medicines inside have not expired.

The investigator once got a cut on his arm during while moving products in the facility. Workers do not need to ask for permission from a supervisor to grab something out of the first-aid kit, so the investigator simple went to the kit and grabbed two band-aids. The investigator also witnessed other workers doing the same.



Fire extinguishers and first aid kit in production facility

## Lack of a living wage

The base monthly wage at Taiqiang is 1,600 RMB (\$262), but this wage is far short of what's needed to give a worker living in Shenzhen a reasonable quality of life. In order to make enough money to accumulate savings, workers become dependent on overtime work. This is especially true in the case where a worker has to provide for a family.

For example, let's suppose two workers at Taiqiang are married with a child. If each only earns the base wage, their combined monthly income will be 3,200 RMB (\$522). But after

subtracting 1,000 RMB (\$163) for a very small apartment around Taiqiang, around 1,500 RMB (\$245) for food, 500 RMB (\$81) for phone service, transportation, and other daily items, and 100 RMB (\$16) for transportation. Additionally, because the family's child is most likely not a registered resident of Shenzhen, the family will also pay another 1,000 RMB (\$163) per month for the child to attend a public school.

After just calculating for basic living needs and the child's education, this family has about 4,100 RMB (\$669) in costs. This does not include the 200 RMB (\$32) that each of the workers will send back to their parents in rural China to supplement the elders' living costs—in a system under which they may not be receiving any sort of social security. So without even beginning to talk about other forms of consumption or savings, our married workers from Taiqiang are in a 1,400 RMB (\$228) hole. Under such circumstances, the workers would have no choice but to accept long overtime hours to meet their basic living needs.

## **Other issues**

In the past, there was a suicide in Taiqiang's Sanwei campus. A middle-aged female worker asked for a long leave for a serious family issue. She was denied and began arguing with her supervisor. After work, she went to the eighth-floor roof of her dormitory. She stayed there for around an hour before jumping off when two security guards tried to sneak up to stop her. After the incident, the factory stopped renting the building to use as a dormitory. This is purportedly why there is no dorm available for the Sanwei factory campus.

The company hires a lot of summer workers and student workers. Among the 120 workers hired on the same day as the investigator, around 110 were students. During the following days, around 200 more workers were hired. Most of the student workers are high school graduates and freshmen in college wanting to earn some extra money instead of staying at home. They are usually between the ages of 20 and 23, typically working at Taiqiang for a month or two before returning to school. Most student workers are female, and the male to female ratio is 1:5.

## **Taiqiang and Mattel's wage theft**

The toy industry is typical of a labor-intensive industry in that workers in this industry do not utilize high-level skills. The value-added by workers is low, so wages are also low. The market for toys is always changing, and the period spent on R&D for new products is relatively short. There is usually only one month between the time product orders are put in by brand companies and the time products are delivered. The result for workers is long overtime shifts and sometimes working through the night. During low seasons, the number of orders received by factories is relatively small, resulting in half of the workers losing their jobs.

The circumstance of these workers is already very difficult, but Taiqiang further exploits workers' surplus value through "clever" scheduling of working hours.

Workers at Taiqiang work 6.67 hours per day on weekdays, while in most places of employment, workers have 8 hours of work per day. Taiqiang has workers do the remaining 6.65 hours of "normal pay work"  $[(8 \text{ hours} - 6.67 \text{ hours}) * 5 \text{ days} = 6.65 \text{ hours}]$  on the weekends. By doing this, Taiqiang can dramatically reduce labor costs because for 6.65 hours of work every weekend, it does not have to pay workers weekend overtime, which is stipulated by law to be two times the normal wage.

Compared with the problematic conditions and labor practices at Foxconn, Taiqiang is even worse. Foxconn workers do, on average, 70 hours of overtime per month, receiving about 1,500 RMB (\$245) for this overtime. But at Taiqiang, due in part to the time scheduling trick, workers receive less than 2,000 RMB (\$326) for around 130 hours of overtime.

