



Haowei Toys brings you... Mickey Mouse:

A Survey of Conditions at a Disney Supplier in China



www.sacom.hk

From the monthly series of the
“Looking for Mickey Mouse’s Conscience” Campaign

September 2007
Hong Kong & China

(I) Looking for Mickey Mouse's Conscience in 2005 and 2006

In public, Disney asserts it is committed to ensuring its suppliers do not violate workers' rights. In principle, Disney requires suppliers to enforce a code of conduct, and Disney audits factories to ensure suppliers comply with the code. However, the Hong Kong activist group Students and Scholars against Corporate Misbehavior (SACOM) found serious violations of workers' rights at numerous Disney suppliers in China. A month before the opening of Hong Kong Disneyland, SACOM reported the failure of four Disney suppliers to implement a code of conduct in August 2005 (for the full report in Chinese and English, visit www.sacom.hk).¹ The report shows how Chinese workers producing children's books and souvenirs for Disney get injured, exploited, and disrespected at work.

On 12 September 2006, the one year anniversary of the opening of Hong Kong Disneyland, SACOM released a new survey entitled "*A Second Attempt at Looking for Mickey Mouse's Conscience.*" We found violations of China's labor laws as well as Disney's code of conduct were common in three suppliers. After the report, workers from Huang Xing, a supplier included in the SACOM survey, confided to SACOM they experienced a dramatic decrease in Disney orders. We believe Disney withdrew orders from Huang Xing as a direct result of pressure on Disney to enforce workers' rights there. Tragically, Huang Xing closed on 31 January 2007 and over 800 workers lost their jobs before the Chinese New Year Festival.²

We believe these findings show Disney refuses to seriously confront its corporate social responsibility. Therefore, SACOM is launching a third round of campaign. Until Disney shows SACOM and the public its efforts and a serious plan to resolve the issues we continue to see in its supply chain, SACOM will release a survey of a Disney supplier every month starting in September 2007. Meanwhile, we will collect signatures from concerned consumers around the globe in supporting workers' rights (see the online petition at <http://www.PetitionOnline.com/wlchan/petition.html>). Let us keep looking for signs of Mickey Mouse's Conscience.

¹ Worker interviews and 11-minute video footage from Hung Hing Printing and Disney suppliers in China were available online at SACOM's website (www.sacom.hk). International news reports by *CNN*, *BBC*, *the Guardian*, *the Associated Press*, *the Standard* and *South China Morning Post* are downloadable from the website.

² For selected news about SACOM's second Disney survey, Disney's cutting & running and the Huang Xing closure:

(a) *International Herald Tribune – Asia-Pacific* (10 Sep 2006) Survey shows Disney suppliers in southern China underpay, overwork employees

http://www.iht.com/articles/ap/2006/09/10/asia/AS_FIN_China_Disney_Factories.php

(b) *South China Morning Post* (2 Feb 2007) Workers protest after Disney toy factory closes

(c) *Wall Street Journal* (7 Feb 2007) Activists protest closure of Disney licensee plant

(d) *Daily News & Analysis* (17 Feb 2007) Disney sweats over sweatshop charges in China

<http://www.dnaindia.com/dnaPrint.asp?NewsID=1080420>

(II) The Monthly Series: September 2007 Issue

Haowei Toys, Shenzhen

Haowei Toys³ is a second-tier Disney supplier, manufacturing plastic toys and similar items out of Longgang, Shenzhen in southern China.

Address: Shatangbu Village, Buji Town, Longgang District, Shenzhen City, Guangdong Province, China

Workforce: Around 800 workers (the majority, women workers)

Buyer: Disney (more than 90% of the supplier's orders)

Products: Mickey Mouse, Minnie, Donald Ducks, Winnie the Pooh plastic toys, key chains, and similar decorative items



Haowei Toys started manufacturing Disney products in 1998 after getting certified by RUN'A, a Japanese licensee of Disney. Till now, Disney is the most significant buyer for this supplier.

