

-Immediate Release-

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Textile Sweatshops; Adidas, Bali Intimates, Hanesbrands Inc., Piege Co (Felina Lingerie), Quiksilver, Regina Miracle Speedo, Walcoal America Inc., and Wal-Mart Made In China

November 19, 2007 – China Labor Watch has released an investigation report focused on four apparel factories in China that were incapable of compliance with human rights and the Chinese labor laws.

The CLW report released today reveals poor conditions among Fuhua Textile, Yi Kang Textile, Yi Xing Shun Fashion Manufacturer, and Regina Miracle International Limited. All of these factories have recently produced for internationally well-known brand such as Adidas, Bali Intimates, Hanesbrands Inc., Piege Co (Felina Lingerie), Quiksilver, Regina Miracle Speedo, Walcoal America Inc., and Wal-Mart.

In this particular investigation, CLW conducted an independent research on four textile/garment factories located in Guangdong Province. Sadly, though major corporations claimed to have their own aspect of ethical standard in terms of maintaining corporate social responsibility, our investigation still discovered the poor work conditions among their suppliers.

Poor work conditions still persist-

- Workers are required to work nine hours per day as regular hours in addition to five to six hours of mandatory overtime during peak season which accumulates to 14 work hours per day, about 420 hours per month.
- Workers are not protected with social insurance until after one full year of employment.
- Factory lacks of safety trainings thus workers and products' safety is questionable.
- No freedom of association exist in the factory, thus workers do not have a fair ground in terms of organizing and protecting their rights.
- New workers are required to pay a one time \$5.33 (40 RMB) health examination fee, \$2.53 (19 RMB) of summer uniform, \$3.33 (25 RMB) of winter uniform in addition to a \$40 (300 RMB) monthly deduction from the monthly wage for the first three months. In other words, a total of \$131.20 (984 RMB) wage deduction is imposed on new workers in their first three months.

• Workers are paid by the hourly wage of 48 cents (3.59 RMB), without overtime, it is impossible for workers to sustain themselves. From the living standard listing below gathered by CLW investigators in 2007, one can see workers' difficult situation.

RMB/Month

- Rent: About \$24 (180 RMB)/Month
- Utilities: About \$12 (90 RMB)/Month
- Living Expenses (Food, daily commodities and etc.): About \$46.67 (350)
- Education (Tuition for children):

Kindergarten= About \$65.33 (490 RMB)/Month *Elementary School*= About \$293.33 (2,200 RMB)/Semester *Middle School*= About \$359.33 (2,695 RMB)/Semester

Only from the statistic shown about education, it is not hard to imagine that almost none of these workers can afford to provide their children proper education, thus the endless cycle of poverty may possibly surround these workers for generations. In addition, without working overtime, it is merely impossible for workers to receive an actual living wage.

CLW Executive Director Li Qiang believes that, besides merely focusing on marketing strategies, major corporations should also fully implement its code of conduct at its suppliers, complying with Chinese laws, and provide workers adequate living wage instead of minimum, thus benefiting the rights of workers. Essentially, Li hopes that by revealing the serious findings, corporations will commit to remediate workers' conditions.

CLW is a New York based non-government organization. Established in 2000, our mission is the defense of workers' rights in China.

Textile Sweatshops; Adidas, Bali Intimates, Hanesbrands Inc., Piege Co (Felina Lingerie), Quiksilver, Regina Miracle Speedo, Walcoal America Inc., and Wal-Mart Made In China

China Labor Watch

November 2007

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I. Executive Summary

As one of world's largest manufacturer nations, China has slowly but surely emerges for its dominance in production of almost every industry, apparel industry is no exception. From RNCOS' "China Apparel Retail Analysis (2007-2008)" report, Chinese apparel industry had a trade surplus of over US \$ 100 Billion in 2006 with the exports to grow at 9.46% in 2007.

As the number of apparel wears branded with "Made in China" increases dramatically in developed nations such as the United States, the workload of Chinese workers behind the scene producing the products rises significantly as well due to the increasing demand. Conversely, these workers' work conditions did not improve as they are continuously required to produce more for the market, instead, conditions has worsen and become more critical as day progresses due to many factors mainly attributed to corporations' endless pursuit of low production cost.