To some extent, Taiqiang is a thief, stealing money out of workers' pockets. At this factory, workers work overtime for 130 hours per month, every week working 21.5 hours of weekday overtime and 11 hours of weekend overtime. However, assuming the same number of monthly overtime hours and based on a normal 8-hour work schedule, workers would every week do 15 overtime hours on weekdays and 17.5 overtime hours on weekends. By using the former work schedule instead of the latter, Taiqiang reduces the overtime pay for each worker by 120 RMB (\$19.60) per month. There are around 5,000 people working in the Taiqiang factory in Shenzhen, thus workers receive 600,000 RMB (\$98,163) less in overtime pay each month.

Facing fierce market competition and increasing consumer demand for low-price, retailers do everything they can to reduce the cost of purchasing the products. Given these demands, producers transfer their labor-intensive industries to developing countries where the cost of labor is relatively low, such as countries in Asia and Latin America. In order to reduce investment risk and maximize profits, instead of building their own factories in these countries, retailers usually outsource their orders to local factories via intermediary sourcing companies. Manufacturers are adamant about the quality of raw materials and the end products, so workers' wages become the only flexible factor. Workers at the bottom of the system are thus forced to bear the brunt of this burden.

Most of Taiqiang's stakeholders hold the opinion that they have no choice in the matter; there is no way for them to improve the work environment and protect the rights of Taiqiang workers. But if these stakeholders, like Mattel, keep doing nothing, they will become Taiqiang's accomplice in stealing money from the workers making its toys.



# Investigative Report of the Merton Plastics and Electronics Factory

## Primary ethical and legal violations:

- Perfunctory pre-job training lasts only about half an hour, in which workers just briefly repeat information on a test sheet. China's legal minimum for training is 24 hours per worker.
- Workers are not given enough time to read and understand the terms of the labor contracts before they are made to sign them.
- Workers do 11.5 hours of work per day, accumulating 100 hours of overtime per month, almost three times the statutory limit of 36 hours.
- Production quotas are high, so work must be very fast. Workers are yelled at if they do not meet quotas.
- Merton workers do not receive all types of social insurance as is required by law.
- For a pregnant woman to take maternity leave, she must prove that she is abiding by China's family planning policies. Otherwise, she must choose between aborting her baby and losing her job.
- Workers must pay out of pocket for treatment in the factory's medical clinic.
- Due to insufficient safety training, many workers do not understand the harm posed to them through their work, leading to many workers improper use or nonuse of protective equipment.
- Fire safety equipment may not be properly maintained.
- Dorm rooms can accommodate up to 12 people, although during the course of CLW's investigation, there were only about six people assigned to each room.
- Merton carries out indirect fining on workers. A worker who checks his cell phone will have that day's working hours reset to zero, effectively not paying the worker for actual work that he did.
- Lack of any effective grievance channels.

## Company Profile

The Merton Plastics and Electronics Factory (hereafter “Merton”), founded in November 1998, is in Sangyuan Industrial Zone, Dongcheng District, Dongguan City. The Company is owned by a Hong Kong corporation called Hengli Merton Ltd. The factory is about 120,000 square meters (1.26 million square feet) and primarily produces plastic, electronic toys for famous international brands. All of its products are exported to the US, Europe, and other parts of the world. The major clients of the factory include Mattel, Disney, McDonalds, and Target. Based on public information, the factory can be reached at 0769-22252388 or a Mr. Chao at [per\\_caolq@mertonco.com](mailto:per_caolq@mertonco.com).

