Looking for Mickey Mouse’s Conscience —
A survey of the working conditions of
Disney’s supplier factories in China

Students and Scholars Against Corporate Misbehavior (SACOM)

August 18, 2005
I – Introduction: Behind a pleasant appearance

Beginning in the 1980s, in the context of the swift transition of China to a market economy, tremendous numbers of rural residents flooded to the cities and factories. They essentially formed a new capitalist working class in China – migrant workers. Many of the factories where migrant workers work are the suppliers of transnational corporations (TNCs) with well established names. In the end, do these famous multinational firms and their licensed suppliers respect Chinese labor laws? Do they provide workers with the protection that the law specifies their right? These questions are the focus of this survey and they are what Students and Scholars Against Corporate Misbehavior (SACOM) is prepared to monitor for the long term.

SACOM was established by the students and professors of a handful of Hong Kong universities who are concerned with the lives of workers in mainland China. Through first hand surveys, we wish to understand the working environment of factories manufacturing for famous multinational names. We likewise work with non governmental organizations (NGOs) that are actively involved in fighting for the rights of mainland Chinese workers and demanding that investors respect Chinese labor laws and fulfill the responsibilities vis-à-vis society they should have (see the last page for introduction of SACOM).

Hong Kong Disneyland will soon open on September 12th, 2005 and is certain to attract tourists from mainland China and Asia. The Hong Kong government expects that over the next four decades, Hong Kong Disneyland will attract 30,000 tourists each day, with every tourist spending about HK$6801 each time. Thus, it’s evident that Disney is not selling just a HK$200 to $300 ticket. In addition to the admission ticket, Disney expects to sell HK$300 to $500 worth of Disney products, including toys, stationeries, jewels, gifts, figurines, clothing, books, etc. SACOM hopes that the conscience of Disney will follow the swift growth of its profits, and that this will prompt Disney to guarantee that the products that tourists purchase are not coming from sweatshops! This is why SACOM chose to monitor and expose the reality of the violations of Disney suppliers in China. We hope to awaken the conscience of Disney through the power of the professors and students of SACOM, the media and consumers. We hope that Disney will take sincere and concrete steps to improve the reality of its hundred of suppliers who are violating the law, and demand that those suppliers accept the scrutiny of students and the public.

Between May and August of 2005, nine members of SACOM formed a survey group going to and from the Pearl River Delta cities of Zhongshan, Dongguan, and Shenzhen. Our survey focused on four factories, three Hong Kong and one Japan. These foreign firms are either licensed suppliers or outsourcing factories of Disney.

In the course of the survey, students discovered the terrible truth that the cartoon characters that they had loved from their youth, including Mickey Mouse, Winnie the Pooh and other lovable images, were actually coming from foreign invested factories that seriously violate

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1 Hong Kong Commercial Daily 10 November 2005.
Chinese labor laws and have frequent accidents resulting in the injury and even death of workers. Under the extreme exploitation of the factories’ system of fines, workers’ wages are oftentimes below the minimum wage set by local authorities. Oftentimes, workers only earn from 400 to 600 RMB (or yuan) in monthly wages. Even more appalling are the accidents at these factories. Accidents that leave workers with maimed limbs are common. The tragedies of this global manufacturing system have severely hurt the image of Disney in China, Hong Kong and worldwide.

The health and safety of workers during working hours is a fundamental human right. We are reluctant to expose the realities of human rights’ violations of Disney suppliers. It is not our aim to damage the image of Disney cartoon characters. Rather, we want to save the conscience of this highly profitable firm. It is not our aim to see that the factories we surveyed lose manufacturing orders. Rather, we hope that Disney will raise the price of their manufacturing orders to allow for reasonable costs of labor, so that their suppliers do not have the excuse that they need to exploit workers to keep their manufacturing costs so low. Likewise, we demand that Disney and its supplier factories join hands, under the scrutiny of a trustworthy non-profit third party, the public and students, to fulfill their corporate social responsibilities (CSR) in China.

In the following report, SACOM will reveal to you the true nature of Disney outsourcing factories in South China. Before describing the various details of these factories, however, we will first give a general analysis of foreign investment and occupational injuries in the province of Guangdong.

II – Occupational Injuries in Guangdong

How serious are the problems of workplace injuries in China? Whether it is that the government ignores the topic of workers altogether or that questions of workers’ injuries have political sensitivities, China does not have direct records of occupational injuries. The actual number of occupational injuries is still a secret the officials keep securely to themselves. However, we are able to piece together a rough sense of national figures for occupational injuries indirectly from statistics on labor and social insurance, related researches and media documentary reports.

Through the Annual Record of Regional Occupational Injuries and Insurance in China in the year 2003 (Appendix A), we know the number of contributors to occupational injury insurance and the number of beneficiaries. The so-called “beneficiaries” are in fact the number of people who have been injured and have received insurance compensation for occupational injuries. “Occupational injuries” include gas explosions, mine flooding and hazards, toxic and poisonous chemical inhalation, industrial accidents associated with unsafe machinery, danger at construction sites, and so forth. Taking into account of all these different types of work-related injuries, the statistics represents a formal record about occupational injuries kept by the government. However, we must understand that this number does not include those firms that have experienced occupational injuries without insurance. Complicating matters is that
typically, factories either do not take responsibility or negotiate privately to give a minimum compensation to those workers without occupational injury insurance. The official 96,663 cases of occupational injuries in Guangdong, for example, are grossly underestimated.

In a recent report entitled, “Workers in the Pearl River Delta and the Pain of Their Broken Fingers: the blood and tears behind economic development,” the China Youth Daily\(^2\) provided statistics from a survey of occupational injuries for Guangdong province (including Shunde, Zhongshan, Dongguan, Huizhou, Guangzhou and Shenzhen). The report likewise verified evidence of the severity of the problem. Injuries at foreign invested enterprises represented 26% of the injuries of the 582 workers surveyed, far above the 3.5% and 1.9% of injuries that state owned and collective enterprises represented respectively. Finger injuries were the most common, representing 69% of injuries or 401 workers. A majority (61.7%) of the injured workers had not signed labor contracts. Most of the injured workers also did not receive wages during the time they received medical treatment, as stipulated by the labor law. SACOM is dismayed to have verified these findings about the seriousness of the problem of health and safety for workers of the Pearl River Delta region.

Disney is a model firm among foreign firms. It outsources the manufacturing of its toys, stationery, clothing and other products to firms from Hong Kong, Taiwan, Japan, Korea, etc. Unfortunately, too many these firms, though they provide employment, likewise violate the law to exploit workers. And they are arch criminals when it comes to workers’ injuries. In the course of its survey, SACOM discovered that the four factories do not respect even the minimum requirements of Chinese labor laws, and accidents resulting in the injury and even death of employees are frequent.

III – Disney in China

The firm, Disney, was established in 1923 by the legend of the cartoon world, Walter Elias Disney. The firm invented the world renowned star, Mickey Mouse, in 1928 and sold three cartoons with Mickey as the leading role. Reflective of the plentiful flow of Disney side ventures, Mickey Mouse first appeared on the notebooks of children in the United States in 1929. In 1952, a Disney amusement park opened in California, and two years thereafter, Disney moved towards television programming, becoming a symbol of ‘the American dream.’ Through a succession of successful cartoon films, Disney left a deep impression in the hearts of its viewers. A half century since that time, there are now a total of five major Disneyland parks in the world (Hong Kong Disneyland will be the fifth), and children all over the world love notebooks with the figure of Mickey Mouse printed on them.

The worldwide success of Disney widened the scope of the enterprise and brought it great wealth. Today, the Disney Group is comprised of four major groups. Disney Studio Entertainment manufactures movies and music products; Disney Consumer Products manufactures merchandise tied to the cartoon films; and Disney Media Networks manages the

\(^2\) China Youth Daily 27 April 2005.
sports and cartoon channels for television. Today, Disney is already a hegemon of worldwide entertainment media.

