

China Labor Watch

The Toy Industry in China

September 2005

# **The Toy Industry in China: Undermining Workers' Rights and Rule of Law**

A report by China Labor Watch

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## Introduction

Cheap, plastic toys, the kind found in stores, fast food restaurants, fairs, daycare centers, cereal boxes and homes across the United States, almost all come from China. The Chinese toy industry, the largest in the world, generates billions of dollars in export profits and employs millions of people in thousands of factories. These factories are an important part of the economic boom that has lifted many out of poverty in the People's Republic, but they have a dark side, too: excessive work hours, dangerous equipment and chemicals, cramped employee dormitories, abusive managers, crooked hiring practices, and pay below even China's minimum wage.

This report, based on investigations of eleven randomly selected toy plants in Dongguan City, Guangdong Province, attempts to give a picture of some of the problems shared by the industry as a whole and to serve as a wake up call to corporations, local governments and concerned citizens. It shows that high profile exposés and newly adopted corporate "codes of conduct" have not halted the infringement of toy workers' rights. Abusive conditions persist, threatening to undermine any gains made in workers' standard of living and hindering the development of rule of law in China.

The focus of this report is one shop in particular, the Hong Kong-based Kai Long factory in Dongguan City, which produces toys for McDonald's, KFC, Hasbro and Mattel. The report also details conditions at ten other Dongguan factories: Jieling, Yatian, Dongxu, Yisheng, Guolian, Weiwang, Long Hua, Shun Lian, Long Chang and Ling Xian. These sites were investigated over a three-month period from January to April 2005; a follow up investigation was conducted in August 2005.

Among the report's findings are work schedules that surpass the legal limit by at least 36.5 hours per week, pay rates as low as only 59 percent of the local minimum wage, unsanitary cafeterias, dorm rooms housing 22 people each, and employees forced to foot the entire cost of their work-injury insurance and, in some instances, lack of insurance of any kind. The simple disrespect for Chinese law displayed by these factories may surprise readers. Out of the eleven sites investigated, only one, Jie Ling, abides by the work time and pay regulations set out in the China Labor Law.

Corporations often try to avoid responsibility for such gross infractions by pointing out that factories serve several different clients at the same time. It is common for plants to only devote about 20 percent of their production to any one company. Kai Long, as mentioned, manufactures for four clients: McDonald's, KFC, Hasbro and Mattel. If laws are broken, each corporation claims that much as it would like to ensure compliance, it cannot control the work orders of the other corporations. However, companies' attention to even the slightest changes in cost, changes that can lead them to move their production to other plants the moment profits per item drop by pennies, belie their professed inability to stay informed of total work hours at a given factory or the total pay given workers.

Almost all major corporations now have "corporate codes of conduct". Each of the corporations at Kai Long has a "code" that calls, among other things, for strict obedience

to local law. Hasbro Inc. says in its “Global Business Ethics Principles” that “facilities must comply with all applicable national and local wage and hour laws, including minimum wage laws.” Mattel Inc.’s “Global Manufacturing Principles” demand “wages for regular and overtime work must be compensated at the legally mandated rates.” And Yum Brands Inc., owner of KFC, declares, “Employees should not be required to work more than the number of hours allowed for regular and overtime work periods under applicable local, state and federal law.” If these “codes” are to mean anything, they cannot apply only under narrowly defined circumstances, such as only when a factory has no other clients (which is rare).

Toy companies must go beyond fine words and clever excuses to ensure that the employees of their suppliers receive the treatment that Chinese law and common decency require. With profits in the billions and enormous advertising budgets, multinationals can afford to provide more than just jobs; they can provide dignity, too. China Labor Watch urges consumers to contact the owners of Hasbro, Mattel, McDonalds, KFC and Wal-Mart and demand that they make serious efforts to improve the conditions in their factories.

Li Qiang

Executive Director, China Labor Watch

## **PART I: Kai Long Toy Factory**

The following is an investigative report on the Hong Kong-owned Kai Long toy factory, which is located in Dongguan City, Guangdong Province, China. Based on information obtained from various sources, including interviews conducted with factory workers, this report is intended to document instances in which factory operators violate workers' legal rights, to disseminate that information to the international community, and to call for corrective actions by the factory to improve working conditions for its workers.

The present report is broken down as follows:

- I. Factory Profile
- II. Work Hours
- III. Wages
- IV. Living Conditions
- V. Meals
- VI. Work Intensity and Labor Price
- VII. Fines and Deductions
- VIII. Holidays and Benefits
- IX. Insurance
- X. Hiring Policy
- XI. Overall Environment

### **I. Factory Profile**

Kai Long is a Hong Kong-owned company that mainly produces plush and plastic toys. Its primary clients include McDonald's, KFC, Hasbro, and Mattel, and the products are mainly sold to the United States and Japan. The factory employs 600-700 workers during slow seasons and the number could be as high as 1,100 during peak production seasons. The ratio of male workers to female workers is about 1:1.

The factory's address is:

No.8 Building, Anyuan Industrial Zone  
Wentang, Dongguan City  
Guangdong Province, China

The factory's contact telephone number is: 86-769-2660608.

### **II. Work Hours**

Factory records show work/rest hours as follows:

Work	8:00 – 12: 00
Lunch Break	12:00 – 13:30
Work	13:30 – 18:00
Dinner Break	18:00 – 19:00

Overtime 19:00 – 22:30

It is clear from the above work time schedule that workers spend 14.5 hours a day in the factory (including overtime), comprising 12 hours of work and 2.5 hours of rest. However, because workers often have to work overtime until midnight when the factory has many orders, the number of hours worked often increases to 13.5.