As the major holiday approaches, clothing stores begin to post holiday sales intending to attract more purchases. A responsive effect will be that, many consumers answer companies' "on sale" slogan by rushing into apparel stores and purchase massively. The ending appears to be a win-win situation, consumers believe that they saved a lot of money during the sales, apparel stores create mass profit after selling large quantity of products even though tagged with lower prices. Workers, however, months prior to the holiday, in compliance with the oversea demands, are forced to work excessive overtime. After years of factory investigation in China, while critical and unfortunate, it is safe to state that none of these factory workers can afford a piece of the garment that they produced and exported to the U.S. The wages that they receive can barely lead them to a sustainable living style.

Guangdong Province, China, a province consists with a dense number of factories producing goods for the world, is also a region where high rate of labor exploitation and disputes persist; workers often find themselves helpless after being exploited and their rights taken away. Though throughout the recent years labor conditions has improved somewhat, problems still exist among factories.

In this particular investigation, CLW conducted an independent research on four textile/garment factories located in Guangdong Province. All of these factories acquire clients that are well-known internationally. After understanding that major corporations have their own aspect of ethical standard in terms of maintaining corporate social responsibility, our investigation still reveal the poor work conditions among their suppliers.

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II. Fuhua Textile Co.



Fuhua is a large Hong-Kong corporation, established in 1990. The factory is located in Shenzhen Gongming Town, producing more than 20 million pieces of swimming clothes and exporting to more than 50 countries.



=Basic Fact=

- Factory Name: Fuhua Textile Co.
- Location: Shenzhen City, Bao'an District, Gongming Town, Daoxia Village, Second Industrial Zone Number 15 (深圳市宝安区公 明街道下村第二工业区 15 号)
- Contact Number: 0755-27123177
- Factory Area: 56,000 Square Meter
- Number of Workers: About 5,000 workers with the male to female ratio of 2:8.
- Clients: Adidas, Quiksilver, Speedo, Wal-Mart and etc.

=Contract=

Upon recruitment, the factory provides labor contracts for workers to sign. The contract has two copies, one for the factory management, and the other for the worker.

=Work Hours=

<u>Work</u>	<u>Schedule</u>
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Morning	8:00AM ~ 12:00PM
Afternoon	1:30PM ~ 5:30PM
Overtime	6:15PM ~

Fuhua's daily work hour is eight hours; regular overtime is about two hours. During the peak season, the overtime is about 3 hours per day. Workers paid



under the piece-rate system generally work overtime voluntarily since the more they produce the more payment they receive.

=Wage & Benefits=

Workers are not required to pay deposit upon recruitment. Fuhua calculates wages by hourly and piece-rate. Workers from the workshops are paid by piece-rate, other workers are paid by the hour. There is a base wage for hourly-rate workers of 700 RMB per month which is about 32.5 RMB per day. The rate for regular overtime is 6.02 RMB, and work on Saturdays is paid at a rate of 8.03 RMB. Workers' average wages range from \$1,200 to 2,000 RMB; a worker from the workshops' average wage is generally about 2,000 RMB with the base wage of 19 RMB per day. In most occasions, piece-rate workers are paid better compared to the hourly-rate workers.

The contract stipulates that wage is distributed on the 7^{th} of each month though Fuhua distributes wage around the 10^{th} . Pay statement is offered by the management.

Pregnant workers are eligible for a three month maternal period and Fuhua pays by the base rate of 700 RMB per month.

In addition, new workers do not have social insurance until one full year employment. Request

regarding to resignation must be raised to the management a week in advance. There is one rest day per week; workers also have days off on International Labor Day, National Day, New Year and the Spring Festival (Ten day vacation).

According to China Labor Law Article 72, an employer must obey the Chinese policy by offering workers social insurance upon recruitment. Thus it is illegal for Fuhua to offer workers social insurance after one year of employment.

=Food & Living Conditions=

Fuhua provides food and accommodation for workers though fees will be deducted from workers' wage. Fuhua provides two meals a day, each month management deducts 210 RMB meal fee from workers' wage.

Each factory dormitory room houses six workers, cleaning workers are hired to organize and clean the dormitory periodically. Management at the dormitory is strict, ID must be provided upon entering and leaving the building. Hot water and drinking water facilities are provided on the first floor, however, due to large number of workers, access to water is inconvenient. In addition, Fuhua deducts 30 RMB monthly utility fee from each worker's wage. It is not mandatory to live on the factory site, and there are some workers who choose to live outside and because of the far distance, many of these workers rest on the cafeteria bench during breaks.