Factories manufacturing Disney merchandise are all over the world today. Yet, among transnational firms of world renown, Disney seems not particularly concerned with the conditions of its suppliers or the rights of workers in its factories throughout the world. Famous sports shoe brands such as Nike has already opened the names and locations of their factories for public scrutiny. Disney, however, has yet to actively promote similar measures, and has become the accomplice of sweatshops.

Since Disney by no means releases the names of its suppliers in China to the public, finding the origin of Disney products is a great challenge. SACOM discovered a few tens of factories concentrated in the area of the survey (Zhongshan, Dongguan, Shenzhen and neighboring areas) that are suppliers to Disney. The most surprising result of the research was this: Almost every factory area we visited was violating Chinese labor law; it was only the severity of the violations that differed. In this report, we will only release our research results for four outsourcing factories. If this report does not receive a positive response from Disney, we will continue to release information about Disney outsourcing factories and their violations of the law until Disney takes steps to honestly confront these serious problems.

Karl Marx once called the earliest capitalist firms of the English industrial revolution “Satanic mills.” Records describing those factories of the turn of the nineteenth century note the manufacturing system based on excessively long working hours, serious problems with occupational injuries and deaths, and the exploitation of women and children. Today, as capitalism develops in China, these “Satanic mills” seem to have resurfaced with a modern face. However, the mills in China, “the world’s factory,” are no longer producing for small enterprises unknown to the public. Rather, their products bear the labels of world renowned brands like that of Disney’s Mickey Mouse.

IV – Entering Mickey’s Mills: Report of the labor surveys

The following factory report is divided into two sections. The first section concerns two supplier factories for Disney from the area of Dongguan, namely Nord Race and Lam Sun. The second section of the report concerns a detailed report on a Hong Kong listed company – Hung Hing printing company, which includes two of its factories in the area of Zhongshan and Shenzhen.

Section I: Violations of the law are common in Disney’s Supplier Factories

1929 was the first time Disney manufactured notebooks and similar merchandise with Mickey Mouse printed on them. Seventy six years thereafter, who is manufacturing these notebooks? How are they manufactured? Let’s begin from this product that allowed Disney
to gain fame and wealth, and enter this Mickey’s Mill of southern China at the beginning of the twenty first century. The first firm, Nord Race Paper International Limited, originates from Hong Kong and is a licensed manufacturer of Disney’s products. Its manufacturing facilities are in Dongguan.

1. **Nord Race Paper International Limited**

Time of Survey: July and August 2005 – about 30 workers and their family members were interviewed

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Picture 1: At the main gate of the security office of Nord Race, the plaque reads ‘Workers’ Union.’ Most workers have never heard of the factory having a union.

Picture 2: Workers enter the Nord Race facilities through the rear door.

Picture 3: On the website of the Nord Race company in China ([www.nordrace.com.cn](http://www.nordrace.com.cn)), it clearly states that it is a Disney licensed manufacturer.
Introduction to the Firm: Manufacturing Disney notebooks and stationery products

Nord Race is a large Hong Kong invested firm that exclusively designs, manufactures and sells Disney products for export. Its main manufacturing facilities are in Dongguan, in the town of Qiaotou, in the industrial district of Nord Race. The firm maintains four factories within this manufacturing site. They are called Nord Race Stationery Product Manufacturing Factories and Nord Race Stationery Limited Liability Corporation. Workers simply refer to these facilities as the old factories and the new factories. Workers from the factories are distinguished by the yellow and blue color of their work uniforms.

From the introductory information provided on the firm’s website, we know that this firm became a licensed manufacturer and domestic retailer of Walt Disney at the beginning of 2005. They manufacture a variety of Disney products including telephone notebooks, address books, children’s souvenir books, diaries, notebooks, envelopes, etc.

The Conditions of Workers: Low wages, high turn over

There are currently more than 700 people working at the factories. In peak seasons, the factories employ in excess of 1,000 people. More than half of workers come from Sichuan, though there are workers from other areas including Guangdong, Guangxi, Hunan and Guizhou as well. Women workers outnumber men. The turn over rate of the factories is very high, and workers have on average only 1 to 2 years of experience at these facilities.

Working Hours: Violating overtime regulations
As most similar manufacturing facilities in southern China, working hours at Nord Race is as the following:

7:45 – 11:45, 12:45 – 16:45, 17:45 – 22:45
8:00 – 12:00, 13:00 – 17:00, 18:00 – 22:00 or 23:00

However, overtime hours are uncertain. Some departments work until 9:00 in the evening, others till 11:00 or after. A worker from the packaging department who began work at these factories in February of 2004 noted that in 2003, overtime hours were even longer. Workers sometimes worked until 1:00 or 2:00 in the morning, and the factory management never provided a break for an evening meal. Another female worker who mentioned that in the peak seasons of 2003, workers would work all night, working continuously for 30 hours, and this was considered normal. On the second day, sometimes workers were allowed to rest. However, sometimes, they were only allowed to come two hours late to their next shift.

Wages: The method of calculating overtime seriously violates Chinese labor law

Many male workers report that before April of 2005 [the month of which the new minimum wage standard of 574 yuan a month was enforced in the Dongguan city], the minimum wage of the factory was 450 yuan a month, and management demanded workers work 168 hours at minimum wage pay. This represents a wage of 2.69 yuan per hour. Unfortunately, our
interviewed workers complain that their wage remains the same after April 1. This violates Dongguan laws requiring a new minimum wage of 3.43 yuan per hour for full time employee as of April 1. Even after surpassing the legal limit of monthly working hours with 36 hours of overtime (the law sets a maximum of 204 working hours a month, i.e. 168 normal working hour plus 36 overtime hours), the firm took no steps to consistently count the number of overtime hours. As a result, workers sometimes worked overtime for nothing. Another female worker noted that the factory management expressed to her the idea that every month, overtime from 240 to 300 hours was “obligatory overtime” and that workers should not ask for overtime wages.

In March 2005, the factory management promised workers they would raise the factories’ minimum wage to meet the requirements of Dongguan labor law, making the minimum monthly wage 574 yuan, and regular working hours 168 hours a month, for an hourly wage of 3.43 yuan. Overtime wages for hours in excess of 168 hours a month would be paid at 5.1 yuan per hour (equivalent to 1 1/2 times of 3.43 yuan). However, the factory management said afterwards that the new wage calculations will be postponed to June. During our interview in early July, the workers said that their June wages will be paid in late August. Therefore, they are unsure whether the management will keep its promise of increasing their minimum wage as required by the Dongguan labor law because the company has broken many promises in the past. [Update on 20 August 2005: the workers complain that their June wages remain the same as before.] Due to the stall tactics of making and breaking promise of increasing wage, this has left most workers confused about the method of calculating their wages. At present, regular workers earn 2.69 yuan per hour, regardless of whether it is overtime or the weekend. New and experienced workers are treated the same. Workers have no alternative but to impatiently accept these illegal wage calculations at this stage.

Here is one good example of illegal wage calculation. A female worker, Ms. Tang (pseudo name), notes that she worked at the workplace for three years from 1998 to 2001 before resigning to return home. She returned in 2004 to work again at an assembly. Her wages, though still low, are 30 yuan per month higher than those of other workers because the temperatures of her work area are very high. Her minimum monthly wage is 480 yuan (450 yuan monthly minimum wage + 30 yuan compensation for extreme high temperature working condition = 480 yuan). For her 168 monthly hours of work, that is equivalent to an hourly wage of approx. 2.9 yuan. For the overtime that she works in excess of 168 hours a month, she receives an hourly wage of 4.03 yuan (1 1/2 times of 2.69 yuan – the official minimum wage before April 1, 2005). However, if her monthly overtime hours exceed the 36 hours, or 204 hours maximum hour required by the labor law (168 hours + 36 hours), her wages drop again to 2.9 yuan an hour!

