

Investment that creates workers' misery and poverty; Kohlberg Kravis Roberts & Co. (KKR)



China Labor Watch

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As the United States Presidential draws conclusion, the world turns its eyes to the new U.S. president and his abilities to lead the nation away from all the existing obstacles that have been challenging the nation. But thousands of miles away from United States, thousands workers toil away in sweatshops in the Guangdong province, making products for companies owned by US private equity giant Kohlberg Kravis Roberts & Co. (KKR).

“Clearly the recent economic crisis has influenced the American people’s lives, but I can only expect that the lives of Chinese workers who are employed under KKR-owned companies to be much worse”, says Li Qiang, Executive Director of China Labor Watch (CLW). Li adds, “KKR’s growth relies on the cheap price of the products produced by companies under its wing”.

In order to extend that growth, the private equity gave its suppliers low price to manufacture products while disregard *how* the suppliers produce the products. This strategy, however, is not sustainable; instead, it puts KKR’s investors at more risk. Paying suppliers at a low price does indeed give an immediate return; cheap products priced in the US market will encourage consumers to purchase more”. However, low prices also create an incentive for suppliers to cheat on labor standards and on materials required to manufacture the product. If the product malfunctions or is tainted and harms the consumers in any way, it is not something low prices or discounts can convalesce.

Working day in and day out, Chinese workers are well aware of the flaw the product they manufacture or what kind of harm the product could carry out. However, they could careless about the consequences these flawed products could bring. Who could blame them? They are constantly exploited and humiliated by employers that they no longer have the power to question the process of production. As the economy worsens, I fear that KKR will request for even lower cost and demand much more productivity from workers than before, which will drive workers into deeper poverty”, Li suggests.

Chinese factories and sweatshops have long drawn heavy fire for their deplorable working conditions and human rights abuses. Yet companies owned by KKR, one of the world’s largest private equity firms and the second largest employer in the US, contract with Chinese sweatshops in the Guangdong province where conditions are even worse than normal. A close survey of these Chinese factories with KKR connections reveals the repugnant working and living conditions that workers in these factories are forced to endure.

Problems with Chinese labor contractors/general issues

Chinese sweatshops are notorious for forcing workers to work long hours for little pay, under unhealthy and even dangerous conditions.

A 2004 audit of 142 Chinese factories by Verité, a nonprofit organization that monitors working conditions across the world, found that 93% of the factories employed excessive overtime.¹ According to Verité’s report,

Overtime in excess of 20 hour per week, the standard for multinational corporate codes of conduct, is frequent and widespread in Chinese export factories. Overtime in excess of the Chinese legal maximum of 36 hours per month is also common.²

Chinese sweatshop workers often work 360-400 hours a month and more than 90 hours a week, almost twice the legal limit.³ A compliance manager for a major multinational company told *BusinessWeek* that he “estimates that only 20% of Chinese suppliers comply with wage rules, while just 5% obey hour limitations.”⁴

KKR portfolio companies use problematic contractors

The private equity business model calls for its portfolio companies to maximize their profits through financial engineering as well as squeezing as much money as possible from the supply chain and other business operations, often to the great peril of workers.

For instance recently Nielsens, a KKR owned company laid off a great number of workers in the Tampa, Florida area and replaced them with Indian contractor TATA Consultancy. According to news reports the contracted workers received lower wages and benefits.

A number of KKR companies, including Dollar General, Masonite and Tianrei Cement have contracted out manufacturing of their products to Chinese factories. CLW was able to identify at least 6 factories that produced products directly for KKR subsidiaries. These may include products that would be sold as their own store brands or components for a larger product, such as bolts for doors. Piers data (A US import/export trade database) from January –March 2008 indicated that these factories had shipped product directly to KKR’s portfolio companies.

The following subcontractors were researched as part of this project:

Dollar General:

- *K-Mate factory*: K-Mate is located in Zhongshan, and employs around 400 workers. It manufactures small electronics such as Bluetooth products, cell phone accessories, iPod accessories, etc.
- *Xingchan Plastic factory*: Xingchan is located in Shenzhen and employs about 700-800 workers. It manufactures plastic products.
- *Debao Plastic factory*: Debao is also located in Dongguan, and employs around 800 workers. It manufactures commodities such as plastic utensils, wine bottle containers, notebooks, paper boxes, stickers, and handbags.
- *Daxing (Dongguan) Decoration factory*: This factory has roughly 1,800 workers and makes candles and Christmas lights.

Masonite Doors

- *Stanley Hardware factory* and *Stanley Tools factory*: Both of these factories are based in Zhongshan. Stanley manufactures bolts that are used in Masonite doors. Masonite is a KKR portfolio company.

CLW investigated the conditions in these factories directly through the following methodology:

Methodology

Li Qiang, Executive Director
China Labor Watch (CLW), 中国劳工观察

May 22nd, 2008, CLW began a series of investigations on Chinese suppliers to companies owned by KOHLBERG KRAVIS ROBERTS & CO. (KKR). The investigations ended on July 11th, 2008. In the month of August, CLW launched a follow up investigation on the factories in order to obtain up-to-date data.

CLW began an initial research in identifying 33 possible Guangdong-based suppliers by internet and Piers.com and confirmed that 6 out of the 33 suppliers are hiring. CLW then sent investigators to work in six suppliers and simultaneously arrange researchers to conduct interviews with workers from the six suppliers. Hence, the findings were primarily based on investigators' actual working experience in the factories and workers' interviews.

The six suppliers (Guangdong Province) are:

Dollar General

- Dongguan Daxing Decoration Ltd. (Daxing)
- Zhongshang K-Mate General Elec. Co., Ltd. (K-MATE)
- Debao Corporation (Debao)
- Shenzhen Xingchang Plastic Product Ltd. (Xingchang)

Masonite

- Stanley (Zhongshan) Tools Ltd. (Stanley Tools)
- Stanley (Zhongshan) Hardware Co. (Stanley Hardware)

Among the six factories, Daxing and Debao were acquired through internet research. Both factories' websites stated that they have passed Dollar General's audit requirements and became the company's suppliers.

Through Piers.com's data from January to March 2008, we were able to determine that Debao, Xingchang, Stanley Tools, Stanley Hardware have produced for companies owned by KKR. Piers.com is a website that maintains import and export information on cargos being transported both nationally and internationally.

CLW sent two investigators to investigate on two factories owned by Tianrei Corporation, a cement corporation owned by KKR in Henan Province.

The investigations at Tianrei were solely based on interviews with workers.

The Supplier (Henan Province):

- Tianrei Corporation Ruzhou Cement Co., Ltd.
- Antai Cement Co. Ltd.

While interviews with workers at Tianrei Ruzhou Cement were conducted productively, at Antai, due to workers' fear for their employer, CLW investigators were not able to obtain sufficient data except images of the factory's exteriors.

During investigations on the factories, CLW was able to obtain workers' pay stubs and contract, images of workshops, dormitories, products and etc. Workers' living conditions were also filmed by the investigators.

The investigations were conducted from a neutral perspective which reflects the actual conditions behind suppliers to companies owned by KKR.

KKR portfolio companies' Chinese contractors are problematic

CLW surveyed these seven Chinese factories that supply KKR portfolio companies. All of these contractor facilities were located in China's manufacturing hub of Guangdong province. The factories all have onsite dormitories and cafeterias, where most workers eat and sleep.

The list of problems experienced by workers at these seven factories is long and shocking. Factories exploit workers, force them to work long hours for low wages, and at times, no wages. In some cases workers are not paid even the minimum wage and are not paid overtime as they are required to do under Chinese law. Furthermore, the factories make it difficult for workers to resign and illegally dock them up to a month's wages for quitting. The factories also; impose arbitrary and onerous monetary penalties and subject workers to a dangerous work environment and squalid living conditions.

The private equity business model involves squeezing every last dime out of portfolio companies in order to turn a profit. But in China, this behavior has been taken to a new level. Furthermore, conditions at these particular facilities are terrible even by Chinese standards.

Poverty-level wages. Over half of the investigated factories that KKR companies contract with in the China paid poverty level wages equivalent to less than 70 cents an hour. In the provinces in which these factories are located, the legal minimum wage ranges from 750-850 yuan a month or roughly US\$109-US\$124 a month or 68-77 cents an hour.

While such low wages may be legal in China, an average worker in Guangdong province needs to earn between 1,300 and 1,500 yuan per month (US\$189-\$219) to have a sustainable living wage.

All of the KKR supplier factories make it impossible for its workers to earn a decent living and in some cases the factories violate the minimum wage laws. Most of the surveyed factories that KKR companies do business with pay below the living wage and some pay only the minimum wage. What's worse is that some workers are paid *below* the legal minimum. Furthermore, because of the long hours the factories require employees to work, the workers are not able to find a second job to supplement their incomes and bring them up to the living wage.

- *Debao Plastic factory, Dongguan:* The average worker at Debao makes between 900 and 1,100 yuan per month (US\$131-\$160). There are also hourly workers at Debao, who are paid 25 yuan per day for their first three months of employment. This is 10 yuan below the minimum wage, which comes to 35.44 yuan per day (US\$5).
- *K-Mate factory, Zhongshan:* The average worker at K-Mate makes 800 yuan per month (US\$117), just barely above the local minimum wage. During workers' first month, however, their base pay is 690 yuan (US\$101), below the local minimum wage.
- *Stanley Hardware factory, Zhongshan:* Workers on the zinc production belt in Stanley Hardware's electroplating department are paid 8-8.5 yuan per hour (roughly US\$1), but all other workers are paid either 4.65 yuan or the minimum wage of 4.43 yuan per hour (roughly 65-68 US cents per hour).

Long hours & mandatory overtime. At six of the seven factories that KKR companies contract with, workers are forced to work very long hours and have mandatory overtime. Chinese labor law requires factories to pay overtime for any work in excess of eight hours a day or 40 hours a week, and workers may not legally work more than three hours of overtime in a single day or more than 36 hours of overtime per month.⁵ Furthermore, under the law, workers are entitled to one day off every week.⁶ However, in these factories contracted with KKR-owned companies these legal requirements are ignored.

In these factories, the exploitation is not just immoral, but it is illegal.

- *Daxing Decoration factory, Dongguan:* Workers' normal shift is eight hours a day, seven days a week, which is a violation of the law requiring at least one day off a week. In addition, they are also required to put in five hours of overtime every weeknight, in excess of the legal limit. Workers refusing to work overtime have three days' worth of wages deducted. During the peak season, workers only get two days off every month, and they are required to work 24-hour shifts at least twice a month. Furthermore, if workers fail to meet their daily quota four consecutive days, then on the fourth day, the factory starts deducting their overtime wages.

- *Debao Plastic factory, Dongguan:* Workers have to work at least 12 hours a day, seven days a week, in excess of the legal limit. With overtime, they often put in 14 or more hours, and sometimes even work through the night. Furthermore, workers do not receive overtime pay for the work they put in on weekends.
- *K-Mate factory, Zhongshan:* Workers are required to work overtime, but there is no set schedule for the overtime shift, so it can last all night long. Moreover, overtime pay does not kick in until a worker has put in 200 hours of work each month. This violates the overtime laws, since based on an 8-hour workday, there are only 160-184 regular working hours in a month, depending on the month.
- *Stanley Hardware factory, Zhongshan:* Workers start at either 7:30 or 8:30am depending on which department they are in, and during busy times are required to work overtime, which lasts until 10 or 11pm, in excess of the legal limit. If a worker refuses to work overtime, it is considered a no-show, and three no-shows result in termination. Furthermore, if workers in each department do not meet their daily quota, they are forced to work overtime for free until the quota is met.
- *Stanley Tools factory, Zhongshan:* Overtime is mandatory at Stanley Tools, and workers are forced to put in two hours each night.

Fake contracts and pay stubs. Most of the factories require workers to sign a contract at the time they are hired that stipulates their hours, wages, and benefits, among other things. The factories use these documents as well as workers' official pay stubs to demonstrate compliance with Chinese legal requirements and American companies' labor standards. However, the official version of the contract and the official pay stubs are often just for show, and bear no resemblance to the conditions that the factory workers have to contend with. Factories that KKR companies contract with employed methods to evade the official contract.