=Safety Equipments=

Fuhua provides production equipments to workers, and each workshop is equipped with an air conditioner and ventilation system. Workers are rarely exposed to dangerous chemicals and materials, and factory checks workshop machines periodically.

Training is provided upon recruitment though training only offers information on factory regulations and lacks safety-related knowledge.

=Awards & Punishments=

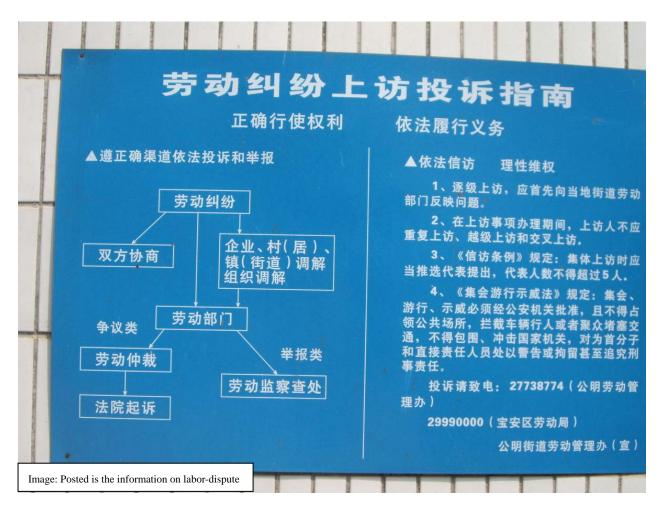
Fuhua stipulates that theft in the factory will result in immediate unemployment. There are not many fines imposed by the factory, though lectures are often taken place when a mistake by a worker occurs. Towards awards, workers reported to CLW investigators that there are no award systems at Fuhua.

=Other Conditions=

There is no union at Fuhua, according to workers, however, since there are a few communist members in the factory, a party branch was developed.

Government has posted labor-dispute information, safety management regulations and complaint box on the factory wall. However, Fuhua surrounded the wall with metal boards which cause workers unaware of the existence.







III. Yi Kang Factory



=Basic Fact=

Yi Kang produces more than one million pieces per year. The products are mainly exported to Asia, Europe, and the U.S.

Yi Kang's corporate office is located in Hong Kong. It also has branches in Guangzhou, the Philippines, Shenzhen, the U.K, and the U.S. The company currently employs about 11,000 people, Factory Name: Yi Kang Address: Shenzhen City, Bao'an District, Gongming Town, citianpu Industrial District Number 3 (深 圳市宝安区公明镇公明茨田浦第三工业区)

- Contact Number: 0755-27129733
- Factory Area: 47,000 Square Meter
- Number of Workers: About 5,000 with the male to female ratio of 1:9.
- Products: Female bra and underwear, overall, swimming clothes and etc.

promotes WRAP, and is ISO 9000:2000 certified.

=Contract=

Upon recruitment, Yi Kang offers a three-month contract to workers. The contract consists of two copies; workers are able to obtain a copy. After fulfilling the three month employment, Yi Kang will then offer a one-year contract paying by the base wage of 690 RMB per month, medical and work-injury insurance, and pension.

=Work Hours=

Work Schedule

<u>(First Shift)</u>	<u>(Second Shift)</u>
Morning7:45AM ~ 11:45AMAfternoon1:00PM ~ 5:00PMOvertime6:30PM ~ 9:30PM or5:30PM ~ 7:30PM with few minutesof break in between.	Morning8:30AM ~ 12:30PMAfternoon1:30PM ~ 5:30PMOvertime6:30PM ~ 9:30PM or5:30PM ~ 7:30PM with few minutes ofbreak in between.

Yi Kang's regular daily work day is eight hours. Some workshops regulate a 45 minute lunchtime with a few minutes of break during work hours. Quota is stipulated, and workers can generally complete the quota prior to deadline. In addition, if quota is unmet, a 60 RMB living fee will be deducted from workers' wages

=Wages & Benefits=

Workers are not required to pay deposit upon recruitment. Yi Kang calculates wages by hour and piece-rate. Most workers' wages are about 1,500 RMB, while some workers are paid by the monthly wage of 800 RMB. Piece-rate workers' wages vary depending on the products being produced; the average wage of piece-rate workers is about 2,500 RMB. Moreover, from few piece-rate workers' previous pay statement, their wage stood between 5,000 to 6,000 RMB, equivalent to a manager's wage.

