Investigative Report on the Working Conditions in UNIQLO’s China Suppliers

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In Coordination with

Labour Action China
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Investigative Report on the Working Conditions in UNIQLO’s Suppliers

Executive Summary

The UNIQLO campaign aims at empowering the workers by unveiling the poor labour conditions in China under the global fast fashion supply chain. It also has the strong hope of arousing the public awareness of the labour issues in the garment industry. UNIQLO is a Japanese fashion brand under Fast Retailing Co., Ltd., which has been expanding at an extremely quick pace and large scale. Its retail stores keep opening all over the world, especially in China. Apart from its good quality and consumer-friendly price, it also comes to our concern that whether its corporate social responsibility has been fulfilled or not. Pacific (Panyu) Textiles Ltd (hereafter Pacific) and Dongguan Luen thai Garment Co. Ltd (hereafter Luenthai) are targeted which are the key suppliers of UNIQLO knit fabrics and apparel respectively. They are located in Nansha and Dongguan in Guangdong province.

Here are the key issues that should be tackled as soon as possible:

1. **Excessive long working hours and miscalculation of overtime wages**

   Pacific and Luenthai offer the basic monthly pay as RMB 1550 and RMB 1310 for the workers, which are only paying the minimum wage level of Guangzhou and Dongguang respectively. Yet, the average monthly salary level of workers in Dongguang and Guangzhou are RMB 2,505 and RMB 5,808 respectively in 2013\(^1\). Working overtime therefore constitutes an important part of their total amount of the monthly salary, so as to make ends meet. The numbers of overtime working hours are shocking: 134 hours in Pacific and 112 hours in Luenthai\(^2\). Some workers from Pacific are asked to sign the “voluntary application of overtime work”. The application states that the overtime work is 119.5 hours. *Labour Law Article* 41 stipulates that the work time to be prolonged shall not exceed 36 hours a month.

   Worse still, the **overtime pay in weekend** is miscalculated in Pacific, which is only 1.5 times of the **basic wage instead of 2 times**. In Luenthai, the overtime work record on Sunday and the overtime work exceeds 100 hours are **recorded manually on papers instead of the computer system**. It can be seen that factories can avoid being checked by the social auditors on workers’ working hours in this way.

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1 The figure is found at http://news.ifeng.com/a/20140713/41135455_0.shtml and http://tjj.dg.gov.cn/website/web2/art_view.jsp?articleId=7726 (only in Chinese)

2 The Chinese standard working hours per month is 174 hours (8 hours*21.75 days). The undercover investigation found that the average working hours in Pacific was 11 hours per day, excluding only 1 hour meal break for both lunch and dinner. And the workers have only 1 to 2 days off per month, resulting 308 hours (11*28) in total. In Luenthai, the average working hours is 11 hours per day and they work 26 days per months, summing the total of 286 hours (11*26).
2. **High risk and unsafe working environment**

Even with such large scale, financial capability and long operation history, the working conditions in both factories are still unsatisfactory. Workers health and safety are not at the top priority. Extreme high shop floor temperature, dirty sewage flowing all over the floor, unsafe facilities, poor ventilation with high cotton dust level in the air, irritating smell, high risk of electricity leakage are posing serious risks on workers’ health and safety. For example, occupational asthma, respiratory irritation, and dust explosion can be caused in high cotton dust shop floor. There is also an adverse effect of used chemicals on health and the risk of electrocution. Yet, no effective mechanism is implemented to tackle these problems. **Pictures** are put in section 2 for a clearer understanding of the problems.

3. **Harsh management style and punishment system**

In Pacific, there are 58 types of regulations which are set for punishing workers, **41 of them include fines.** Fines are heavily used as a way to control product quality and to manage workers. In reality, different operation floors have their own punishments and rules which are not specifically stipulated in the regulations but are simply written on the whiteboard in the shop floor. For example, in the knitting department of Pacific, if defected fabrics are knitted or the knitting machine has dirt, the workers’ production bonus will be deducted, which is around RMB 50-100. Luenthai uses fines as well. However, according to the Labour Contract Law, it has not stated that the employers have any given right to punish employees by adopting different means such as using fines.

4. **Unrepresented workers**

General workers from these two investigated factories have no effective platform to voice out their concerns. In Pacific, the chairperson of the union is the director of administrative department which violates the Measures for the Election of the Trade Union Chairman of an Enterprise article 6, which stipulates that the executives in charge (including deputy executives) and partners of an enterprise and their close relatives, the persons in charge of the human resources department shall not be the candidates for the labor union chairman of the enterprise. Also, it violates Article 7 of the Measures of Guangzhou Municipality on Implementing the Law of the People’s Republic of China on Trade Unions. For Luenthai, there is no trade union at the factory level but a workers committee group and employee relation department in the factory. However, it is an ineffective means to facilitate workers to express their concerns.

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3 Most of the factory workers in China receive production bonus if he/she can reach certain production target set by the factory. In Pacific, the average production bonus per day in knitting department is RMB 30-60.
We demand the Suppliers:

- To provide at least one rest day every week for workers and limit the maximum overtime work to 36 hours a month;
- To pay overtime according to the Chinese Labour Law;
- To reform management style to respect workers’ dignity;
- To ensure workers can have appropriate breaks regularly;
- To provide adequate training concerning the health, safety, and protection of the workers, and ensure the workers to take regular health check ups;
- To take all the necessary measures to ensure workers’ health to be protected from the harmful chemicals used in the production process and make it publicly available the outlined measures as well as the implementation

We demand Fast Retailing:

- To facilitate the suppliers on the improvement in the working conditions by providing adequate resources;
- To comply strictly to their corporate social responsibilities policies;
- To support the set up of fully worker-represented trade union in their supplier by direct and democratic election;
- To maintain transparency to public by disclosing full supply list where their products were manufactured
Section 1 Introduction