In March of 2005, Ms. Tang worker worked 383 hours -- far above and beyond the legal maximum 204 hours! She worked 13 hours a day, working in excess of 5 hours of overtime, again violating the labor law that specifies that overtime may not exceed 3 hours a day. And for all these hours of work, she received only a little more than 1,100 yuan in wages. This is an average of 2.9 yuan an hour and thus, she was never paid the overtime wage of 4.03 yuan an hour as required by the law, and promised by the firm.
Overall, workers earn 600-700 yuan a month when there is little overtime. During periods where more overtime is demanded, workers earn 800-900 yuan a month. Regardless of whether the factory management uses its old or new method for calculating wages, they are both subject to the violation of the law. It is evident that management does not pay workers 1.5 times their regular wages for overtime during the regular work week and 2 times their regular wages for overtime on the weekends. At the same time, none of the workers interviewed had wage slips. The result is to cause confusion that allows the factory to take advantage of workers. When workers receive their wages, they sometimes discover that the management has not correctly calculated their overtime. However, since their wage slips are withheld by the company, they have no way to present the evidence to militate against the abuse.

A worker who has already spent two years at the factory told us that although management is now trying to give the appearance of raising workers’ wages according to the law, the reality is quite different. The management is now demanding that workers raise their productivity 30%. For instance, management now demands the gluing department produce 240 notebooks an hour. The hole press department has to complete 520 notebooks. If the work is not finished within regular working hours, workers are forced to work overtime without pay to finish these unreasonable designated work loads. In other words, under the premise of raising the work load 30%, workers are not compensated for their overtime!

Even a factory floor manager who entered the factory in 1997 earns a wage of only 700 yuan a month for managing 70-100 workers. Including overtime, he earns about 1,000 yuan a month. His wife brought her newly born baby to join him, saying that the income of her husband was not enough for the family to live. They are now preparing to return home.

**No maternity leave**

Regarding maternity leave, the factory management nominally claims that workers have the right to 90 paid days off. However, according to workers, the reality is that women workers do not have days off after becoming pregnant. Most workers, after becoming pregnant, are not able to endure the long hours of overtime and are forced to resign from work and return home.

**Food and Lodging: Excessive deductions and horrible food**

The factory management provides dormitories for workers, with 8 people to a room of 12 to 13 square meters. Each room is provided with two fans. The bathrooms and toilets are situated at both ends of each floor. Living in the dormitories costs workers 25 yuan a month and an additional 10 yuan a month security and management fee. Workers pay the security and management fee regardless of whether they live in the dormitories. Food at the cafeteria costs workers 150 yuan a month. Workers report that even the color of the food attests to its low quality. Including living and food expenses, workers have 185 yuan deducted from their monthly wages.

With the deductions for their living arrangements and the management fees, workers earn a mere 400-600 yuan a month.
The Work Environment of the Factories: Unbearable stifling heat

The workers from the older factory facilities complain that their work environment is terrible. The manufacturing facilities have no fans, even though they become oppressively hot in the summer. In the summer of 2003, workers oftentimes had to work continuously through long hours of overtime, and workers would faint from the exertion and heat of the workshops. Workers from the older facilities think that the new facilities must be better. However, workers at the new facilities have likewise complained of the stifling heat during the summer.

A female worker from Hunan said that she left the factory of her own accord because she was working in the gluing department with irritating chemicals like thinner. The smell at the shop floor is awful, and the factory does not implement protective measures (such as providing workers with masks). Not able to endure the sickening stench of the glue, this worker had to leave the factories after working for only a week.

Labor Contracts and Social Insurance

Workers sign labor contracts after having worked at the factory 15 days. For the most part, workers sign one-year contracts. However, according to workers, workers discovered that when the Dongguan Labor Bureau comes to inspect the factory, the labor contract that the factory management shows officials is not the same as the one they signed.

Occupational Injuries

Occupational injuries are most frequent in the electrical department and the cutting machines department. Minor injuries in the factory are bandaged, workers are given a few days of rest, and the incident is considered resolved. Crushed fingers are common injuries at these factories. For more serious injuries like a broken finger, workers are sent to the hospital for treatment.

One female worker at the older facilities mentioned a few of the injuries that have occurred at her department. One female worker lost a finger. She returned to the factory afterwards and again, had two fingers crushed. Another worker had her hand caught in one of the machines. She could not remove it, and in the end, she lost her hand. Yet another worker had her finger crushed. Another worker reported that one of the technicians once had a finger crushed by one of the cutting machines.

Compensation for Injuries:

Most minor injuries are bandaged in the health clinic of the factory. Workers go to the hospital only for more significant injuries, and workers are forced to pay for their hospital expenses themselves. Workers are paid their minimum wage during their days off for treatment. At times when workers need a nurse to look after them, the factory will send its employees to nurse the injured worker. However, they only give the minimum wage to the nurse. So, with the exception of the workers’ friends and acquaintances from their region, most workers are not willing to serve as nurses.
Consider that according to the 1998 regulations governing occupational injuries and insurance for Guangdong province, employees should not obtain lower wages as a result of their need for the treatment of injuries sustained in the course of their work. Furthermore, management is not only obliged to pay for the medical expenses of workers. Workers have the right to have their food and lodging expenses at the hospital paid.

Security Deposits and Fines

Workers who want to resign typically have to give notice a month in advance, and the factory does not deduct wages for this. If the worker needs to resign with less advance notice, the factory deducts 450 yuan from worker’s wages. When leaving, the factory management oftentimes claims that workers’ uniform are too dirty, and demands workers provide a new uniform at more than 10 yuan a piece.

The management typically demands workers arrive at the factory 15 minutes ahead of time, so most workers do not arrive late. However, if workers are late, they are fined a half hour of wages for every minute they are late! Likewise, if there are problems with the quality of the goods workers produce, they are fined.

Factory Inspections: Management manipulates appearance of the factories to hide violations

Disney and other clients of this factory send inspectors to the manufacturing facilities. Though the old factory also manufactures for Disney, the management only shows the new factory to inspectors when they visit. Likewise, the management will instruct workers about the inspection ahead of time and reward workers who have kept up a good appearance after the inspectors have left. Those who gave a less than ideal appearance are fined. According to workers, the labor contracts that the management gives inspectors are not the ones workers signed, and the management likewise keeps a second set of time cards for workers.

The reason that the management illegally keeps wage slips from workers is that they fear workers will reveal the truth of the law violations of the factory by giving their work slips to inspectors from the labor bureau and brand name clients. The firm prepares in advance false work slips that are in accordance with the law in order to fool inspectors.

We talked with two female workers who had once been interviewed by Disney factory inspectors. One of the workers said that Disney sent inspectors to the factory last year. After she was selected for the interview, she was taken to the office. The Disney inspectors did not allow managers from the factory to accompany her. The questions they asked were not altogether the same as the ones for which the factory management had prepared her to answer in advance (The factory prepares workers in advance of every visit by clients. Workers who are interviewed have all had time to prepare well before the interviews).
Complaints

A male worker notes that quite a few workers went to the management to demand overtime wages once when the factory refused to pay overtime after 36 hours (since this exceeds the legal maximum of 204 working hours a month, and the management rationalizes that since excessive overtime hours are illegal, they should be unpaid). Afterwards, a few workers also went to the labor bureau to inquire and verify that their overtime hours were in excess of the legal limit, and that they were owed overtime wages. In the end, only a few workers who resigned were offered their overtime wages. The workers who remained at the factory never received compensation.

Labor Conflicts

At the end of the month of May of this year, because management raised wages “in accordance to the labor law,” they claimed that they did not have the means to hire many workers and fired several hundred workers quite suddenly. In June of 2005, the factory management expected to reduce employees by another 30%. Workers, whatever department they are from, if they are thought disobedient or too active in defense of their rights, they are told not to come to work. At the end of June, a group of workers was fired. Among those workers were about 30 people who had worked at the factory for a significant period of time and they did not accept being fired without a reason. They went to the labor bureau to complain. The labor bureau supported the demands of workers, and forced the factory to compensate workers one month’s severance wages. In the end, workers received only 400 yuan in compensation.