- *Daxing Decoration factory, Dongguan:* At Daxing, workers are not permitted to keep a copy of their contracts, so they have no way to hold their employers to the terms of the agreement. Furthermore, the factory makes them sign a fake, official pay stub, which shows inflated wages. They are later issued a real pay stub, which reflects their actual pay.
- *Debao Plastic factory, Dongguan:* After signing a contract at Debao, workers are asked to place their fingerprints on a separate document that absolves Debao from any responsibility for honoring the terms of the original contract.
- *K-Mate factory, Zhongshan:* Workers at K-Mate are not allowed to keep a copy of their contracts, so they are unable to hold the factory to the agreed-upon terms.

Barriers to quitting. At least five factories with which KKR companies contract make it difficult for workers to quit and find better opportunities elsewhere. Workers cannot simply quit, but rather have to file a request for resignation, which can take a long time to be approved. Typically, if a worker leaves before the request is approved, he/she has to forfeit the last month's wages. Under local laws, workers are only required to give three days' notice if they wish to quit, and under no circumstances is the employer allowed to withhold wages from the workers for work they have already done.

- *Daxing Decoration factory, Dongguan:* Workers who have been employed at the factory for longer than six months typically have to wait over a month for the resignation request to be approved, or else must forfeit their last month's wages. The factory sets a time at which the worker must vacate his/her dormitory and leave the premises, but the worker cannot collect wages for the last month of work until the end of that month.
- *Debao Plastic factory, Dongguan:* The factory often takes up to two months to approve a resignation request, and workers who leave early have to forfeit the last month's wages. Workers who have worked less than a month and want to resign often end up leaving without collecting any wages at all.
- *K-Mate factory, Zhongshan:* It is extremely difficult for workers to quit, because the factory rejects nearly all resignation requests. When it does approve a request, it takes a long time to do so. Most workers who want to quit end up leaving before the request is granted and forfeit half a month's wages. Furthermore, workers who quit before the termination of their contract with K-Mate have to pay a 100 yuan penalty when they resign, which is typically over 12% of their monthly wages.
- *Stanley Hardware factory, Zhongshan:* Workers are required to give the factory 30 days' notice before quitting, or else have to forfeit any wages they have not yet been paid.
- *Stanley Tools factory, Zhongshan:* The factory only approves resignation requests if the worker gives at least one month's notice. Workers who choose to leave earlier are not paid the full wages they are owed by the factory.

Onerous monetary penalties. Most of the factories that do business with KKR companies impose disproportionately high penalties and fines on workers, often for arbitrary reasons.

- *Daxing Decoration factory, Dongguan:* Workers lose nine days' worth of wages if they are caught smoking or drinking in their dormitories, if they are absent from work for more than half a day, or if they are uncooperative with security when they are being searched upon leaving the worksite. They lose three days' worth of wages if they refuse to work overtime or are absent for half a day.
- *Debao Plastic factory, Dongguan:* Workers are fined 10 yuan for having long hair, long nails, wearing sandals to work, or cutting in line at the cafeteria. They are fined 1 yuan for every minute they are late to work or every minute they leave work early. If they are 30 minutes late or leave 30 minutes early, they are penalized for missing half a day's work, which costs them 50 yuan. If they miss a full day, they are fined 100 yuan, and if they miss three full days, they are terminated without receiving the wages they are due. On average, workers only make between 30 and 60 yuan a day, so these penalties can add up.
- *K-Mate factory, Zhongshan:* Each month, the workers with the cleanest room in the dormitory are awarded 20 yuan each, and the workers with the dirtiest room are fined 20 yuan each. Workers who refuse to follow orders given by a supervisor are fined 50 yuan. Workers typically only make about 800 yuan a month.

- *Stanley Tools factory, Zhongshan:* Workers are issued a meal card to use in the cafeteria. Workers who refuse to follow orders have anywhere from one to 14 meals deducted from their meal card.

Dangerous work environment. Factories that KKR companies contract with had dangerous working conditions, including health and safety violations, workplace injuries, and high temperatures on the factory floors.

- *Daxing Decoration factory, Dongguan:* In April 2008, a worker's leg was severely injured in a sewing machine accident. The worker was still hospitalized as of early July.
- *Debao Plastic factory, Dongguan:* There are no air conditioners on the molding department floor, where temperatures can get very high. Many workers have fainted on the job due to the heat. Workers in the manual department who make paper boxes often cut their fingers, but Debao does not provide them with gloves. Some of the workers in the molding department who work with extremely hot objects are equipped with gloves, but many do not wear them because of a lack of training and awareness about workplace safety issues.
- *K-Mate factory, Zhongshan:* Chemicals at the factory's workshops are not labeled, so workers are not aware of the possible risks when handling these chemicals. Several workers reported that the chemicals seeped through their gloves and caused the skin on their hands to peel off. When workers requested face masks to avoid breathing in the fumes from some of the chemicals, their request was denied. Furthermore, some workers operate machines that give off radiation. Rather than being provided with the proper materials to keep them safe, these workers are merely paid an extra 100 yuan. Workers also say that the equipment in the workshops is not properly maintained, and that the door on the emergency exit is locked. Furthermore, workers complain that they do not receive adequate safety training and that the workshop floors are not air conditioned.
- *Stanley Hardware factory, Zhongshan:* Although Stanley designates people to perform routine maintenance on factory equipment, workers say the machines are not properly maintained. This has resulted in several workplace injuries. Workers also complain about the high temperatures on the workshop floors.
- *Stanley Tools factory, Zhongshan:* Workers report that the machines in the factory are not properly maintained. In December 2007, a worker's left hand was sawed off in a workplace accident. Stanley concluded that the accident was caused by a lack of training in workplace safety and unsafe machinery. Stanley also does not supply workers with gloves because it believes that will slow down production. Workers therefore have to purchase their own gloves. Although the factory provides workers with aprons and masks, workers say it does so irregularly. Workers also complain that they are subject to extremely high temperatures.
- *Xingchan Plastic factory, Shenzhen:* Workers say the workshops are extremely hot and unsanitary. The floor is covered with grease and water.

Squalid living conditions. Workers complained of deplorable living conditions in the dormitories and the factory cafeterias. Reminiscent of the factories towns in early 20th

Century America, companies use the housing facilities as ways to deduct wages from workers for inedible food.

- *Daxing Decoration factory, Dongguan, a Dollar General Contractor*
Workers live in dormitories, with an average of ten people to a room. They are charged 160 yuan every month for food and housing, even if they choose not to eat in the factory cafeteria, where workers report that the conditions are unsanitary and the food is inedible. The bathrooms in the dormitories are extremely dirty, and lack running water, making it difficult to flush the toilets.
- *Debao Plastic factory, Dongguan*
Drinking water is only available on the first floor of the dormitory, meaning that workers on other floors must trek through the facilities to obtain clean water. Although workers pay a six yuan cleaning fee for their dorm room, it is still dirty and infested with cockroaches and mosquitoes. The shower lacks hot water and workers complain about the quality of the food in the cafeteria which costs them between 3-5 yuan for lunch and dinner.
- *Xingchan Plastic factory, Dongguan*
On average, six to eight workers share a dorm room at Xingchan. They pay 50 yuan per month, plus utilities. The ceiling fans in many of the dorm rooms are broken, but management does not fix them. The bathroom lights and doors are broken, but management does not fix them.

KKR's Tianrei cement factory

Workers' rights abuses and dangerous working conditions are problems not only with the Chinese factories that KKR companies use. Conditions at KKR's own Tianrei cement factory are also poor.

Tianrei Group Cement Company is located in the Henan province in china. It employs 2,100 workers, and is one of China's leading cement producers. KKR acquired Tianrei in 2007.

Part-time workforce. One-third of Tianrei's workforce is temporary. These workers make only 600 yuan a month and are not entitled to any overtime pay or paid time off

Low wages. Full-time workers at Tianrei make between 950 and 1,200 yuan per month on average (US\$138-\$175). Part-time workers, however, make only 600 yuan per month (US\$87) Workers at Tianrei have to sign their pay stubs, but are not able to keep a copy of the pay stub. Hence many workers do not know whether the factory is paying them the full wages.

Overtime violations. Not all workers at Tianrei get the regular overtime premium and Tianrei pays its overtime premium differently from what is legally required

Vacation and sick leave. As with the other factories, workers at Tianrei also sign a contract when they are hired. Even though the contract guarantees them paid vacation

days, Tianrei does not abide by this agreement. Furthermore Tianrei does not offer workers paid sick leave. Only those who are injured on the job are allowed to take time off, but if they are out for more than 15 days, then the supervisor who approved the leave is penalized. Part-time workers who are injured at work are not offered any time off and are forced to quit.

Workplace safety. Conditions at the Tianrei factory are dangerous and workers are put at risk. Tianrei only supplies its full-time workforce with safety equipment such as gloves, face masks, towels, soap, flash lights, and laundry detergent. Part-time workers are responsible for purchasing their own. Workers report that there is so much dust that they often cannot see clearly when they are operating machinery. Workers in the sintering sector work with a machine that preheats raw materials. When objects get stuck in the machine, workers are asked to clear the machine manually. This often results in severe burns, which can require two weeks' recovery time. However, as mentioned above, workers who are injured on the job are only permitted to take up to 15 days off, so if it takes longer, they are out of luck. Furthermore, Tianrei sometimes penalizes workers who are injured on the job, which is illegal under labor law.

Fines and Penalties. Workers are fined 50-100 yuan for failing to maintain cleanliness in the workshop. If they make a mistake at work, they can be fined 50-200 yuan or even suspended, depending on the seriousness of the mistake. Finally, as mentioned above, Tianrei sometimes illegally penalizes workers who are injured at work.

Suppliers List

Dollar General

- Debao Corporation (Debao)
- Shenzhen Xingchang Plastic Product Ltd. (Xingchang)
- Dongguan Daxing Decoration Ltd. (Daxing)
- Zhongshang K-Mate General Elec. Co., Ltd. (K-MATE)

Masonite

- Stanley (Zhongshan) Tools Ltd. (Stanley Tools)
- Stanley (Zhongshan) Hardware Co. (Stanley Hardware)

Tianrei

- Tianrei Corporation Ruzhou Cement Co., Ltd.

DD (Debao) Plastic Factory Co.



Image: Debao workers' dormitory

Basic Fact

Debao Corporation is a color printing and plastic factory. It's headquarter is located in Hong Kong. The factory was established in 1987, at first, it mainly focuses on plastic product manufactures. After decades, it now produces plastic utensils, daily commodities, color box, wine container, notebook, prints, paper box, sticker, handbag, puzzle, decoration and etc. It currently owns Dongguan Debao Plastic, Humen Juji Paper Co., and Dongguan Debao Printing Co.

Factory Name English: DD Industries Limited Chinese: 得宝塑胶厂
Address Chinese: 东莞市道滘镇蔡白第一工业区 The factory site is about 30,000 square meters
Number of Workers 800 workers
Products plastic utensils, daily commodities, color box, wine container, notebook, prints, paper box, sticker, handbag, puzzle and etc.
Primary Clients ATICO, Disney
Certifications ISO 9001, 2000 Standard

Contract & Hire

Hiring Practices:

Referral- Introduced by current factory employee

Direct Hire- Hiring directly in front of factory gate

Other- Hiring through online application system.

In the factory, there are full-time workers and part-time workers. Part-time workers are mostly students who are looking for a summer or winter break job. According to workers, the students are mostly middle school students.

Before employment, workers would need to head to the Human Resource Department to fill out an application, and then attend an interview conducted by a department manager. Upon recruitment, workers are offered a contract to sign, the factory only asks worker to write his/her name, ID number, address and contact number. According to a supervisor from the Human Resource Department, "It's only a procedure, you can write whatever you want on the contract, but at least fill out your personal information correctly". The contract has no information regarding wage, tenure, benefits, and other information that secure worker's job and rights. After signing the contract, the factory then asks for worker's finger print on an agreement that removes Debao's responsibility to follow the contract agreement. In other words, the contract at Debao is meaningless. New workers are then asked to pay an 80 RMB fee for two uniforms for summer and winter season.