1.1 Overview of Garment Industry in China

Since the open door policy in 1979, the central government has a strong will to make the textile and garment industry a key anchor of the nation’s economy. Prompted by the business-friendly policies and supportive foreign investment, the export volume of the textile and garment products increased quickly. In 1980, this industry exported US$ 4.41 billion which was only 4.6% of the world exports and ranking at the ninth position in the world. In 1995, China’s export of textiles and garments ranked number 1 in the world and China has maintained its first position ever since4. The exports volume continues to increase. However in 2008, due to the financial crisis and the overcapacity of the industry, the export dropped 11% in the first five months of 20095. Though affected by the crisis, China garment industry is still the leader in the global garment export industry and the manufacturers have been gaining share of the global export market year by year. According to statistics, there are more than 100,000 garment manufacturers in China which employ over 10 million people. In 2012, China made altogether 43.6 billion pieces of garments with an export value at $153.219 billion and sales value at 1.7 trillion RMB at domestic market6. The Clothing exports of China took up almost 40% of the total global clothing exports in 20107. China clothing industry is still an export giant in the global clothing economy and strongly affecting the live of millions of workers in the industry.

Though the labour cost in China is keep increasing compared to the Southeast Asian neighbours such as Vietnam, Cambodia, Bangladesh and India in this decade. The lower labour costs in other places do attract foreign investment away from China, but the China garment industry still has its competitiveness. Not only with thirty years experience in operation, China has also developed well-connected transport logistics and infrastructure than other Asian countries. Its quality control & management and technical advancement on production are ahead of other neighbors.

Meanwhile, it is also noticeable that some factories are relocating from the coastal areas to the inland region of China in recent years because of the cheaper labour cost. Since the minimum wages in coastal regions are far higher than the inland regions, factories are starting moving to inland industrial towns. Unfortunately, even though the minimum wage is increasing in China and has surpassed the Southeast Asian developing neighbors in recent years, it is by no means a livable income. Only by living with the minimum wage is never able to make ends meet for the general workers. Therefore, overtime work is always the key

4 China Textile and Clothing Industry, P5, 2005, Larry D. Qiu
5 Globalisation Monitor, The fallout on China’s Textile and garment industry in the wake of the end of Multi-FibreAgreement, February 2010.
component of workers’ monthly salary in the industry. Workers have not yet able to share the economic fruit of the industry. Instead, they toil over to earn a living.

1.2 Overview of UNIQLO

China is the production site of many fast fashion brands such as H&M, Zara, Gap and UNIQLO. UNIQLO is the new superstar in the global fast fashion stage and its retail stores are increasing in Asia, especially in mainland China. Owned by the Fast Retailing Co., Ltd., this Japanese brand has successfully swept across both the western and eastern market. Its retail stores are operated in almost every cosmopolitan city throughout the world, such as France, Germany, Shanghai, UK, US, Australia, Russia etc. It has 861 stores worldwide now⁸. Its ambition to boost a strong international customer base is very explicit that the numbers of retail stores is keep increasing and expanding in scale. In February 1999, it was listed on the first section of Tokyo Stock Exchange⁹. Then, it pursued the secondary listing of Hong Kong Depositary Receipts (HDR) on the main board of the Stock Exchange of Hong Kong Limited in 2014. UNIQLO is famous for its friendly affordable price with good product quality. It has roughly 70 partner manufacturers worldwide¹⁰ and around 70% of products are made in China¹¹. The expansion of retail stores internationally such as in China, Hong Kong, Taiwan and Europe has successfully generated sales of ¥125.0 billion and operating income of ¥13.5 billion in the year of 2013, which has an increase of 64% compared to last year. For UNIQLO Japan, it is the nation’s largest apparel retail chain with a 5.5% share of the ¥10.7 trillion Japanese apparel market, and a network of 852 stores at end of August 2014 generating annual net sales of over ¥715.6 billion.¹² UNIQLO is unquestionably the growing giant in the casual wear industry with a great market value. According to its introduction, UNIQLO is proud of its ability to provide low-priced, high-quality basic casual wear while also generating high profits. “Lifewear” is the concept of the brand which carries a philosophy behind: “Clothes for a better life, for everyone, every day”. In its 2014 CSR report, the CEO Tadashi Yanai stresses that the most important mission is to use “our business to change the world for the better”, to improve the lives of people around the world and change society for the better. Meanwhile, Tadashi Yanai ranked as the richest man in the Forbes’ Japan Rich List with a net worth of US$15.5 billion in 2013¹³.

It is also putting the monitoring of working conditions and processes at production partner sites as the key

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⁹ The first section is for the large companies.  
¹² UNIQLO Sales Revenue at http://www.fastretailing.com/eng/group/strategy/japan.html  
challenge in its corporate social responsibility project. “Pre-contract monitoring”, “regular monitoring” and “factory grading system” are its workplace monitoring framework. Fast Retailing (FR) suppliers have to submit a written pledge to uphold the FR Codes of Conducts. FR Codes of conducts has some key guidelines such as prohibition of child labour, sets limits on overtime work, freedom of association etc. The workplace monitoring findings are also put in the CSR report which show that child labour and false reporting were found in China production partners.

Its CSR report looks transparent to the public on the monitoring findings and gives readers an impression that all UNIQLO suppliers are strictly selected and closely monitored. It comes to our concern that whether any other UNIQLO suppliers’ misbehavior have not yet been disclosed in detail to the consumers.