Moreover, workers normally work seven days a week with only Sunday night off (i.e. they are relieved of overtime work Sunday nights). They are usually given only one day off a month, and never more than two days even during the slow seasons.

Thus, during regular times (i.e. during slow production periods when no overtime hours beyond the normal 3.5 are needed) Kai Long workers have a workweek of up to 80.5 hours (12 hours/day x 6 days + 8.5 hours on Sunday). This total includes many overtime hours (3.5 hours/day x 5 days + 12 hours on Saturday + 8.5 hours on Sunday). The number could be even higher during busy production periods. This work schedule surpasses the legal limit by at least 36.5 hours per week.

The 36<sup>th</sup> clause of the China Labor Law stipulates that laborers may work for no more than 8 hours a day, and on average may not work for more than 44 hours a week. Under special circumstances, employers may extend work hours due to production requirements, business, or other special reasons, but the total overtime extension, per employee, may not exceed 36 hours in a month.

The Kai Long factory blatantly violates this labor law. Workers are required to work overtime all year round, regardless of the circumstances. Overtime hours are 142 per month or even higher, exceeding the legal limit of overtime by at least 106 hours per month. Factory practice also violates the 38<sup>th</sup> clause of the labor law which states that employers must guarantee staff and workers at least one day off per week.

### **III. Wages**

The Kai Long factory implements two types of wage paying practices: piece rate wage for handcraft workers and hourly wage rate for machine operators. The hourly wage rate is 1.9 yuan, or about 23 cents, per hour, for both regular and overtime work hours. This rate is only 59% of the local minimum wage standard in Dongguan City, which is 574 yuan/month for a legal workweek of no more than 44 hours, or 39 cents per hour. In clear violation of China Labor Law, there is no such concept as “paid overtime” in this factory. Overtime on Saturdays and Sundays is considered regular worktime without any additional compensation. The handcraft (i.e. non-machine) workers are paid only according to the number of pieces made without any base wage.

Workers’ wages are paid in cash from the 5<sup>th</sup> to the 10<sup>th</sup> of each month. According to factory policy, a worker receives his or her first month’s pay during the third month of employment, such that workers are paid more than one month (35-40 days) in arrears on an on-going basis. Moreover, the factory does not distribute pay stubs to workers. Supervisors only allow workers to look at the pay stubs to verify that they have received

correct payment. After a worker signs the stubs indicating that there are no errors in the amount he or she receives, the pay stub is then kept by the management.

Article 44 of the China Labor Law stipulates that employers must pay workers no less than 1.5 times the regular wage for overtime accrued on regular work days; no less than 2 times the worker's regular wage on days of rest (days off); and no less than 3 times the worker's regular wage on statutory holidays. Factory practice is in blatant violation of this law.

Thus, for a seven-day, 80.5-hour workweek, workers' weekly total pay is \$18.5 (80.5 hours/week x 23 cents/hour). If Kai Long factory practice were in line with labor law, however, weekly earnings would be \$43.39. The calculation is as follows:

44 regular hours x 39 cents = \$17.16  
3.5 overtime hours/day x 5 days x 39 cents x 150% = \$10.24  
12 hours on Saturday x 39 cents x 200% = \$9.36  
8.5 hours on Sundays x 39 cents x 200% = \$6.63  
Total week's pay: \$43.39

**Workers at the Kai Long factory are paid only 43% of the legal wages they deserve and are cheated out of \$24.89 a week.** This number could be even higher if they are required to work on statutory holidays.

#### **IV. Living Conditions**

The factory has a five-floor dormitory for both male and female workers. Each room in the dormitory contains 8 beds with upper and lower bunks, housing 16 workers, and 2 fans. Each room has its own bathroom and shower room. There is an electronic boiler on each floor on the side where male workers live that provides hot water 24 hours a day.

The factory charges 17 yuan per month to live in the dormitory. There is no cleaning staff in the dormitory, which means that workers have to do the cleaning themselves. The factory does not charge those workers who choose to live outside the factory.

#### **V. Meals**

Operation of the factory cafeteria has been contracted to private business. Workers pay 3.5 yuan per day for cafeteria food. Workers report that the food is of very poor quality and has little taste. Three vegetable dishes and a soup are provided for lunch and dinner respectively. Because of the poor quality and the small portions provided by the cafeteria many workers choose to eat outside the factory. An additional meal is provided if workers work overtime after midnight.

#### **VI. Work Intensity and Labor Price**

Currently the factory produces primarily machine-made plush toys. Although it is at the

time of writing considered to be the slow season, production volume is still large and work intensity is high.

The factory currently has 6 production lines with each line producing a different toy model. The daily output of simple toys is about 2,000 pieces. The cost of labor, as previously stated, is very low. Based on workers' own calculation, each worker earns USD 0.0125 to USD 0.025 (one-eighth and one-fourth, respectively, of one US cent) per toy.

## **VII. Fines and Deductions**

Workers' wages, already low by any standard, are often further reduced after the factory's numerous deductions. Workers say that the factory has many ways of reducing wages, such as deducting pieces produced by the workers from the worker's overall piece calculation, reducing the wage rate per piece, etc.

The factory also has a monetary fine policy and the fines vary from 2 yuan to 200 yuan. According to the policy, a worker will be fined 2 yuan for being 10 minutes late, 5 yuan for forgetting to bring the factory ID, 20 yuan for being absent one day, 200 yuan for smoking on the shop floor, and 200 yuan for fighting (this last violation results in the worker being dismissed from the factory). Workers are also fined for using too much water in the dormitory. Moreover, if a room is not considered clean enough during the monthly dormitory inspection, each worker in the room will be fined 5 yuan.