Because workers’ complaints definitely affect the factory, management has temporarily stopped its group firings. They will stop firings for a time, and then fire people one by one so that workers do not have the strength to make a collective appeal. The plan to reduce employees by 30% has not changed because if they raise wages to meet the minimum wage requirements of Dongguan law, their manufacturing costs are higher. The thinking of management is to reduce their workforce by 30% and force those workers who remain to increase their productivity by 30%. In this way, the firm loses nothing by raising wages. During this transition, what the remaining workers worry about the most is that though their productivity will increase 30%, their wages will remain the same.

Worker Protests

The most serious incident of worker protests occurred at the end of October, 2003. Initially, workers were dissatisfied with their continuously low wages. They then discovered that the labor contracts that the factory management gave the labor bureau when they came to inspect the factory were different from the contracts they had signed. This prompted a protest, and there were workers who were beaten by the security officers of the factories. Workers demanded that the factory management fire the security officers who hit workers. However, management paid the workers no mind. They fired a few of the workers who led the protests, and gave minimal compensation to a few others and that is all.
At the end of 2003, the factory floor managers carried out a protest because they had worked at the factory for ten years without a raise in wages. They also went to the courts to petition their cause. They won their case and the appeal. However, the factory has still not carried out the decision of the courts. Afterwards, the factory management bought off a few of the leading managers who participated in the action. Since the time of that protest, the factory management’s exploitation and oppression of workers has strengthened, especially where overtime compensation is concerned. There was also a strike in 2004 over workers’ dissatisfaction with the illegal labor contracts.

Main problems:

✓ The method of calculating wages and working hours is in obvious violation of the law: They deceive workers with the appearance of meeting minimum wage standards. However, the reality is quite the opposite, and the factory is actively engaged in forcing workers to work harder and longer hours. Likewise, overtime pay is not at all in accordance with the law.

✓ Occupational injuries are frequent: The most common injuries are crushed fingers and exhaustion due to excessively long overtime.

✓ A variety of methods are used to falsify records for factory inspections: The factory uses fraudulent labor contracts and time slips to fool factory inspectors. Likewise, they train workers not to honestly reply to the questions of inspectors.
2. Lam Sun Plastic Products Co., Ltd

Time of Survey: July and August 2005 – about 30 workers were interviewed

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Introduction to the firm: Manufacturing Disney merchandise

Lam Sun Plastic Products Limited, a Japanese invested company was established in 1992. In 2003, they built a new manufacturing site covering an area of approximately 70,000 square meters. The factory employs around 3,000 people. The factory manufactures mostly plastic and fabric products. Most of their products are sold to Japan, the United States and Europe. The major divisions of its manufacturing lines are the plastic molding department, the painting department, the printing department, assembly and packaging, transport, hand processing and the like. Its major clients are names like Disney, Pepsi, Wal-Mart, Mattel, etc. And its Japanese buyers well include Airis, ADK ALPHA-X, ISOMURA, ITOCHMU PLASTIC, S.K. Japan, S.P. DNP, DNP, Daiko, Glap, Shantie, Coca-Cola, Asahi, Houen, Glory Innovations Inc., Just Premiums Int’l Pty Ltd., Idea Force Int’l, and so forth.

The employer and the marketing department of this enterprise are all Japanese. The general manager is from Hunan, China. The factory chief is from Henan, China. The workers come from Hunan, Henan, Sichuan, Hubei, Yunnan, Guangxi, Guizhou, Hebei, etc.

Working Hours: Overtime in violation of the law

Hand processing department: 8:00 – 12:00, 13:30 – 17:30, 18:30 – 23:30
Painting department:  7:45 – 11:45, 12:30 – 17:30, 18:30 – 23:30
Packaging department:  7:45 – 11:45, 12:15 – 17:15, 18:00 – 23:35
Plastics molding department (two shifts): Day shift – 8:00 – 20:00; Night shift – 20:00 – 8:00

According to an interview with a technician from the quality testing lab, workers work about 12 regular working hours a day. At times, they work as long as 16 hours. In peak seasons, workers work overtime until the early morning or even later. For the painting department, workers work 30 days a month and work overtime till 10:30, on average, though they work later if their work is not finished. On typical days, workers work 13 to 14 hours and only earn 29 yuan a day. The packaging department often works overtime till 11:00 or 12:00, at times, even to 1:00 or 2:00 in the morning. During the course of our interviews in July of 2005, the workers were one day told they did not have overtime because a client was coming to inspect the factory!

Regular workers have a day off two Sundays a month, though there are differences between departments. Workers also have days off for the May 1st holiday (one day), the October National holiday (one day) and the New Year (three days). For these holidays, they are paid 27 yuan a day.

The Status of Wages:  Frequently not in accord with the labor law

According to a male worker from Hunan in the sewing department, his average wage is 560 yuan a month, and this is the guaranteed minimum wage. Workers complain that although the factory guarantees a minimum wage, they likewise demand that workers work 28 days a month in order to have their wage guaranteed. When the factory has few manufacturing orders to fill, management often gives workers days off from work. Thus, it is often true that the factory does not guarantee a minimum wage, and there are workers who earn only around 400 yuan a month.

One worker from the printing department reported that his monthly salary varies from 400-600 yuan a month. He once earned 900 yuan in a month where there was more overtime. There are workers who are entirely unsure as to how their wages are calculated, whether they are paid according to piece rates, time rates, etc. They feel that regardless of whether they work a little or a lot of overtime, their wages are about 500 yuan month.

Overall, ‘working hours are long, and wages are low,’ is a common complaint of workers at this factory. The difference in wages between different departments is rather large, and there are both workers paid according to piece rates and according to time rates. According to most of the workers we interviewed, monthly wages vary significantly, from 300 to 900 yuan. Ordinarily, however, wages vary from 500-700 yuan.

Living Conditions:  Everyday meals of poor quality

The firm provides living quarters and meals. However, it provides only lunch and dinner meals. There is also an evening meal offered to workers working overtime till 22:00. The majority of workers complain about the quality of the food. ‘If it’s not northern squash, it’s
pumpkin.’ Once they are paid, many workers go outside the factory to eat a few meals of better quality.

The condition of the dormitories varies widely with the department. For example, workers from the quality testing lab live six people to a room. Workers from the sewing department live 16 people to a room. Each dormitory room includes two electric fans and a telephone. The bathroom and toilet are shared. The company rules require that every dormitory room must have a telephone bill of at least 30 yuan a month. Otherwise, the telephone service will automatically be stopped. Workers complain that living in the dormitories restricts their freedom. They would rather choose to rent an apartment outside of the factories themselves.

**Labor Contracts and Occupational training: Not in accord with the law**

Other than those workers who have been involved in factory inspections, none of the workers have signed labor contracts, and none of them have insurance of any kind, including occupational injury insurance. Workers also say that the labor contract is only for appearances, and workers are asked to sign contracts only to fool inspectors from the labor bureau. The contracts have no meaning within the factory. The workers we interviewed had not received any occupational training including the most fundamental safety training.

**Vacation and Fines**

It is very difficult for workers to take time off. Especially during the peak seasons, unless they are seriously ill, management does not permit workers to take time off. Workers report that there was once a female worker who was sick and asked for time off. Management did not permit her to take time off. The result was that the worker worked until she could endure no longer and was sent to the hospital.

The factory has a strict system of fines, and workers have the details of the rules explained to them immediately upon getting a job. Fines include, for instance, 10-20 yuan fines for products whose quality is at issue; 5 yuan fines for the first time workers arrive for their shift late; and 100 yuan fines for taking a day off from work without permission.

