



## Response Letter to Mattel re: CLW's 2014 toy factory investigative report

Friday, January 16, 2015

To: Edena Low  
VP EHS, CSR & Regional Government Affairs  
Mattel, Inc.

Dear Edena,

I am writing this in response to your letter on December 22 addressing the report published by China Labor Watch (CLW) on working conditions at two of Mattel's factories. With all due respect, I believe that your response focused on minor problems while avoiding major issues mentioned in the report and was quite misleading. The letter also indirectly acknowledged the veracity of the issues mentioned in our report. We cannot publicize your response as it is covered by a confidentiality clause. Just as we have stated in the past that your supply chain needs to be more transparent, we wish you would make the content of your response public.

The audits carried out by Mattel and the third party it hires are not transparent, and because of the costs involved in improving working conditions, these audits are often marred by corruption and deliberate inaccuracies; corruption in Mattel's auditing process has been reported on by the Chinese media in the past. The content of the linked story drew the same conclusions on Mattel's auditing process as CLW's reports, namely that as long as factories pay off auditors with bribes, the auditors will ignore infringement issues. In light of this rampant corruption, performing a couple of audits each year does not give an accurate picture of working conditions at the factories.

Before moving on to any other issues, I must address your assertion that our investigators are not trained professionals. Our investigators all have at least four years of experience in inspecting factories and have worked with the BBC, France 2, and other esteemed organizations. Their work was performed with diligence and the violations they found in your factories should not be dismissed out of hand due to Mattel's inaccurate perceptions of their experience in the field.

I will respond to the claims made in your letter point by point:

- China's minimum wage has doubled since 2007, so Mattel's claim that wages have tripled in that period is misleading, and the actual difference between Mattel's monthly wages (1,360 RMB) and the local wage standard and minimum wage in Dongguan (both 1,310 RMB) is just 50 RMB. The 'tripling' of wages you reference includes the forced overtime hours which are well above the legally mandated amount. Your claim also fails to take into account inflation and the rapid rise in living costs in China since 2007.
- As for the proportion of workers who contribute to social insurance, you neglected to mention the portion of insurance costs paid by workers and the time frame. Your factories typically pay for a month less of insurance than they should and do not pay in full; instead they pay about 40% of the costs for social insurance.
- Chinese law stipulates stricter enforcement of social insurance contributions than the amount that you boast of; while the number of workers insured has increased, it is still below that amount demanded by law.
- The eight work related injuries in 2014 that you mention were entirely avoidable and caused by Mattel's factories failure to provide workers with sufficient safety training.
- According to Chinese law, anything more than *nine* hours of overtime per week is illegal, not 26 hours. Your response thus inadvertently proves how widespread illegal overtime is in Mattel's factories.
- I do not deny that there have been some improvements since 2007, but these improvements have largely been passive; the increase in wages, for example, was simply the result of the rise in commodity prices in China over the last seven years and legislation raising the minimum wage being passed by the government. When we judge Mattel relative to the overall state of the Chinese manufacturing industry in 2014, there has been a very large deterioration in labor conditions.
- According to Chinese law it is illegal to confiscate ID cards under *any* circumstance, something which you in your response have admitted that your factories do.
- With respect to health exams, the law mandates that all workers employed in departments where their duties involve exposure to work-related illness must undergo examination prior to resignation, but most of your workers are unable to receive these free health exams which they are owed. The actual reason for this is that workers are unaware that they are entitled to free exams prior to leaving the factory; furthermore, leaving the factory is extremely difficult and workers attempting to resign during peak periods are frequently forced to stay on, to say nothing of getting health exams.
- With respect to safety issues, you state that a number of work injuries have occurred at the two factories, and as I stated above,

these injuries are entirely preventable. Workers do not receive adequate safety training and numerous chemicals are used which expose workers to danger.

- With respect to the environment, we provided pictures in the report which reveal unsanitary conditions and pollution. Please explain the content of those pictures.
- Chinese law mandates that insurance is purchased the very day that new employees begin work, and you admit in your response that the factories only purchase insurance during workers' second month on the job. You also once more avoided addressing the portion paid by workers and the fact that the factories only pay for 40% of what they should. According to Chinese law, workers have the right to demand Mattel compensate them for insurance payments. The Yue Yuen Shoe Factory, also located in Dongguan, saw a strike in 2014 over this exact issue, and according to its shareholder report, the strike and compensation paid to workers resulted in losses of USD \$60,000,000. Each and every worker whose insurance was not paid in full by Mattel is entitled to take legal action against Mattel according to Chinese law. Thus, not only is the practice of not paying insurance in full harmful to Mattel's workers, it will cause major losses for your stockholders should these workers take legal action in the future.
- You acknowledge in your response that workers at the two factories work for eleven hours a day, six days a week. This is yet another violation of Chinese law and is harmful to workers' health. Furthermore, workers who refuse to work overtime are punished by management.
- With respect to your claim that labor unions are elected by workers themselves, please provide evidence to verify this.
- With respect to the suicide case in your supplier factory Taiqiang, you claim that comprehensive audits and interviews with workers "revealed that demonstrators blocked employees' entrance to the factory; scaled the fence and pushed past factory guards, entering the security office; and that the local authorities put an end to the disruption, detaining some of the family members." The results of your audits and investigation are at odds with the account told by the deceased's relatives and witnesses to the incident. According to them, the deceased's family attempted to contact ICTI's hotline but did not receive a response, so six family members protested by holding a banner in front of the factory's gates demanding that the factory explain the suicide. The factory's security guards responding by physically attacking the family and detaining them in the security office which caused a dispute that ended in the family being severely beaten. The local authorities then detained the family members and forced them to accept the unfair compensation offered by the factory.

In CLW's phone calls and meeting with Mattel in January and October of 2014, we mentioned that we did not believe that Mattel had diligently handled this case. We will continue to demand progress on this issue until the Hu family has received fair compensation.

In closing, the positive changes that have been made at Mattel's factories are due to general, objective trends in the entire manufacturing industry in China. When one takes into account the overall state of the manufacturing industry in 2014 relative to that of 2007, it is clear that working conditions in Mattel have been deteriorating.

We are very much willing to co-operate with Mattel in the future and hope that this dialogue will prove fruitful in improving working conditions in Mattel's factories.

Best Regards,  
**Li Qiang**

Li Qiang is the founder and executive of China Labor Watch.

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