## **VIII. Holidays and Benefits**

The factory states that workers enjoy all statutory holidays, but in reality workers are not paid on those days. The factory's policy is no work, no pay.

The only benefit that is available is a 45-yuan reward for full work attendance on the precondition that the worker was not late or absent and did not ask for days off.

## **IX. Insurance**

Article 72 of China's Labor Law states that employers and laborers must participate in social insurance in accordance with the law and pay social insurance costs.

However, the Kai Long factory only provides insurance for supervisors and some workers who have worked in the factory for a long period of time. No insurance is provided to regular production workers.

## **X. Hiring Policy**

The factory hires only workers who are 18 to 30 years old. The majority of the workers are from Henan, a province in central China.

According to Article 15 of China's Labor Law, employers are prohibited from hiring laborers younger than 16 years old. However, workers say that there are many girls under 16 years old in the factory. They present fake ID cards or borrow others' cards to enter into employment at the factory. Some workers report that factory management was once fined for hiring child laborers.

## **XI. Overall Environment**

The overall environment in the factory is not good. There is no trade union in place, nor is there any entertainment available for the workers. There is a TV set in the cafeteria, but it is turned on only during the Chinese New Year period. Workers usually go shopping or go to the internet café during their free time. Also, because of all the above factors, there is a high turnover rate among workers.

## **PART II: The Toy Industry in China**

### **Profile of the Factories**

- |      |                 |                                                                                                                         |
|------|-----------------|-------------------------------------------------------------------------------------------------------------------------|
| I.   | Name:           | Jieling Toy Factory                                                                                                     |
|      | No. of Workers: | 1000                                                                                                                    |
|      | Address:        | Xiajiangcheng Industrial District, Gaobu Town,<br>Dongguan City, Guangdong Province                                     |
|      | Telephone:      | 0769-8873861, 8870781                                                                                                   |
| II.  | Name:           | Yatian Plastic Toy Goods Factory                                                                                        |
|      | No. of Workers: | 2000                                                                                                                    |
|      | Address:        | Zhongli Industrial District, Nan Cheng District,<br>Dongguan City, Guangdong Province                                   |
|      | Telephone:      | 0769-2407305, 2407306                                                                                                   |
| III. | Name:           | Dongxu Toy Factory                                                                                                      |
|      | No. of Workers: | 600-700                                                                                                                 |
|      | Address:        | Wen Zhu Er Heng Road No. 12, Wen Tang<br>Industrial District, Dong Cheng District, Dongguan<br>City, Guangdong Province |
|      | Telephone:      | 0769-2695712                                                                                                            |
| IV.  | Name:           | Yisheng Toy Factory                                                                                                     |
|      | No. of Workers: | 800-1000                                                                                                                |
|      | Address:        | Zhong Tong Industrial District, Yu Shi Village,<br>Dong Cheng District, Dongguan City, Guangdong<br>Province            |
|      | Telephone:      | 0769-2252385, 2292041                                                                                                   |
| V.   | Name:           | Guolian Plastic Goods Company, Ltd.                                                                                     |



- |  |                 |                                                                                              |
|--|-----------------|----------------------------------------------------------------------------------------------|
|  | No. of Workers: | 4000                                                                                         |
|  | Address:        | Xitou Industrial District, Hou Street, Nan Cheng District, Dongguan City, Guangdong Province |
|  | Telephone:      | 0769-5592588                                                                                 |
- VI. Name: Weiwang Plastic Toy Factory
- |  |                 |                                                       |
|--|-----------------|-------------------------------------------------------|
|  | No. of Workers: | 1200                                                  |
|  | Address:        | Nan Cheng District, Dongguan City, Guangdong Province |
|  | Telephone:      | 0769-2407378                                          |
- VII. Name: Long Hua Toy Factory
- |  |                 |                                                                                                         |
|--|-----------------|---------------------------------------------------------------------------------------------------------|
|  | No. of Workers: | 1700                                                                                                    |
|  | Address:        | Gao Tian Fang Village, Zhu Shan Guanli District, Dong Cheng District, Dongguan City, Guangdong Province |
|  | Telephone:      | 0769-2263686                                                                                            |
- VIII. Name: Shun Lian Toy Factory  
(English name: Lucky Group)
- |  |                 |                                                                                           |
|--|-----------------|-------------------------------------------------------------------------------------------|
|  | No. of Workers: | 2000                                                                                      |
|  | Address:        | Gong Lian Gong Industrial District, Wan Jiang District, Dongguan City, Guangdong Province |
|  | Telephone:      | 0769-2279258, 2279238                                                                     |
- IX. Name: Long Chang Toy Factory
- |  |                 |                                                                                         |
|--|-----------------|-----------------------------------------------------------------------------------------|
|  | No. of Workers: | 1300                                                                                    |
|  | Address:        | Qian Tou Han Tang Street No. 27, Dong Cheng District, Dongguan City, Guangdong Province |
|  | Telephone:      | 0769-2262016, 2252741                                                                   |
- X. Name: Ling Xian Toy Factory
- |  |                 |                                                              |
|--|-----------------|--------------------------------------------------------------|
|  | No. of Workers: | 1200                                                         |
|  | Address:        | Wen Tang Bei Road No. 113, Dongguan City, Guangdong Province |
|  | Telephone:      | 0769-2665228                                                 |

## II. Work Hours

Work hours for Chinese factory workers in the toy industry are long. There are national and regional wage and hour laws, but these are routinely violated by factories that seek to maximize profits by both overworking and underpaying workers. Compliance monitors from client headquarters or independent human rights organizations sometimes monitor work conditions inside factories, but this is not always effective for a number of reasons. Notified in advance, managers have time to prep workers on what to say to monitoring

teams. Factories often maintain two sets of books, one to show to auditors and another to record actual wage and hour practices. In some cases, management simply promises improvements without taking action.