A history of collective actions & publicity at Haowei Toys

Time	Activities
1 January 2003	Workers grieved the passage of a new factory regulation governing the wages, work hours, and benefits (e.g. compulsory 28-day work month and illegally low overtime premiums)
December 2006	Xiao Huang, a production worker, reported he was forced to work 361.5 hours in a month
10 March 2007	Workers sent a letter of complaint to Disney and its licensee, Run'A
29 April 2007	(1) <i>Legal Daily</i> news report: Worker petitioned local labor officials

³ Haowei Toys in Chinese: 浩威玩具有限公司。

- 14 May 2007 (2) *Legal Daily* news report: Disney refused to comment on sweatshop claims
- 1 June 2007 (3) *South Windows* magazine report: Whose responsibilities – Disney, the supplier, or the Chinese government?
- 25 July 2007 (4) *Nanfang Metropolis Daily News* report: Workers resort to activism through the law
- 29 July 2007 (5) *TVB (Hong Kong)* “Sweatshop,” a program documenting issues at Haowei (in Cantonese with Chinese subtitle)

Note: The five news reports are in Chinese.⁴

When five former Haowei workers asked for help in this March, SACOM immediately approached Mr. Jim Leung of International Labor Standards of the Walt Disney Corporation (Asia Pacific) to discuss the abusive working conditions of the supplier in question. Six months have past and we have had no response.

(1) Contracts – Falsified

Haowei Toys has never concluded labor contracts with workers. Though it is against the law, management require workers to sign one-sided “agreements” where wages, work hours and benefits simply get left blank. Managers then collect agreements and complete them as they see fit. Workers believe management uses the signed agreements to falsify social audits.

(2) Working Hours – 9 to 15 hours a day, 6 to 7 days a week

In mainland China, by law, working hours should normally not exceed 8 hours a day and 40 hours a week, and overtime work not more than 3 hours a day. In total, overtime should not exceed 36 hours a month. However, Haowei imposes 9 to 15 hours work days, and a 28-day “normal” work month. During peak seasons, workers are not allowed days off, and toil up to 360 hours a month.

(3) Wages and Overtime Premiums – Below the minimum

Haowei time-rate workers earn only 2.5 yuan per hour, i.e., 62.5% of the legal minimum wage of 4.02 yuan per hour.

⁴ (1) 2007年4月29日《法制日報》「深圳5工人起訴勞動局不作爲」。

<http://acftu.people.com.cn/BIG5/67561/5684377.html>

(2) 2007年5月14日《法制日報》「代工廠被控『血汗工廠』 迪士尼公司沉默以對」。

http://big5.xinhuanet.com/gate/big5/news.xinhuanet.com/fortune/2007-05/14/content_6097448.htm

(3) 2007年6月1日《南風窗》「『三家村』裡的維權困境」。頁49–51。

(4) 2007年7月25日《南方都市報》「五工人闖出維權新路」。

<http://www1.nanfangdaily.com.cn/b5/www.nanfangdaily.com.cn/southnews/dd/dsb/sz39/200707250556.asp>

(5) 2007年7月29日香港無線電視台《星期日檔案》「血汗工廠」節目。

Haowei gives overtime premiums of 120% the normal wages, i.e. 3 yuan per hour. Yet the Chinese Labor Law requires overtime premiums of at least 150% for overtime during the workweek (6.03 yuan), 200% on the weekends (8.04 yuan), and 300% on national holidays (12.06 yuan).

