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Wal-Mart in China: Rolling Back Labor Rights

Abstract
Report on the conditions at the Winbo factory, a supplier for Wal-Mart and other brands in China. It concludes that the labor conditions are unacceptable and calls on Wal-Mart to bring them in compliance with Chinese labor law, enforce its code of conduct, allow for independent grassroots monitoring of its factories, and source goods from unionized workers.

Keywords
Business, Catherwood, Conditions, Corporation, China, Cornell, Economic, Factory, Free, Fund, Global, Globalisation, Globalization, Human, ILR, Industrial, International, Labor, Labour, Legislation, Library, Organisation, Organization, Portal, Relations, Rights, School, Sweatshop, Trade, University, Wal-Mart, Winbo, Work, Workers, Workplace

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Wal★Mart in China: Rolling Back Labor Rights

International Labor Rights Fund
www.LaborRights.org
2001 S St., NW #420, Washington, DC 20009
Phone: (202) 347-4100 Fax: (202) 347-4885
laborrights@ilrf.org

Millions of consumers across the United States buy products from Wal-mart and other brands bearing the "Made in China" label. However, behind the label lies the exploitation of Chinese workers.

In order to keep prices low for US consumers, Wal-mart suppliers take advantage of the abusive environment toward workers in China. Factories in China are characterized by harsh conditions and mistreatment of workers. Many factories are unsafe, do not pay a living wage, force workers to work overtime without extra pay, do not offer vacations or maternity leave and are run by managers who verbally abuse workers.

This report will present a case study of one factory in China, the Winbo Industrial Co., Ltd. (pictured below).

1. Factory Background

Guangzhou Winbo Industrial Co., Ltd. is located in the Shenshan Industrial District, Baiyun District, Guangzhou City, Guangdong Province of China. It is a domestic company that specializes in developing and manufacturing fashionable writing utensils, gifts, household products, bags, etc. Their products are exported to the United States, Europe, Japan and other Asian countries and regions. The Winbo company occupies more than 60 Mu of land (Chinese measurement, equal to 10.8 acres) and has currently a gross area of 25,000 square meters. Besides Original Design Manufacturing (ODM) and Original Equipment Manufacturing (OEM) production, Winbo also takes OEM orders

from domestic or international famous brands and products such as Wal-Mart (Tom & Jerry's), McDonald's, Coca Cola, Pepsi, Disney, Hello Kitty, Snoopy, Sesame Street, Garfield, Harry Porter, Barbie Dolls, Haier, Hooligan Rabbit, Hard Rock, Carlsberg, Grants, Tarzan, etc. The company has more than 800 employees. Most of its products are supplied to large supermarkets in China and abroad, such as Wal-Mart, Good & Abundant (Haoyouduo) and Carrefour.

Tom & Jerry's lock boxes and Barbie stationary produced at Winbo and sold at a Chinese Wal-Mart.

2. Labor Contract

When workers come for an employment interview at Winbo, they are required to leave their ID cards with the factory management for about a week and are told that their cards will be returned together with their "work ID" prepared by the Human Resources Department. Although the factory signs labor contracts with workers, it does not provide workers with copies of their contract. So, when labor disputes arise, workers cannot us their labor contracts to hold the factory responsible and protect their interests.

In order to keep experienced and skilled workers, the factory has workers sign a 3 ½ year employment contract. Factory regulation requires 20% of these experienced workers' monthly wages to be withheld until the contract expires 3 ½ years later. If workers leave the factory during the contract period, all the withheld wages will not be returned. Since workers do not possess any copy of the labor contract, most of them do not know the precise stipulations regarding their work hours or wage and benefits.

3. Wage and Compensation

The Winbo factory applies both hourly and piece-rate wage calculation methods. Wages at Winbo are far below the local minimum wage standard. The salary slips from Winbo show that the base salaries used in hourly wage payment are 15, 20 and 24 Yuan per day respectively. Most workers' base salary is 15 Yuan per day ($1.80), with an increase to 24 Yuan per day ($2.90) with seniority. However, the minimum wage standard stipulated by the local government is 37.284 Yuan per day ($4.73). Most workers in the factory receive piece-rate wages. Under this method, workers are paid based on the number of products they make in 8 hours with no base salary. In contrast, the Chinese Labor Law states that the employer cannot pay full-time employees below the minimum salary standard. Clearly, Winbo is abrogating the law by not providing workers with the legal minimum wage (Guangzhou's minimum wage is 780 Yuan per month = $98).