1.3 Investigation Background & Methodology

Background:
Students & Scholars Against Corporate Misbehaviour (SACOM) is a labour NGO based in Hong Kong aiming to monitor the operations of multinational companies in China. SACOM has been initiating campaigns and creating public awareness about the violations of workers’ rights in China since 2005. The investigation into the two suppliers of UNIQLO in China was first initiated by SACOM. In mid of 2014, the project has coordinated with Labour Action China (LAC) and Human Rights Now (HRN). LAC is a Hong Kong based labour NGO that promotes labour rights in China and was established in 2005. HRN is Tokyo-based international human rights NGO which conducted a fact finding trip together with SACOM for verifying the validity of the factories’ findings in China in late September.

UNIQLO is a casual wear brand which has become a global brand with over 800 stores all over the world. It is a member of Fast retailing which was listed on the Hong Kong stock exchange in March 2014. Both UNIQLO Japan and UNIQLO international gained rising sales in 2013. For example, UNIQLO Japan’s profit expanded to 106.3 billion yen and UNIQLO international’s profits rose to 32.9 billion yen, which is 165.1% increase of last year. One of the features of this fast growing brand is that, although it is a Japanese brand, it does not have any factories inside Japan; roughly 70% of the products are made in China. With such high profits revenue and enjoying the leading position in the industry, we believe that UNIQLO should have the capacity and resources to ensure decent working condition in every suppliers. The Bangladesh’s Rana Plaza collapse in 2013 has indicated that corporations seem to put profits before workers. It is high

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14 Please refer to Appendix 3
time for us to be highly aware of the potential risks in the working conditions of the garment manufacturers.

**Methodology:**

In the beginning of 2014, SACOM has started the preliminary research of China garment industry and the supply chain situation of UNIQLO. After studying and analyzing the information, SACOM selected 2 key suppliers of UNIQLO which are Pacific and Luenthai in Guangdong province. The two factories are both Hong Kong capital. Established in 1997, Pacific was listed on the Stock Exchange of Hong Kong (SEHK code: 1382) in May 2007. The manufacturing facilities are located in Panyu, South China, with a total floor space of approximately 294,400 square meters\(^\text{18}\). It provides an integrated service of knitting, dyeing, printing and finishing, with an annual production capacity around 87 million kilograms. More than 6,500 staff is employed in the production sections\(^\text{19}\). According to the news, the order from UNIQLO constitutes a very crucial part in Pacific’s business. Also, Pacific has once planned to cooperate with UNIQLO in 2010 to establish a factory in Bangladesh, which the project was estimated to cost about 100 million USD dollars\(^\text{20}\). Pacific is also a key fabric supplier for Crystal Group, which has 17-year business partnership with Fast Retailing\(^\text{21}\). Pacific has also been highlighted in the example of “One table meetings” management method in the 2014 CSR report\(^\text{22}\).

Luenthai is another leading multinational corporation in the garment industry which was established by Dr. TAN Siu Lin in 1993. They produce over 131 million units of goods, such as casual and fashion apparel, shoes, and accessories annually. With annual revenue of over US$1.2 billion, Luenthai has about 45,000 employees worldwide. They operate sales and design offices, manufacturing facilities, and logistics stations in Hong Kong, China, Philippines, Cambodia, Indonesia, Vietnam, and USA. Some interviewed workers told researchers that there were some workers’ strikes in previous years demanding better wages and working conditions.

From July to August, SACOM investigators worked as the general workers in the two factories for collecting primary data regarding on the working conditions. Documents related to working conditions such as workers’ contracts, salary slips, working hours records, rules & regulations, disciplinary fines etc. were collected during the investigation period. Besides undercover investigation, more than 30 qualitative workers interviews were also conducted by other field researchers in the nearby environment of the factories including dormitories, restaurants and food stands. These interviewees come from different departments such as warehouse and dyeing department in Pacific as well as knitting, finishing, cutting departments in Luenthai. Through this open-ended interviews, most workers spoke openly about their low wages, long working hours,
unsatisfactory working environment in their shop floors, the performance of the trade unions and the harsh management style. In late September, representatives from SACOM and HRN went to the sites for a fact-finding mission. In-depth workers interviews were done with workers from the dyeing department in Pacific and ironing department in Luenthai to verify the information collected in earlier period of time. In mid-November, SACOM investigator investigated into the factories again for getting the most updated situation in the shop floors.

Section 2: Key findings from Pacific and Luenthai

2.1 Long working hours and low basic salary: a long distance to a decent wage
Extremely long working hours and a low basic monthly salary are always the two core issues that correlate with each other in the garment industry. Because of the wage structure and the low basic monthly salary, it leads to exhausting and demanding working hours for the garment workers from these two factories.

The factories offer the basic monthly pay of RMB 1550 and RMB 1310 for the workers, which are only the minimum wage of Guangzhou and Dongguang, respectively. In 2013, the average monthly salary level of workers in Dongguang and Guangzhou was RMB 2,505 and RMB 5,808, respectively. The basic monthly salary offered by the two factories is just around one-third of the average monthly salary level in the cities. Worse still, the problem of inflation is adding to the financial burden of the working class. For example, the Consumer Price Index (CPI) in Dongguang from January to September in 2014 increased 2.6 percent. To fill this gap and to compete with the inflation in market, the workers have to work overtime hours simply to make ends meet. For workers whose bonus is in piece rate, it is important to work as much as they can in order to earn more. It was found that the average monthly salary level of workers from Pacific and Luenthai is around RMB 2500-4000. **Working overtime constitutes an important part of their total monthly salary.** One of the workers who works in an ironing section at Luenthai said “it was all in piece rate, it depends on how many shirts I can iron. If I don't finish enough pieces I won't earn enough money. Because the piece rate for each shirt is so low, I can't make much money.”