**Resigning: An impossible task!**

In addition to ‘working hours are long, and wages are low,’ workers also commonly complain that, ‘entering the factory is easy. It’s leaving the factory that is extremely difficult.’ Although the factory management does not take workers’ identity papers from them, they do withhold 45 days of wages (about 500 yuan) from workers as a security deposit. Likewise, factory rules state that workers are not allowed to resign from their post within the first three months of their work. Rules likewise stipulate that after three months, no more than 2% of workers will be permitted to resign each month. For this reason, when workers want to resign, they are forced to queue, and must wait months to resign. Otherwise, they forfeit their security deposit in what the management refers to as ‘voluntary’ leave. For instance, the painting
department employs 600 people. Only 12 people in any one month are allowed to resign. Any other workers who want to quit have to forfeit their security deposit.

Despite this, every month after the day wages are paid, there are workers who prefer to forfeit their security deposit and leave the factory. As a result of the factory’s harsh rules, it is more difficult for management to hire workers. Most workers at this factory are from Guangxi, Henan and Hunan. To resolve their difficulties hiring workers, in September, 2004, the factory hired 500-600 workers in Yunnan with the help of the provincial labor bureau.

**Stories of the Yunnan Workers**

According to a worker from Yunnan from the painting department, named Xiaogui (a pseudo name to protect the worker), the Yunnan labor bureau receives 450 yuan as an introduction fee and to pay for transportation of workers to the factory. If one adds to this the 45 days of wages that the factory management withholds, workers have to have 1,000 yuan to support themselves until the first time the factory pays them wages.

The factory management has not signed labor contracts with workers, 45 days of wages are a security deposit, and management gives workers their wages in cash without a wage slip. Xiaogui worker and the others from Yunnan who started at the factory in March of 2005 have worked continuously till the present and only received their wages twice. The third time they were supposed to receive their wages was July 15th. However, the firm says that the Hong Kong headquarters had difficulties transferring the money into the proper account, and so, wages would not arrive till July 20th. Though the factory management says that wages are paid on the 15th of every month, most often, workers have to wait till the 20th of the month.

Xiaogui says that factory management fines workers frequently. He himself was fined 100 yuan by his department for missing a day of work after he tried unsuccessfully for 6 months to have his request for time off approved. The human resources department then fined him another 20 yuan. If workers lose their work identity cards and need to have another reissued to them, they are fined 50 yuan. They are fined 5 yuan for every minute they arrive late for work. However, if workers have a good relationship with the foreman or the right relatives at the factory, they are able to get permission for time off, and are not fined.

A line leader from the hand processing department, Xiaoyin (a pseudonym) is from Yunnan. She says the hand processing department does not have Sundays off. They were also hired through the Yunnan labor bureau. In total, there were 500-600 people who came through this channel. Since the working conditions are so terrible, there are already only 200 of those people left. Most of those who left, left without receiving their security deposit because they were not given permission to leave. Xiaoyin also wants to leave. She applied to resign and plans to leave next month.

She does not know if there is a union at the factory, though she knows there is a livelihood committee where there is a library, an activities room, and a broadcast room. These
facilities were constructed this year. The broadcast room, for example, just opened a month ago. This worker works in the broadcast room and mentioned that they broadcast everyday sorts of things, including the weather and news from the papers.

**Outsourcing**

Because these factories have plenty of manufacturing orders yet have difficulty hiring workers, they often cannot fulfill their orders. The manufacturing of toy tires is an example. Next to the factory in the local residential area, there is a small family involved in processing toy tires, including a grandfather, grandmother, and their daughter-in-law. They use their fingernail cutters to cut away the excess part of the tires. The receive 2 yuan for every 1,000 tires they finish. The entire family completes around 6 to 7 containers of tires a day and earns about 10 yuan. They say that it is because they know one of the managers in the factory that they were given this outsourcing. The factory has hired 100 people to work for the summer cutting tires. They are people from the local area and earn wages equivalent to what this family earns.

**Social Insurance and Occupational Injuries**

The vast majority of workers have no idea whether they have insurance for occupational injuries. Likewise, they do not have medical insurance. Trauma injuries and minor injuries that require bandaging are a common occurrence for workers. However, the factory management only provides the simplest bandaging and does not consider these as occupational injuries.

**Factory Inspections: Factory methods for evading inspections**

The labor bureau and prominent clients do inspect the factory. At the end of October, 2004, representatives arrived at the factory from Wal-Mart, the top ranking firm of the 500 strongest firms in the world. Likewise, at the beginning of November, 2004, representatives of MacDonald’s and Hong Kong MacDonald’s came to inspect the factory. According to the report available on the firm’s website, ‘Clients inspected in detail the manufacturing and management of the factory, including product quality management, human resources, logistics and other aspects of the firm. They inspected various records and also visited the manufacturing lines, dormitories, cafeteria, leisure facilities and other areas. Afterwards, they gave the company a high evaluation of all its various aspects. They were especially satisfied with the ability of the firm to continuously fulfill its orders and improve the guaranteed quality of its products. They also expressed that they will give orders to the firm in their future purchasing plans.’ (Quote from Web: [www.lamsun.com](http://www.lamsun.com) in Chinese)

However, if we see this from the perspective of the workers, the factory shuts most workers in the dormitories during the inspections in order to prevent workers from revealing anything that could negatively affect the appearance of the factory. Whenever people arrive to inspect
the facilities, the factories that usually employ 3,000 or more people always have only two to three hundred workers on the manufacturing line. And these people are always trained ahead of time how they should answer the questions of the inspectors.

Worker Protests

Since working hours are long, wages are low, and workers have difficulty leaving the factory, there are, of course, times that conflicts arise. In October of 2004, there was once a workers’ protest of a relatively large scale. More than 100 workers participated in a strike. However, the factory management afterwards brought in a new wave of workers from Yunnan. Another worker from Hunan who has worked at the factory for three months noted that within those three months, there have been incidents of workers taking action to protest the 45 days of wages security deposit and the difficulties of resigning. However, none of the workers’ protests have improved the situation, and complaining to the local labor bureau has likewise not had any results.

Major problems:

- The method of calculating overtime is a clear violation of the law. The majority of workers have no idea how their wages are calculated.
- ‘Entering the factory is easy. It’s leaving that is extremely difficult.’ Management uses an excessively high security deposit to control workers and prevent them from leaving.
- Wages are low, working hours are long, the quality of the food is bad, and the difficulties of resigning have led to widespread dissatisfaction among workers.
- Rules concerning taking time off and fines are too harsh. Workers do not believe in the justification for these rules.
- The use of a variety of methods for evading the consequences of factory inspections.

Concluding Remarks on Section I

In the first section of this report, we discover that most factories are using a mixture of piece and time rates to calculate wages. They appear to do this in order to give the appearance of meeting the requirements of the labor law in order to fool the labor bureau and clients who come to inspect the factories. In reality, they fine workers heavily, falsify their labor contracts, and in the end, workers’ wages are oftentimes below the legally required minimum wage. Likewise, they raise the productivity demands on workers so that workers have no choice but to work overtime. Likewise, occupational injuries are frequent at the Nord Race and Nam Sun manufacturing sites. However, we fear that the most frequent injuries are at large, public firm from Hong Kong. We provide the details of this in Section II of this report.
Section II: In Depth Analysis of Hung Hing Printing (China) Company Limited and its Manufacturing of Disney Products

Hung Hing Printing (China) Company Limited is one of the hundred strongest firms in the printing industries of Guangdong. It is also a firm with public shares offered on the Hong Kong stock market. Its main factories are a main factory in Shenzhen, and two factories in Zhongshan. Our survey covers two sites respectively in Shenzhen and Zhongshan. The frequent injuries we discovered are quite worrisome.