Normal work hours are 8 hours per day. Hours in excess of this standard are considered overtime. However, overtime compensation is 1.1 times the regular wage rate, not 1.5 times that rate as required by the Labor Law. There are no paid days of rest or holidays. At Winbo, the base salary is paid based upon working days. The factory does not comply with the Labor Law, which requires that it pay double or triple-salary for working on days of rest or legal holidays. This policy clearly constitutes the illegal withholding of workers' due salaries.

One Winbo worker worked for a total of 321 hours in October of 2005. However, the Labor Law stipulates that work hours shall not exceed 40 hours/week. Assuming 31 days a month, the legal monthly work hours should be 184 hours. So, the extra 137 hours worked should be considered overtime. Accordingly, if we calculate this month's wage by way of the Labor Law, the salary should be over 1,600 Yuan (including overtime compensation) ($200). The actual salary received was 1,005 Yuan (including overtime compensation, yearly salary stipend in addition to benefits and full-attendance award) ($125). It should be noted that because the worker worked in the Winbo factory for over six years, the salary level is relatively high among workers.

2006年2月针车工资条

姓名	[redacted]				
底薪	16				
应发工资	上班时	180	应扣工资	体检费	
	工资	360		厂服	
	加班时			厂牌	
	工资			旷工	
	计件工资			迟到	
	年终补助			申戒	
	请假			警告	
	全勤奖	30		小过	
	补贴			大过	
	上月补充			保证金	
	工伤其他			伙食费	
	总工资	390		实扣金额	0
	本月应发	390		上月结余	
实发金额	390				

This is the pay stub of a typical Winbo worker from Feb. 2006. This monthly wage is about half of the legal minimum monthly wage.

The factory rules state that salaries should be distributed in the afternoon of the 15th of every month. In reality, the factory frequently withholds workers' salaries for at least one and a half months (sometimes two months). Under the Guangdong Province Wage Payment Regulations, wages should be paid in total once a month. In February 2006, the Winbo factory paid only half of the monthly salary to workers on the 15th in order to force workers to continue to work for the factory after the Spring Festival and another half was paid after the holidays (February 28, 2006).

Because of the low wage and long work hours, many workers are disappointed with conditions at the factory soon after beginning work and decide to quit. The factory management refuses to pay the quitting workers their salaries for the last month of work. According to Winbo workers, almost all quitting workers will lose at least one month's salary. Some workers said that even when a worker tries to discontinue employment after the labor contract expires, factory management may approve or disapprove retirement depending on the production needs at that time.

Upon the expiration of the employment contract, workers may choose to renew it by signing a two-year contract. If a worker does not wish to renew the contract, he or she can write a resignation application and may only leave after being approved by and obtaining signatures from the supervisor, workshop leader, departmental manager and human resource manager according to the production needs at the time. If the worker

leaves without these approvals, he or she will lose at least a month's salary. According to our investigation, it is a common practice for the Winbo factory to withhold resigning workers' salaries.

4. Work Hours

Under the Labor Law, laborers shall not work for more than 8 hours a day and 40 hours a week. Overtime shall not exceed 3 hours a day and 36 hours a month.

In the Winbo factory, regular work hours are 8-12 a.m. and 2-6 p.m., adding up to 8 hours a day. However, overtime beyond the regular hours is frequent and far exceeds 36 hours a month. Overtime hours often start from 6:45 p.m. and last until 10 or 11 p.m. One worker told the investigator that the longest overtime they had worked was from 6:45 pm of the first day until 12 p.m. of the next day without rest except for a snack break at midnight. Workers were allowed to rest for half a day in the next day and resumed normal work on the third day. According to workers, they work over 11 hours a day on average.

Although under Winbo's factory rules workers may have two days of rest each month, these two days are not paid. Since workers are in desperate need of money, the days of rest are not a real option. In addition, the factory is often very busy and the management does not approve days of rest during busy season. Workers can ask for sick leave when the factory is not busy, but it is not paid. There is no hometown-visit leave.

Holidays are observed when not busy but are not paid.

5. Meal and Accommodation

The Winbo factory provides lunch and dinner for no additional fee, but not breakfast. There are three dishes and a soup in each meal. The quality of meals is average. Factory dorms are relatively clean and offered for no additional cost, but they are quite crowded. Each room is about 24 square meters in size with seven bunk beds, two fans, closets and two ceiling lights in each room.

