



Play Fair 2008

Report into working conditions in production of Olympic logo goods

"Olympism is a philosophy of life, exalting and combining in a balanced whole the qualities of body, will and mind. Blending sport with culture and education, Olympism seeks to create a way of life based on the joy of effort, the educational value of good example and respect for universal fundamental ethical principles".¹

As an event that commands the focus of the media and the attention of the entire world for two weeks every other year, the Olympic Games are the most effective international corporate marketing platform in the world, reaching billions of people in over 200 countries and territories throughout the world.²

1. 14 months and counting

In August 2008, the world's athletes will gather in Beijing for the Summer Olympic Games. Global sportswear firms will spend vast sums of money to associate their products with the Olympian ideal. Some 800,000 foreign visitors and one million domestic visitors are expected to visit Beijing. Images of Olympic events, complete with corporate branding, will be televised to a global audience.

Sportswear is big business and during an Olympics even more so. One year on from the last Olympics the global athletic footwear and apparel market was estimated at about US\$74 billion. This expansion of international trade in sportswear goods is driven by corporate giants such as Nike, Adidas, Reebok, Puma, Fila, ASICS, Mizuno, Lotto, Kappa and Umbro, which market or produce sportswear, athletic footwear and other sporting goods. Moreover, sporting bodies such as the International Olympic Committee, through their sponsorship

¹ Article One of the Olympic Charter 2004.

² IOC - www.Olympic.org

and licensing arrangements, earn vast amounts of income from these global sporting events.

Olympics souvenirs will be in huge demand as will commemorative sportswear. Sales of branded sportswear in China have skyrocketed from almost nothing ten years ago to around US\$3 billion in 2005 and are expected to grow 20 percent in 2006.

Play Fair 2008

PlayFair 2008 is a global alliance of trade unions, non-governmental organisations (NGOs) and labour groups, working together to draw attention to working conditions in the world sportswear sector as we approach the Olympic Games in Beijing in 2008.

One of the biggest ever global mobilisations against inhuman working conditions was launched in advance of the Athens Olympics in 2004. Known as the "Play Fair at the Olympics Campaign", it consisted of an alliance of Oxfam units³, Global Unions (including the ITUC (then the ICFTU)⁴ and the ITGLWF), the Clean Clothes Campaign and their constituent organisations worldwide. It aimed to pressure sportswear and athletic footwear companies, the International Olympics Committee (IOC), its organising committees (OCOGs) and the National Olympic Committees (NOCs), as well as national governments, into taking identifiable and concrete measures to eliminate the exploitation and abuse of the mostly women workers in the global sporting goods industry.

This campaign work will continue in the run up to the Beijing Olympics and beyond. Some members of the original Play Fair Alliance - the ITUC, Global Unions and members of the Clean Clothes Campaign have given the follow up campaign the title PlayFair 2008. PlayFair 2008 recognizes that this present system of exploitation and abuse in the sportswear and athletic footwear industries can only really be brought to an end when governments assume their responsibilities both nationally and internationally to protect workers rights and to hold business accountable for labour practices, and when workers are able to organize in order to advance their own interests. In China, however, this situation is currently not possible as workers are denied their fundamental rights to form their own independent unions and negotiate with their companies.

The Olympic Games is both a symbolic and a practical opportunity to ensure that these global sporting games live up to the ideals enshrined in the Olympic charter and that people who enjoy the games can also know that the souvenirs and garments they wear are produced in factories where basic human dignity and labour rights are respected. Sporting bodies, such as the International Olympic Committee, through their sponsorship and licensing arrangements, and the totality of those companies which market or produce sportswear, athletic footwear and other sporting goods should take far greater responsibility for labour practices than they do now.

Profit and the Olympics

The Beijing Olympics may become the most profitable Olympics in the Games' history, exceeding the US\$224 million surplus made by Los Angeles in 1984,

³ 11 Oxfam participated in the 2004 Athens campaign. Oxfam is not participating in the PlayFair 2008 campaign, but remains a member of the Play Fair Alliance.

⁴ The ICFTU – International Confederation of Free Trade Unions is now succeeded by the ITUC – International Trade Union Confederation, founded in November 2006.

according to the International Olympic Committee official overseeing preparations for the 2008 games. Hein Verbruggen, head of the IOC's coordination commission, has been quoted as saying, "I would not be surprised if Beijing makes more money than any Olympics." According to reports, Adidas paid an unusually high price of around US\$80 -100 million in cash and in extras like uniforms to win its sponsorship deal with the Beijing Olympics. The IOC also has some 11 international sponsors paying US\$866 million between them for the four years to 2008.