### 东莞东城美尔敦塑胶电子厂

地 址:	东莞市东城区桑园社区狮长路2号		
注册 号:	441900500012009	登记机关:	东莞市工商行政管理局东城分局
企业类型:	三来一补	负责人:	唐得俊
注册资本:	17410.0000万港币	经营期限:	2018-11-16
企业状态:	登记成立	成立日期:	1998-11-19
经营范围:	加工塑胶玩具、电子玩具、水晶球、树脂制品、毛绒制品、木器制品、橡胶布手套（人造橡胶）、灯泡、保险丝、布袋、塑胶玩具（内有糖果）、文具包装、蜡烛饰品包装、玩具摩打包装出口、塑胶家庭用品、文具、塑胶制品及进出口；吸塑包装，纸盒包装。（涉及许可证的项目，须领证后才能经营）		
最后年检年度:	2012		

Official registration information of Merton



Toys produced at Merton

## **Recruiting**

During the period of the investigation, the factory was recruiting a large number of workers because a shortage was created after many student workers returned to school in September. Moreover, as the factory is currently rushing orders, it has a large need for more workers.

The factory hires directly off the street, where they set up a recruiting stand. The recruiting process is as follows. After passing her ID card to a recruiter, a worker is told to wait for other applicants to arrive. At around 14:20, applicants prepare for the interview. Applicants are led into the factory's living area. Their first task, in military fashion, is to stand at attention, turn left and right, and march. Recruiters explain this procedure is aimed to evaluate applicants' physical stamina. At the time that CLW's undercover investigator went through the process, one female applicant was disqualified. A male behind her who was apparently a relative of hers then quit the process along with her. Two other male applicants later dropped out, too.

After the military-style training, job applicants are led to the factory's medical clinic to undergo a simple physical examination. The doctor mainly checks applicants' hands and checks their heartbeats. The whole process is quite brief, lasting at most a minute per person.

Following the examination, the recruiters briefly introduced the situation with accommodations at Merton, had applicants fill out job application forms, and have photos taken. Then for those choosing to live in the factory's dorm, logistical staff leads them to dorm supervisors who ask them to review dorm regulations. After having their rooms assigned, applicants gather in the hallway to listen to an introduction to the dormitory situation. They are reminded to take care of their personal property in the dorm.

For those choosing to live out of the factory, they need to fill out factory access forms after filling out their applications. The entire recruiting lasts about two hours.

At 7:30 the next morning, the new employees check into the factory. The so-called training starts at around 7:40.

For training, the factory staff leads new employees to the factory's after-work school, which turned out only to be a room with desks and chairs. Then the staff asks each worker to sign in and get a training test paper. Workers are given about 10 minutes to read the content on their own while the trainers leave the classroom. 10 minutes later, the trainers come back, read the answers out loud one by one, having workers copy the answers on their test sheets.

## **Labor contracts**

There are two copies of each labor contract. Employees only need to sign the last page, noting that they understand the content of the contract. Employees are not given enough time to read and fully understand their contracts before they are taken back by the staff.



Merton labor contract

The contracts are returned to the workers after they are stamped by relevant governmental departments, which is usually about a week later. The contract period is five years, with a six-month probationary period.

### Working hours

The regular work schedule is eight hours a day, five days a week, with 3.5 hours of overtime every day. On the weekend, a workday is also 11.5 hours. If orders are urgent, overtime hours on weekend days will be increased. For instance, September was a peak season for Merton, and workers said that except for the day off on Mid-Autumn Festival, they have to work every day of the month. The monthly overtime is around 100 hours. (Note: the working hours described here apply to the packaging department.)

In the packaging department, a worker is on the job from 7:30 AM to 12:10 PM, has a break for lunch, and then works again from 1:20 PM to 4:50 PM. After dinner, the worker does evening overtime from 7:00 PM to 9:20 PM.

Workers who choose not to work overtime can fill out an application or tell their supervisors directly. CLW's investigator once chose not to go into work on a Saturday morning for overtime. When the investigator went to work on Saturday afternoon, his direct supervisor told him that since he did not come to work in the morning, he did not need to work on either Saturday or Sunday, and that he only needed to report in on Monday.