The figures of the number of overtime working hours from both the factories reveal the seriousness of the matter. The Chinese standard working hours per month is 174 hours (8 hours*21.75 days). The undercover investigation found that the average working hours in Pacific was 11 hours per day, excluding only 1 hour

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23 Most of the workers salary are counted as basic monthly pay plus overtime pay. After reaching the productivity target, they could have productivity bonus based on piece rate.
24 The figure is found at [http://news.ifeng.com/a/20140713/41135455_0.shtml](http://news.ifeng.com/a/20140713/41135455_0.shtml) and [http://tjj.dg.gov.cn/website/web2/art_view.jsp?articleId=7726](http://tjj.dg.gov.cn/website/web2/art_view.jsp?articleId=7726) (only in Chinese)
meal break for both lunch and dinner. And the workers have only 1 to 2 days off per month, resulting 308 hours (11*28) in total. In Luenthai, the average working hours is 11 hours per day and they work 26 days per months, summing the total of 286 hours (11*26). It means 134 average overtime working hours in Pacific and 112 average hours in Luenthai.

Figure 1 has showed that some workers have to sign the “voluntary application of overtime work”. The application states that the overtime work is 119.5 hours and the reason is “the need of the work”. It is ironic that the total overtime working hours have already exceeded 119.5 hours before signing such an application. Moreover, figure 2 is the notice paper that states how the overtime payment in weekends is calculated in Pacific. According to the paper, the overtime pay on weekend in Pacific is calculated at 1.5 times the basic wage instead of following Labour Law Article 44 which states that overtime pay on the weekend should be 2 times of the basic wage. Workers from Luenthai iron department work daily from 7:30am until 10:00pm. They sometimes work on Sunday too. Moreover, investigators noticed that the overtime work record for Sundays and when overtime hours exceed 100 are recorded manually on paper rather than by the computer system. Figure 3 is the evidence that overtime hours are recorded in separate paper. It is seemingly to avoid being checked by social auditors on the real working hours for workers.

Testimony 1:

“I work from the early morning until late 10pm. I sometimes even work until 11:00pm. I have to iron 600-700 pieces of shirts per day, but each of the shirts from UNIQLO is only 0.29 RMB. In the peak season, I can iron 900 pieces of shirts in one day. I sometimes work on Sunday too! The piece rate is really too low for us. But it is very hard to increase.” - Iron worker from Luenthai.

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26 Article 44 The employer shall pay labourers more wage remunerations than those for normal work according to the following standards in any one of the following cases:

(1) Wage payments to labourers no less than 150 per cent of their wages if the labourers are asked to work longer hours; (2) Wage payments to labourers no less than 200 per cent of their wages if no rest can be arranged afterwards for the labourers asked to work on days of rest; (3) Wage payments to labourers no less than 300 per cent of their wages if the labourers are asked to work on legal holidays.

27 Overtime pay on weekdays (mon-fri) is 1.5 times the basic wages. Overtime on weekend is 2 times the basic wage. Overtime on public holiday is 3 times the basic wages, which is also stated in labour law Article 44.

28 Workers do not swipe card on Sunday and the working record is recorded manually.
Testimony 2:
“ I can earn 4000 RMB per month. My wife is also working here. But I still think the salary is inadequate for us because we have to spend a lot on education fees for our kid who is in high school now. Also, we need to send 2000 RMB per month back home! The living cost in Nansha (Panyu city, Guangzhou) is getting higher and higher. I hope to get 5000 RMB per month.” - Male worker in the dyeing department who has been working in the factory for 12 years

Testimony 3:
“The machine will never stop so after the day shift workers finish work, the night shift workers will come, and the machine keeps going. So at least 12 hours – around 12 hours everyday.” - Male worker in fabric department working for 4.5 years

According to Labour Law Article 36, the limit of working hours is 8 hours per day and 44 hours per week. Labour Law Article 38 also states that the employer shall guarantee that its labourers have at least one day off a week. Moreover, in Article 41, it stipulates that the work time to be prolonged shall not exceed 36 hours a month. These factories break every rule mentioned above, as well as the Codes of conducts of Fast Retailing that working hours should be limited. Even though workers are not forced to work overtime, with a low basic pay with which they cannot support themselves and their families, they are indirectly pushed to work longer and produce more. Despite being such large-scale factories with long operation histories and stable financial situations, Pacific and Luenthai still do not abide by the Labour Law of China and protect workers by providing a decent living wage and allowing workers a healthy social life.

Figure 1: The “voluntary application of overtime work” states the overtime work is 119.5 hours.
2.2 High risk and unsafe working environment

Workers are working in a risky environment in both factories. A number of potential risks were found during our investigation in the operation floors, which could lead to possible work-related injuries or occupational health problems. The risks include high temperature, sewage flooring all over the floors, electricity leakage, irritating odors, high cotton dust level in the air, and fire safety issues.
Knitting shop floor in Pacific:

A. Climbing over the stool

Workers from the knitting department have to stand on a stool, which is approximately 2 meters tall with one stepladder, to place different cynical yarns into different parts of the circular-shaped knitting machines. Figure 4 clearly illustrated this action. Investigators saw a number of workers fall down from the stool while putting the yarn into the corresponding parts of the machines. It easily occurs when workers are rushing for productivity due to high working pressure. Workers have to climb over the chair to put the yarn in the different correct places. Usually, they have to place around 44 yarns and 44 nylon, each of which weighs around 2-3kg. Each worker also takes care about 4-6 knitting machines simultaneously. Under such high work intensity, work-related injuries such as falling from the stool do happen easily. Investigators saw a few workers fell down from the stool during work.

![Image](image.png)

**Figure 4:** Worker has to stand on a stool during the knitting process. They easily fall from the stools as investigators observed.

B. Intolerable high room temperature

Investigators noticed that many male workers were topless while working. Female workers also retained sweat spots on their uniforms. The temperature on the knitting shop floor is around 38 degrees Celsius during the summer time. There are no air-conditioners. In reality, workers are not only required to place the
yarns but also to solve all the technical problems relating to the malfunctions of the knitting machines during the knitting process. It adds a lot of pressure to the workers.