At Debao, experience is not required. The factory does not give training to workers, instead, it gives new workers a test along with an answer sheet. Then new workers are given a training guidebook that includes, ISO, 5S, security management, dormitory management, fire prevention management, sanitation management, canteen management, audit management and etc. Lastly, workers are free to ask any questions.

Dormitory Conditions

There are two dormitory buildings on site, and male and female dormitory are separated with the dormitory stairways as a boundary. The ratio of male to female living on site is 3:2. There are big dorm rooms and small dorm rooms, while most of the rooms are small dorm rooms. A small dorm room consists of 6 bunk beds with 12 bed spaces, housing about six to seven workers. A big dorm room has eight bunk beds with 16 bed spaces, housing about eight to nine workers. Each room has one light tube, two ceiling fans, a balcony and two compartments used as restroom and shower room. Workers often use the balcony to dry clothes though the area is often dark and humid which makes clothes very difficult to dry.

The restroom squatter does not have a flush. Worker who wants to flush needs to go to the other room to fill up water in a bucket then pour it into the squatter. Thus, although the public restroom outside the dorm room requires the same procedure to flush, since water valve is included in the public restroom, sometimes workers would just use the

public restroom to avoid inconvenience. According to factory regulation, workers cannot turn on the lights in the dormitory during work hours.

Shower rooms inside the dorm rooms only distributes cold water, and workers would have to go to the first floor to get hot water. Both the hot water and drinking water distributors are located on the first floor. Each drinking water distributor has two valves and there are only three distributors on the first floor of the two dormitory buildings, workers often bring multiple pots to fill up the water and take them back to the dorm rooms. Workers often complain about such inconvenience.

There is a trash can and a dust pan placed in the hallway in front of every other dorm room's entrance. Workers are responsible for the sanitation of their rooms, and there are designated cleaning workers maintaining the public area's cleanliness. Each month, Debao deducts 6 RMB from workers' wages as a cleaning fee. The dormitory sanitation conditions, however, is still poor. Workers often complain about massive cockroaches and misquotes roaming in the dormitory despite the fact that there are specialists coming to dormitory every once in a while to spray insecticide.

Canteen Conditions

There are two canteens onsite; employee canteen and workers canteen. Only one of the canteens has TV. Both canteens offer two meals a day, lunch and breakfast, and workers are responsible for their own breakfast.

Both canteens open from 11:30AM to 12:30PM and 5:20PM to 6:00PM, and securities can go to the canteen 20 minutes before the opening time to dine. Both lunch and dinner are 3 RMB per meal, with two entrees and free rice refill. There is also an upgrade meal costing 5 RMB per meal. The upgrade meal also has two entrees though the amount and quality are better than regular meal.

Workers can use meal ticket or IC card to purchase meal. Workers would need to use cash to purchase meal ticket. If workers use the IC card for meal purchase, every half a month, Debao deducts 90 RMB from workers' monthly meal subsidy. Workers who choose not to dine onsite will receive a 200 RMB subsidy each month.

Workers are responsible for their own utensils. Upon entering the factory, workers need to purchase their own utensils to use at factory canteens and store them in their own rooms. According to Debao regulation, workers cannot take the canteen food back to the dormitory.

In terms of the food, workers complained about its lack of choices, poor taste and quality. According to an interviewed worker, the quality of food was better in the past. Despite much complaint about the food, majority of workers still dine in the canteen due to lack of time.

Work Hours

Schedule	Day Shift	Night Shift
Injection Molding Dept. Workers	7:00AM – 12:00PM 1:30PM – 6:30PM	6:30PM – 7:00AM
Injection Molding Dept. Quality Control	7:30AM – 11:30AM 12:00PM – 5:20PM (OT) 5:50PM – 6:30PM	8:30PM – 7:30AM
Molding Dept.	7:00AM – 12:00PM (OT included) 1:30PM – 8:00PM	8:00PM – 7:00AM
Manual Dept.	8:00AM – 12:00PM 1:30PM – 6:30PM 6:30PM -	
Silk Dept.	8:00AM – 6:30PM 6:30PM -	

Debao requires all workers to be present 15 minutes before work begins. Although each department has different work schedule, all departments work at least 12 hours a day. If workers are not able to complete the daily quota, they would be asked to work overtime. Including overtime, workers often have to work at least 14 hours sometimes even all night and follow the work schedule on the following day. Moreover, at Debao, workers do not have Saturdays and Sundays off as required by law.

Workers can ask other workers to clock in, each day workers would clock in at least four times.

Work Conditions

There are about 100 plastic injection machines at the Injection Molding Dept. for product shaping. Each worker operates one machine. Workers can simply open the screening door on the machine to take out the product, close the door and wait for the next product to be shaped. There are no air conditioners at the workshop and workers often complain about workshop's high temperature. In the offices in the workshop, however, air conditioners are installed, thus workers often complain about the unfairness. Because of the high temperature, sometimes workers would faint at work. On June 19th, because of the high temperature, a worker from the plastic injection department had fainted at work.

The only safety equipment Debao distributes to workers is a pair of gloves. Due to lack of training, workers often choose not to wear gloves as it slows down production speed. Even when handling an object with high temperature, workers simply said that they are used to it.

At Blowing Molding department, there are two types of machines: manual and automatic. Compared to the Plastic Injection Department, this department has less workers density and lower temperature. Each worker is designated to operate a single machine, and next to each machine is a floor fan. Though there is a unique smell coming from the products and require workers to use electricity

At paint department, most workers wear gloves. At the manual Department, though workers often cut their fingers while making paper boxes, Debao does not provide them gloves.



Image: Workshop's exterior

Bonus and Penalty System

Penalty	Bonus
Each minute for coming to work late = 1 RMB	Full attendance (28 work days a month) = 60 RMB
Each minute for leaving early = 1 RMB	
30 minutes late for work = 50 RMB	
Leaving work 30 minutes early = 50 RMB	
Work absence (Half day) = 50 RMB	
Work absence (Whole day) = 100 RMB	
3 work absence = Automatic Resignation with no wages	
Not wearing uniform at work = 10 RMB	
Wearing sandals to work = 10 RMB	
Long hair = 10 RMB	
Long nails = 10 RMB	
Leaving work temporarily with no factory pass = 10 RMB	
Cut in line at factory canteen = 10 RMB	

Wages

Debao calculates wages by the piece-rate system. Each day supervisor will post a Daily Production Cost Chart, stating the quota of the day, and the amount of the daily wage.

Should workers fail to reach the quota, their daily wage would be 33 RMB per day (4.13 RMB/Hour). Workers' daily wages stay between 30 to 60 RMB.

Upon receiving wages, workers do not need to sign in acknowledgement of wage received and a pay stub is not provided by the factory. Only the QC dept. releases a piece of slip with workers' accumulated monthly work hours. Wages are only distributed in cash, an average worker receive between 900 to 1,100 RMB

Workers are only eligible for the full attendance bonus worth 60 RMB after working 28 days a month. Only workers on the night shift are able to receive a 60 RMB subsidy.

There are also some hourly workers at Debao, paid 25 RMB a day (3.38 RMB/Hour), not including overtime. Hourly paid workers on their three month probationary period are paid 25 RMB a day. In terms of overtime, Debao pays workers 130 percent of the regular hourly premium for each overtime hour. At Debao, Saturdays and Sundays are considered regular work days, thus workers have to work seven days a week. Workers working on those days do not receive the premium that they are entitled to.

Resignation

Debao regulates that only workers who have worked in the factory for less than three months of over one year can quit. Moreover, factory often takes two months to approve a resignation request, many workers would just leave the factory after receiving the wage from the previous month, thus forfeiting a month of wage.

In addition, workers who wish to resign but have only worked for less than a month cannot receive any owed wage.

Other Conditions

- Some workers have said there is no such thing as a contract at Debao
- Two interviewed workers said they used another person's ID to enter the factory. One of the workers is an underage worker
- According to interviewed workers, most Debao workers are middle aged. These workers have no choice but to work at Debao because their old age and lack of skills. Moreover, many workers choose not to leave because they either have relatives working in the factory or at other nearby factories.
- Workers have complained of losing weight at Debao because of the poor work and food conditions. A worker said, "This is a good place to lose weight.
- Many workers have complained, "One day they will leave this ***** place"



AMS Bill of Lading Detail
Source: AMS Database

Shipper

DD INDUSTRIES LIMITED
ROOM 1619 VANTA INDUSTRIAL CENTRE
21-33 TAI LIN PAI ROAD KWAI
CHUNG, HONG KONG
KOWLOON

Consignee

DOLLAR GENERAL CORPORATION
100 MISSION RIDGE
GOODLETTSVILLE TN 37072-2170
U.S.A.
GOODLETTSVILLE TN

Notify Party

1) EXPEDITORS INTL - SAV
2 EAST BRYAN STREET SUITE 901
SAVANNAH GA 31401 U.S.A.
CTC VIVIAN POTTER, SHARON HOFFMAN
SAVANNAH GA

Also Notify

Packaging Information

Weight: 20682 KG
Quantity: 6473 CTN

Measurements: 171 CM
TEU's: 6.00

Shipment Detail

Carrier: KLIN - K LINE
SCAC: KKL U
Vessel: VICTORIA BRIDGE
Voyage: 018E
B/L: KKL UHK8624617
Pre Carrier: YANTIAN
Lloyd's Code: 9293466
Inbond Code:
Estimated Value: \$ 84,073.00

Country of Origin: PEOPLES REP OF CHINA
Coastal Region: EAST
US Port: 1703 SAVANNAH
For Port: 57078 YANTIAN
US Dest:
For Dest:
Mode of Transport: 10
Arrival Date: 02/03/2008

AMS Commodities

Container	Qty	Description
KKFU1251101	1347	14 OZ PS TUMBLER PO IN3CHV 18 OZ PS TUMBLER P O IN3CHW TINTED PLATE PO IN3CHM TINTED BOWL P O IN3CHJ TINTED SERVING BOWL PO IN3CHK TINTED BELLY PITCHER PO IN39VG SUNDAE GLASS PO IN3C 76 STRAW DISPENSER PO IN39JW NO WOOD PACKING MATERIAL STORE DOOR DELIVERY
KKFU1562628	3302	14 OZ PS TUMBLER PO IN3CHV 18 OZ PS TUMBLER P O IN3CHW TINTED PLATE PO IN3CHM TINTED BOWL P O IN3CHJ TINTED SERVING BOWL PO IN3CHK TINTED BELLY PITCHER PO IN39VG SUNDAE GLASS PO IN3C 76 STRAW DISPENSER PO IN39JW NO WOOD PACKING MATERIAL STORE DOOR DELIVERY
KLFU1229014	1824	14 OZ PS TUMBLER PO IN3CHV 18 OZ PS TUMBLER P O IN3CHW TINTED PLATE PO IN3CHM TINTED BOWL P O IN3CHJ TINTED SERVING BOWL PO IN3CHK TINTED BELLY PITCHER PO IN39VG SUNDAE GLASS PO IN3C

Note: Bills of lading that contain multiple commodities will list the total weight and TEU's for the entire bill of lading

Shenzhen SUN CHEONG (Xingchan) Plastic Product Ltd.



Problems found at Xingchan

- Insufficient professional training
- Poor dormitory conditions; lights on the balcony and in the bathroom are often broken, bathroom doors are broken, pipe is plugged and have not been fixed.
- Poor workshop conditions; workers complain about the high temperature, workshop floor is covered with machine oil and water, and goods are stacked in random places thus creating hidden risks.

Factory Name

English: Shenzhen Xingchan Plastic Product Ltd.

Chinese: 深圳新昌塑胶用品有限公司

Address

English: Zhuguan Village, Xipeng Town, Nanshan District, Shenzhen City

Chinese: 广东深圳市南山区西丽镇珠光村

Number of Workers

500 to 600 workers

Primary Clients

TESCO, WOOLWORTH, TARGET, KMART, WAL-MART

Xingchan not only produces plastic products, it also engages in foreign trading business with offices in Hong Kong, Guangzhou, Australia and etc.