According to Article 36 of China Labor Law, a laborer must work no more than 8 hours per day and no more than 40 regular hours per week. Overtime hours are permissible when deemed necessary by the company for the needs of production, but for no more than 3 hours on any given day and totaling no more than 36 hours per month. China Labor Law also gives each worker the right to at least one full 24-hour period of rest per week.

Despite these laws, most toy factory workers work over 11 hours per day, and working factory over 15 hours per day 7 days per week is not out of the ordinary. Many workers toil up to 90 or more hours per week, far in excess of the legal limit permitted by China Labor Law.

Schedule structures in Chinese toy factories vary. Some factories have rotating shifts such that, during any given 24-hour period, there are always workers working. Some factories allow workers to return to the dormitories during their breaks, to go outside or otherwise arrange their own break activities. Others force workers to stay at their work stations during breaks. In these cases workers usually sleep at their work stations. Most factories have cafeterias where workers take their meals during lunch and dinner breaks.

NOTE: Because factory workers live in factory dormitories, it is not accurate to say that a worker is “at the factory” only while working. In effect, a worker is “at the factory” any time he or she has not left the compound to eat, shop, go to hospital, or engage in some other activity. Therefore, throughout this section, the term “workday” is used to describe the total amount of hours from when a worker starts working in the morning to the time he or she finishes at the end of the day.

### Jie Ling

At Jie Ling, the workday is 8 to 12 hours long. Workers work 8 regular hours per day during peak season and 7 regular hours per day during the slow season. On those occasions when workers put in overtime hours, it is in accordance with China Labor Law, i.e., the hours do not exceed 36 per week. Because it is slow season at the time of writing, the current work schedule at Jie Ling is:

Work	8:00-12:00
Rest	12:00-13:00
Work	13:00-16:00

Of the 10 factories we investigated, Jie Ling is the only one that abides by the work time regulations set out by China Labor Law during both peak and slow production seasons. This kind of work schedule (i.e. a legal one) is extremely rare in Chinese toy factories.

Ya Tian

At Ya Tian, the workday is normally 13 hours long (8 hours of normal work time, 3 hours of overtime and 2 hours of rest), usually 7 days per week. This is a clear violation of China Labor Law.

Dong Xu

At the Dong Xu factory, the workday is normally 15.5 hours long (8 hours of regular work time, 5 hours of overtime and 2.5 hours of rest), usually 7 days per week. During peak periods it is common for workers to work for several months without a day off.

Yi Sheng

At the Yi Sheng factory, the workday is normally 14.5 hours long (8 hours of regular work time, 4 hours of overtime and 2.5 hours of rest). During slow seasons, workers normally get 4 days off per month (i.e., one day off per week). During peak season, that figure is reduced to 2 days per month (i.e., one day off every two weeks).

Guo Lian

At the Guo Lian factory, the workday is normally 14.5 hours long (8 hours of regular work time, 4 hours of overtime and 2.5 hours of rest). Days off are rare and irregular. Workers report that previously, Sunday was the common day off for all workers, but that this policy has changed and that workers now get one day off per month (on payday) if at all. At the time of investigation workers reported not having had a day off in two months.

Wei Wang

At the Wei Wang factory, the workday is normally 15 hours long (8 hours of regular work time, 4.5 hours of overtime and 2.5 hours of rest), usually 7 days a week. There are often power outages on Sundays, making it impossible for the factory to function normally, and so all workers except security officers leave the factory to rest at this time.

Long Hua

The Long Hua factory employs a staggered shift schedules in which workers start at 7:30, 7:45 and 8:00, and getting off around 23:00 or 24:00. Thus, the workday is normally 15.5 to 16 hours long (8 hours of regular work time, 5 to 5.5 hours of overtime and 2.5 hours of rest). During rush periods or periods of high order volume, workers get no days off.

Shun Lian

At the Shun Lian factory, the workday is normally 14 hours long (8 hours of regular work time, 3 hours of overtime and 3 hours of rest). Workers get one day off per week, and are

permitted during break time to arrange their own activities inside or outside of the factories as they choose.

### Long Chang

During slow seasons, the Long Chang factory employs a staggered shift schedule in which workers start at 8:00, 8:15 and 8:30, and get off at 17:00, 17:15 and 17:30, respectively. Thus, during times of normal production, work hours are about 42 per week, i.e. they are in line with China Labor Law. During times of peak production, workers work until 22:00 or 23:00, bringing their total number of hours at the factory to 14-15 hours a day (8 hours of regular work time, 3 to 4 hours of overtime and 3 hours of rest).

### Ling Xian

At the Ling Xian factory, the workday is normally 14.5 hours long (8 hours of regular work time, 4 hours of overtime and 2.5 hours of rest). Workers work 7 days a week; it is only on Saturday and Sunday that they work the regular 8 hours without any overtime.

## **III. Wages**

The remuneration systems of Chinese toy factories vary both in terms of wage and salary figures as well as the degree of factory adherence to law. The hourly and monthly wages of workers in different factories can therefore vary, and even an individual worker's income can change from month to month.