Comparison of Haowei Wage Rate & Standards of Longgang District, Shenzhen City

	Haowei's Pay System	Yuan	Gov't Defined Minimum Wage (Shenzhen outlying districts)	Yuan
Basic wage	2.5 yuan/hr x 9 hrs/day x 28 days (252 hrs/month)	630	8 hrs/day x 21.75 days (174 hrs/month)	700
Overtime during workweek	3 yuan/hr (2.5 yuan/hr x 1.2) x 109.5 hrs	328.5	6.03 yuan/hr (4.02 yuan/hr x 1.5) x 4 hrs x 22 days (88 hrs/month)	530.6
Overtime on weekend			8.04 yuan/hr (4.02 yuan/hr x 2) x 12.44 hrs/day x 8 weekend days (99.5 hrs/month)	800
Total		958.5		2,030.6
Wages less than legal rate: 1,072.1 yuan (47.2%)				

Xiao Huang, for example, reported he was forced to work 361.5 hours in December 2006, more than twice the 174-hour standard stipulated by the Shenzhen government. Despite excessive overtime, Haowei systematically lowered his wage, and he received only 958.5 yuan – a mere 47.2% of the legal minimum wage.

Haowei piece-rate workers may suffer even more because the unit order price is never disclosed. Workers have no way to account for overtime, and management often lowers the piece rates as workers work faster.

(4) Health and Safety – Prolonged exposure to toxins

Workers at the paint spraying and pad printing departments complain that the chemical odors of paint and thinner, for example, cannot dissipate for hours. Shopfloor ventilation facilities are inadequate. Some workers buy face masks on their own to alleviate the health problems.



In the sealed, dust-free assembly workshop, some of the 200 workers exposed to toxins faint next to their work stations without health care treatment.

(5) Social Security – None

The law requires employers to provide insurance to all employees including pensions, insurance against work injuries and insurance for expenses tied to medicine and maternity. Production workers at Haowei are not insured at all.

(6) Factory Canteen – Food is disgusting but workers have no choice



A makeshift sheet-iron 70-80m² canteen is where hundreds of Haowei workers have their meals. It was found that the cook illegally used “industrial salt” in preparing foods!

The rice served is the cheapest kind, turned a grey, yellow color from mould. Workers angrily report, “It tastes awful.” Moreover, the frozen meat is rotten and the vegetables overdone. Still, the management deducts as much as 180 yuan from worker’s wages every month.

(7) Dormitory Conditions – Extremely unsanitary



Workers are housed in two old blocks of three-story dormitories. In each 15m² dorm room, management keeps 6 bunk beds for a maximum of 12 persons. The dorms lack essential living facilities, and are shady and wet all year round. Communal toilets are shared by workers of the same floor, where water pipes are often blocked and waste spilled out.

(8) Fines – Excessive fines to discipline & prevent quitting

Shopfloor managers control discipline through a system of strict rules and fines. For example, against the law, they fine workers 5 yuan for going to toilets exceeding 5 minutes. Likewise, they fine workers 10 yuan for refusing to do overtime work.

Haowei requires workers to get management permission to quit or else deducts 1 full month of wages before letting workers go. For migrant workers, this represents a loss of income and a restriction on their freedom of employment.

(III) Failure of the Disney System

After Haowei workers drew the attention to their sweatshop conditions through media in the region, management felt pressured to improve some things. After improvements in the canteen, workers report food and rice “has their taste.” Working hours were shortened to 26 “normal” days a month, though this still falls short of a standard 5-day workweek.

The crucial problem of wages is unresolved. Responding to media attention, Haowei raised overtime premiums from 3 yuan to 6 yuan per hour. Though this seems like a substantial improvement, it hides the complexity of workers experience. Haowei applies the 6 yuan per hour overtime premium even if workers work on the weekend or holidays, when workers should receive 8 yuan or 12 yuan per hour. In addition, managers have unilaterally raised deductions from workers’ wages for living expenses. Fees for accommodation, for example, went from 90 yuan to 200 yuan per month though dorm conditions are as poor as they were before.

In the end, the ability of Haowei to provide workers with a wage and work environment that meet the minimum requirements of the law depends on its business with Disney. Though Haowei is responsible for resisting Chinese labor law, we must ask ourselves, what about the social responsibility of Disney – a multinational of tremendous size with solid profits that represents 90% of Haowei business?