Contract & Hire

There are two ways to get hired at Xingchang; head to the factory main gate for direct hire, or through local labor market. New workers need to provide a health certificate from Xipeng People's Hospital, two photocopies of ID, two pictures and a 20 RMB factory ID processing fee that will be refunded upon resignation. Moreover, new worker needs to purchase a factory uniform set (shirt and hat) that costs 12 RMB while some hats purchased were used. Xingchang does not provide training to new workers. According to Xingchang's regulation, new workers are not entitled to a contract until after the one month probationary period. The factory offers 850 RMB per month as base wage to regular workers and workers under the probationary period. After the probationary period, worker then is offered a one year contract and is able to preserve a copy.

Insurance

Though workers said they are not insured, from CLW's research, Xingchang purchases pension and medical insurance to workers. were unaware of the situation thus claiming that they were not insured.

Each month the factory deducts 77 RMB for pension and 4 RMB for medical insurance from workers' monthly wage.

Work Hours

Schedule		Saturdays (Overtime)	Sunday
Morning	9:00AM~1:00PM	Voluntary	Off
Lunch	1:00PM~2:00PM	Voluntary	Off
Afternoon	2:00PM~6:00PM	Voluntary	Off

In some cases, the regular hours at Xingchang does not reach the eight regular hours. Though Saturday overtime is voluntary, since workers' base wage cannot help to support a family and Saturday overtime premium is paid on the same day in cash, majority of workers still choose to work overtime. If workers work overtime Mondays through Saturdays their average monthly wage can reach 1,800 to 1,900 RMB.

Canteen and Living Conditions

Xingchang provides dormitory to workers though its conditions are extremely poor. The dormitory that is six stories tall is co-ed. Each room has five bunk beds houses six to eight workers. There is a full bathroom in each room with very small space that barely has the capacity of two persons. The lights on the balcony and bathroom and the bathroom doors are often broken and left unfixed. The pipe is plugged though has not been fixed. Although there are two fans in the dormitory they are often broken. According to a worker, the fans in her room have been broken for over two years yet no one came to fix it.

A dormitory with such conditions is charged by Xingchang for 50 RMB per month not including utilities. Since the dormitory allows workers to make their own meals, there are many power plugs installed in each room. However, there has not been any technician monitoring the safety and capability of the electrical circuits. According to workers, each month they spend about 110 RMB to live onsite.

As the conditions of Xingchang's dormitory are extremely poor, many workers would rather pay more to live outside.

There is a canteen onsite. It takes about ten minutes to walk from the workshops to the canteen. The canteen is shared by both the regular workers and the office employees. Since a large group of workers live offsite and workers who live in the dormitory often cooks in the room, not many workers would dine in the canteen. The canteen offers seven to eight entrees a day, each meal that contains two meat entrée, one vegetable entrée, and a bowl of soup costs 5 RMB.

Work Conditions

Each production site's products are different; for instance, some sites manufacture mirrors, some produces lunch boxes and containers and other commodities. On the first floor of the workshop building is the plastic shaping department, and from the second floor of the building are repair and packaging departments.

Although fans are installed in each workshop, workers still complain about the factory's high temperature as fans are restricted in the areas such as where laminators are installed, which require operation under high temperature.

The sanitation at workshops is poor, the floor is covered with machine oil and water, and goods are stacked in random places occupying the workshops.

Although there are security offices installed onsite, the offices are always vacant which makes workers wonder what the securities are hired for.



Image: Boxes stacked in the workshop

SOURCE: PIERS DATA



AMS Bill of Lading Detail

Source: AMS Database

Shipper

SUN CHEONG INDUSTRIAL COMPANY
FLAT L, 22 F., BLK 4,
GOLDEN DRAGON INDUSTRIAL CTR,
182-190 TAILIN PAI ROAD,
KWAI CHUNG, N.T.HK

Consignee

DOLLAR GENERAL CORPORATION
100 MISSION RIDGE
GOODLETTSVILLE TN 37072-2170
U.S.A.

Notify Party

EXPEDITORS INT'L - SEA
19119 - 16TH AVE S.
KENT, WA 98188 U.S.A.
ATTN STEPHANIE THOMPSON,
RACHEL LEVEE TEL 253-872-3860

Also Notify

CLEARTRACK INFORMATION NETWORK
5301 VIRGINIA WAY-SUITE 110
BRENTWOOD, TN 37027 U.S.A.
PHONE 615-377-4410
EMAIL ARRIVALNOTICE@CLEARTRACK.COM

Packaging Information

Weight: 13471 KG
Quantity: 1694 CTN

Measurements:
TEU's: 2.00

Shipment Detail

Carrier: CSCN - CHINA SHPG CONTAINER LINE
SCAC: CHHK
Vessel: XIN CHANG SHU
Voyage: 0053E
B/L: CHHKYTADM2HD215
Pre Carrier: YANTIAN
Lloyd's Code: 9304813
Inbond Code:
Estimated Value: \$ 50,814.00

Country of Origin: PEOPLES REP OF CHINA
Coastal Region: WEST
US Port: 2709 LONG BEACH
For Port: 57078 YANTIAN
US Dest:
For Dest:
Mode of Transport: 10
Arrival Date: 02/05/2008

AMS Commodities

Container	Qty	Description
CCLU4342662	1694	4 PK BOWL SERVING BOW PP 4 4 PK BOWL SERVING BOW PP 4 PK PLATES THIS SHIPMENT CONTAINS NO WOOD PACKING MATERIALS

PIERS Commodities

Qty	Units	Commodity Description	Harm Code	JOC Code
1694	CTN	BOWL SERVING	691200	6539000

Note: Bills of lading that contain multiple commodities will list the total weight and TEU's for the entire bill of lading

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Dongguan Daxing Decoration Ltd.



Factory Name

English: Dongguan Daxing Decoration Ltd. (Hereinafter referred to as <Daxing>)

Chinese: 东莞大信装饰礼品有限公司

Location

English: Beihuan Road, Changpin Town, Dongguan City. 523500

Chinese: 东莞常平镇北环路 523500

Contact Number

Tel: 2416198

Number of Workers

Roughly 1,800 workers

Problems Discovered at Daxing:

- Workers who work over six months have difficult time to quit
- Inadequate rest time; during peak season, workers only have two days off a month
- Excessive overtime; during the peak season, workers would have to begin working at 8:00AM until 8:00AM the next day.
- Compulsory overtime; workers receive fines for refusing to work overtime
- Inadequate compensation
- Factory asks workers to sign a forged pay stub to deceive clients
- Poor dormitory conditions; restroom has no running water
- Forced onsite dining; factory deducts meal fee from worker's monthly wage whether they choose to dine in factory canteen or not.
- Poor canteen sanitation
- Workers have difficult time to ask for a day off
- Excessive fines; absence for more than half day leads to a fine equivalent to nine days worth of wage
- Factory creates cheat sheet to deceive clients.

Products

Candle and Christmas lights primarily for the US and German markets.

Clients

WAL-MART K-MART TARGET ·
SEARS'MAY'JOANN' PIER · BIG
LOTS
DOLLAR GENERAL'DOLLAR TREE

Other

Factory established on June 25th, 2002

Contract and Hire

Daxing offers a contract to workers upon employment though some workers were not offered a contract to sign after working in the factory for over ten days. Due to lack of legal awareness, most workers generally do not preserve a copy of the contract.

Worker who wishes to quit is required to compose and file a resignation request form to supervisor through group leader and wait for approval. Upon approval, one will receive a resignation sheet to fill out. Only new workers who work less than six months are able to quit easily, with the average timeframe of three days. Workers who have worked for more than six months, however, would have to wait longer than one month in order to quit. Resigned worker has to wait for a leave approval before taking the belongings offsite and there is a scheduled time for such leave. Moreover, resigned worker cannot receive the owed wage immediately upon leave; the wage will only be paid at the end of the month.

Work Hours

Schedule	Monday - Friday	Saturday	Sunday
Morning	8:00AM-12:00PM	8:00AM-12:00PM	8:00AM-12:00PM
Lunch	12:00PM-1:30PM	12:00PM-1:30PM	12:00PM-1:30PM
Afternoon	1:30PM-5:30PM	1:30PM-5:30PM	1:30PM-5:30PM
Dinner	5:30PM-6:30PM		
Overtime	6:30PM-11:30PM	Occasionally	
Daily Overtime/premium	Five hours, 3 RMB per hour	Eight Hours (If no overtime at night), 6 RMB per hour	Eight Hours (If no overtime at night), 6 RMB per hour
Average Daily Work Hours	13 Hours a day		

The schedule above applies to most of the workshops at Daxing, though there are few workshops that are required to work from 7:30AM – 6:30PM with a very short lunch break in between.

During the slow season (October ~ March), Daxing permits workers to have four off days a month. During the peak season (April ~ September), however, workers are only able to have two off days a month. Moreover, during the peak season, there will be at least two days in a month that obligates workers to work overnight. Workers would have to begin working at 8:00AM until 8:00AM the next day, rest on lunch break, and continue to work as usual until the end of the day.

At Daxing, overtime is compulsory; worker refusing to work overtime will receive a minor penalty, which is equivalent a three day worth of wage.

At work, only one worker is able to leave at a time for restroom for each production belt. Each production belt has a set quota depending on the product, and workers would be insulted if they are unable to reach the quota.

Wage & Benefits

New workers are not required to pay deposit. There is no uniform designed at work. Workers are paid under the piece-rate system, in addition to the 770 RMB minimum wage after working 22 days. Each regular overtime hour is 3 RMB, overtime on Saturdays and Sundays are calculated 6 RMB per hour. Including overtime premium, Daxing workers' wage is about 1,000 RMB.

Payment is distributed on the 28th of each month and deposited to each worker's bank account. Upon receiving payment, workers are asked to sign a forged pay stub. Under the details of the forged pay stub, there is:

- *Full attendance bonus- 50 RMB
- *Housing/Food Fee- 115 RMB
- *Regular Overtime- 4.62 RMB/Hour

*Weekend Overtime- 6. RMB/Hour

Few days after signing the forged pay stub, workers would be given a real pay stub with contradictory details such as:

*Full Attendance Bonus- 0 RMB

*Housing/Food Fee- 160 RMB

*Regular Overtime- 3 RMB/Hour

*Weekend Overtime- 6 RMB/Hour

Canteen and Living Conditions

There is one dormitory onsite. The building is four stories tall, first floor is the canteen, second floor is Co-ed, third floor is female dormitory and fourth floor is male dormitory. Each dormitory floor has three emergency exits, 52 rooms with 26 rooms on each side. Each room has the capacity of 12 persons, and currently average 10 workers share one room. On each side of the hallway, there are four restrooms and washrooms. The restroom, however, has only the capacity of no more than ten persons with no running water. There is a bucket of water in the restroom for workers to flush the toilet, and since demand for water is higher than supply, most of the toilets are left un-flushed.

Each dormitory floor is installed with fire extinguishers, and each of them are labeled “Under monthly maintenance”

Factory Canteen offers three meals a day, and every month Daxing deducts 160 RMB meal fee from each worker’s monthly wage whether they choose to dine in factory canteen or not.

<i>Canteen Menu</i>	<i>Meal</i>	<i>Cost</i>
<i>Breakfast</i>	Fried rice, bun, noodle soup (Only one choice).	0.8 RMB
<i>Lunch</i>	Two meat entrees and one vegetable entrée.	3.1 RMB
<i>Dinner</i>	Two meat entrees and one vegetable entrée.	3.1 RMB

Workers often complain that meat is rarely seen in the entrée and the canteen food is not cooked for human. Moreover, the canteen has very poor sanitation condition; area for dish washing is always filthy and greasy.

Work Conditions

There are three workshop buildings on site, each building is four stories high, each floor has two restrooms with a hot water distributor. Each workshop has a total of 19 production belts. Each production belt employs the average of 20 workers and above each belt are seven ceiling fans. Currently, Daxing is manufacturing 10 black hat snowmen light, light scarf snowmen light, 105 web lights, BO lamp stands with colored light tube, LED aluminum can lights, 10 glass Santa Claus lights and etc. Work pressure at Daxing is extremely burdensome, if workers are unable to fulfill daily quota three days in a row, on the fourth day if daily quota is not achieved, Daxing will begin to deduct overtime wage by each lacking hourly production rate. Thus, to avoid overtime wage which represents a significant portion of their monthly wage, workers would often begin working before work hour begins. A worker said, “Since we have to stand and work, when I get a chance to sit down during break time, I wish that I don’t ever have to get up”.