Yi Kang distributes wages on the 22nd of each month. No pay statement is offered to workers, and the factory deposits the wages into each worker's bank account.

When resignation takes place, a one month advance notice is required. Workers are able to receive the full salary upon leaving the factory.

There is one rest day per week. Workers are able to have days off on the International Labor Day, National Holiday, New Year and ten days of Spring Festival vacation. However, when factory is experiencing high demand, there will not be regular off days.

=Food and Living Conditions=

Yi Kang provides food and accommodation. Workers reported that food is average and a 15 RMB monthly breakfast fee is required.

Each dormitory room houses four to eight workers with an independent bathroom that provides hot water and drinking water. Each month a 20 RMB utility fee will be deducted from each worker's wage. A 56 RMB subsidy is offered to workers who live outside the factory.



A basketball court, a reading room and other entertainment facilities are installed on the factory site.

=Safety Issues=

Upon recruitment, Yi Kang provides training regarding factory rules, though no work safety related training is offered. Factory provides production safety equipment to workers; workshops are installed with an air conditioner and a ventilation system. Workers are rarely exposed to chemicals at work. In addition, Yi Kang has specialists auditing machines periodically.

=Awards & Punishments=

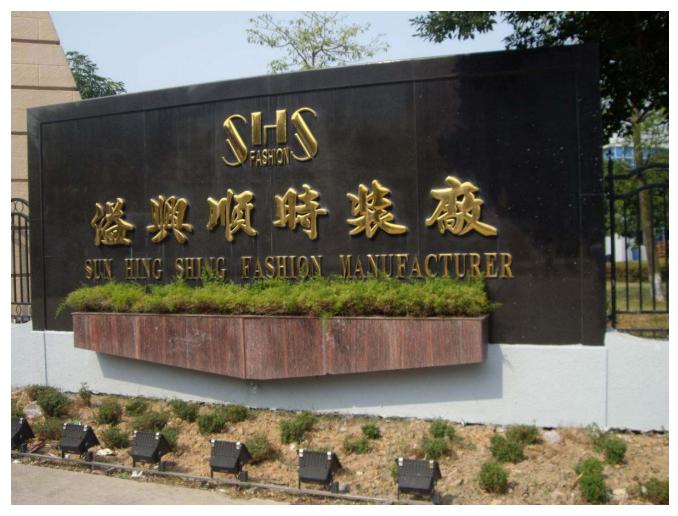
Workers reported that Yi Kang does not impose many fines. Regarding awards, if a worker refers a new worker to work in the factory and the new worker fulfills a six month employment, the referrer will receive a 400 to 700 RMB award. However, due to high mobility in the factory, workers reported

that very few have received such award.

=Other Conditions=

There is no form of freedom of workers' association at Yi Kang

IV. Yi Xing Shun Fashion Manufacturer



Shenzhen Yi Xing Shun Textile Factory is a Hong Kong Bartolomeos Limited invested factory established in 1990.

In 2003, Hong Kong Bartolomeos Limited began the establishment of another branch, Biqing City Yi Xing Shun Clothing Co. The construction was completed in 2004, currently employing over 10,000 workers.

- Factory Name: Sun Hing Shung Fashion Manufacturer (Yi Xing Shun)
- Address: Shenzhen City, Bao'an District, Gongming Town, Jiangshi Village, Tongfu Industrial District. (深圳市宝安区公 明镇将石村同富工业区)
- Contact Number: 0755-27738383/27124323
- Factory Area: Approximately 58,000 Square Meter
- Number of Workers: About 3,000 with the male to female ratio of 1:4.
- Products: Upscale bras, underwear, pajamas, swimming clothes and etc.
- Export Markets: Australia, Europe, Japan, Russia, the United States and etc.
- Website: http://www.shsfashn.com.hk/

=Contract=

Workers do not need to pay a deposit upon recruitment. Yi Xing Shun provides two copies of the contract for workers to sign, and workers are able to receive a copy.