Serious workers’ rights violations exist at Haowei that likewise represent violations of Disney’s code of conduct. Yet Disney’s code as well as its International Labor Standards (ILS) program consistently fails to protect workers manufacturing Disney items. None of the 35 worker interviewees were even aware of Disney’s code of conduct, despite the fact that the code was translated into more than 50 languages.

The conclusion is incontrovertible. The conditions at Haowei reflect the failure of the Disney system to monitor and respond effectively to violations of the Disney code of conduct and the workers’ rights the code professes to defend.

(IV) Disney, its Licensees, and Suppliers should Respect Workers' Rights

Many Haowei workers are fighting desperately for their rights and dignity. Holding "labor agreements," some valid until 30 September 2007, some valid until 15 October 2007, in their hands, they confided to us that the 800-person Shenzhen plant will soon be closed. If this is true, the factory management needs to explain and inform all the workers about its moving to alternative sites.

SACOM strongly believes Disney and its licensee should fulfill their corporate social responsibilities:

- (1) to ensure Haowei complies with Chinese labor laws;
- (2) to compensate all the affected workers in the event Haowei closes before the end of their "labor agreements" according to the standard of the law [compensation should depend on length of service];
- (3) to give every Chinese worker at every Disney supplier a written labor contract and a copy of Disney's Code of Conduct in Chinese;
- (4) to collaborate with independent NGOs to provide workers at all Disney suppliers with labor rights training;
- (5) to respect workers' rights to bargain collectively by facilitating the formation of mechanisms of worker representation at all Disney suppliers.

- END -

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Students and Scholars against Corporate Misbehavior (SACOM) is a new Hong Kong-based nonprofit organization founded in June 2005. SACOM originated from a student movement devoted to improving the labor conditions of cleaning workers and security guards under various universities' outsourcing policies. The movement created an opportunity for students to engage in activism surrounding local and international labor issues. SACOM aims at bringing concerned students, scholars, labor activists, and consumers together to monitor corporate behavior and to advocate for workers' rights.

Selected SACOM research reports and journal articles are downloadable:

1. *Looking for Mickey Mouse's Conscience: A Survey of the Working Conditions of Disney's Supplier Factories in China* (August 2005);
2. *'A World without Strangers' – A Report of the Working Conditions of Giordano Subsidiaries and Suppliers in China* (December 2005) [Hong Kong firm Giordano, a Disney's licensee in apparel for children, men, and women];
3. *Chinese Migrant Workers in Action: Bringing Wal-Mart to Global Corporate Responsibility* (Fall 2005) [this article is also available from *Social Policy: Organizing for Social and Economic Justice* at www.socialpolicy.org];
4. *Resistance, Collective Actions, and Labor Organizing* (Fall 2006) [this article is also available in German, "Kein Bleiberecht: Arbeitsmigrantinnen in Südchina," *Frauensolidarität (Solidarity among Women)* at www.frauensolidaritaet.org];
5. *Making Mobile Phones in South China: An Investigative Report on Labor Conditions of the Electronics Industry* (August 2006) [see also *The High Cost of Calling* (November 2006) at SOMO www.somo.nl];
6. *Clean up your Computer Campaign: A Report of Yonghong Electronics* (November 2006) [see also Business & Human Rights Resource Centre for a summary www.business-humanrights.org];
7. *A Second Attempt at Looking for Mickey Mouse's Conscience: A Survey of the Working Conditions of Disney's Supplier Factories in China* (December 2006);
8. *Wal-Mart's Sweatshop Monitoring Fails to Catch Violations: The Story of Toys Made in China for Wal-Mart* (June 2007);
9. *Haawei Toys Brings You...Mickey Mouse: A Survey of Conditions at a Disney Supplier in China* (September 2007).
10. *Tianyu Toys Brings You...Winnie the Pooh: A Survey of Conditions at a Disney Supplier in China* (October 2007).

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