Incident
In April, a group leader’s leg bone was seriously injured by the sewing machine and is still hospitalized till this day.

The condition at workshops is extremely poor, workers often spit on the floor at work. Though there are fire extinguishers installed in each workshop with “Monthly Maintenance” checked and labeled, the extinguishers appears to be old thus its ability is still questionable. Since new workers are not provided with sufficient training, they would have to rely on themselves or occasionally senior workers’ help to eventually to manufacture professionally.



Image: A product obtained at Daxing

Bonus & Penalties

It is extremely difficult to ask for a day off at Daxing, unless it is a sick day leave, which medical record is required for submission afterwards. A good relation with someone at the management level is also an advantage.

Daxing established a penalty system in the factory, no factory ID, uncooperative with securities during body search, smoking or drinking in the dormitory will lead to a major penalty, which is equivalent to a nine day worth of wage deduction. Absence for half day or refusing to work overtime is a minor penalty, which is equivalent a three day worth of wage, and failure to follow command leads to a warning, a deduction of a full day wage.

The only case of bonus that investigators have

<i>Fines at Daxing</i>	<i>Penalty</i>
<i>Fail to Follow Command</i>	<i>Warning (One Day Wage)</i>
<i>Refuse to Work Overtime</i>	<i>Minor Penalty (Three Day Wage)</i>
<i>Half Day Absence</i>	<i>Minor Penalty (Three Day Wage)</i>
<i>Uncooperative with Securities During Body Search</i>	<i>Major Penalty (Nine Day Wage)</i>
<i>Drinking in Dormitory</i>	<i>Major Penalty (Nine Day Wage)</i>
<i>Smoking in Dormitory</i>	<i>Major Penalty (Nine Day Wage)</i>
<i>Absence for More than Half Day</i>	<i>Major Penalty (Nine Day Wage)</i>

acquired was when securities have discovered theft committed by workers. As an encouragement, the securities were given a small bonus, which is equivalent to a three day wage.

Other Conditions

- There is no union established at Daxing.
- Clients and local labor bureau conduct audit on Daxing on a monthly basis, and to avoid trouble, Daxing produced a cheat sheet for workers to memorize. Workers who refuse to memorize the cheat sheet will be given a major warning, and workers who have successfully memorized the details are asked to return the cheat sheet in order to prevent information leakage.
- Although complaint boxes are installed by the stairway on each dormitory floor, very few workers would utilize such system to express their concerns. From their perspective, such system is useless as no one ever checks the boxes.

A Worker's Testimony

It is about 7:00AM when I woke up. As I open my eyes and regain consciousness, a feeling of soreness and discomfort caused by the work in the previous day immediately ran through my body. Although I wanted to take couple minutes to just stay on my bed, I have to get up right away to get ready before everyone head into the washroom. Since there are workers in five or six rooms sharing one washroom that has only about 20 water valves, if one doesn't get there early, there won't be a chance to wash up and get ready. As I entered the washroom, it is already too late, I had to wait almost 20 minutes before I even get to touch the valve. After washing up, I head to the restroom that is separated from the washroom, and once again, I had to wait for a while before my turn. The restroom is so dirty that I want to be as far away as possible, there is no running water to flush, and sometimes the cleaning worker would leave a bucket of waste water in the restroom that causes a very horrible smell. When that happens, one can even smell the scent in the hallway.

After the restroom, I realized that I have no time for breakfast. To be honest, even if I had time to eat breakfast, I wouldn't have the appetite, the food here is disgusting!

I ran to the workshop, not because I enjoy exercise and want to do my cardio, but because I don't want to be late and get a minor warning that will deduct my three day worth of wage.

Before I even get a chance to catch my breath, I had to begin working. Work here requires fast paste because group leader records the amount of production every two hour. Since work pressure is high and intense, when I need to use the restroom at work, I have to be quick, because if we can't achieve the daily quota, not only group leader will give us an endless lecture, most importantly, the factory will deduct our overtime wage as punishment.

After a whole morning of work follows the lunch break, and my back was so sore that I could not stand straight. Although I was not looking forward to the food made here, I still ran like my life depends on it to the canteen for the food in small quantity that taste like pig slop just so I can finish lunch early and have some time to rest. Although the food here is inedible for human, since the factory deducts the meal fee from my pay either way, I might as well eat it.

Although work in the afternoon begins at 1:30PM, I would always go back to work early try to catch up on production to avoid my overtime pay from getting deducted. Finally the clock reached 5:30PM, most workers take shower after the end of each day's overtime, I decided to go back to the dorm to take a shower before eating dinner to avoid washroom and canteen rush hour. Most of the time, I don't even bother to have dinner.

It is about 11:30PM when the overtime ends, I am so tired to the point that I don't want to take another shower. Since there are so many workers sharing one washroom, I would not be able to take a shower until at least 12:00AM, not to mention that I have to do my laundry, I won't be able to rest until 1:00AM at the earliest.

This is a typical day for me at Daxing; I work all day, rarely eat dinner, and when I have time I always choose to take a nap.

SOURCE: ONLINE RESEARCH

Webpage:http://sbt.cp.gov.cn/newweb/cp_makecenter/company_info/company_info.asp?id=7604

Note: Dollar General highlighted in yellow

公司信息

东莞市大信装饰礼品有限公司

简介: 广东省东莞市大信装饰礼品有限公司（简称东莞大信），隶属于台湾总诚企业名下之投资中国大陆公司之一，台湾总诚企业是由现任总裁——赖文程先生创立，广东省东莞大信装饰礼品有限公司现任执行副总裁为陈志隆先生。

东莞市大信装饰礼品有限公司成立于2002年6月，于2003年在东莞市常平镇北环路投资人民币1亿3千多万元建厂，厂区面积达6万平方米，工厂环境优美，厂区内设有厂区、办公大楼、员工宿舍、职工饭堂、医疗室、福利社、篮球场、乒乓球桌、投影厅等设施。

本公司一直以“优良产品、卓越技术”赢得客户信赖与支持，秉持以诚信原则和踏实、务实的精神服务客户，秉持稳固的研发实力，将专业知识、技术投入产品研发与改良，配合新式的机器设备拓展更多元化的产品线，为产业界提供最佳产品及服务。现我公司已成为一跨国际、多角化经营的永续企业，公司主要产品为装饰灯，产品种类高达数千种，主要销售欧美国家各地区。

一、产品介绍

本公司所属为礼品制造业，尤其是针对节日灯饰礼品为专业，注重研发，摆脱一般客户对节日灯饰一成不变的刻板印象，创造出在同业间及客户对本公司所生产、制造、研发的产品具有高度的重视，同业间也以通过模仿大信产品而占有市场之现象。

本公司品种分别为 1 灯到 600 灯之间的任何节日灯饰，尤其为烛台灯产品，每年出口至美国约 2300 万至 2500 万套，为所有同业间的第一位，烛台类灯饰在美国市场占有 1/3 强的领先地位。

二、销售渠道

我公司产品销售中 90%为美国市场，其余为西欧、中南美洲、澳洲、日本及韩国。

主要客户群为：美国知名连锁商场，如 WAL-MART K-MART TARGET 等等。知名百货公司，如：SEARS'MAY'JOANN' PIER 1 等等，知名连锁零售商，如：BIG LOTS DOLLAR GENERAL DOLLAR TREE 等等。

三、企业文化

我公司推崇“以人为本”，认为人才是最重要的，重用人才，将人才放在适合之职位，并为其提供良好、充分的发展空间。具有良好的晋升机制，实行“有能力者上，能力欠缺者让”，在同等条件下，优先录取在职员工。

企业精神：兴业精神、开怀员工、社会责任

企业宗旨：创造、革新、品质、效率、责任与服务

企业理念：以质量求生存，以满意求发展，贯彻实施客户零投诉

四、获得认证

公司于 2000 年通过 ISO9000 认证。

Basic Fact

Problems found at K-MATE:

- Factory does not offer workers a copy of the contract
- Excessive overtime; overtime can last from couple hours to overnight
- Inadequate premium; workers are not paid overtime premium unless 200 monthly work hours requirement is reached.
- Poor canteen conditions; cookers do not wear face mask or glove when distributing food. Poor food quality, workers complain about the small amount of meat in the meat dishes.
- Poor dormitory conditions; hot water often runs out thus workers are forced to take cold shower. Water supply often shuts off in the morning, workers are forced to purchase spring water to wash up.
- Theft occurs frequently in dormitory, though securities claimed that it's the workers' responsibility.



Image: Workers waiting in line for work

Factory Name

English: Zhongshang K-Mate General Elec. Co., Ltd.
Chinese: 中山市格美通用电子有限公司

Location

English: Fuwan South Road, Suwen East Road, Fuwan Industrial District, B1 3F, Zhongshan City
Chinese: 广东省中山市孙文东路富湾南路富湾工业区 B1 栋 3 楼

Contact Number & Website

Tel:0760-8323610
Fax:0760-8308096
www.k-mate.com

Number of Workers

About 400 workers

Clients

HAMA, VIVANCO, DIDL SCOSCHE, DOLLAR GENERAL

Products

Bluetooth products, FM transmitters, mobile phone accessories, IPOD accessories, and other digital products.

K-Mate is a China-based supplier to Dollar General that has been IS9001 certified since 2002. The factory is established in March 1997 and acquires production of more

than one hundred products exporting to the United States, Europe, Hong Kong and the Middle East. Since July 2007, the factory has been producing electromechanical products.

Contract & Hire

At K-Mate, the content of the contract is a one page piece of paper with details such as base wage, fines and bonuses, and change and termination of the contract. Moreover, workers only have one chance to see the contract that determines their dedication to K-Mate, which is when signing it. After signing the contract, K-Mate would take it away to keep record and refuses to provide worker a copy with no explanation.

Work Hours

Work Schedule	<i>Packaging Dept.</i>	<i>Other Depts.</i>
<i>Morning(Summer Period)</i>	8:00AM-11:45AM	8:00AM-11:30PM
<i>Lunch (Summer Period)</i>	11:45AM-1:15PM	11:30PM-1:00PM
<i>Afternoon(Summer Period)</i>	1:15PM-5:30PM	1:00PM-5:30PM
<i>Overtime (Summer Period)</i>	6:30PM-	6:30PM-
<i>Morning (Winter Period)</i>	8:00AM-11:45AM	8:00AM-11:30PM
<i>Lunch (Winter Period)</i>	11:45AM-12:45PM	11:30PM-12:30PM
<i>Afternoon (Winter Period)</i>	12:45PM-5:30PM	12:30PM-5:30PM
<i>Overtime (Winter Period)</i>	6:30PM-	6:30PM-

According to workers, workers are required to swipe card before eating lunch, the process takes about three minutes, and it takes about twenty minutes to wait in line for food. Moreover, most male workers tend to cut in line, and if one questions, they would often be insulted. During summer period, workers are able to have time to take a nap in the dormitory.

At K-Mate, there's no set overtime. Overtime can lasts from couple hours to overnight. In addition, K-Mates does not calculate overtime premium until 200 monthly work hours are worked, thus each month, workers have to work 26 overtime hours for free (8 Hours * 21.75 Days/Month= 174 Regular hours a month). In other words, every month factory squeezes 172.9 RMB (26 Regular Overtime Hours x 6.65RMB/Hour) from each worker and **SAVED** at least 69,160 RMB (172.9 RMB x 400 Workers) a month. Although a lot of workers have complained about such system, in order to make money, they chose to work hard silently and continue to be exploited.

At work, workers need to ask for a pass when leaving the work post for restroom. At Bluetooth and molding workshops, workers are asked to sign in before leaving for restroom break or supervisor will deduct points (1 Point= 5 RMB fine). Since merchandises at Bluetooth workshop are mostly valuable, security guards will body search and scan each worker before allowing them to leave. The whole process takes about five minutes.

At K-Mate, quota varies each day at each workshop. Each workshop consists about three to four groups, each group has about 20~30 workers. The products, according to workers, are extremely dirty and lack sanitation.