=Work Hours=

The required daily work hours at Yi Xing Shun is nine hours, one extra hour than the regular work hours stipulated by the Chinese labor law. In addition, that extra hour does not calculate as overtime.

Work Schedule

Morning	8:30AM ~ 12:30PM	
Afternoon 2:00PM ~ 7:00PM		
Overtime	8:00PM ~	
(Overtime is about two hours during slow season and		
five to six hours during peak season).		

Overtime is enforced; workers have no choice but to comply in order to avoid punishment. Except work overload generally during peak season, workers have one day off a week. Under the condition of overload work, workers do not have set off days or holidays.

According to China Labor Law Article 36, a worker's daily work hours should not exceed eight hours, and weekly work hours should not exceed 44 hours. In addition, China Labor Law Chapter 4, Article 44 also stipulates: Chinese labor law stipulates regular overtime should be 1.5 times the regular hourly wage, off-day wages should be equal to twice the regular hourly wage. Thus, Yi Xing Shun's behavior in imposing nine regular work hours with no overtime pay is clearly violating China's labor law regarding work hours and overtime wage.

=Wage & Benefits=

Yi Xing Shun calculates wage by hourly rate and piece-rate. Workers from the quality check department are paid by the hour, sewing department workers are paid by piece-rate with 25 percent to

28 percent commission of the production cost. The base wage is \$700 RMB per month, and workers' average wages range from \$1,200 RMB to \$2,500 RMB.

Upon resignation, factory distributes the last payment to workers on time.

Yi Xing Shun distributes wages at the 10th of each month, the wage is distributed through bank wiring and factory does not offer a pay statement. Thus, workers are not familiar with the specific wage calculation system at Yi Xing Shun and often complain about the system. In addition, workers have no rights to question about the pay statement details nor does the factory provide explanation.

Yi Xing Shun purchases pension, medical and work-injury insurance for workers. The factory also collaborates with the local Gongming hospital and built a small clinic onsite. The clinic does not charge workers with minor sickness such as a cold or a fever. If work injury has taken place, injured workers may seek reimbursement from the factory if the injury is cured within three months after providing the receipt from the clinic.

=Food and Living Conditions=

Yi Xing Shun provides food and housing in a dormitory. An eight RMB daily meal fee will be deducted from workers who dine at the cafeteria. In the past, due to bad food quality, many workers chose to dine outside the factory without subsidy given by the factory. Since October 2007, due to

unknown reason, the cafeteria's food has improved dramatically.



Each dormitory room houses eight workers with independent bathroom and provides hot water and drinking water. The factory sets limitations on water usage, each room distributed with 26 liters of water per month, and the amount exceeding the limit is paid equally among workers. A utility fee of approximately 10 RMB is also imposed monthly.

Yi Xing Shun provides couples room to married workers, and the factory charges a monthly fee

according to room size, 40, 60 or 80 RMB.



=Safety Issues=

Upon recruitment, workers are provided with work safety training, information on factory regulations. In addition, factory provides fire safety exercise every six months.

Workshops are installed with a ventilation system and an air conditioner. Workers are also provided with safety equipment. Chemicals are rarely involved during production. Since October 2007, the environment in the workshops has improved dramatically, and regular check ups take place daily.



=Award & Punishment=

Yi Xing Shun established a point-system; each point is equivalent to \$5 RMB. For example, using mobile phone at work is a 10 point deduction, making a mistake during production leads to a $10 \sim 20$ point deduction.

There are very few awarding systems.

=Other Conditions=

Upon recruitment and during advertisement, Yi Xing Shun stated that the factory has a union. However, according to interviewed workers, no union or other organization that represents the workers exists at Yi Xing Shun.

In 2006, a strike took place due to Yi Xing Shun demanding workers to work at its branch at Biqing City, incompliance leading to automatic resignation. Many workers were unwilling to work at the

branch because of the distance and sought for factory compensation. After negotiation with the factory failed, over hundred workers went on strike for couple days and set up a road block. After the intervention of the local labor department, workers received the compensation.

