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China Labor Watch: 2008 Annual Report

For China Labor Watch, 2008 was a challenging yet rewarding year. With a team of less than 20, we conducted investigations on 29 foreign-invested factories in China and helped improve the working conditions of approximately fifty thousand workers, including their wages, work hours, safety equipment standards, insurance, dormitory and food conditions and more. Our achievements, however, do not belong solely to us. It is only with the assistance of organizations like the International Labor Rights Forum, International Brotherhood of Teamsters, UNITE HERE, Service Employee International Union (SEIU), Solidarity Center, the media and general public that CLW is able to continue to support workers in China. Like many other companies and organizations, in the later half of the 2008 CLW faced great financial obstacles. Nevertheless, it was the very same people who continuously support CLW that helped us to endure that difficult time.

2008 was an important year in terms of worker activist training programs. With support from the Solidarity Center, CLW began instituting free training classes to interested labor activists in order to provide tools for understanding the labor law and various labor issues in China. The first training session was held in November and eight labor activists participated, with an expected 64 activists to complete training by mid 2009. In addition, four labor organizations, originally established in 2004 with CLW funding, began operating independently.

Over the past year, CLW sent out a number of letters to some companies regarding the labor practices in their suppliers in China. In terms of feedback, some of these companies responded in a timely manner to discuss each problem we identified, while other companies simply ignored the issues existing in their supply chain. Among the companies that responded to CLW were *Adidas, Brown Shoe Company, Disney, Gap Inc., Hasbro, Macy's, Nike, PUMA, Twin-Star International, and Wal-Mart.*

Moreover, there are also some companies such as *Mattel and Wal-Mart* that only responded at their own convenience and even ignored CLW's letters from time to time. In 2007, Mattel had agreed to improve its two suppliers' working conditions in China and also ensure the sustainability of the changes. Regrettably, when CLW conducted follow-up investigations of the two suppliers, we found that previous poor conditions remained unimproved.

Approximately 31 companies chose not to respond to CLW's letters. Those who failed to provide a response regarding poor labor practices were *Lenovo, Nintendo, Sony, and Philip,*

Berghaus Ltd., Schoffel UK, Halti, Kohlberg Kravis Roberts & Co. (KKR), IKEA, American Eagle, Dollar General, Masonite Doors, Tianrei Cement, Target, ATICO, TESCO, WOOLWORTH, KMART, SEARS, BIG LOTS, HAMA, VIVANCO, DIDL SCOSCHE, DOLLAR TREE, ALFANI, The Stride Rite Corporation, RAMPAGE, FAMOUS, VERYVARA, KOHL'S, DAVID'S BRIDAL, K.S., and Home Depot.

In 2008, CLW worked directly with the supplier factories of several international companies and encouraged other companies to reform labor practices. After two official meetings with Hasbro's ex-CEO Alfred Verrecchia in September and November 2007, and after frequent interactions with Mattel and Wal-Mart, CLW successfully acquired these corporations' commitment to eliminating excessive work hours. Specifically, CLW focused on the practices of forced overtime and withholding overtime payment for overtime work during scheduled rest. In our follow up investigation of nine toy factories, CLW found that improvements to these policies affected over 20,000 workers. In 2009, CLW will remain vigilant on overtime problems in toy industry factories.

While many goals have been achieved this year, our work also met with great challenges. In April, CLW assisted a shoe factory to identify problems and develop corrective action plans for each issue found in our investigation. Though the first several months showed promising results, a follow-up investigation in September showed that these changes did not last. In 2009, CLW hopes to have the capacity to conduct more regular follow-up investigations to ensure the sustainability of changes we help to implement.

Finally, beginning in January 2008, CLW and the International Council of Toy Industries began a collaborative project to create a worker safety training video. The original plan was for ICTI to contact toy factories in order to arrange for CLW to speak with workers about relevant safety issues. However ICTI found that most factories were unwilling to allow CLW to speak with their workers, and the project has been delayed until 2009.

CLW would also like to thank the dedicated volunteers who advised, assisted and facilitated our work so generously in 2008. Special thanks go to Dorothy Solinger, Andrew Nathan, Trina Tocco, Manfred Elstrom, Julie Farrell, Hannah Joseph and Cindy Shuck.

January

- CLW met with Guy Bradford, VP/Corporate Responsibility and Customs Compliance Officer for American Eagle (AE). The two organizations met primarily to discuss three factory assessments involved with AE production in China. While Mr. Bradford had promised to give CLW additional feedback on the three factories, no response was received from AE.