3 (a). Hung Hing Printing (Shenzhen) Limited Corporation

Hung Hing Printing (Shenzhen) Limited Corporation
Address: Hung Hing Industrial Park, Fu Yong Zhen, Shenzhen 518103, China
Telephone: (86) 755 2739 2288
Fax: (86) 755 2739 6373/6375
Email: info@hhop.com.hk
No of workers interviewed: about 30

Number of Workers: About 12,000
Origin of Workers: Most are from Henan, Hubei, Hunan, Sichuan, Guangxi, Guangdong
Workers’ Ages: Mostly 18 – 35 years old
Gender Ratio: A majority is female workers

Corporate Summary

Hung Hing Printing (Shenzhen) Limited Corporation is a Hong Kong based enterprise, incorporated in 1994. Hong Kong Hung Hing Group (a listed company) is located in Fuyong Zhen, Bao’ An district, Shenzhen. It has 3 factories: Hung Hing packaging, Hung Hing Paper Products, and Hung Hing Modern Paper Limited Corporation. The firm has a broad scope of products. Altogether, they have 96 large trucks used solely to deliver and receive products. Hung Hing Packaging Factory and Hung Hing Modern Paper Products Factory mostly produce a variety of colored boxes and corrugated cardboard. Hung Hing Modern Paper Limited Corporation mainly prints toy owner’s manuals, interactive and educational children’s books, cartoon books, and more. Its customers are some of China’s own brands as well as transnational corporations including Disney, Wal-Mart, K-Mart, Mattel, McDonalds, and others.


**Working Hours: More than 12 hours a day**

Workers must start working before the shift starts. They are pressured to arrive at the factory a half hour early for work and leave a half hour late. This extra hour of work is without pay. It is mandatory to work overtime for 13-hour shift a day, six days a week.

To maintain production, the factory organizes work into two shifts. Workers on the day shift of the printed products unit normally work for 11 hours and only have one additional hour to rest and eat. Workers are not allowed to rest for the first 5.5 hours of their shift. Although the shift ends at 7:30, the factory mandates that the workers not leave before 8:00 in the evening. It is very late for the workers to have their meals, oftentimes after a 6-hour interval. In the long run, the workers’ health is deteriorated.
Penalties

The factory management implements a system of penalties. It is common practice for the management to subject the entire manufacturing line to disciplinary action. If their position on the line is not neat, workers have to stay at the factory after work to sweep and mop the floor. If the products a worker makes are below standard and must be redone, the worker must redo them, staying after work until all the work is done before s/he may leave. When this happens, workers typically stay 1 to 2 hours after their normal shift ends. They are not paid overtime for this work.

Room and Board

The factory has a cafeteria to provide meals to workers. The fee for these meals is provided by the factory as a meal allowance and amounts to 150 yuan per month. If a worker chooses not to eat at the cafeteria, this money is not returned to the worker. One worker spoke of how terrible the food at the cafeteria was, saying that if it’s not cucumber, it’s pumpkin and a little bit of meat. She says that although the factory provides meals, workers would do better spending their own money on food elsewhere.

Dormitory rooms have 4 to 6 bunk beds and house 8 to 12 people. Smaller rooms hold 8 people, and larger rooms hold 12. The dormitory environment is not out of the ordinary. Every room has a shared toilet that also functions as a shower stall. The dormitory supplies hot water, but workers have to go to one particular building to get it. The water pressure is very low, and there is often no water above the third floor. Especially in the summer, there is often not enough water to use. In those situations, workers depend on a waterwheel to bring water from the factory to shower and for other personal uses.

The factory has continuously expanded its production, growing from a few thousand workers to about 10,000 workers. As a result of this growth, the dormitories no longer have enough space for all the workers to live. Thus, new workers at the factory are not given the option of living in dormitory housing. Usually, only workers with more than two years of experience have this option. New workers at the factory must find their own housing to rent outside the factory. They are not reimbursed in any way for this expense. One worker spoke of earlier years, when the factory had just opened. At that time, the factory gave workers living outside the dormitory a rental allowance. As the factory expanded, more and more workers were hired, and these years, the factory has stopped paying a rental allowance to cut its expenses. At present, about 5000 workers rent housing outside of the factory. As a result of the number of people renting near the factory, some workers are forced to live far away from the factory. Going to or coming from work, some workers are involved in traffic accidents. These are not considered work related injuries and are not subject to compensation by the company.

Picture 9: Hung Hing dormitories, which are seriously in shortage.
Recently, a nearby factory moved away. Hung Hing rented two of its buildings to store its products. However, they decided not to rent the factory’s dormitory. Some of the workers are dissatisfied with this company behavior. One worker wrote the following letter in response:

Dear Fellow Workers:

Hello everyone! In this scorching hot summertime, the daily lives of we, the laboring workers are not good. It is time for us also to think of ourselves. Is it alright, the way we are living and the food we are eating? Isn’t it awful, the food we are given by the factory? Compared to before, it’s not the same. The difference is clear. Worse still is the people (the cafeteria workers and security guards) who curse at us like we are criminals. This too, let us put aside for the moment. The biggest problem is our living situation. In this blazing hot summer, when we are living in rented housing outside the factory, going to and coming from work is really troublesome. After we finish a full day of work, we’re dead tired, and we still have to make our ways home. Especially in the rain, this pain is recognized. Even though we’re unwilling, we still have to pay rent on this house we bitterly exchange our sweat and blood for. What’s more horrible still are the dangerous conditions we’re subjected to after work. On a daily basis, our fellow workers leaving work to go home are hit by cars and injured or killed. And because this is not considered a work injury, the medical expenses are left to the worker to be paid by himself. Right now, our wages are miserably low. Each month, about 600-700 yuan. Renting a house for a month costs about 100 yuan. Additionally, our houses are so far from the factory, on rest days we are not permitted to eat at the factory, so eating out we have to spend still more of our money. After working for a month, feeling in our pockets to see how much money we have left, we find only a few pennies. Pitiful, pitiful, really pathetic! Tell me, how can we face our parents, wives or husbands, and daughters and sons in this way?

Honorable leaders, can’t you find in your hearts a little bit of mercy? If you think of us workers, we entered the factory over a year ago, but we still are not given dormitory housing. You also ought to see our point of view. For example, we entered the factory to work over a year ago, but we still are not given dormitory housing. We ought to receive a reimbursement. Those who have worked here for half a year also ought to receive a sum in reimbursement. This is the only way we can successfully continue to work in the factory.

Wages: Increased daily output quota and cheated of overtime pay

Wages are usually calculated according to piece rates. The number of pieces a worker is paid for is calculated by dividing the total number of pieces made by a group of workers by the number of workers in the group. The piece rate is estimated by the expected daily production. The minimum required by law is:

Normal working hours:  
8 hours x 2.87 yuan = 22.96 yuan

Overtime working hours:  
2 hours x 2.87 x 1.5 = 8.6 yuan
Total: 22.96 + 8.6 = 31.56 yuan

Note: Hung Hing pays 33 yuan for a workday of 10 hours. The labor law requires a minimum wage of 31 yuan for a 10 hour day. If wages are calculated this way, it looks like
wages exceed the legally required minimum. However, workers have to produce a high number of pieces to earn these wages, and there are workers who are not able to make the required number of pieces, the workers have to work overtime without pay. If a worker is not able to reach this level of production, his or her salary is lower than the figure given above. Thus, it is typical for the overtime to exceed 4 hours, making a total working hour to exceed 12 hours a day.

Furthermore, new workers, who are not as adept at work, face enormous pressure. Since workers are paid according to their average contribution to the total pieces finished by a group of workers, the lower productivity of new workers lowers the wages of all workers in their group. This generates animosity and antagonism among workers themselves. New workers in particular are under grave pressure at work.

What is more, factory rules force workers to wait until the 28th day of their second month at work to receive pay for the first month’s work. And in practice, workers often have to wait until the 4th or 5th day of the third month to receive payment for their first month of work.