Toy factories pay by the hour, by the piece, or by a combination of per-hour and per-piece wages. Hourly wage earners are usually engaged in non-productive work like packing or shipping, and earn the same amount per hour. Piece-rate wage earners earn by the number of pieces they produce.

On December 1, 2004, the minimum monthly salary for a factory worker in Dongguan City working 44 hours was raised from 450 yuan (about \$54.50) to 574 yuan (about USD \$69.50). China Labor Law stipulates that a worker shall receive no less than 1.5 times his or her normal wage for overtime hours accrued on normal work days; no less than 2 times the normal wage for overtime hours accrued on regular days off; and no less than 3 times the normal wage for overtime hours accrued on national holidays. Many factories, however, blatantly violate Chinese law by failing to pay these rates.

### Jie Ling

Of the 10 factories we investigated, Jie Ling is the only one that pays workers in accordance with China Labor Law. Wages are paid between the 21<sup>st</sup> and 24<sup>th</sup> of each month, and workers are given a pay stub.

Jie Ling uses an hourly wage system for all workers. The hourly wage for most departments is 3.43 per hour for regular hours and 5.15 for overtime hours accrued on

regular work days. Workers in some departments are paid 3.6 yuan per hour for regular hours and 5.6 per hour for overtime hours accrued on regular work days.

With this wage structure in place, workers at Jie Ling earn about 700-800 yuan (\$84.75 - \$96.85) per month, and over 1000 yuan (\$121.07) per month during times of increased overtime hours. If there are no overtime hours, a worker will earn the base monthly wage of 574 yuan, as long as he or she does not miss work or come to work late.

Jie Ling offers no rewards or bonuses for completed work.

### Ya Tian

Most workers at Ya Tian earn according to one of two types of remuneration systems: monthly salary and per-piece wage. Those who are paid by the month usually earn about 800 yuan (about \$96.85) per month, and the monthly average for per-piece earners is roughly the same. Electronics department workers earn much less than workers in other departments, making about 400 yuan (\$48.43) per month. There is a monthly bonus of about 120-130 yuan (\$14.53-15.74) for workers who exceed their production quota.

Ya Tian workers are given a pay stub on the 15<sup>th</sup> of each month. They then take the pay stub and their identification to the factory finance office and receive the previous month's pay.

Unlike many toy factories in Dongguan, Ya Tian factory management will usually approve a worker's request to resign and leave the factory provided 30 days notice is given. Approval of management is crucial for workers wishing to leave the factory, because final pay is usually given to workers only when management agrees with the decision to quit.

### Dong Xu

Workers at the Dong Xu factory are divided into "skilled" and "unskilled" laborers. Unskilled workers earn 11 yuan (\$1.33) for an 8-hour shift, or about 1.38 yuan (\$0.17) an hour. Skilled workers earn 16 yuan (\$1.94) for an 8-hour shift, or 2 yuan (\$0.24) an hour. Pay is given in the form of cash on the 10<sup>th</sup> of each month for the previous month.

### Yi Sheng

Workers at Yi Sheng earn either a monthly salary or a piece-rate wage. Those who receive a monthly salary get no overtime pay regardless of how many hours they work in a month. Piece-rate wage earners are paid by the piece and can earn over 1000 yuan (\$121.07) per month.

The factory divides piece-rate wage earners into the following six categories: A1, A2, B1, B2, C1 and C2. Each category of worker earns a different wage for regular and overtime hours.

<u>Category of worker</u>	<u>Regular hour wage</u>	<u>Overtime hour wage</u>
A1	3.0 yuan (\$0.36)	4.5 yuan (\$0.55)
A2	2.7	4.05
B1	2.5	3.75
B2	2.2	3.3
C1	2.0	3.0
C2	1.8 yuan (\$0.22)	2.7 yuan (\$0.33)

The factory also offers a 30 yuan (\$3.63) bonus for workers who work straight through the month without taking any days off.

#### Guo Lian

Although workers in a few departments are paid by the piece during the busy season, Guo Lian workers generally earn by the hour. The regular hour wage is 10 yuan (\$1.21) for an 8-hour work day, or 1.25 yuan (\$0.15) per hour.

Wage for evening overtime hours is paid according to status. New workers earn 1.8 (\$0.22) yuan per hour and workers who have been at the factory for longer periods of time are paid 1.9 yuan (\$0.23). According to this pay scale, a worker who works 30 days in a month will earn only 300 yuan (\$36.32), far below the Dongguan City minimum wage of 574 yuan (\$69.49) per month.

#### Wei Wang

All workers at Wei Wang earn by the hour. In addition to the base pay of 450 yuan (\$54.48) per month, there is also a 60 yuan (\$7.26) bonus per month for all workers who finish their monthly quotas. Actual income of workers is about 500-600 yuan (\$60.53 to \$72.64) per month.

Management failure to pay workers on time is a serious problem at Wei Wang. It is common for workers' wages to be two or more months late.

#### Long Hua

Workers at Long Hua earn between 400-1000 yuan (\$48.78 to \$121.07) per month. Payment is in cash and there are no other benefits or bonuses.

#### Shun Lian

Shun Lian workers are paid 2.7 yuan (\$0.33) per hour for regular hours, 4.05 yuan (\$0.49) per hour for overtime hours, and 5.4 yuan (\$0.62) per hour for Sunday hours. This pay structure is in accordance with China Labor Law, which mandates that workers be paid 1.5 times the regular wage for overtime hours on regular work days and 2 times the regular wage for overtime hours accrued on days off.

Long Chang

Long Chang employs a two-tiered wage structure for different types of workers. Some workers earn a higher monthly base wage, but earn a lower overtime premium. On average, workers in both categories earn about 700-800 yuan (\$84.75 - \$96.85) per month.