Interviewed workers testified that “some have fainted in summer because it’s too hot.” and the condition is “like a hell.” In fact, high temperature allowance is provided to these workers. However, it is around $7 per day, or $100 - $150 per month which is “actually nothing” for workers.

![Figure 5: Topless worker is sweating while fixing the problems during the knitting process](image)

C. High cotton dust level in the air: Health Hazards and Safety Hazards

The fabric knitting processes a large amount of cotton dust in the air. According to the Health and Safety Executive in the United Kingdom, cotton dusts can cause byssinosis, occupational asthma and respiratory irritation. Chronic exposure to cotton dust can lead to lung airway obstruction and has lead to disability and premature death. There is a direct correlation between the contact of cotton dust and byssinosis, which may be fatal. More importantly, fine dust dispersed in air in sufficient concentrations and in the presence of an ignition source is a dust explosion hazard. Cotton dust is combustible and explosive. For example, in 1987, the most catastrophic dust explosion incident in a textile plant in Harbin, China caused 58 death and 177 injuries. In this year, a textile factory in Guangdong had dust explosion in its accessories shop floor too. Therefore, the high dust level in the air of the shop floor is by no means a trivial issue to be tackled.

Dyeing Shop floor in Pacific:

A. High room temperature & no proper safety facilities

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29 Cotton dust is defined as dust generated into the atmosphere during processing of cotton fibers combined with any naturally occurring materials such as stems, leaves.

30 Why Dust is a problem, Health and Safety Executive, at http://www.hse.gov.uk/textiles/dust.htm


Workers work very closely to the dyeing tank which operates at a very high temperature. The tank can reach 100-135 degree Celsius, and workers have to stand next to the dyeing tank to pull heavy fabrics inside the tank. Figure 6 can be referred. The weight for the fabrics can reach to 600kg. Figure 7 showed that the workers also need to pull the dyeing pigments into the tank which is also very heavy. The temperature of the room can also reach to around 38-42 degrees Celsius. Also, workers must work next to the hot dyeing tank without any enclosure or gate surrounding the tank to minimize the risk of work-related injuries.

![Figure 6: Topless worker is putting pigments into the tank. There are no protective measures surrounding the hot tank. The worker does not have any protective equipment, either.](image-url)
B. Wet floor with sewage

The sewage is flowing all over the shop floor. The slippery floor could lead to work-related injuries such as workers fall on the slippery floor and become disabled. According to the interviewed worker, there was a worker died because of the electricity leakage from the machine in the finishing shop floor in July 2014. Thus, the machines have the potential risk of electricity leakage which is especially dangerous when the sewage is flowing all over the floor as workers could get the electric shock easily. Yet, there are no obvious measures to remedy the problem. Investigators also found that the nearby environment of the sewage treatment facilities is filled with disgusting smell. This could affect the life of workers who are living in the nearby dormitories or rented apartments due to the smell. Figure 8, 9 and 10 showed the seriousness of sewage problem in the shop floors.
Figure 8: Dangerous slippery floor: high risk of work injuries.

Figure 9: Sewage all over the floor

Figure 10: Sewage is flowing all over the floor
C. Irritating odour and the potential risks of chemicals

In order to dye the fabrics, different kinds of chemicals, solvents, dyeing materials, pigment etc must be used. Investigators found that the shop floor is filled with very irritating smell. Yet, the ventilation system is not effective at all. Figure 13 showed the solvents used in the dyeing process. Also, figure 14 showed irritant and toxic chemicals labeled in A569 PTEG and A203 PT200 are used. PTEG is a degreasing agent for removing oil and grease from the fabric. According to the label in figure 14, it is irritant to eyes and skin. If workers breathe in, he/she can be poisoned. PT200 is a leveling agent to control exhaustion of the dye so that it is taken up evenly by the fabric. According to the label in figure 14, it is also irritant to skin and eyes. The factory does provide workers protection kit such as masks, gloves, and a special suit when necessary. Whether to wear those or not depends on which chemicals or substances to be handled. However, due to the hot temperature in the dyeing room, which could be up to over 40 degrees Celsius, it is workers’ choices after all whether to put the protective equipment. As a consequence, some workers do not use those protection measures at all. An interviewed worker stated that “the factory does have all kinds of policies, but really whether they can implement it is another problem, is another issue. Some workers actually don’t wear the protective measures because they feel like it’s inconvenient to work…these workers actually do not have a strong sense of awareness of the danger of the chemicals that they are actually using in the dyeing process.”

Moreover, they have to work under such irritating smell for at least 12 hours per day, without effective protective measures. Workers in dyeing department usually wear rain boots for the slippery floor but topless body and work with bare hands. Worse still, the chemicals are not put in an organized manner and the sewage is even flowing into the the room where poisonous chemical is placed.

Figure 11: The chemicals do not place properly but simply putting together only.
Figure 12: Sewage is leaking into the door where poisonous chemical is stored inside.

Figure 13: The list of solvents used in the dyeing process.

Figure 14: Workers have the potential health risk under regular contact with chemicals.
**Luenthai:**
A. Dusty shop floor with poor ventilation system

In cutting and sewing department, it is a very dusty environment. The cotton dust coming from the sewing and cutting process are also highly concentrated on the machines, as well as in the air. There is a central conditioning system but investigators found that it is always switched off. Therefore, under such poor ventilation system, the dust and the fabric fragments cannot diffuse to the other area. Workers reflected that their nose and hands are full of dust and fabric fragments after whole day of work. The hands of the workers who are responsible for sewing the denim shirts are all turn blue as well. Similar as Pacific, a dusty working environment has nothing good for the workers. It leads to both health and safety hazards as mentioned previously.