No Insurance
The factory purchases retirement insurance for only a few office workers. Ordinary workers have never had retirement insurance. They have only insurance for occupational injuries. We interviewed two ordinary workers who had worked at the factory for eight years, and they still did not have retirement insurance.

Policies on recruitment and resigning
Workers have to go through a recruitment agent in Fuyong by the name of Yongxin Occupations to be hired at this factory. Anyone who wants a job at this factory has to pay a fee for the ‘introduction’. Female workers pay 60 yuan per person; male workers pay 100 yuan per person. From what workers have said, the recruitment agent will help a worker find a better position within the factory for more money. The minimum cost for this varies from 200 to 800 yuan.

Ordinarily, workers are able to resign from their work at the factory as long as they give advance notice of a week. If workers resign without advance notice, 150 yuan is deducted.
from their wages. Workers are only allowed to resign on Tuesdays and Fridays. The factory does not handle the procedures for resigning at any other time.

**Occupational health and safety: More injuries and deaths!**

The frequency of occupational injuries and accidents at this factory is exceptionally high. There are workers who report that workers are injured almost every day. One only needs to visit the local hospitals at random to see the workers of Hung Hing factories. Furthermore, Hung Hing is one of the thirty factories to have experienced the greatest number of work related accidents in 2004 in the industrial district of Bao’ An.

A worker with eight years experience working at Hung Hing factories describes incidents of work related injuries that she witnessed with her own eyes:

> In 2002, a 24 year old worker crushed to death by the hole punching machine. The entire lower half of her body was crushed.

At the time of the May 1st production peak in 2003, there was a worker from Sichuan, newly arrived to the cutting machine line unit (still in the trial period of employment). While manually cleaning the machine, as a result of problems with the electrical source, this worker accidentally stepped on the on off mechanism and was electrocuted. The factory management offered a compensation of only 130,000 yuan.

On June 28th, 2004, a female worker was working the machines at the press unit, the thumb of her right hand was crushed. Treatment required the amputation of half of her thumb. The injury was designated as a level 10 injury. Yet, the degree of seriousness should have been accessed at grade 9. In July of the same year, there was a worker who had the index and middle fingers of her left hand crushed by a machine; in November of 2004, there was a worker who had the index finger of her right hand crushed.

On the 19th of April of 2005, a worker had his back crushed by a falling machine in the course of his work. The factory management did not report the incident to the social security bureau. They simply negotiated in private with the worker, giving him a little money and sending him to return home. On the 29th of the same month, a male worker in the printing workshop suffered a work related accident. The index, middle, ring and pinky fingers of his left hand were crushed.

On May 10th, 2005, a worker living on the same floor of the dormitories suddenly died at
3:00 in the middle of the night. The reason of the death was not given, and the factory management locked away all information about it.

According to interviews conducted by the survey team of SACOM at a local hospital, the main occupational injuries that occurred at Hung Hing factories in the month of May, 2005 were the following:

**Xiao Fang (a pseudo name) or Ms. Fang, a 28 year old woman from Sichuan who has worked at Hung Hing for one year was injured on May 19th at her work in the XX division of the product line.**

Cause of the injury: The machine that Xiao Fang uses presses book covers, and often becomes stuck with glue. Once this occurs, the glue has to be removed from the machine before it can continue to be used. The machine, from top to bottom, is a set of rollers separated by 8 to 10 centimeters. Glue tends to easily work its way into a hole that has been ripped into one of the belts of the machine. While cleaning the machine, Xiao Fang had to stretch her arm deep into the machine to remove this glue. She was injured by the pressure of the rollers above and below. The index finger of her right hand was split open and the finger broken.

**Xiao Ling (a pseudo name) or Ms. Ling, a 22 year old woman from the province of Guangdong who has worked at Hung Hing factory for a year, was injured on the morning of May 20th.**

Cause of the injury: Xiao Ling was making a batch of notebooks that are made with a lock. While making the hole for the lock, she suffered injuries from the machine. Her right middle finger was broken, leaving the bone exposed.

**Xiao Ing (a pseudo name) or Mr. Ing a 26 year old male from Hunan Shaoyang who has worked at Hung Hing for three years in the XX department where he is a machine chief and was injured at 3:00 in the morning on May 20th.** (There are a machine chief
and two assistants for every machine.)

Cause of the injury: After completing the cutting of one batch of paper, there is always paper stuck at the back of the machine that needs to be removed. After having turned the machine off, the inertia of the machine pulled in Ing’s hand while he was trying to retrieve the stuck papers. Because the space between the presses is close together, he was injured all the way to his palm. If the machine had not been turned off, he would have lost his entire hand.

**Xiao Lee (a pseudo name) or Mr. Lee, a 28 year old male from Guizhou, has worked in the Hung Hing for six years. He fractured the bone of his right leg on June 16th, 2004. On June 7th, 2005, he was in the hospital for treatment a second time.**

Cause of the injury: Xiao Lee had accidentally dropped a package of goods he was transporting into the warehouse. The goods fell on his right leg, causing the fracture.

Testimony of Xiao Lee: The first time I stayed at the hospital for treatment was for a period of two months from June 16th to August 20th, 2004. The factory did not send a nurse to take care of me. They also did not give me adequate funds to pay for my meals at the hospital.

While receiving treatment those two months, they gave me a salary of 700 yuan a month in accordance with the basic wage of Hung Hing factories. By no means did they follow the stipulations of the regulations governing the insurance of occupational injuries.”

**Cover up the cases of occupational injuries**

In the effort to decrease the injury rate, the Hung Hing factory management released an announcement in May of this year. The announcement stipulates that if a work related injury occurs on a manufacturing line in any given month, those responsible in the department will lose half of their annual bonus. If there are two work related injuries within a month, those responsible will lose their entire annual bonus. This announcement has an adverse effect. In order to lower down the “official statistics” of work injuries, the management is now trying to cover-up the injury cases. For example, workers with relatively less serious injuries have their treatment arranged within the factory clinic. Only workers with more serious injuries are sent to the hospital for treatment. And not all of the workers treated at the hospital will report to the social security bureau. The factory management will negotiate with workers after they have recovered (that is, negotiate privately) to give them inconsequential amounts of compensation. To preserve their work position, injured workers have no alternatives.
3 (b) Hung Hing (Zhongshan) Printing and Packaging Limited

Zhongshan Hung Hing Printing & Packaging Company Limited
Address : Yi Xian Industrial Zone, Zhongshan Gang Region, Zhongshan, Guangdong, China
Telephone : (86) 760 559 7288
Fax : (86) 760 559 7882
Email : zshh@pub.zhongshan.gd.cn
Workers interviewed: about 30 workers

Introduction to the factory

The Zhongshan Hung Hing Printing and Packaging Limited occupy an area of approximately 250,000 square meters in the Yi Xian Industrial Zone of Zhongshan. The factory appears newly built, and the banner at the front gates bear two names, Hung Hing Printing facilities and Hung Hing Paper Products Manufacturer. Workers are certain that they manufacture Mickey Mouse products, so it is certain they are a supplier of Disney products.

There are about 1,000 workers at Hung Hing (Zhongshan) factory, with about equal proportions of men and women. Most workers come mostly from Zhongshan, Guangdong. Others come from Guangxi, Sichuan, Guizhou, Hunan, etc.

According to workers, these facilities manufacture mostly colored and paper boxes. Among the most prominent products is the packaging for toothpaste: Darkie Toothpaste, Colgate Toothpaste, etc. They likewise produce the packaging for a variety of electronic products including Foxconn, Acer, Jiahui and Perfect Corporation. Additional prominent clients are Mitsubishi Air Conditioners and HaDay Soy sauce.

Working hours

Work is organized in two shifts. For example, the early shift of the manufacturing works from 7:45 – 11:45 and 12:45 – 4:45. If there is overtime, work continues from 6:00 pm – 8:00 pm. Regular working hours are form Monday to Saturday. The workers of one manufacturing line at these facilities are all older workers with 7 to 8 years of experience, so they do not have
to work the night shift.