6. Labor Safety

Several workshops such as the packaging workshop and the sheet metal forming workshop have an unpleasant odor. It is unknown whether or not the odor poses a danger workers' health. The odor is most strong in the sheet metal forming workshop. The Winbo factory does not provide workers with factory uniforms, gloves, masks or protective glasses.

The sheet metal forming workshop is where work injuries occur most frequently in the factory. Nevertheless, the sheet metal forming machines in the workshop have never been tested or inspected by the factory or safety inspection professionals, according to a worker who has worked in that workshop over six years. Workers have no means to find

out whether the machines they operate meet the national production safety standards or should be removed from production. All of these conditions are illegal under the government's Safe Production Law.

The Labor Law requires that all workers doing skilled labor jobs receive training prior to operating machines. The Winbo factory offers almost no safety training for workers. New workers are only told to watch how experienced workers operate machines. The sheet metal forming workshop is the most dangerous department since almost none of the workers received any safety training.

None of the interviewed workers were provided by the Winbo factory with social insurance including pensions, work injury insurance or medical insurance. Because of the lack of work injury insurance, the factory does not prepare a "work injury confirmation" application or "injury and disability evaluation" for injured workers. Workers can easily be coerced to settle with the factory for meager compensation for injuries since they are not familiar with the relevant laws.

A worker who almost completely lost the function of one hand was only compensated several thousand Yuan (hundreds of dollars). Injured workers' wages are also withheld by the factory. A worker testified that during a stay in hospital as a result of work injury, the worker was only paid 8 Yuan/day ($1/day). Another worker was injured at work and partly lost three fingers. The factory did not produce work injury confirmation or an injury and disability evaluation as required by the law. Instead, it only compensated the worker 8,000 Yuan (less than $1,000) even though the worker was entitled to 28,000 Yuan (approximately $3,500) of injury and disability payments under the law with a proper work injury confirmation. Because the factory refused to buy new machines or repair old ones, there continues to be injuries to this day.

7. Award and Punishment

Lateness to work will cause a deduction of salary payment. Five Yuan will be deducted if a worker is 5 minutes late for work; 10 Yuan for 6-15 minutes; 20 Yuan for 16-30 minutes. Being late for over 30 minutes is considered absence of the day, which brings a fine of three times the daily base salary (some workers said 50 Yuan). If a worker misses work for three days consecutively without authorization, he or she is considered to have "automatically resigned" and will not receive withheld salaries.

The factory management also punishes fighting or smoking with a 100 Yuan fine.
A worker will receive a "full-attendance award" of 30 Yuan for not being late or missing a day's work for an entire month.

8. Others

Since there is no labor union in the Winbo factory, the management violates workers' rights with impunity. In 2005, approximately 150 workers participated in a collective strike in the sewing machine workshop due to the factory's illegal withholding of

workers' salaries. In early March 2006, about 50 sewing machine workers again went on strike because the piecework salary rate was too low. The strike leader was written up five times for "serious misconduct," fined 500 Yuan and fired. Every strike in the Winbo factory has resulted in the termination of the lead organizers.

According to some workers, the owner of the factory leased some factory buildings to his relatives to set up processing factories that supply the Winbo Ltd. Co. There are four processing factories in the Winbo company factory complex: a cardboard factory, a pencil factory, a printing factory and a microwave stove factory. These factories do not have their own business licenses. They both process products for Winbo and take orders from outside.

However, when being inspected by officials, the factories deny any affiliation with the Winbo company. The same illegal practices of withholding and deduction of workers' wages can be found in these related factories and wages are often lower than in the main Winbo factory. For example, a worker began working at the cardboard factory on August 20, 2005 and the base salary was only 13 Yuan/day ($1.60/day). Since the worker was unsatisfied by the wage payment and working environment, the worker quit on September 29, 2005. The cardboard factory did not pay the worker a dime.

9. Conclusion

The conditions at the Winbo factory, and other similar ones throughout China which supply for Wal-mart and other brands, are unacceptable.

The International Labor Rights Fund calls on Wal-Mart and other brands to:

- enforce its Code of Conduct with suppliers,
- allow for independent grassroots monitoring of its factories,
- engage the local management, the workers, and appropriate government agencies to bring the factory into compliance with Chinese labor law, and
- source goods from unionized workers and worker owned cooperatives.

The International Labor Rights Fund also expects that Wal-Mart and other brands keep orders at Winbo while it investigates these claims. Finally the International Labor Rights Fund anticipates that the only way Wal-Mart and other brands will ever be able to do the above mentioned is to pay a fair price for the products sourced around the world.