![Central air-conditioning system is closed and full of dust.](image)

**Figure 15:** Central air-conditioning system is closed and full of dust.
Figure 16: Full of dust over the machines

Figure 17: Dusty shop floor
Figure 18: Dusty shop floor in cutting department.

Figure 19: Blue hands of workers who sew denim fabrics

B. High work intensity in a poor working condition
In the ironing department, workers are requested to stand for keeping up their spirit to work. Under such long working hours, workers feel very exhausted. Furthermore, the iron is in high temperature, which is shown in figure 21. Together with the dust from the fabrics, it is not a decent working condition for workers.
The iron workers reflected that they even could not receive the mask from the factory. Workers could only get from other shop floor such as the cutting department.

**Figure 20:** Workers must stand during ironing.

**Figure 21:** The iron is over 200 degree.

### 2.3 Harsh management style and punishment system

Product quality and delivery date are always the top concerns of the investigated factories, particularly under the heavy pressure from the buyers (brands). However, it leads to an extreme high pressure working environment and the frontline general workers are directly affected by different kinds of fines which are set by the factories to punish workers on making defected products.

In Pacific, there are 58 types of regulations which set for punishing workers, 41 of them include fines. Fines are heavily used as a way to control product quality and to manage workers. In reality, different operation floor has its own punishments and rules which are not specifically stipulated in the regulations. Some regulations are simply written on the whiteboard of the shop floor only, figure 24 can be referred. With such low transparency and punitive management style, workers are put in a very vulnerable situation. For
example, in the knitting department, different heavy fines are used to control and maintain the product quality. If defected fabrics are knitted or the knitting machine has dirt, workers’ production bonus will be cancelled, which is around RMB 50-100. If workers are found taking rest or nap outside the specific meal break (30 minutes each for lunch and dinner), RMB 100 will be deducted from the bonus. A fine payment slip has to be signed by workers too. It states three things: the mistake, the amount of fines and the sentence “I acknowledged by mistakes, I accepted the punishment and I will not do it again” which is shown in figure 22. Under such high working intensity, it is reasonable for workers to take pause during work. However, the management treats workers as machines who have to keep functioning without a break.

Similar to Pacific textiles, LuenThai has a penalty to the workers in some departments. Even though the interviewee was not aware whether it was actually articulated in a workers’ regulation in the specific way in which he was punished, he faced a harsh penalty in a past: his entire wage of the day was seized when he was caught attempting to iron 2 sleeves at one time as oppose to iron one sleeve each time. This questions the proportionality and appropriateness of the sanction and indicates that decisions are often discretion of the managers, which interviewees agreed on.

Investigators were told by the experienced workers that UNIQLO and other brands often visit the shop floors for product quality checking. Worker from the iron department in Luenthai told that on every Tuesday and Thursday, representatives from UNIQLO would appear in the shop floor. Investigators were told by a sewing worker that the requirements of UNIQLO on the products are very harsh. Whenever they find any small problems, they will blame the production director. The director will immediately blame the general workers. If mistakes are found, RMB50-500 is also deducted. Yet, this punitive system does not mention in the workers’ handbooks. Workers are not fully informed before start working in the positions. Workers in Luenthai are also told that they have to wear full protective measures and keep silent when customers are here. Workers also have to clean the shop floors when buyers come. Furthermore, if workers are late for 8 minutes, two hours wages are deducted as well.

According to the Labour Contract Law, it has not stated that the employers have any given right to punish employees by different means such as using fines. Yet, in the Article 4 of the labour contract law, “where an employer formulates, amends or decides rules or important events concerning the remuneration, working time, break, vacation, work safety and sanitation, insurance and welfare, training of employees, labor discipline, or management of production quota, which are directly related to the interests of the employees, such rules or important events shall be discussed at the meeting of employees’ representatives or the general meeting of all employees, and the employer shall also put forward proposals and opinions to the employees and negotiate with the labor union or the employees' representatives on a equal basis to reach agreements on these rules or events”. Hence, these numerous types of fines in shop floor are directly affecting the monthly salary of workers, which is surely the interests of the workers well-being, shall be discussed but not enforced blindly. Also, according to the Article 51 of the Regulations of Guangdong Province on Monitoring
Labour Protection, rules and regulations have the fines content, or the deductions from wages without any legal basis, the human resources and social security administrative department shall order correction and give a warning to the employing entity. Fines are actually one of the means of management adopted by the employer, but not based on any legal right.

**Figure 22:** The penalty slip: “I acknowledged by mistakes, I accepted the punishment and I will not do it again”

**Figure 23:** Another fine for wrongly putting fabrics.
2.4 Unrepresented workers

General workers from these two investigated factories have no effective platform to voice out their concerns in regards of different issues in the working environment. The above legal violations and punitive management can be remedied if the general workers can be represented through democratic trade union. According to the trade union law Article 9 in China, trade union committees at various levels shall be democratically elected at members' assemblies or members' congresses. However, in Pacific, the chairperson of the union is the director of administrative department which violates the Measures for the Election of the Trade Union Chairman of an Enterprise article 6, *the executives in charge (including deputy executives) and partners of an enterprise and their close relatives, the persons in charge of the human resources department and the foreign employees shall not be the candidates for the labor union chairman of the enterprise*. It also violates Article 7 of the Measures of Guangzhou Municipality on Implementing the Law of the People’s Republic of China on Trade Unions that managers of department units cannot serve as Chairperson and vice-chairperson in the trade unions. Workers therefore do not have confidence to the trade union in Pacific as the representative is not truly represented the general interests of workers. The trade union is only performing the function of organizing different leisure activities and welfare benefits, but it is inactive in dealing with labour disputes and advocate workers’ rights. Told by workers, workers from the finishing shop floor in Pacific went on small scale strike because of the low wages in 2009. They urged for the salary
increment but the management hired gangsters to suppress the strike by beating up the workers leaders. Few years ago, around 13-15 workers went on strike because of the intolerable high shop floor temperature. Factory dismissed the leader and active workers in the strike. Other followers could only return back to the production line. Though these strikes are not in a big scale and suppressed quickly by the factory, they still reflected that workers must participate into a democratic and representative trade union in order to curb the problems in work. For Luenthai, the situation is similar to Pacific, there is no trade union at the factory level. There is a workers committee group and employee relation department in the factory. However, it is an ineffective means to facilitate workers to express their concerns. Investigators were told by workers from the ironing shop floor, a number of small scale strikes were taken place before which were organized by workers coming from the same hometown. However, the management suppressed the actions quickly by using different ways. The root problem of all these disputes and discontent in working condition is due to unrepresented workers in the working condition. General frontline workers are not in the equal footing when handling the labour rights issues with the factory.