When there are fewer manufacturing orders, workers typically work 26 days a month, though there are times when workers have to bear overtime work for 28, even 30 days a month.

**Wages**

Wages are low at 520 yuan a month, with an additional 80 yuan bonus for full attendance at work and 15 yuan medical allowance. There are also bonuses for workers who exceed their production standards. For the first month of work, workers receive wages of 615 yuan. They have the potential of earning more according to piece rates according to their performance. However, the demands on workers are quite harsh. Workers have to punch their time cards six times a day. If at any time they do not punch their time card or they are late a few minutes, they lose their 80 yuan bonus. A worker with more than two years of experience in the paper boxes department mentioned that depending on the type of the product, for example, a standard of 180 quantities (or 300 paper boxes) per hour is set. Then, workers earn 30 cents for every box they make in excess of the standard. By producing more, workers can earn about 3 yuan more per hour, and sometimes can earn in excess of 1,000 yuan a month.

However, the Hung Hing factory recently lowered the additional wage workers can earn per piece. One of the workers we interviewed resigned from the factory as a result of the lower wages.

Because standard piece rates vary from product to product, the degree to which workers are familiar with the production process accounts for much of the differences in their annual salaries. The wages of the workers we interviewed varied by a wide margin, from several hundred to over a 1000 yuan. The paper boxes department starts with a base wage of 500 yuan a month. Wages of the colored boxes department are relatively high, where most regular workers earn around 1,000 yuan.

**Work Environment**

The temperature of the work environment of many of the departments in these facilities is quite high, and the ventilation in the area is not good. The available fans do not serve much purpose. It’s only in a few colored printing departments where the machines are sensitive to temperatures that the factory installed air conditioners. The noise of departments that use machines is exceptionally loud. In addition, workers in the paper cutting department also suffer from the large volume of dust that the machines produce, and workers are afforded no protective measures. They are not even provided with ordinary face masks. Recently, the turnover at the factory has begun to climb, a direct result of the changes that have lowered workers’ wages. There are also many workers who leave because they cannot tolerate the work environment.
**Occupational Injuries**

It is easy for workers to injure themselves in the colored printing department. Workers seem to all agree that the pressing machines are the machines where accidents are the most common. One of the machine chiefs we interviewed who works in the colored printing department reported that within the past two years, he had seen a worker have his hand crushed and three fingers broken.

In addition, in 2003, in the paper refining department, there was a worker who tried to stop the waste paper from one of the machines. His foot was pulled into the machine, and he suffered bone fractures to his foot. The factory took responsibility for the medical expenses of workers, and while he was still recovering from their injury, the factory management arranged to have this worker sent to the most relaxed automated gluing department (gluing toothpaste containers). A year later, this worker left the factory.

In another incident, it is said a worker fell from a significant height, and as a result of the injuries he suffered from a permanent coma.

**Concluding Remarks on Section II:**

**Problems with the overall working conditions of Hung Hing Printing (China) Limited:**

- Occupational injuries and industrial accidents are too frequent at the printing factories of Hung Hing. The most likely reasons are that the machinery is old, and workers with no training or experience are operating the machines. This, of course, has led to sweatshop conditions where workers frequently suffer injuries.

- The degree to which management tries to raise productivity raises the daily production demands on workers beyond reason. Workers have no way to fulfill their production requirements, and rules thus force workers to work overtime without remuneration.

- The long unresolved problems with the dormitories and living arrangements of workers at the Hung Hing Printing (Shenzhen) factories contribute to frequent traffic accidents for workers.
V – Saving Mickey’s Conscience: A Sincere Appeal to Disney Corporation

Tracing the cases of several firms through interviews in several areas of the Pearl River Delta, we are able to confidently state that Disney’s Chinese licensed suppliers are in serious suspected violation of the law and have considerable problems concerning occupational injuries. Disney Corporation has very obviously not fulfilled its responsibilities to monitor the situation.

We at SACOM raise the following ten appeals to Disney Corporation:

1. Disney should release the names and addresses of all of its licensed and outsourcing suppliers.

2. All Disney finished products should visibly mark the name and address of the factory that produced them to facilitate the consumers and Mickey Mouse fans worldwide to be informed of the products produced.

3. Disney should demand that its licensed and outsourcing suppliers allow a publicly trusted, non profit NGO inspect their facilities. Likewise, they should allow students who have received relevant training to make unannounced visits to the factories.

4. Disney should demand that its licensed and outsourcing suppliers open their factories to allow publicly trusted, non profit NGO third parties to provide free and systematic training for workers. Only a non profit organization will avoid conflicts of interest that would otherwise risk the project.

5. Disney should demand that its suppliers, after having provided workers with training, establish a representative “workers’ monitoring committee” to protect the legal rights, health, safety and welfare of workers.

6. Disney should make public statistics on confirmed occupational injuries and violations of the labor law on an annual basis to facilitate public monitoring of the factories and improvement of their conditions.

7. Disney must raise the price of its manufacturing orders to account for reasonable labor costs, giving its suppliers a chance to earn a profit without breaking the law.

8. Disney should not cut and run, instead, they should actively provide suppliers with suggestions for improvement and give suppliers deadlines for making those improvements.

9. Disney should provide workers with an accountable NGO third party hotline for complaints.

10. Disney needs to demand its suppliers to establish living and cultural zones for workers, to provide workers with a humanized environment and leisure activities.

We sincerely appeal to Disney Corporation to cooperate with SACOM students and other non profit workers’ rights NGOs to improve the conditions of Disney suppliers through the 10 demands described above. Together, we must eradicate the legal violations of Chinese foreign factories and actively reduce the number of industrial accidents. If Disney is thus able to improve the lives and work environment of the tremendously broad working class of China, it will greatly improve Disney’s image in China, in Hong Kong, and throughout the world.

Imagine, what harm it would do if Mickey Mouse fan knew that their notebooks and toys were tarnished with the sweat, blood and tears of exploited workers? Let’s work together to bring back the conscience that Mickey Mouse seems to have lost long ago!
### Appendix A:

**Regional Distribution of Occupational Injuries and Insurance in China for 2003**

<table>
<thead>
<tr>
<th>Region</th>
<th>Beneficiaries of Work Injury Insurance</th>
<th>Total Number of Workers in Second and Third Sector Industries (in units of 10,000 people)</th>
<th>Contributors at the Year-end</th>
<th>Coverage Rate for Occupational Injuries</th>
<th>Proportion of Total Number of Occupational Injuries (%)</th>
<th>Rate of Injured Workers to Total Workers (one person / 10,000 people)</th>
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</thead>
<tbody>
<tr>
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<td>11.76</td>
</tr>
</tbody>
</table>


"*" Indicates the region has not established occupational injury insurance. Therefore, no information on occupational injuries is available.
Introduction to SACOM

Students and Scholars Against Corporate Misbehavior (SACOM) is a non-government organization (NGO) based in Hong Kong, China, founded in June 2005 by students, and later joined by other cultural and labor activists. SACOM’s main goal is to monitor and campaign against corporate misbehavior that violates worker’s rights, health, safety, welfare, and dignity in China.

We believe there are severe limitations to the corporate-initiated self-regulatory system, the so-called Corporate Social Responsibility (CSR), because it is a system not based on independent and participatory monitoring and training mechanisms. SACOM aims at bringing concerned students and activists together to closely monitor how transnational corporations implement their CSR, occupation health and safety, and worker rights and welfare policies. We believe that the most effective monitoring mechanism is working with workers at the workplace level. Therefore, we advocate a “worker-based monitoring committee” that can democratically represent the voices of the majority of workers. SACOM works with genuine non-profit NGOs to provide in-factory training to workers. Through this process, we assist corporations to implement the true spirit of CSR so that they can become good corporate citizens in the region.

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