项目	部门	工号	姓名	考勤天数	正常工时	加班工时	总计工时	正常工资	加班工资	绩效奖金	其它工资	伙食费	夜班津贴	工龄津贴	全勤奖	工作日津贴	特殊工种津贴	应扣税金	社保	医疗费	住房公积金	住宿	餐费	小食	其它费用	实发工资	产能奖励
1		152		31	82.9	133.1	216.0	1144.96	884.77	811.73	603.23	0	0	0	0	120	0	9.06	0	0	0	129	19	0	2461		

July 2013 pay stub of a Merton worker. This worker did 96 hours of overtime in July. After accounting for all subsidies and deductions, this worker earned 2,461 RMB (\$402).

There are production quotas in the packaging department. The line on which CLW's investigator worked included had 10 people in total. Half of them had recently begun their work on the line. The group was not very productive, turning out 50 units per hour, whereas the quota was 150 units. Unhappy with the performance, the supervisor gathered all of the workers in the line to criticize them. The supervisor went on to tell the workers that the work of each position has a predetermined amount of time. He said it should only take about 25 seconds to make a product.



Images of work at Merton

## Wages and benefits

Wages for the previous month's work are paid on the last day of every month. The average wage, after accounting for overtime, bonuses, and subsidies is around 2,800RMB (\$457) after deducting for the meal and dorm fees.

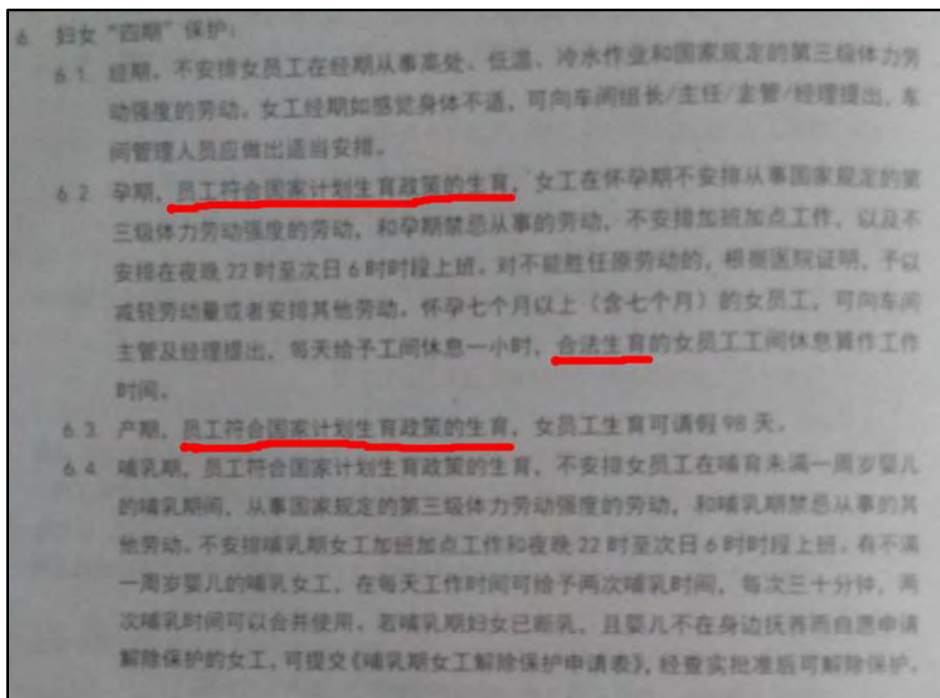
Overtime wages on working days, weekends, and holidays are paid at 150%, 200%, and 300% of regular wages, respectively.

According to CLW's interviews with workers, only workers who have finished the probationary period (of six months) can purchase social insurance, at which point they can

also choose to opt out of it altogether. The factory only buys retirement insurance for those having worked for over a year. Nonetheless, the factory purchases medical insurance and employment injury insurance for workers, costing 9.06 RMB (\$1.48) per month, which is deducted from wages. Not one worker that CLW talked to had retirement insurance, which Merton is required by law to provide.

Factory regulations list the types of leave that that workers can enjoy, including maternity leave, marriage leave, funeral leave, and sick leave. But according to Merton's rules, in order for women to take maternity leave, they must abide by China's family planning policy. This means that if a woman is having a second child, she will not be able to take maternity leave, making her ultimately choose between aborting her child and giving up her job.