- On January 16th CLW was invited by The United Nations Association of the National Capital Area, to discuss labor conditions in China. Prior to the speech, CLW was also invited by the National Consumers League to discuss and share its perspective on child labor issues in China.
- On January 17th CLW attended the AFL-CIO Albert Shanker Institute conference to share its point of view on the new China Labor Law.
- With the financial support of Freedom House, CLW assisted six activists to leave Guangdong safely and with adequate financial aid to settle down in the neighboring provinces or their hometowns.
- On January 25th 2008, CLW produced an investigative report on Zhongshan City Heng Yun Toy factory located in Zhongshang City, Guangdong Province. The report covers the factory's overall conditions including factory information, employment contract, wages, work hours, benefits, safety issues, living and food conditions. At Heng Yun, workers' working time range from ten to twelve hours, and factory canteens have such low sanitary standards that workers can often find insects and dirt in their meals.

February

- On February 29th CLW produced a research report on Lever Style Inc. Lever Style is a textile/garment factory that produces clothing for popular brands such as Abercrombie & Fitch, Ann Taylor, Armani Exchange, Banana Republic, Calvin Klein, Cerruti 1881, Giorgio Armani, Hugo Boss, J.Crew, John Varvatos, and Paul Smith. The report lends perspective on the profit and wage comparison between corporations and regular workers.

March

- On March 2nd thousands of workers at Dongguan Fuan Textile Mill were laid off by their employer and received a severance pay much lower than what they were entitled to. As a last resort, more than one thousand workers organized a protest in front of the local city hall requesting the government's assistance to retrieve the owed compensation. To help the workers to speed up the paying process, CLW contacted Adidas, a client of Fuan Textile, and encouraged the company to pressure its supplier to pay its workers the remaining compensation. Unlike Adidas which responded promptly, GAP Inc. and Wal-Mart, who are also clients to the factory, did not respond to our request.
- CLW met with Steve Jessep, Vice Chairman, President and Chief Executive Officer of Worldwide Responsible Accredited Production (WRAP) to discuss a report concerning an apparel facility in China.
- CLW's Executive Director Li Qiang held various meetings in Hong Kong with Adidas, ICTI, Wal-Mart, the Hong Kong Toy Industry Association, Hong Kong Federation of Industries, and some factory auditing companies.

- CLW also met with China Labor Bulletin and SACOM in Hong Kong to discuss bad business practices and potential ways to improve worker rights in China.
- In its conversation with Wal-Mart, CLW brought up several issues including its investigation of a factory having food safety problems as well as auditor corruption.

April

- On April 1st CLW successfully opened its new office in Shenzhen, Guangdong. The new office will greatly improve CLW's effectiveness in China.
- On April 30th CLW published an assessment on Lever Style Inc, a factory that produces goods for famous brand names such as GAP Inc., Calvin Klein and Hugo Boss. The assessment revealed gambling activity onsite. After providing the information to GAP Inc., the company advised the factory to remove the gambling machines from the factory.
- CLW Executive Director Li Qiang traveled to Disney's corporate office in California to discuss labor conditions at Disney suppliers, its audit system, and potential ways to promote labor rights protection.
- CLW Executive Director Li Qiang participated in a meeting with some Chinese officials in Beijing, discussed the importance of NGOs, conditions and impacts of sweatshops, and the possibility of releasing activist Yao Fuxing.

May

- CLW produced a follow up report on a shoe factory in Guangdong. The report came after CLW sent the factory and its clients a notice and the original investigation on the factory's poor labor practices and its failure to provide 200 workers with severance payment. Under pressure from this report, the company committed to corrective action, provided a timeline and invited CLW to conduct a random audit. Conditions including overtime and lack of safety equipment improved dramatically. Moreover, most of the 200 workers received their severance payment with the exception of those employees who had traveled elsewhere and could not be located.

June

- On June 16th CLW released assessment reports on Surpassing and Taiway factories, both of which are suppliers to PUMA. The reports described problems such as excessive overtime and fines, management issues, dormitory and food sanitation problems and dangerous work conditions. After a period of negotiation with PUMA, the company committed to assisting its suppliers in advancing their management systems and also to improving a list of problems CLW brought to PUMA's attention. A rough estimate of ten thousand workers will benefit from the expected changes.
- CLW's Shenzhen office staff met with PUMA to discuss the report findings.

July

- On July 15th CLW completed an investigation on Hantai Shoe Production Ltd, a shoe supplier to Wal-Mart.
- CLW attended a meeting with PUMA to discuss CLW's report regarding the labor conditions of two PUMA's suppliers in China and possible corrective actions in the two suppliers.

August

- On August 18th, shortly after the opening of the Beijing Olympics, CLW conducted an investigation on three Adidas' suppliers, Chengda, Supercap and Chang Ye Long. Though at first Adidas refuted many negative findings, the investigation led to a conversation about improvements in the three Adidas facilities. In response to CLW's report on the three Adidas' suppliers, Adidas gathered other brand names also affiliated with these three suppliers to discuss possible corrective actions.
- CLW assisted two reporters from UCLA's student newspaper, the Daily Bruin, to interview workers at a Supercap factory. Supercap is a major cap supplier to the US and also a supplier to UCLA and Adidas.
- On August 27th a follow up investigation report on Foxconn was produced. The investigation was conducted in April. The report revealed inhumane conditions at Foxconn. One worker said of his experience at Foxconn: "As a Foxconn worker, I cannot treat myself as a human being". Unfortunately, though complaint letters were sent to the factory's affiliated companies including Nintendo, Philips, Lenovo and Sony, no companies made any effort to address the issues.