Wages & Benefits

Deposits are not required upon recruitment. Although the Human Resource management stated that uniform will be distributed after one month probationary period, many workers did not get uniform even after working in the factory for more than three months. Moreover, according to workers, if workers who resigned did not work for the factory for more than one year, a 30 RMB feed on the two sets uniforms will be applied.

K-Mate calculates wage by the hour. Overtime premium would only be effective after completing 200 monthly hours, and although wages would not be deducted if workers failed to reach the 200 monthly hours, there would not be a 60 RMB bonus. At K-Mate, weekday overtime premium is 4 RMB/Hour, and 5 RMB/Hour for Weekend overtime premium. At K-Mate, workers receive the average wage of 800 RMB, which includes the \$750. According to the Zhongshan Minimum Wage Standard, workers are entitled to the \$770 RMB minimum monthly wage. Moreover, during the one month probationary period, workers are paid by the base wage of 690 RMB a month. According to a quality control worker, when he first entered the factory last May, he was only paid by the base wage of 450 RMB, and at that time, the local minimum wage requirement was 690 RMB.

Benefits & Insurance

On International Women's Day, female workers do not have the day off, instead they are paid a 20 RMB subsidy. There is no day off on May 4th; workers are asked to work without any subsidy. Although there is paid annual vacation offered at K-Mate, workers must be working for over one year in order to enjoy such benefit. Below is the holiday privilege for workers based on the year of service.

Years of Service	Days of Paid Annual Vacation
1~9 Years	5 Days
10~19 Years	10 Days
Over 20 Years	15 Days

K-Mate only buys insurance for those are interested in being insured with the exception of maintenance workers as their position is considered as high risk. However, since many workers dislike the insurance cancellation procedures and consider insurance as extra expense, many of them did not request for insurance.

First aid boxes are installed in each workshop, and workers are able to gain access to it after confirming the injury with securities and provide a signature.

Canteen and Dormitory conditions

K-Mate provides dormitory for workers, and charges only utility fee.

Since workers, especially female workers prefer the living conditions offsite; they would often choose not to live in the dormitory. Each month, these workers would have to pay about 200 to 250 RMB for a single room, and about 250 RMB for a one bedroom apartment in addition to the 30 RMB monthly utility.

Factory canteens only cook lunch and dinner. Each month the factory deducts 70 RMB from workers' wage. There are three canteens established by K-Mate, one is onsite, the other two are offsite about one minute walking distance from the factory.

During an interview, a worker said, "I recalled the first time eating in the factory canteen. I walked by the entrance of the kitchen, and I could not believe what I saw. A cooking lady was washing her armpits with the water in the dishwashing bucket. These cooking ladies never wear face mask or glove when distributing food, so I often find hair and sand in the food, and when they sweat, they would just wipe it on their clothes. I cannot imagine how they cook the food so I would often take the food back to the dormitory to eat and try to not think too much. In the factory canteen onsite, there is very limited choices in food, however in the canteens offsite, there is even less. There are always very minimum meat in the meat dish, sometimes I mistaken a so-called meat dish with a vegetable dish, and even though there is fish, it is mostly fish head".

The dormitory building is six stories tall, and each story has 12 rooms. Inside a dormitory room is an independent bathroom and restroom, two water heaters, two fans, two valves and has the capacity of six persons. Although there are hot water distributors in the room, there are many cases when hot water runs out and workers are forced to take a cold shower. Moreover, in many occasions there is no water supply and workers would have to buy spring water to wash up in the morning.

On the second floor are some rooms rented out to other factories for its workers and it is co-ed. On the third and fourth floor are rooms for male workers, and female dormitory is on the fifth floor. Similar to the second floor, the sixth floor is also co-ed and female workers are often afraid of coming out of their room at night. Although there is an entertainment room installed onsite open from 6:00PM to 11:00PM at night on weekdays and until 12:00AM on Sunday, there is only about more than ten magazines from the early 90s with pages either torn out or turned yellow, two computers and a television that

are broken. When asked about the broken appliances, securities blame the workers and said it is a waste fixing them because workers would fight amongst each other and break the TV once more. When securities' answer was brought to workers' attention, many workers complained that the appliances have always been broken and they have never seen the TV or computer being used.

Although there is a complaint box, workers said it is useless, because the Human Resource Department probably could not even find the key to open the lock on the complaint box.

There have been cases of theft in the dormitory. When workers brought the issue to securities, they received a lecture that they should be more careful with their belongings.



Image: Cooking lady washing her armpits

Work Conditions

There are no air conditioners in workshops; each workshop has about ten windows with a ceiling fan every four or five meters. Although there is an emergency exit, since it belongs to another company, the door is always locked. In other words, only workers at the other company have higher chance to evacuate safely when emergency occurs.

Chemicals at workshops are not labeled, thus workers are unaware of its name or possible risk. Many workers' skin on their hands have detached after using the chemical for only two days, and the gloves provided by the factory appears to be ineffective in preventing the chemical from sinking into the skin. A worker complained, "I wouldn't even know if I would have my hands after a while". When workers who are sensitive to the smell of

chemical ask for a face mask, the supervisor laughed and said, “You are lucky to have gloves, not even I get to wear face masks”. Most of supervisors would comfort workers by saying that they will get use to it eventually.

Although there are maintenance chart on each machine, according to workers, technicians’ job seem to be merely marking a check mark on the paper without proper maintenance. Inside the room for drinking water is stacked with mops, paints, oil, and other chemicals, in addition to the smell of the bathroom across the room, the sanitation of drinking water is questionable. Some workers would not even dare to try the water.

Although there are fire extinguishers installed in each workshop and dormitory floor, K-Mate has never provided any fire prevention trainings. Moreover, factory has never provided any forms of trainings to workers. According to workers, some machines leak radiation that could result in deformed limbs and etc. Workers who operate these machines are paid 100 RMB more than other workers.

Bonuses and Penalties

Each month the Human Resource Department checks for the cleanest room in the dormitory and awards each worker four points (20 RMB). Conversely, workers who live in the dirtiest room will be fine a 4 points penalty (20 RMB) each, and dormitory supervisor will be fined 8 points (40 RMB).

Each month, two workers will be awarded a 100 RMB performance bonus. Although it is suggested the bonus is based on performance, only workers who are relatives or share the same provincial background as the supervisor or manager will get this bonus. Workers who refuse to follow orders given by supervisor will be issued a 10 points penalty (50 RMB).

Other awards/Bonuses at K-Mate

Educational Award

High Diploma – 50 RMB
College Diploma – 100 RMB
PC Certificate – 50 RMB

Employment Bonus

One Year– 100 RMB per Month
Two to Three Years- 200 RMB per Month

Fluctuation Bonus (Only for quality control workers and supervisors or above)- 100 to 250 RMB per Month

Resignation

Most workers cannot quit easily as K-Mate rejects nearly all resignation requests or takes a long time to approve. Most of them are forced to leave before their resignation request is even approved and forfeit their half month worth of wage. If workers quit before their contract terminates, they will need to pay a 100 RMB penalty.

If luckily request is approved, workers would need to leave the factory before noon on the following day or the factory will withhold the luggage and charges 10 RMB for each additional day.

Other Conditions

- No union is established at K-Mate
- Though K-Mate arranges trip for workers every year, it charges 180 RMB for each worker, thus workers who only earn the average of 700 to 800 RMB never apply to such trip.
- Securities swipe cards for workers before and after work in order to deceive clients or local labor bureau.
- Some managers would threaten workers not to quit by withhold wages.
- For K-Mate workers, there are only two types of entertainments: surfing online or shopping at flee market (Every Wed, Fri, and Sunday).

SOURCE: ONLINE RESEARCH

Webpage: <http://kmate.manufacturer.globalsources.com.cn/si/6008801190201/OEM.htm>

Note: Dollar General highlighted in yellow



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• **OEM 能力**

以下产品每个月 900,00 件：

- 通用固定器
- 便携式免提套装工具
- 即插型充电器
- 即插开支免提车载成套工具

• **生产线数量**

6

• **工厂面积 (平方米)**

2399

• **厂房面积 (平方英尺)**

25823

• **员工详细信息**

生产人员: 500 至 549

质控人员: 50 至 59

研发人员: 30 至 39

• **OEM 经验年数**

6

• **可提供的设计服务详情**

设计包括：产品外观、产品结构、产品包装

• **可提供的买方标签详情**

根据客户的要求提供

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塑料喷射制模，thermo-compressor.

• **每月能力**

900,000 至 999,999 件

• **Monthly Output**

1,000,000 至 1,999,999 件

• **最小订单数量**

10,000 至 19,999 件

• **主要市场**

东欧

北美

中东/非洲

中/南美

亚洲

西欧

澳大拉西亚

- **主要 OEM/ODM 客户**
欧洲客户包括：HAMA,
VIVANCO, DIDL
美洲客户包括：SCOSCHE,
DOLLAR GENERAL

Stanley (Zhongshan) Tools Ltd.



Contract

Stanley offers a two-year contract to workers after a two month probationary period, and workers are able to preserve a copy. Contract details are in accordance with the workers' handbook. Upon employment, workers are given copies of the workers' handbook that need to be returned upon resignation. Loss of the handbook will result in a 10 RMB processing fee to replace the lost copy.

Work Hours

Schedule	Schedule under Agreement	Actual Schedule	Details
<i>Morning</i>	8:00AM ~ 11:30AM or 12:00PM (10:00AM ~ 10:10AM is break time).	7:50AM ~ 11:30AM or 12:00PM	Stanley requires all workers to arrive at work ten minutes early for a morning meeting though there is no premium for the ten minutes.
<i>Lunch</i>	11:30AM ~ 12:30PM or 12:00PM ~ 1:00PM	11:30AM ~ 12:30PM or 12:00PM ~ 1:00PM	Moreover, the factory requires workers to clock in within 20 minutes before work begins or hours worked will not be calculated by the computer.
<i>Afternoon</i>	12:30PM or 1:00PM ~ 5:00PM (3:00PM ~ 3:10PM is break time).	12:30PM or 1:00PM ~ 5:00PM	Workers who fail to clock in during the required time can ask the Human Resource Dept. to key in work hours manually. However, the procedure can only be used twice a month or it will be considered as arriving late,

<i>Dinner</i>	5:00PM ~ 6:00PM	5:00PM ~ 6:00PM	leaving early or being absent from work.
<i>Overtime</i>	6:00PM ~ 8:00PM	6:00PM ~ 8:00PM	

The period from August to December is Stanley's peak season. At Stanley, overtime is compulsory. In May 2008, the factory recruited a group of temporary workers to finish a production order from Home-Depot. These temporary workers have the same base wage and overtime premium as regular workers, though they do not have benefits such as free accommodation and food or an annual bonus.

Wages and Remuneration

New workers need to pay for a factory entrance health examination, and Stanley reimburses the fee one year after employment. The factory does not ask for a deposit and provides factory uniforms at no cost after measuring each worker's shirt and shoe size. However, if workers whose length of employment is less than six months wish to quit, Stanley charges 128 RMB (40 RMB for the uniform and 88 RMB for a pair of work shoes). Workers can receive another pair of new shoes after a year of use.

At Stanley, wages are calculated by the hour:

Base Wage/21.75 Days/8 Hours

The wages of workers who have worked less than one month is calculated by:

$(\text{Base Wage}/21.75 \text{ Days}) * \text{Days worked}$

Stanley offers subsidies to unique departments and work posts.

Wrench Processing Group, Heat Treatment Group, and Bar/Grip Group are paid the base wage of 800 RMB per month with a 50 RMB subsidy after working one year. Rolling Group, Packaging Group and Chemical Group earn the monthly base wage of 780 RMB with a 50 RMB subsidy after one year of employment. Since Planarization Group is considering a high risk group due to massive dust, workers are paid 850 RMB per month with a 100 RMB subsidy after one year of employment. In terms of overtime premium, in accordance with the labor law, Stanley pays regular overtime at the rate of 150 percent of the regular hourly premium, 200 percent for each weekend overtime hour, and 300 percent for each national holiday overtime hour. Moreover, in December, workers who worked in the factory for over one year are able to receive a bonus equivalent to their base wage and workers whose tenure is less than one year receive a bonus that is half of their base wage.