The factory has its own clinic and has places first aid kits in the living and the production areas. First aid kits are made of wood and are locked, so it was not possible to see what medication is inside. If a worker gets treatment in the medical clinic, the cost of treatment is deducted from his wages.



Regulations on pregnant women taking leave



Merton factory

## Occupational safety

Pre-work safety training is careless and insufficient. In the packaging department, some positions involved welding, gluing, and other technical work. If workers ask for protective equipment, the factory will provide it. But throughout CLW's investigation, only one to two workers were found actually using the equipment.

The factory inspects fire prevention equipment once a month and will note on the equipment that it has undergone inspection. But in the factory's living area, the investigator randomly checked five fire



Workers on the production line

extinguishers and found the pressure gauge on three extinguishers displayed the extinguishers were overpressurized.

## Living conditions

### Meals

If newly recruited workers want to eat in the factory cafeteria, they need to fill their ID cards with their own money to pay for meals. After seven days (on the 8th day), the factory will fill the ID card of every new workers with 300RMB (\$50) as a one-month meal stipend. If workers spend over 300 RMB, the cost will be deducted from their wages. Any unspent amount on the card will be lost and does not rollover to the next month.

The factory provides different levels of meal sets, with the costs ranging from 4 RMB (\$0.65) to 6 RMB (\$0.98). Workers told CLW that meals in the factory cafeteria are very bland, and little meat is provided.

### Accommodations

The factory provides workers with dorm rooms, but it is not free. The monthly charge for living in the dorm is 55 RMB (\$9), including utilities. If a worker lives in the dorm room less than a month, the factory will charge him by day, coming out to about 1.8 RMB (\$0.30) per day. Every floor



Overpressurized fire extinguisher



Workers sleeping between shifts



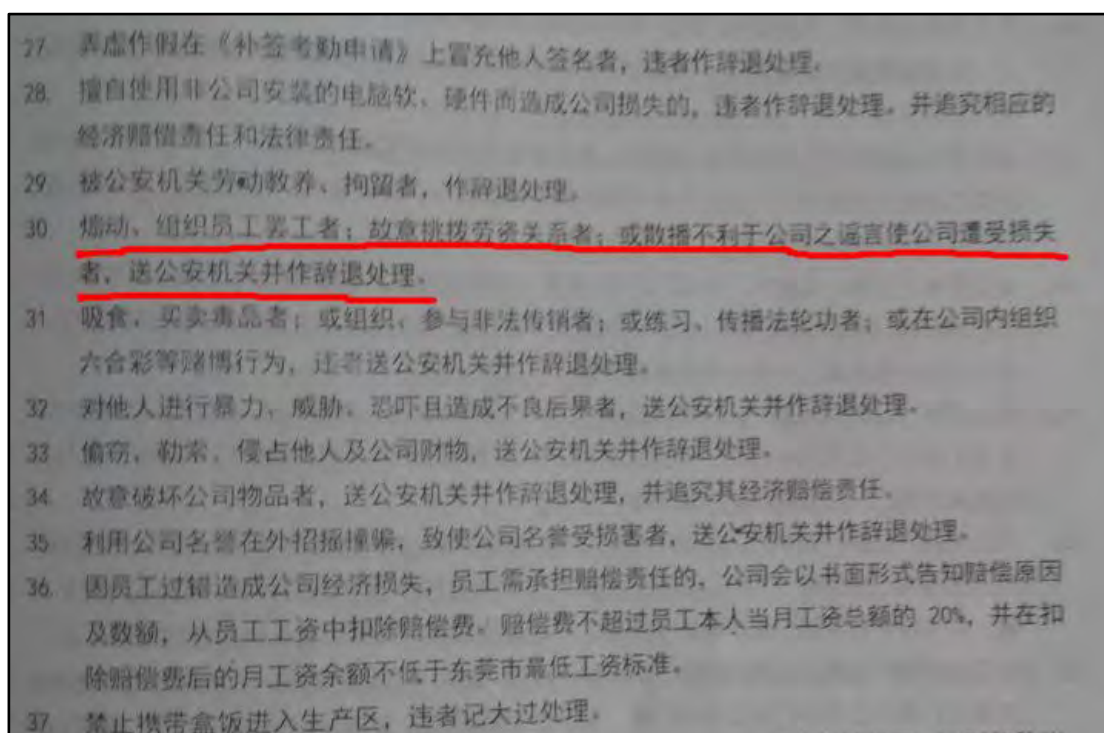
has 20 rooms, each of which can accommodate 12 people at most. But during the course of CLW's investigation, only about six people were assigned to each room. Every room also has a small balcony where workers can hang their clothes. Every floor has shared restrooms and showers.