September

- CLW produced an in-depth report on a major Adidas supplier. In this supplier factory, workers were not allowed to return to their dormitory during lunch hours, and were required to participate in factory meetings but received no payment for the meeting time. In order to emphasize our concern and the need for remediation, CLW submitted a list of issues in the supplier to Adidas, including rules that prohibit workers from entering the dormitory during lunch hours. The conversation with Adidas escalated into a series of public statements, concluding when Adidas agreed to remediate and put pressure on the supplier. As a result, workers are now able to return to their dorms during lunch hours and are no longer required to participate in the factory meetings.
- In September, a letter written by CLW Executive Director Li Qiang discussing Adidas' operation in China was published by the Socialist Magazine, an agency that aims to

protect worker rights by producing worker-related news reports in different parts of the world. In his letter, Li Qiang compared the Adidas factory workers' general conditions to the athletes' that were sponsored by Adidas and then directly pointed out the company's pursuit of fame and fortune while squeezing every last bit of productivity out of each worker with minimum compensation.

- CLW completed a child labor prevention project. The project analyzed current child labor issues in China and provided relevant strategic advice for corporations to eliminate child labor issues in their supply chain.
- CLW participated in a meeting with Adidas. The two parties discussed the current labor conditions of Adidas' suppliers in China.
- After developing an assessment report on Da Cheng factory, an IKEA supplier, CLW forwarded a list of the factory's issues to IKEA. Regrettably, from April 2007, when CLW first initiated contact with IKEA through September 2008, IKEA did not once showed any signs of willingness to communicate, let alone conduct factory remediation.

October

- In October, after a careful review of Jet Fair Toy Factory's labor conditions, CLW brought the issue of bed bugs to the factory clients' attention. The problem was so serious that workers in the dormitories had to sleep on the ground. After a series of communications between CLW and Jet Fair's clients, the factory promptly sent in exterminators and replaced 1,000 beds.
- With the support of the Solidarity Center, CLW began to distribute pamphlets about its upcoming labor activist leadership training program as well as basic labor law. Approximately 3,000 flyers were handed out. This leadership training program will disseminate legal knowledge as well as the CLW mission to activists seeking educational opportunity, who may also be added to our already broad network.
- CLW completed an investigation on child labor prevention.

November

- Employees of CLW Shenzhen office carried out the first worker training to develop workers' understanding of the law, increase legal awareness and thus utilize the law to advance their own rights. Eight labor activists participated in the initial training. At the end of the course, all eight activists volunteered to support CLW's work in the future.
- In November, China Labor Watch produced a report on the Adidas' Yue Yuan S6 Factory. This factory has nearly 14,000 workers. In response to the report, Adidas sent a team of auditors to verify the problems and assisted the supplier to improve some of the

labor conditions such as unpaid meeting hours, wage arrears, and difficulties quitting. The dormitories are now open to workers during work hours. The supplier also improved the dormitory sanitation and the quality of canteen food. CLW appreciates Adidas' effort in pushing the supplier, and will continue following up to ensure these changes are maintained.

- China Labor Watch produced a report on seven factories supplying for companies that receive funding from financial holding company KKR (Kohlberg Kravis & Roberts)
- CLW met in New York with Wal-Mart Vice President Rajan Kamalanathan and Petra Herbertz-Crumpler from the Ethics Department.

December

- CLW board member Dorothy J. Solinger met in Singapore with William Anderson, Adidas's head of social responsibility in Asia. They discussed CLW's report and ways to resolve the problems discovered in the investigation.
 - CLW provided ICTI with a name list of auditors suspected of corruption. CLW Executive Director Li Qiang met with a number of audit certification companies in Hong Kong to discuss anti-corruption measures. CLW has identified auditor corruption as an important factor contributing to poor labor conditions in many factories.

CLW INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2008

REVENUES:

Direct Public Support	\$153,116
Interest Income	<u>48</u>
Total Revenues	153,164

EXPENSES:

Bank Service Expenses	318
Office Expenses	2,215
China Office Expenses	20,195
Travel Expenses	12,749
Insurance	5,933
Medical Expenses	1,575
Salary & Wage	88,372
Payroll Tax	7,132
Profession Service Expenses	1,035
Telephone Expenses	3,078
Internet Expenses	837
Utilities	1,077
Housing Rent	11,700
Depreciation	701
Total Expenses	<u>156,917</u>
Balance (Deficit) for the year	<u>(3,753)</u>
Net assets at the beginning of the year	16,107
Net assets at the end of the year	\$12,354