Disney: Yiuwah Update Targets Factory, Ignores: Disney’s Exploitative System

On July 30, Disney released an update on its Yiuwah factory situation, available here.

China Labor Watch endorses Disney’s remediation plan for Yiuwah factory, and from July 30 through August 5, CLW conducted a follow-up investigation to evaluate implementation of this plan. Detailed results of the investigation are included below, and include the following lingering issues: no compensation for workers previously paid below the minimum wage, and failure to even allow workers to buy their own social insurance (only a limited number of veteran workers are allowed to purchase insurance).

Although these changes satisfy many of CLW’s demands for improvement of Yiuwah factory, Disney has failed to address larger systemic issues that enabled this tragedy in the first place. Remediation of Yiuwah does not address Disney’s unsustainable business model or failed audit system.

Disney’s current model of operation is unsustainable: Disney produces its goods at extremely low costs in factories like Yiuwah where accidents are waiting to happen. Disney employs an audit system that overlooks dangerous or illegal conditions to keep up its smiling façade, and when problems do arise, Disney abandons or publicly improves the factory. Without significantly increasing the costs it pays for goods, Disney will be unable to fundamentally improve the violations that continue to plague its supply chain.

In addition to this basic cost increase, Disney must also invest more in supplementing its auditing system. Reliable outside monitoring, such as the comprehensive assessment conducted by Verité following CLW’s accusations of labor abuse at Yiuwah, should be a regular component of Disney’s auditing process. Confidential worker hotlines, like the one being installed at Yiuwah and operated by a Chinese NGO, should be installed throughout Disney’s supply chain.

Disney may be contractually unable to satisfy China Labor Watch’s demand to publicly release the name of the auditing companies/auditors who overlooked child labor and extremely dangerous conditions at Yiuwah. Yet more transparency is necessary in the audit process and future contracts should be altered to enable public announcement in the event of unsuccessful audits or auditor corruption. Disney should be aware of and transparent about failures in its audit system.

Finally, it must be noted that Disney is not the only customer at Yiuwah, and that all of the factory’s customers need to contribute to Yiuwah’s remediation and labor issues in their Chinese supply chains. Yiuwah’s other clients include British supermarket chain Tesco (according to the 6/23 NYT article), and Sonia Rykiel, Harbour Plaza and Swarovski (listed on factory website 5/7/09). Coca Cola is a former customer of Yiuwah.

Follow Up Investigation

Date: July 30-August 5

Method: External Worker Interviews

CLW’s follow-up investigation targeted the following improvements:

- Implemented an improved process for verifying workers’ ages before employment.
- Confirmed that only age-eligible workers are employed at the facility.
Newly hired workers now must give their IDs to the factory, the reason being that the factory wants to verify legitimacy of IDs. During the investigation, the factory was hiring a large number of new workers, and investigators heard that over 300 people would be hired.

- **Now providing paid vacation and rest days.**

Currently the factory has rest every Sunday, and although this may be adjusted when orders are high, the factory guarantees one day of rest per week.

- **Now paying workers the correct minimum wage rate.**

Wage arrears have not been offered to workers who were previously paid below the "correct minimum wage".

- **Now covering all workers with work-related injury insurance.**

Work-related injury insurance not purchased on anyone’s behalf, and only some workers are able to purchase it themselves, therefore the procedures and amount of compensation are different for the following groups:

1. For new workers, the factory does not purchase any form of social insurance including workers’ comp or health insurance, nor does it purchase commercial insurance. The factory has a quota for how many workers may purchase insurance, and new workers must wait for veteran workers with insurance to retire and a new spot to open up. If new workers have a work-related-injury, smaller injuries will be treated at the factory’s onsite clinic. The factory will deal with more serious worker injuries internally, and pay for all medical treatment until workers have healed. During recovery, workers are paid the minimum wage.

2. Commercial insurance is purchased for workers who operate machinery. Each month, 17 RMB is deducted from wages to purchase the insurance. In the case of work-related injury, the insurance company will pay for compensation and the factory will still pay for medical fees and minimum wage. This is the case of the Sichuanese worker in the original report and the insurance company is currently waiting for his burns to heal before evaluating his compensation based on the severity of his final injury. In the case of serious injuries, the factory will provide further compensation according to the severity of the injury, as in the tragic Liu Pan incident.

3. The factory deducts 95 RMB per month from veteran workers who choose to purchase social insurance, and these workers are unclear whether this includes insurance for work-related injury as there is no column for injury insurance on the wage calculation chart. If this is included, compensation for these workers would also be different.

There is medical examination during the hiring process at Yiuwah, and if workers contract an illness at work, it is very difficult to get compensation. In conversation with workers, work-related injury insurance was not a serious concern, and workers believed, "In the case of work-related injury, the company will provide compensation." Regarding the factory’s responsibilities, the workers are apparently ready to tough it out, leaving well enough alone until they are actually confronted with a work-related injury.