There are smoking areas and cell phone charging cases on every floor. If a worker needs to charge his cell phone, he needs to buy a key for the charging case.

## Rewards and punishment

The employees' manual delineates the levels of punishments, including oral warning, minor offense, major offense, and dismissal. CLW did not discover any workers who had been fined directly for their behavior by the factory. But the factory carries out indirect fining: a worker checking his cell phone will have that day's working hours reset to zero.

The factory regulations state that workers who instigate or organize strikes, damage relationship between management and workers, or spread rumors about the factory that causes losses to the factory will be given to the police and fired.

- 
27. 弄虚作假在《补签考勤申请》上冒充他人签名者, 违者作辞退处理。
28. 擅自使用非公司安装的电脑软、硬件而造成公司损失的, 违者作辞退处理, 并追究相应的经济赔偿责任和法律责任。
29. 被公安机关劳动教养、拘留者, 作辞退处理。
30. 煽动、组织员工罢工者; 故意挑拨劳资关系者; 或散播不利于公司之谣言使公司遭受损失者, 送公安机关并作辞退处理。
31. 吸食、买卖毒品者; 或组织、参与非法传销者; 或练习、传播法轮功者; 或在公司内组织六合彩等赌博行为, 违者送公安机关并作辞退处理。
32. 对他人进行暴力、威胁、恐吓且造成不良后果者, 送公安机关并作辞退处理。
33. 偷窃、勒索、侵占他人及公司财物, 送公安机关并作辞退处理。
34. 故意破坏公司物品者, 送公安机关并作辞退处理, 并追究其经济赔偿责任。
35. 利用公司名誉在外招摇撞骗, 致使公司名誉受损害者, 送公安机关并作辞退处理。
36. 因员工过错造成公司经济损失, 员工需承担赔偿责任的, 公司会以书面形式告知赔偿原因及数额, 从员工工资中扣除赔偿费。赔偿费不超过员工本人当月工资总额的 20%, 并在扣除赔偿费后的月工资余额不低于东莞市最低工资标准。
37. 禁止携带盒饭进入生产区, 违者记大过处理。

Factory regulation on punishment for organizing strikes, damaging management-worker relations, or adversely affecting the company through so-called rumors

## Resignation

Workers who resign during their probation period need to apply for resignation three days in advance. After the probation period, workers need to apply 30 days prior to resignation. The resignation procedure requires workers to return their ID cards, uniform, and employee manual to the factory. After this, workers receive their remaining wages from the finance department. But workers do not receive any form of proof for this payment.

## Other issues

During the investigation, the union or worker representatives are only mentioned in the employee manual. Nowhere else in the living or working areas did CLW find the factory's union. None of the workers CLW interviewed knew anything about the union.

The factory has a couple grievance channels, including complaint boxes and a hotline. On the factory's bulletin, a complaint was posted that asks the factory to inform workers about the holiday schedule during the National Day in October, to which the factory had responded. As to the hotline, a few veteran workers have the hotline information card, but new workers do not get the cards. Although the employee manual, which workers receive when they begin working at Merton, has a page about the hotline, CLW finds that few workers understand the content of the manuals.

As the factory was rushing orders during the period of CLW's investigation, it was outsourcing some work to smaller factories nearby.



In the production facility