To put it in a nutshell, the factories have four key violations in the working conditions. They are: long working hours with low basic wages, risky working conditions, harsh and punitive management style, and unrepresented workers. Among them, the occupational and safety problems are particularly obvious and should be tackled as soon as possible. Since workers’ health are put in a vulnerable position now. They are directly facing health and safety risks because of the inappropriate operation of the factories, as well as the ineffective monitoring system of the buyers.
Section 3: Conclusions and Demands

We are disappointed about the findings as the well-being of workers cannot be fully guaranteed in both factories. Low wages, excessive working hours, unsafe working conditions, heavy fines, harsh management style and ineffective platform for expressing workers’ concerns are putting workers in a vulnerable condition. Also, UNIQLO, as the factories’ key buyers, fails to closely monitor its suppliers in China and to strictly comply with its codes of conducts. With such scale and good business performance, we believe that both the factories and UNIQLO have enough capacity to provide a decent working environment to their workers. As the products of many different international fashion brands are still made in China, this campaign will be the very first step to disclose the situation in the global garment supply chain and to arouse the awareness of the global consumers about the workers’ working conditions behind all these fashionable clothes. We also encourage the general public to leverage their consumer power to improve the working conditions of the garment workers in China. For example, consumers can request the brands to provide details on their suppliers and their outsourcing system.

Last but not least, we are here to strongly urge the factories and the brand on the following demands:

**We demand the suppliers:**
- To provide at least one rest day every week for workers and limit the maximum overtime work to 36 hours a month;
- To pay overtime according to the Chinese Labour Law;
- To reform management style to respect workers’ dignity;
- To ensure workers can have appropriate breaks regularly;
- To provide adequate training concerning the health, safety, and protection of the workers, and ensure the workers to take regular health check ups;
- To take all the necessary measures to ensure workers’ health to be protected from the harmful chemicals used in the production process and make it publicly available the outlined measures as well as the implementation

**We demand Fast Retailing:**
- To facilitate the suppliers on the improvement in the working conditions by providing adequate resources;
- To maintain transparency to public by disclosing full supply list where their products were manufactured;
- To support the set up of fully worker-represented trade union in their supplier by direct and democratic election;
To comply strictly to their corporate social responsibilities policies

Appendix 1 Contact Information of the factories

1. Pacific (Panyu) Textiles Ltd
   Liu Chong Tong Xin County, Wan Qing Sha Town, Nansha, Guangzhou City, Guangdong Province, PRC
   Tel: (86) 20-8494 8868
   Fax: (86) 20-8494 7915
   Website: http://www.pacific-textiles.com/contact.php

2. Dongguan Luen thai Garment Co. Limited
   Jinfenghuang Industrial Zone, Fenggang, Dongguang, Guangdong Province, PRC
   Tel.: (86) 0769 8680 8000
   Website: http://www2.luenthai.com/en/contact
Appendix 2 About the Organizations

**Students & Scholars Against Corporate Misbehaviour (SACOM)**

Students and Scholars Against Corporate Misbehavior (SACOM) is a nonprofit organization founded in Hong Kong in June 2005. SACOM originated from a students’ movement devoted to improving the labor conditions of cleaning workers and security guards under the outsourcing policy. The movement attained relative success and created an opportunity for students to engage in local and global labor issues. SACOM aims at bringing concerned students, scholars, labor activists, and consumers together to monitor corporate behavior and to advocate for workers’ rights.

We believe that the most effective means of monitoring is to collaborate closely with workers at the workplace level. We team up with labor NGOs to provide in-factory training to workers in South China. Through democratic elections, we support worker-based committees that can represent the voices of the majority of workers.

**Labour Action China (LAC)**

Labour Action China (LAC) is labour rights nongovernmental organization based in Hong Kong. It engages in doing research on working conditions and labour relations of Chinese workers and supporting grassroots organizing as well as campaigns for the protection of labour rights in China. The work of LAC is mainly focused on Southern China, aiming to: support labour activism and grassroots labour organizations formed by workers; provide platform for study and training for Chinese workers on labour relations and worker representation; research on labour conditions and labour relations and capital mobility in China; support campaigns for the protection of labour rights in China and build worker solidarity within China and with other countries.

**Human Rights Now (HRN)**

Human Rights Now (HRN) is an international human rights NGO based in Tokyo, Japan and its members comprise over 700 individuals and organizations, including lawyers, scholars, journalists, law firms, former UN official, retired Japanese Supreme Court Justices, and activists. Human Rights Now works for the promotion and protection of human rights for people in the world, with a special focus in Asia. Its mission is to take action to: contribute to the promotion and protection of human rights worldwide, with a special focus on Asian countries; contribute to the development of international human rights standards and norms through the UN and other international institutions; promote the incorporation of international human rights
standards within the domestic framework in Japan.