Stanley pays the wage and provides a pay stub with clear descriptions in a sealed envelope on the 10th of each month, and if the 10th happens to be an off day, the factory pays the wage on the previous working day.

In terms of annual vacations, workers need to fulfill the years of service requirement before receiving the benefit.

	<i>Number of Entitled Off Days</i>
<i>1 to less than 10 years</i>	5 Days
<i>10 to less than 20 years</i>	10 Days
<i>Over 20 years</i>	15 Days

On sick day leaves, Stanley pays workers at 80 percent of the regular wage for each sick day leave. On New Years, workers receive a 20 RMB bonus and on the Autumn Festival, workers receive a 50 RMB bonus.

Canteen and Dormitory Conditions

Stanley provides free food and dormitory accommodation to workers, but workers who live onsite are responsible for the utility bill. There are two dormitory buildings onsite, and workers from Stanley Hardware Co live on the second floor of one of the buildings, and the remaining rooms are for workers from Stanley Tools Co. There is a TV by the stairway of each floor, with stools in front of each TV except on the floor housing Stanley Hardware Co. workers.

Each dormitory room houses ten workers, with each room including a shoe storage, a closet, two separate drawers for each worker, as well as an independent shower room and restroom. Because there is no showerhead in the restroom, workers have to fill up the water with a bucket and pour it on themselves.

Upon employment, factory gives a meal card to workers, and each month, workers can have lunch and dinner for free for 21 days, a total of 42 meals, and workers are responsible to pay for any additional meals. Though the meal is free, workers are not satisfied with its conditions. The dishes are very small in quantity, and though there are meat and vegetable dishes, workers often cannot distinguish between the two.

Work Conditions

Each department has a different production quota, and quotas aren't set for new workers until after 15 days to a month of employment.

Stanley provides safety equipment such as masks and aprons irregularly and requires workers to equip them at work. Although many workers have requested gloves, Stanley refuses to supply gloves because it believes that gloves may cripple production speed and cause unnecessary work injuries. Thus, most workers are financially responsible for purchasing their own gloves.

Although there are a few fans installed at the workshops, workers still complain about the high temperature and say that their clothes are always soaked in sweat.

Maintenance charts are posted on each machine, and a worker who has worked at Stanley for over two years said that there are no technicians checking the machines. Workers can only rely on their own experience in machine operation to check and maintain the machines.

There was a major work injury incident last December in which a worker's left hand was sawed off when operating a machine and a few witnesses fainted after observing the accident. After the accident, Stanley compensated 180,000 RMB to the injured worker, though it did not offer to help pay for the worker's medical treatment. Moreover, the factory concluded that the cause was two factors: workers' insecurity due to lack of training, and unsafe machinery. A work safety training department was established and is supervised by two employees. The training that offers safety training with the use of cartoons lasts two days, and workers are then assigned to a position and learn from more senior workers.

Between June and October, workers are given a bottle of cold tea each work day. However, workers have complained that a bottle of cold tea is not enough to alleviate the high temperature.

Stanley purchases insurance, including those for work injury, medical, unemployment, and pension.



Bonus and Penalty

Being ten minutes late for work or leaving work ten minutes early leads to a warning. The cases when workers exceed the ten minutes regulation and fail to clock in or request time off will be used as references for the annual progress audit at the end of the year. In order to receive a 30 RMB full attendance monthly bonus, workers cannot have any tardiness, early leave, or work absences. Workers requesting more than two sick days will need to provide a medical statement. Casual leaves cannot exceed 12 days a year, and each time cannot exceed four consecutive days. Otherwise, each additional day is treated as an annual vacation day.

Workers who engage in new product design, protect company property and benefit, accomplish order, and report issues that may be negative to company growth are given major awards at the end of the year though the exact amount is unclear.

With regard to regulation, Stanley listed 74 regulations detailing warnings and awards. At the end of the year, a warning, if any, can be waived by an award. One award can suspend one penalty or three warnings, and one major award can suspend one major warning.

Workers who refuse to follow orders or instruction are given a meal deduction in their free meal card, and the deduction can range from one free meal to 14 free meals

Workers who wish to quit need to provide a resignation request to the factory management one month in advance, otherwise the request is rejected. Only under that procedure would workers receive wages in full.

Other Conditions

- There is no union established at Stanley. Instead, an environmental group called EHS operates onsite. The group mainly focuses on the factory's sanitation, safety and environment and provides training to employees from the manager to regular workers. On the doors of each workshop, an EHS educational poster is posted. The poster includes information such as emergency exit route, workshop introduction, daily quota, workshop safety analysis and 5S progress report.
- Every Thursday, Stanley conducts a 5S audit at each workshop, praise the outstanding workshop and encourages the poorly performing workshop.
- Special technicians are hired to test the noise level at workshop. Workers are asked to put on ear plugs if the noise level exceeds 85 decibel.
- Each month there is a factory meeting held by the factory owner. The meeting mainly discusses safety conditions, monthly quota and factory performance.

Stanley (Zhongshan) Hardware Co.



Contract and Hire

Factory offers new workers a one year contract with a three month probationary period, and both workers and Stanley are able to preserve a copy. The contract's agreement and implementation is based on the worker's handbook. Upon employment, new workers receive a worker's handbook during training. The handbook must be returned to the factory before actual resignation or a 10 RMB fee will be charged.

Factory Name

English: Stanley (Zhongshan) Hardware Co.

Chinese: 史丹利 (中山) 五金有限公司

Address

English: Yongninghuaye Road #25, Xiaogan Town, Zhongshan City

Chinese: 中山市小榄镇永宁华业路 25 号

Product

Bolts

Work Hours

	<i>Morning</i>	<i>Lunch</i>	<i>Afternoon</i>	<i>Overtime</i>
<i>Assembly Dept.</i>	8:30PM ~12:00PM	12:00PM ~ 1:00PM	1:00PM ~ 5:30PM 3:10PM ~ 3:25PM (Break)	10 or 11PM ~
<i>Electroplating Dept.</i>	7:30AM ~ 11:30AM	11:30AM ~ 12:00PM (1 or 2:30PM when not busy)	~ 5:30PM	10 or 11PM ~

Stanley requires workers to work overtime if product demand is high. The factory would usually ask workers to work overtime until 10 or 11PM. In addition, Stanley requires all workers to be present at work ten minutes before work begins for a morning meeting. Stanley's peak season is between July and August, and its slow season is from December to February. Each day there is a quota for each department, and if workers cannot reach quota, they would be requested to work overtime for free until the quota is reached. Overtime is compulsory at Stanley, if workers refuse to work overtime and the factory failed to ship out the finished products on time, their behavior will be considered as work absence and given a violation ticket. At Stanley, three work absences is equivalent to resignation.

Wages and Benefits

When entering the factory, workers are asked to pay a health examination fee that can be reimbursed after the three month probationary period. Stanley distributes factory uniforms to workers for free. However, workers need to return the uniforms before they resign or a 100 RMB fee will be charged.

At Stanley, workers use an IC card to clock in and out, and Stanley pays by each work hour. Should workers fail to clock in and out within the designated time, they would need to ask for department manager's signature to avoid to be marked as work absence.

Workers at the Electroplating Department's zinc production belt are paid 8 to 8.5 RMB per hour. Under the same department, workers at the polishing and burnishing production are paid 9.5 or 10.5 RMB per hour. All other production belts in the Electroplating Department pay the hourly wage of 4.43 or 4.65 per hour. At the Assembly Department, all workers are paid 4.43 RMB per hour.

There are 11 paid holidays a year, and a paid annual vacation after working for one year. The annual vacation can be used until June 30th of the following year. If factory cannot arrange annual vacation due to production needs, it will pay 300 percent of the regular hourly wage.

Stanley purchases social insurance for workers, which includes pension, work injury, unemployment and medical. Each month, the factory deducts 8% of workers' monthly wages as insurance payment. With the exception of workers who quit and fail to work for a full month, between May and October workers are given a 23 RMB monthly subsidy for that period's high temperature.

Workers who receive days off after sending an off day request to the factory, Stanley will deduct 1 RMB from workers; subsidy for each off day. Stanley only offers paid sick days to workers who have worked in the factory for over one year, if the sickness is serious and requires hospitalization; factory will be financially responsible for workers' medical bill.

Though on worker's handbook it states that on the 15th of each month is the wage distribution date, workers said that sometimes they are not paid until the 19th. Since the

factory deposits wages directly into each worker's bank account and there are no banks nearby, sometimes workers would travel by taxi to the closest bank for cash and find out that they have not been paid yet.

Workers receive annual bonus by the length of their service: Workers worked for six months receive 50 RMB, 100 RMB for over one year and 200 RMB for over two years.

Canteen & Dormitory Conditions

Stanley provides free dormitory to workers. Workers are responsible for their own utility bill. Workers who choose to offsite are not entitled to any subsidy. The dormitory has one floor shared by 50 workers. Each dormitory room houses six to seven workers, and inside the room are a restroom and a shower room.

A factory canteen is built onsite. Each meal costs 3.5 RMB, with a meat and two vegetable entrees. Workers often complain about the food's poor quality. According to workers, food for night shift workers has poorer quality than the food for day shift workers. There is a small restaurant about 200 meters away from Stanley, each meal costs 4 RMB. A lot of workers choose to dine in the restaurant rather than the factory canteen. There is a dumpster in front of the canteen door, workers often complain about the nasty smell.

Work Conditions

Stanley provides goggles, gloves and ear plugs to all workers, and masks and aprons to workers who need such supplies. The factory distributes six pairs of gloves to each worker every half a month. Workers often complain about workshops' high temperature.

Though there are designated workers responsible for machinery's check and maintenance, according to interviewed workers, machines are often not carefully checked and maintained. There has been a series of minor work injury occurring at Stanley. The factory would compose each case of injury into a report and post it onsite and ask workers to work cautiously.



Image: A workshop at Stanley Hardware

Penalties and Award

Workers need to avoid work absence, early leave, late for work in order to receive the 30 RMB monthly full attendance bonus. Stanley stipulates 78 restrictions; violation to any restrictions will lead to a warning, penalty or contract termination.

Resignation

Workers need to notify the factory 30 days in prior to resignation or they would not receive any owed wage.

Other Conditions

When labor demand is high, factory would hire part-time workers through an agency. The part-time workers are also able to become full-time regular workers. Though they are not entitled to any benefits as full-time workers, part-time workers can quit easily and receive wage in full.

There is a union at Stanley though many workers questioned its effectiveness. According to some workers, “Stanley’s union needs better management”, other workers also expressed their opinion, “This union’s operation is to charge more money from workers (1RMB/Month)”. All union representatives are employees at the management level. From time to time the union would arrange a basketball tournament with other companies. Disregard winning or losing, all participants will be given a uniform, a 100 RMB bonus, and a free meal.

SORUCE: PIERS DATA



AMS Bill of Lading Detail
Source: AMS Database

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6/ 2/2008

Shipper

STANLEY (ZHONGSHAN) HARDWARE
37 YONGNING INDUSTRIAL DA DAO
NORTH ROAD, XIANLAN TOWN,
ZHONGSHAN CITY GUANGDONG CN

Consignee

MASONITE CORP-WALKERTON MFG
111 MUSKIE DRIVE
WALKERTON IN 46574 US

Notify Party

Also Notify

Packaging Information

Weight: 32313 KG
Quantity: 235 CTNS

Measurements: 97 CM
TEU's: 4.00

Shipment Detail

Carrier: HJSC - HANJIN SHIPPING CO LTD
SCAC: EXDO
Vessel: HS BIZET
Voyage: 00006
B/L: EXDO61N0040884
Pre Carrier: XIAOLAN
Lloyd's Code: 9315355
Inbond Code:
Estimated Value: \$ 124,021.00

Country of Origin: PEOPLES REP OF CHINA
Coastal Region: EAST
US Port: 1601 CHARLESTON
For Port: 58201 HONG KONG
US Dest:
For Dest:
Mode of Transport: 11
Arrival Date: 01/04/2008

AMS Commodities

Container	Qty	Description
HJCU4003802	120	FURNITURE PARTS(DOOR COMPONENTS)
HJCU4042970	115	FURNITURE PARTS(DOOR COMPONENTS)

PIERS Commodities

Qty	Units	Commodity Description	Harm Code	JOC Code
235	CTN	FURNITURE PTS	940390	7275000

Note: Bills of lading that contain multiple commodities will list the total weight and TEU's for the entire bill of lading

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Tianrei Corporation Ruzhou Cement Co., Ltd.