Ling Xian

Workers at Ling Xian are paid by the hour or by the piece. Hourly-wage earners are paid 1.8 yuan (\$0.22) per hour with varying overtime rates. A raise of one mao (1 mao = 1/10<sup>th</sup> of 1 yuan or about \$0.012) per hour is given every three months. Hourly workers earn about 14.4 yuan (\$1.74) per day for regular hours.

Piece-rate wage earners receive no base wage whatsoever, i.e. their earnings are based entirely upon the number of pieces produced. The result is that piece-rate earners' incomes are abysmally low. One piece-rate worker at Ling Xian made 130 yuan and 210 yuan (\$15.74 and \$25.42) on two different months, much less per month than the legal amount mandated by China Labor Law.

**IV. Living Conditions**

All major toy factories have on-site dormitories where many or all workers live. Workers live in the dormitories voluntarily, but usually choose to do so out of necessity because it is usually cheaper than renting an apartment outside of the factory compound. Workers live in dormitories for a monthly fee (around 25-50 yuan, or \$3.03 – \$6.05) or for free.

The cost of living in a factory dormitory is considerably lower than the average price of renting an apartment outside the factory compound, which can be up to 150 yuan (USD \$18) per month. However, some workers are willing to pay because living in the factory compound means sacrificing a great deal of privacy and freedom. For example, most factories mandate that no worker may be outside of the compound beyond midnight. Factories that charge a fee to live in the dorms will sometimes give workers who choose not to live in the dorms a small amount of money each month.

Living conditions inside factory dormitories range from decent to very bad. Some factories have a single multi-level building with separate male and female quarters; others consist of two separate buildings, one for men, one for women. Dormitory buildings have 6-10 floors, with up to 20 rooms per floor. Each room has 4-14 sets of two-tiered bunk beds. Most rooms have fans, and there is usually one bathroom with shower and toilet per floor. If there are 20 dormitory rooms on a floor and each room has 10 sets of bunk beds, then up to 400 workers will share one bathroom. In a few cases, each dormitory room has its own bathroom and shower.

Most dormitories have hot water and electricity, but often only for a certain number of hours per day. The result is that workers who work a late shift or put in extra overtime

hours will often be left without hot water when they get off work. Conversely, many dormitories turn on hot water only in the evening.

Workers report that theft inside the dormitories is a serious problem.

#### Jie Ling

Workers live in the factory dormitory for a monthly fee of 50 yuan (\$6.05). Each dormitory room has 8-10 two-tiered bunk beds for 16-20 workers. Workers report that dorm rooms are noisy and overcrowded. Moreover, because workers work one of three different shifts, it is common to be woken up by the sounds of other workers who are finishing or getting ready for work.

#### Ya Tian

Each dormitory room has 8 two-tiered bunk beds for 16 workers. There is a shower room and toilet on each floor, but hot water is available only after 15:30, making it difficult for workers to bathe. There is no charge for living in the dorm, and most workers who choose to live outside of the dorm in a rented apartment are married. Apartments rented outside of the factory compound are usually about 150 yuan (\$18.16) per month.

#### Dong Xu

There are separate dormitory buildings for female and male factory workers. Each building has 6 floors with a bathroom with shower and toilet on each floor, and there is hot water 24 hours a day. Each dorm room has 8 two-tiered bunk beds for 16 workers and two fans. Each day a cleaner comes to clean the dormitories.

#### Yi Sheng

Each dormitory room has 6 two-tiered bunk beds for 12 workers. There is one bathroom with shower and toilet per floor. Because the dorm faces a large street it is quite noisy until 12 am or later. The bathrooms are of bad quality and there are serious safety issues. Workers report that things often go missing, and for this reason workers never leave things on their bed or hang clothes out to dry overnight. However, there is hot water 24 hours a day and it is quite convenient for workers to wash when they want to. Most workers who rent apartments outside the factory compound are married.

#### Guo Lian

Each dormitory room has 11 two-tiered bunk beds for 22 workers. Each floor has a bathroom with shower and toilet, and there is a cleaning person who comes each day. Living in the dormitory costs 4 yuan per month for water and electricity. There are security issues and things often go missing, but few workers can afford the average 150 yuan per month rent required to live outside the factory compound. There have been reports of unprovoked physical assaults from dormitory security guards.



There is hot water in the dorms, but only for certain periods of time each day. If a worker gets off work late and wants to bathe, there will be no hot water.

#### Wei Wang

Each dormitory has 8 two-tiered bunk beds for 16 workers. Each floor has one bathroom with shower and toilet. In wintertime, it is necessary to transport water from the water heater into the wash room if one wants to bathe with hot water. There is nobody managing the daily affairs of the dormitories and they are therefore loud and chaotic. Many of the dorm rooms are empty or only partially-filled, and workers frequently change rooms in order to live with friends or with people from their home town or province. Workers often report missing belongings.

#### Long Hua

Each dormitory room has 12 two-tiered bunk beds for 24 workers. There is a monthly water and electricity fee of 40 yuan (\$4.84) per month and each dorm room has its own bathroom.

#### Shun Lian

Each dormitory has 6 two-tiered bunk beds for 12 workers. Each floor has a bathroom with shower and toilet, and there is hot water provided in the wintertime. There is also a cleaning person and a person managing daily affairs in the dormitory. There is a monthly water and electricity fee of 20-30 yuan (\$2.41-\$3.63) per month, but it is otherwise free to live in the dorm. Some workers live outside the factory compound for 80-200 yuan (\$9.68 to \$24.21) per month, but few workers can afford this.