**Appendix 3 Fast Retailing Workplace Monitoring Framework**


1. Pre-Contract Monitoring
   Pre-Contract Monitoring is conducted to determine whether a given factory is eligible to do business with Fast Retailing. The procedures and criteria for these evaluations are essentially the same as those used for regular monitoring but have added emphasis on particularly important matters of concerns, such as violations of child labor laws.

2. Regular Monitoring
   External auditors regularly conduct on-site inspections. The inspections include an initial meeting, followed by factory inspections and tours of related facilities such as cafeterias and dormitories, interviews of factory workers, and reviews of required documentation. Monitoring concludes with a wrap-up meeting during which the auditors confirm the findings with factory representatives and provide feedback for improvements.

3. Factory Grading System
   FR grades the results of the monitoring from A to E. Factories with highly unethical or serious offenses are given E grades and FR immediately reviews its contracts with the facilities in question. Factories receiving C or D grades are provided guidance for improvement and follow-up evaluations are conducted to verify results. Factories that fail to improve are subject to strict scrutiny, including a Business Ethics Committee review of the business relationship. When serious violations are identified, FR sends CSR Department staff members on fact-finding missions and reviews the partnership contract. FR makes its final decision based on its findings while also taking into account the factory’s business conditions and the local employment situation. After implementing the review, FR then works with the factory to prevent the recurrence of the violations. If the required improvements are fulfilled, FR reviews the business relationship, including the viability of reinstating the original contract conditions.
Appendix 4 Brief Introduction of the Production Process in Garment and Textiles Industry

(1) Knitting Department:
In the production of weft knitted fabrics, cones of yarn, after winding, are put on creels to feed into circular knitting machines to knit the fabric. In the production of warp knitted fabrics, yarns are wound on a beam. The beam is put onto the knitting machine and yarns are fed from the beam to the machine for knitting. After knitting, the greige fabrics are inspected before being transported to the dyeing process.

(2) Dyeing Department:
In preparation for the dyeing process, fabrics are first treated in a scouring process to remove dirt and impurities. Chemicals and dyes are then added onto the scoured fabric for the dyeing or bleaching process. The duration of the bleaching and dyeing processes depends on the color shade and the raw materials being used. Dyed fabrics are then inspected by the quality assurance staff. Fabric that does not require printing will then be processed through the finishing step.

(3) Cutting Department:
Garment production starts with the cutting process. In this process, fabric is being cut into components (shapes or patterns of different garment parts, i.e. front, back, sleeve, collar shapes etc.). In mass production multiple layers of fabrics are laid on a table and large number of garments is being cut at a time.

(4) Sewing Department:
The sewing operation in most of the garment construction companies is closely supervised for quality control. A variety of apparel styles and fabrics are sewn these days. There are a large number of sewing machines available for almost any sewing operation. Some of the examples of such machines are single needle, double needle, safety stitch, automatic meter, automatic multi stitch, loop tacker, pocket welt, keyhole buttonhole, automatic button sewer, round eyelet etc.

(5) Ironing Department:
In the garment industry, equipment for handling fabrics with damp heat to iron surfaces, fold edges, iron out seams, shape flat parts, and raise the pile during the manufacture of clothing. Ironing and pressing equipment shapes the semi-finished garment by bringing the fabric fibers into a highly elastic state and then deforming and setting them. This is done by the simultaneous action of moisture, heat, and pressure on the fabric. Different types of fabric require specific combinations of moisture, pressure per surface unit, temperature, and duration of the process.
Reference List:

1. The average salary level in Dongguang and Guangzhou is found at
   http://news.ifeng.com/a/20140713/41135455_0.shtml and
   http://tjj.dg.gov.cn/website/web2/art_view.jsp?articleId=7726 (only in Chinese)


3. Globalisation Monitor, The fallout on China’s Textile and garment industry in the wake of the end of
   Multi-FibreAgreement, February 2010.

4. An Overview of China’s Garment Industry, National Garment Association at
   http://www.cnga.org.cn/engl/about/Overview.asp

5. The Statistics is quoted from China Textile Industry Development Report edited by China National Textile
   and Apparel Council (2012).

   updated on 31/10/2014)

7. The first section is for the large companies


9. UNIQLO Business Model, Partner Factories at
   http://prd01-tky-web-main-fastretailing-62349252.ap-northeast-1.elb.amazonaws.com/eng/group/strategy/uniqlobusiness.html


11. Forbes: UNIQLO founder Tadashi Yanai is Japan’s wealthiest man, at
    iest-man

12. Please refer to Appendix 3

13. Fast Retailing 2014 CSR report, p14, can be downloaded at

14. Fast Retailing Year End Report 2013/14, p12, can be downloaded at


18. The new is found at http://www.rthk.hk/efinance/interview/20100114_2141_640318.html (only in Chinese)


20. One table meetings is the meeting between UNIQLO, fabric manufacturers and sewing manufacturer on exchanging technologies and expertise

21. Most of the workers salary are counted as basic monthly pay plus overtime pay. After reaching the productivity target, they could have productivity bonus based on piece rate.


24. Article 44 The employer shall pay labourers more wage remunerations than those for normal work according to the following standards in any one of the following cases:

(1) Wage payments to labourers no less than 150 per cent of their wages if the labourers are asked to work longer hours; (2) Wage payments to labourers no less than 200 per cent of their wages if no rest can be arranged afterwards for the labourers asked to work on days of rest; (3) Wage payments to labourers no less than 300 per cent of their wages if the labourers are asked to work on legal holidays.

25. Workers do not swipe card on Sunday and the working record is recorded manually.

26. Cotton dust is defined as dust generated into the atmosphere during processing of cotton fibers combined with any naturally occurring materials such as stems, leaves.

27. Why Dust is a problem, Health and Safety Executive, at http://www.hse.gov.uk/textiles/dust.htm