Ruzhou Cement Co., Ltd. Belongs to Tianrei Corporation, a state-owned enterprise. The factory was established in 2003, mainly produces different types of cement and occasionally engages in direct industrial chamotte sales.

Contract & Hire

Tianrei employs two types of workers: Full-time workers and part-time workers. Full-time workers are entitled to a one-year contract.

Contract Details:

1. Contract Duration; one year contract, and probationary period is not mentioned.
2. Job Description and Requirement; this agreement states out worker's work post and department. The requirement asks workers "to pass factory's operation standard audit", though details of audit were not listed.

Factory Name

English: Tianrei Corporation
Ruzhou Cement Co., Ltd.

Chinese: 汝州水泥有限公司

Address

English: Runan Industrial Zone,
pingdi mountain District, Henan
Province

Chinese: 中国河南省平顶山地区汝州市汝南工业区

Number of Workers

About 600 worker which ten percent of them are females. Among the 600 workers, 400 are full-time workers, and 200 are temporary workers.

3. Work Hours and Rest Days;

- i.** *Standard Work Hours:* Under the conditions of production and work mission assurance, and avoidance of lowering workers' wage, there are eight regular hours a day, 40 hours a week with Saturday and Sunday as off days.
- ii.** *Comprehensive Work Hours:* Instead of calculating work duration by the hour, it calculates the duration by week, month, season, or year with 40 work hours a week. For example, if the work duration is calculated by the week, the factory has the right to ask workers to work at any given time on a 24 hour shift until the 40 work hours have been reached. Any hours exceeding the 40 weekly work hours within that week will be calculated as overtime hours.
- iii.** *Irregular Work Hour:* Upon Labor Bureau's approval, any high level managers, sales persons, transportation workers, and other personnel that are unable to be paid under the calculation of standard work hours because of the essence of work are allowed to be paid under this method.

Though the three legally approved options are listed under this agreement, what was agreed upon was "Regular Work Hours", thus details did not have clear statement. In terms of off days, though Tianrei agrees to offer paid annual vacation and national holidays, it did not discuss the off days on a weekly basis.

- 4. Wages;** Tianrei agrees to pay on the 25th of each month which includes work post wage, progress audit bonus, and overtime wage. The agreement did not state workers payment details should factory pauses its operation.
- 5. Insurance and Benefits;** the agreement states that Tianrei provides all insurance to workers. In terms of work injury, non-work injury and maternity leave, it simply states execution in accordance with the national and local law.
- 6. Regulations;** workers are required to follow all factory regulations; any violation will result to penalty.
- 7. Labor Conditions;** Tianrei will provide necessary labor equipments and health examinations, and special care and protection to female and underage workers. Workers have the right to refuse to engage in any illegal or high risk operation command.
- 8. Contract Change;** the agreement only states that factory is required to inform and negotiate with the workers should the factory intends to change the contract detail, it did not state the rights workers are entitled to when they believe that a contract change is needed. According to workers, such agreement is a "dictator's agreement".
- 9. Contract Termination;** in accordance with the labor law, article 4.
- 10. Compensation;** In accordance with the labor law, article 7.

Part-time workers occupies one third of Tianrei's total number of workers. These workers do not have a contract.

Work Hours

There are two types of shifts at Tianrei; 3-12 and standard work hours.

- I. *3-12*: There are three consecutive work days a week. Workers work 12 hours on the first day, rest 24 hours, and work and rest on the exactly the same shift on the second day. In other words, in the three consecutive work days which is 72 hours, workers worked 24 hours and rested for 48 hours. Among the 12 work hours, workers have one to two hours of meal break. In accordance with the contract agreement, overtime premium is included in the wage.
- II. *Standard Work Hours*: there are eight regular hours a day, 40 hours a week with Saturday and Sunday as off days. Workers under this shift work four hours in the morning and four hours in the afternoon in addition to two hours of meal break. This shift often requires overtime; when overtime takes place, Tianrei would arrange workers to begin working one hour earlier during meal break, or one to two hours after the regular afternoon off time. In accordance with the contract agreement, overtime premium is included in the wage.

In order to earn more money, workers generally accept overtime arrangement. Tianrei requires that workers are entitled to three paid off days a month, which includes any national holidays in the month. Workers are able to choose when to take days off after receiving supervisor's approval as long as it does not come into conflict with arranged work days.

Production at Tianrei does not have quota involved, as long as workers are able to keep up to the machines' pace, the amount of production is guaranteed.

Wage & Benefits

No fees or deposits are required upon employment. Full-time workers are able to earn the average monthly wage between 950 RMB to 1,200 RMB depending on the position and years of employment. Though contract states that Tianrei will distribute wages on the 25th of each month, in reality the factory distributes wage around the 28th. In the past, Tianrei pays the wages in cash. Just last month, the factory began to deposit wages directly into workers' bank account.

Most part-time workers are paid daily. Depends on the position, part-time workers earn between 13 to 20 RMB per day. Some part-time workers are paid 600 RMB by the month around the 30th of each month. Moreover, part-time workers are not entitled to any overtime premium, paid off days or vacations.

Tianrei pays workers off day overtime premium differently than the legal stipulation. Should full-time workers decide to work on weekly off days, they are able to earn 20 RMB per day.

All workers at Tianrei do not receive regular overtime premium.

Workers are not able to obtain a copy of the pay stub. At each month's wage distribution day, Tianrei only asks workers to sign a pay statement without providing a copy or any other pay details. Workers are unfamiliar with how the wages are calculated at Tianrei.

Tianrei does not give workers paid annual vacation as agreed on the contract. In addition, workers cannot have days off on the Chinese Spring Festival, the most traditional Chinese holiday. It is a tradition that on this holiday, family members must be united and celebrate the coming year. However, workers at Tianrei could only receive about 20 to 30 RMB each day as subsidy.

Tianrei does not offer workers paid sick leave. Only full-time workers are entitled paid work injury leave no longer than 15 days, or supervisor who arranged the leave will be penalized. For female workers, they are entitled to a three month paid maternity leave. Unlike full-time workers who benefit from security due to the contract, part-time workers do not have paid work injury leave or paid maternity leave. For part-time workers, should pregnancy occurs; resignation without any compensation is their only option.

Canteen and Living Conditions

There is a factory canteen onsite managed by a third-party cooking for all workers. According to workers, in the past, the food cost was high and quality was extremely poor. Now, as another third-party takes over, food condition has somewhat improved. Canteen mainly serves grain products; a bowl of noodle that costs about 4 to 5 RMB outside costs about 2 to 3 RMB at the canteen. The canteen also cooks other dishes that costs from 2 to 5 RMB per plate. The canteen only accepts cash, and workers can choose to either dine in the factory canteen or cook in the dormitory. Except working overtime, most workers often cook and eat in the dormitory.

There are two dormitory buildings on site. One building was purchased from another state-owned enterprise, this building has about 200 rooms, and each room is about 15 square meters costs about 10 RMB per month which utility is not included. Workers only are asked to pay electricity as water supply comes from well. Generally, a worker and the worker's family share two to three rooms. The building is mainly for full-time workers, while there are few part-time workers that were resigned workers from a company owned by Tianrei

Another building is Tianrei's original dormitory, each room costs about 10 RMB per month not including utilities.



Image: Workers' dormitory

Work Conditions and Safety

Full-time workers mainly work in mining, staving, grinding, calcination, and adding ingredients. Part-time workers are usually responsible in packaging, loading, cleaning and etc. Since part-time workers has high turnover rate their positions are the most tiring and dirty work in the factory.

Tianrei consists of three sectors: Mining, Sintering, and Development.

1. Mining Sector: collect, stave and grind mineral into power form.
2. Sintering Sector: Heating the powder and make it into chamotte.
3. Development Sector: Packaging the worked material into bags or containers.

The report is mainly based on the conditions in Sintering and Development Sectors. Mining Sector is about ten miles away from the main site.

This sector consists of two main production belts, one of the belts can produce 2,500 tons of worked materials per day, and the other can produce 5,000 tons. Each day there are about 80 trucks loading and unload materials.

Upon recruitment, all workers receive a series of work safety education and safety production trainings needed for actual work practice from supervisor. Tianrei only provides safety equipments such as uniform, mask, glove, towel, soap, laundry detergent, flash lights and etc. to full-time workers, part-time workers do not have such equipments,

and they are responsible to purchase their own equipments. When equipments wear out, full-time workers can ask for new ones from supervisors. Tianrei deducts the cost for these equipments from workers' wages accordingly to their department's amount of equipment consumption. Workers do not know the exact amount of fees deducted from their monthly wage.

Workers complain that although safety mask is provided, since the sector contains large amount of dust, the mask has limited effect on improving workers' vision thus cripples their judgment when operating machines.

At the sintering sector, there is a special machine called, "Rotary Regenerative Heater" preheats the raw materials. Through a conveyer pipe, workers load the raw materials into the machine, and when the pipe is plugged, it would require workers to clear the pipe manually. It is a high risk task as the machine and the pipe are constantly under high temperature, which a careless move could lead to severe burning. When burning occurs, it usually takes about one to two weeks to recover. In any case, as mentioned above, workers who receive work injury can only rest up to 15 days, and the paid rest days must be arrange in private, or supervisor will be penalized by high level management.

Tianrei check and maintain all machines and equipments regularly.

Bonus and Penalties

The condition of excessive fines exists at Tianrei. Failure to maintain the workshop's cleanliness will lead to a 50 to 100 RMB fine. A mistake at work, depends on the seriousness of the mistake, fine goes from 50 to more than 200 RMB. At Tianrei, a worker's mistake will impact the whole team, which leads to the whole team being penalized. Moreover, in some cases, workers will be penalized for receiving injury at work, thus an incompliance with the labor law. The labor law requires that worker who became injured should not be punished or penalized.

When mistake at work occurs, workers could be fined or temporary suspended and asked to write a report about the mistake. During the period of temporary suspension, workers are not paid or subsidized.

Though Tianrei states that workers who prove to be efficient and productive at work or accomplish an achievement would be offered a bonus, workers have not heard of anyone in the factory receiving such bonus.

In 2007, after under the constant requests from the Ruzhou local workers' union of establishing a union branch onsite, Tianrei essentially established a workers union. However, there has not been any voting or workers' representatives involved, many workers do not even know who the union branch chair is, not to mention union branch promoting workers rights.

Resignation

If full-time worker wish to resign, a prior written notice needs to be issued to supervisor, then the approval from the high level management. Part-time workers only need to seek oral approval from supervisor as they do not have a contract signed with Tianrei.

After resignation, both full-time and part-time workers are able to receive owed wage in the following month.

Conclusion

KKR companies' use of Chinese sweatshop labor is emblematic of the private equity business model, which stresses profit at all costs. Private equity firms make their money by keeping down costs and increasing production. In human terms, this means low wages and long hours. If they had to pay workers a living wage, abide by overtime laws, and comply with health and safety standards, it would hurt their bottom line. However, such practice is a short-sighted strategy. The disregard of workers' welfare and continuous demand for low cost products will essentially act as stimuli for factories to cheat on product materials and workers work hours thus leads to a product that is not only unethical, but also flawed or tainted that could endanger consumers' health and safety. From last year's poisoned toothpaste, tainted pet food, and to the tainted milk this year, many people have blamed the Chinese government's lack of responsibility as those products are manufactured and processed in China. Indeed, the Chinese government is entitled to the partial blame for the problem; however, what should be paid close attention to is the practice of companies such as those owned by KKR. If the world fails to focus on KKR's practice; low cost products, the private equity will continue to manufacture its products in sweatshops. Unless KKR's practice is changed, sweatshops will continue to increase in numbers and plague the developing countries where workers pay is low and law is flexible.

The factories that KKR companies use offer deplorable working conditions, not only by American standards, but also by Chinese standards. Li believes, "Chinese workers' critical conditions caused by KKR have ultimately jeopardized American workers' wellbeing as well."