#### Long Chang

There are 3 dormitory buildings with 6-7 floors each. Each dormitory room has 6 two-tiered bunk beds for 12 workers and 3 fans. During the slow season, more workers are likely to live outside of the factory compound in a rented apartment.

A worker who chooses to live in the dormitory pays 50 yuan (\$6.05) per month, provided he or she does not take a day off during the month. If a worker who lives in the dorm takes a day off, the monthly dormitory fee is raised to 80 yuan (\$9.69).

Each floor has a bathroom with shower and toilet. If a worker wants to bathe with hot water, he or she must go to the boiler room to fetch hot water and bring it back to the bathroom. There is a daily cleaner who comes to clean the dorms, and sanitary conditions are basically good.

#### Ling Xian

There is one dormitory building with 6 floors. Floors 2, 3 and 6 are for male workers and floors 4 and 5 are for female workers. Each dorm room has 4 two-tiered bunk beds for 8 workers. Each room has 2 fans as well as its own bathroom with shower and toilet. Each day a cleaner comes to clean the dorms.

A worker who chooses to live in the dorms pays a 25 yuan (\$3.03) monthly living fee and 10 yuan (\$1.21) management fee. Workers who choose to live outside the dorm are given 25 yuan (\$3.03) per month for rent assistance.

#### **IV. Meals**

Each factory has different policies surrounding cafeteria use.

Where cafeteria meals are provided, price and quality varies. Most workers report that cafeteria food has little taste. Vegetable dishes have little oil, and meat dishes have little if any meat. Some factories deduct a fee from workers' monthly pay regardless of whether or not the worker actually uses the cafeteria. Other factories charge by the meal, so that workers can decide whether and when to use the cafeteria. Because working hours are so long and dormitories are not equipped with kitchens, workers rarely make their own food.

##### Jie Ling

Jie Ling provides a cafeteria for managers only, while workers leave the factory compound to eat in neighboring restaurants for 3-8 yuan (\$0.25-\$0.66) per meal.

##### Ya Tian

There is a cafeteria, but most workers eat outside in neighborhood businesses because they never feel full after eating at the cafeteria. Cafeteria meals are 2-3 yuan (\$0.16-0.25), depending on the quantity the worker wants.

##### Dong Xu

Sanitary conditions in the cafeteria are bad. The factory deducts 69 yuan (\$8.35) per month for the factory regardless of whether or not workers eat there.

##### Yi Sheng

The factory deducts 50 yuan (\$6.05) per month for the factory regardless of whether or not workers eat there.

##### Guo Lian

There are two separate cafeterias, one for managers and one for workers. The factory deducts 120 yuan (\$14.53) per month for the factory regardless of whether or not workers eat there.

#### Wei Wang

Cafeteria food is reported to be practically inedible. The factory charges 3 yuan (\$0.36) per day for cafeteria use.

#### Long Hua

China Labor Watch has no information about the Long Hua cafeteria.

#### Shun Lian

Workers can choose whether or not to eat in the Shun Lian factory cafeteria. If they do, the monthly cost is 100 yuan (\$12.11).

#### Long Chang

The Long Chang factory cafeteria charges workers by the meal. The cost of a meal is 2 yuan (\$0.24) for a 2 dish meal, 3 yuan (\$0.36) for a 3 dish meal, and so on.

#### Ling Xian

Workers at Ling Xian can choose whether or not they want to eat in the factory cafeteria. If they do, the monthly amount they are charged depends on which department they work in.

### VI. Work Intensity and Labor Price

Labor intensity depends on a number of factors, including season, department, and number of orders. During the peak season workers report that labor intensity is high and there is a great deal of pressure to achieve high output because of the great numbers of orders. Some departments (such as warehouse) have a high degree of labor intensity year-round.

Whatever the degree of work intensity, all factories profit from workers' cheap labor and workers are acutely aware of the discrepancy between what they are paid and the retail cost of the commodities they manufacture. For a remote control toy costing dozens or even hundreds of dollars on the retail market, a worker barely earns \$0.50, and for a simple plastic toy less than \$0.10. Despite this, in most factories workers work at least 11-12 hours per day, regardless of season.

In some cases, factories operate by quotas instead of hours. In this case a worker will get off work early, or at least not have to put in overtime hours, if he or she completes his or her production quota for the day.

## VII. Fines and Deductions

Most factories employ an elaborate system of deductions and fines for services and policy infractions, respectively. Examples of monthly deductions for services include 20-30 yuan (\$2.42-\$3.63) for water and electricity, 100-200 yuan (\$12.10-24.20) for food, 1 yuan (\$0.12) for dormitory cleaning services, 44 yuan (\$5.33) for retirement insurance, etc. However, these kinds of monthly deductions vary from factory to factory. For example, whereas one factory might charge 50 yuan (\$6.05) per month to live in the dormitory, in another factory it will be free.

Whereas these types of monthly deductions are regular and predictable, fines are a form of punishment levied against workers for infractions of company policy. In one factory, fines range from 1 yuan (\$0.12) for being 5 minutes late to 50 yuan (\$6.05) for smoking on the job to 200 yuan (\$24.20) for fighting.

One of the biggest problems for workers is the difficulties they encounter when they choose to leave the factory and want to claim their final pay. A number of factories require that workers get approval from a number of supervisors and managers to quit. If approval is not given, the worker will not receive his or her last month's pay. If a worker is fired, however, he or she will receive the final month's pay. It is therefore common for workers to cause themselves to get fired by fighting with managers when they want to quit. Although they will be fined 200 or more yuan for the offence, they will nonetheless still be able to retrieve their final pay before leaving the factory.