Regina Miracle International Limited



=Basic Facts=

Regina is established in 1997, a branch of Hong Kong Xinchang cotton and kapok Limited. The factory is TUV ISO 9002 certified and also one of the largest bra manufacturers in the world. Its main production brand is Regina Miracle with clients from the industry such as Bali Intimates, Hanesbrands Inc, PIEGE CO Inc, WACOAL AMERICA INC

- Factory Name: Regina Miracle International Limited (Regina)
 Investigation
- Address: Shenzhen City, Bao'an District, Gongmingyuwuyao
 Industrial District
- Website: http://www.reginamiracle.com/
- Contact Number: 0755—29893282
- Factory Area: Approximately 30,000 square meters.
- Number of Workers: About 14,000 workers with the male to female ratio of 4:6
- Products: Types of bras and female swimwear and underwear.

=Contract=

According to interviewed workers, new workers are required to sign a labor contract for a three-month probationary period, after the probation period, the factory will then offer a one year contract. The factory does not offer a copy of the contract to workers until the workers filed complaint recently.

Workers are required to provide a valid identification as well as health examination before being permitted to work at Regina. In addition, male workers usually need to be referred by the current employees from Regina in order to get hired. Upon recruitment, a 40 RMB health examination fee, 19 RMB summer uniform charge, 25 RMB winter uniform charge in addition to a 300 RMB monthly

deduction from the monthly wage for three months are imposed. Thus, the first three months is the most burdensome period for new workers with the total wage deduction of the first three months being 984 RMB. The 900 RMB deduction in the first three months of employment will not be returned until the termination of the employment. Since Regina composed the content in the contract, it if difficult for workers to quit though if resignation was approved the factory are still able to return the 900 RMB two days after the resignation approval.

=Wages=

Regina deposits wage into workers' bank account around the 22nd to 23rd no later than the 25th of each month. Though factory began to provide pay statement for workers and requires signature as confirmation upon receiving the payment, workers reported that details on the pay statement are not at all clear. In addition, due to unknown reason, factory recently requires workers to carve stamp with their signature in order to replace the written signature required upon receiving pay statement. Thus, many workers worried that others may forge or steal stamps and collect their wage. Towards this issue, many workers expressed their condemnation though they could not do anything about it.

Regina calculates wage by hourly and piece-rate. The base wage for hourly workers is 700 RMB per month, the regular overtime is 150 percent of regular work hour, and weekend overtime is regular work hour' 200 percent. The factory imposes day and night shifts and switch shift every 15 days, workers on the night shift do not have any subsidy.

Under regular condition, an hourly-rate worker can receive about 1,200 RMB per month after working two to four hours of daily overtime with four off days per month. Conversely, piece-rate workers can receive about more than 2,000 RMB per month. During the slow season, however, when factory experiences low production, workers' wage is much lower.

=Work Hours=

Day Schedule	Night Schedule
Morning 7:30AM ~ 12:00PM	Night 8:00PM ~ 12:00AM
Afternoon 1:00PM ~ 6:30PM	Morning 12:30AM ~ 7:30AM

Regina's overtime differs depending on the department and production rate while all workers must obey factory's overtime demand. Regina sets different quota on each of the production line and department products, workers can generally complete their production mission.

=Benefits and Remuneration=

Regina workers have paid holidays on International Labor Day, National Day, New Year, and Spring Festival. Female workers acquire a three month maternal period for pregnant workers, and the factory pays the workers monthly by their base wage. Other days such as sick day and relative-visit days are

unpaid.

Regina only provides a 4 RMB worth of laborer cooperative medical insurance, only employees at the management level are provided with other types of insurance.

=Food and Living Conditions=

Factory provides food and accommodation, and deducts 60 RMB per month off workers' wage. After working for one full year, the accommodation fee decreases to 30 RMB per month, and after two employment years the factory stops deducting the fee.

Each dormitory room consists of one bathroom and a fan, housing eight workers.

An IC card is available for workers to deposit money for the factory's cafeteria meals, and workers are required to purchase the IC card before purchasing any meals. Regina provides three types of meals, 3 RMB/meal, 4 RMB/meal and 5 RMB/meal. The three RMB meal offers two dishes, one meat and one vegetarian, the four RMB meal offers one vegetarian dish and two meat dishes, and five RMB meal offers one vegetarian and three meat dishes. According to interviewed workers, since the food offered by the cafeteria is poor, half of the workers often choose to eat outside.

=Other=

There is no union established at Regina. In 2004, a strike with head counts of 40 to 50 workers had occurred. After the strike, factory management fired the lead worker of the strike.