Olympic licensing is an important part of the Olympic marketing program, which includes the sponsorship program and the stamps and coins program. An official Olympic Games License is an agreement that grants the rights to use Olympic marks on products for retail sale. In return, licensees pay royalties for the rights, which go directly toward funding the Olympic Games: *"The program aims at promoting the Olympic Ideals and the Olympic Brand, providing quality consumer touch points for the inspiration of the Games."*⁵ As the Beijing 2008 website states Olympic licensing provides the successful companies in the host country with a unparalleled business opportunity to produce and sell potentially large quantities of Olympic goods, through which, the licensees may have the opportunities to *"Gain considerable profit through producing or selling the licensed products"* and *"enhance brand image and increase market share and sales..."* It is estimated that the sale of official Beijing Games mascots alone will bring in profits of more than US\$300 million.

While the Olympics represent big bucks for many companies, these profits generally do not reach the workers making the sportswear and myriad of souvenirs being manufactured. The global sporting goods industry has drawn millions of people, mainly women, into employment. From China and Indonesia to Turkey and Bulgaria, they work long hours for low wages in arduous conditions, often without the most basic employment protection. Textiles and garment manufacturing is well known for its long hours, poor wages and generally lax enforcement of labour laws. Throughout the world and especially in Asia many workers will be working overtime producing the goods needed for the approaching consumer frenzy. Many work in poorly ventilated and unsafe workshops, unable to escape exhausting overtime without the loss of an entire month's wages or more.

This report outlines research undertaken in the winter of 2006/07 into just four of the companies awarded licenses to produce official Olympic goods and reveals some very disturbing scenes.⁶

Of the four manufacturers that PlayFair looked into, two were small sized operations by international standards and two were well established medium-sized companies with significant overseas client bases. This report reveals appalling disregard for their workers' health and for local labour laws and regulations in the following areas: working hours, pay scale; the hiring of minors and children; and health and safety conditions. Mainland Headwear Holdings Limited, the largest and most successful of our research targets, requires its workforce to work more than 13 hours a day, seven days a week and then underpays it by more than 50% of the legal minimum wage. Mainland Headwear's manufacturing facilities are not located in the China's hinterland, but in Shenzhen (Longgang District), which neighbours Hong Kong and has one of the highest minimum wage requirements in the country and some of the nation's most

⁵ 2008 Olympic licensing programme launched,
http://www.ebeijing.gov.cn/BjToday/t20051103_286397.htm

⁶ More PlayFair reports will be published in the 12 months leading up to Beijing 2008 which will focus on the sportswear industry.

sophisticated production facilities. There is no excuse for this hat and cap maker to treat its staff so badly. Mainland Headwear management requires its workers to pay a 100 yuan (about US\$13 or 9.7 Euros) deposit.

Workers in all the factories cited in this report, many of which produce goods for well known, international consumer brands, are requested to lie to inspectors and some are given detailed instructions on how to do this as well the necessary fake documents needed to fool auditors. No factory researched gave special protection for women workers and none gave the legally required maternity protection as required by Chinese laws. None of the factories monitored have branches of the official Chinese trade union nor unsurprisingly did any have adequate worker grievance procedures or democratically-elected workers committees. These practices clearly were in place before the companies received their Olympic licenses and are likely to continue once the Games move on.

Despite repeated requests the IOC continues to stonewall on the relevance of labour rights and working conditions to its mandate.

SPECIAL NEED FOR RESPONSIBILITY LIES WITH THE IOC

- 1. Safeguarding the dignity of the individual is a fundamental requirement of Olympism.*
- 5. The Olympic parties shall use due care and diligence in fulfilling their mission. They must not act in a manner likely to tarnish the reputation of the Olympic Movement.*
- 6. The Olympic parties must not be involved with firms or persons whose activity is inconsistent with the principles set out in the Olympic Charter and the present Code.*

[IOC Code of Ethics]

Exactly one year before the start of the Athens Olympics, the PlayFair Alliance wrote to the IOC asking for a meeting to discuss ways in which the IOC could help reassure consumers about the conditions under which Olympic branded sportswear was produced. In December 2003, the IOC finally responded noting that it shared PlayFair's concerns, but that the National Olympic Committees were responsible for licensing and sponsorship and that therefore this was not a matter for the IOC. Requests for a meeting were ignored. The IOC again replied to a letter which "reiterates that it condemns the practice of unfair labour practices, which are contrary to the spirit and ideals of the Olympic movement," However, once again the IOC decided to distance itself from helping resolve the very unfair practices it claimed to condemn - the letter again reiterated that the "day to day licensing is managed by the 202 National Olympic Committees around the world. The IOC has no direct involvement with regards to such contracts".