## VIII. Holidays and Benefits

Workers in Chinese toy factories get few days off. China Labor Law mandates that workers are entitled to one day of rest per week, but workers in many factories work 7 days a week for weeks on end.

China Labor Law mandates that workers are given a certain number of unpaid vacation days for national holidays such as National Day (October 1<sup>st</sup>), Labor Day (May 1<sup>st</sup>), the Lunar New Year, and so on. In the event that a worker is asked to work on a legal holiday, remuneration must be at least 300% the regular wage, e.g. if a worker's regular wage is 2.1 yuan an hour (about \$0.25), then he or she must be paid 6.3 yuan per hour on national holidays.

In actuality, however, factory practices vary.

In most factories it is possible to ask for unpaid maternity, marriage or bereavement leave. In this case maternity leave is 1-3 months, and wedding and bereavement is usually 7 days. However, such time off is not always granted and management reserves the right to

arbitrarily grant or deny requests for time off. In one case, a worker asked management for time off so that he could return to his village to get married, but his request was refused. When his second request was also refused, he had no choice but to quit his job and return home without being able to collect his pay.

Many factories use a system of rewards for workers who have complete a certain amount of work or who have been with the factory a certain amount of time. Many factories offer a weekly or monthly “completed work award” of around 10 yuan per week.

For workers who have worked at a factory for 2 or more years, management will sometimes give an amount of money for them to buy a bus ticket to visit their families during the lunar new year.

## **IX. Insurance**

Article 72 of China Labor Law states that all employers must buy insurance for workers for retirement, disease and illness, work-related injuries and illnesses, unemployment, and maternity. While certain forms of insurance (such as retirement) are co-funded by both the worker and the employer, other forms (such as work-injury insurance) must be paid entirely by the employer. However, many toy factories simply do not participate in the program and workers are left with no insurance when they become sick.

In some cases an employer will acquire insurance for a few workers only when the Ministry of Labor and Social Security has scheduled a site inspection. Other factories allow workers to voluntarily participate in the insurance program after working at the company for 2 or more years. In one case, a factory required workers to work at the factory for a certain amount of time to receive retirement insurance, but had no such time requirement for occupational injury insurance.

### Jie Ling

Jie Ling provides work-injury insurance for workers whose jobs put them at risk for physical injuries. Retirement insurance is optional for all workers. If a worker chooses to buy retirement insurance, the cost is 50-60 yuan (\$6.05 to \$7.26) per month. If the labor relationship is terminated, the worker can go to the local Labor Bureau to end participation in the insurance program and have the money returned.

### Ya Tian

Workers can buy work-injury insurance at any time, but they bear the entire cost. Retirement insurance can be purchased after two years of employment. The monthly total cost of both forms of insurance is 60 yuan (\$7.26).

Before 2000, the factory paid for the majority of a worker’s retirement insurance while the worker paid only a small fraction. After 2000 that ratio was reversed and workers now pay the major part of their retirement insurance.

Dong Xu

China Labor Watch does not have information concerning the insurance policies of Dong Xu.

Yi Sheng

Yi Sheng purchases work-injury insurance and retirement insurance for neither old nor new workers. In some cases, the factory will buy insurance for a small number of workers when the Labor Bureau comes to the factory for inspections, but even in these cases the workers have to pay the entire cost.

Guo Lian

Guo Lian buys insurance for managers and some workers who have been with the company for many years, but the majority of workers do not have any insurance. If a worker receives a work-related injury while on the job, he or she can receive treatment from the factory doctor. However, in this case the worker will still have to pay for the service.

Wei Wang

No workers at Wei Wang receive any form of insurance.

Long Hua

China Labor Watch does not have information concerning the insurance policies of Long Hua.

Shun Lian

Shun Lian buys insurance for office workers and management staff, but production workers do not receive any insurance.

Long Chang

When questioned, Long Chang workers did not know whether or not Long Chang factory provided them with insurance.

Ling Xian

Ling Xian provides insurance for some white collar workers and cadres, but not for ordinary workers.

**X. Hiring Policy**

There have been cases of management requiring workers, especially male workers, to pay a certain amount of money in order to be taken into employment by the factory. This has been a problem, especially for male workers seeking employment at factories in which the majority of workers are women.

Toy factories often hire only workers of a certain age group, for example 18-30 years old, but many factories will increase the age to 40 during periods of labor shortages.

## **XI. Overall Environment**

Most toy factory workers do not belong to a union, and many possess limited understanding of what union is. For example, most workers believe that the only role of a union is to mediate labor disputes; however, they are often uncertain when asked whom the union is made up of.

The surrounding areas of toy factories range from pleasant to dismal. Some factories have outdoor entertainment areas where workers can play volleyball, basketball or sit and chat with friends during their time off.

## **XII. Contact Information for Related Companies**

Hasbro Inc.  
1027 Newport Avenue  
Pawtucket, RI, 02862-1059  
Phone: 401-431-TOYS (8697)

Mattel, Inc.  
333 Continental Boulevard  
El Segundo, CA 90245-5012  
Phone: 310-252-2000

McDonald's Corporation  
2111 McDonald's Dr  
Oak Brook, IL 60523  
Phone: 800-244-6227

Kentucky Fried Chicken  
P.O. Box 725489  
Atlanta GA 31139  
Phone: 800-225-5532

Wal-Mart, Inc.  
702 S.W. 8th Street  
Bentonville, AR 72716