After several further requests, the IOC met with the Alliance in the spring of 2004 and again in October 2005. The IOC promised to look into the proposals and hold discussions. Since then however, despite repeated follow-up requests, there has been no sign that the IOC has discussed the ideas or indeed communicated them to the national Olympic Committees as requested. The PlayFair Alliance communicated with the IOC some eight times in the 12 months prior to the Athens Games in an attempt to obtain meetings and dialogue. While initially agreeing to follow up on discussions held in April 2004, the IOC later informed the Alliance that the IOC would not hold any further bilateral meetings with them. However, after much pressure, IOC representatives did agree to meet with international trade union representatives (on behalf of the Play Fair partners) in October 2005. However, the IOC did not respond to requests to follow-up on the issues which discussed at that meeting

In 1998, the IOC and the International labour Organisation (ILO) signed a cooperation agreement focusing on respect for social justice and stated that "the

IOC and the ILO undertake to encourage activities in pursuit of this objective, particularly those which contribute to the elimination of poverty and child labour..." The agreement agreed that a joint IOC/ILO working group would be established to develop a programme of mutual cooperation. However, it is not clear exactly what concrete measures have been taken to follow up on these worthy goals.

Play Fair demands to the IOC

At the meeting in October 2005 the PlayFair Alliance put forward its core demands which were – and remain – a request for the IOC to;

*Adopt a clear and public statement, including inclusion into the Olympic Charter, in support of labour standards and in particular in sporting goods supply chains;

*Incorporate into IOC licensing/sponsorship contracts, binding language on labour standards issues throughout the supply chains(s) of the company(s) concerned;

*Establish an effective mechanism through which cases of violations of labour rights in such supply chains can be dealt with, in cases where it has not been possible to remedy these through direct contact with the company(s) concerned.

*Take concrete steps to ensure that national Olympic committees and games organising committees adopt and implement equivalent provisions.

While alluding vaguely to its code of ethics, the IOC appears to be extremely reluctant to take any responsibility at all for the conditions in which Olympic goods and related sportswear are produced, despite the obvious links between the industry and the Olympics Games itself. As noted, Beijing looks set to be the most lucrative Olympics ever, and yet even with the positive reaction of some NOCs during the Athens PlayFair campaign, we believe that the people creating the goods behind this wealth are being forgotten and ignored. The findings of this report reveals the scandalous conditions under which official Olympic logo goods are produced - raising the fundamental question as to how the 'Olympics', which in the words of the Olympic Charter, 'seeks to create a way of life based on ... respect for universal fundamental ethical principles' can be equated with such conditions of production for workers.

IOC denies responsibility

Despite the extensive evidence of abusive working conditions in the production of Olympic goods and sportswear which the PlayFair Alliance presented to the IOC in the run up to the Athens and Turin Olympics, the IOC continues to deny any problems in their specific supply chain. The following research gives undisputable evidence that abusive conditions in the production of Olympic goods continues unabated and needs a serious response from the IOC as well as the Beijing Organising Committee. The report shows that the business practices of companies producing Logo goods violate both the spirit and the letter of the Charter. Yet the Olympics movement, particularly the International Olympics Committee, has refused to acknowledge that labour violations in their supply chain exist, and that they need to take responsibility to create an ethical marketing and licensing program in the face of these contraventions.

While the Chinese government has a huge responsibility to ensure that labour practices do not violate international standards, the IOC, as the overall coordinator of the Olympic Games must also face up to its responsibility. Indeed IOC has an obligation to challenge the abusive business practices of its sponsors

and licensees. At the same time the IOC has the potential to make a positive difference, with respect to workers' rights in a range of sectors which contribute to the success of the Olympics Games. It can also support initiatives to ensure that workers' rights are fully respected in these areas.

Although many national Olympics committees reacted positively and several athletes joined the 2004 PlayFair Athens Olympic campaign call for an end to the abuse and exploitation of workers in the sportswear industry, the IOC, on the other hand, categorically refused to take responsibility for workers' rights in the Olympics sponsorship and licensing programmes at global, national and Games level, despite acknowledging that the campaign's aims are in harmony with the spirit of the Olympic ideals of fair play and ethics.

Even though the IOC Code of Ethics stating clearly that "*The Olympic parties must not be involved with firms or persons whose activity is inconsistent with the principles set out in the Olympic Charter*", the IOC refuses to accept responsibility for even the most minimum adherence to basic labour standards in the production and sportswear bearing the Olympic Games logo. The closest the IOC has come to accepting the need for ethical and sustainable business in the Olympics comes in the form of Article 14 of its Code which is to "promote a positive legacy from the Olympic Games to the host cities and host countries". However while the Olympics charter includes a "responsible concern for environmental issues," it fails to make any specific mention of the need for responsible business behaviour.

The IOC has consistently favoured an approach of denial and rebuttal of claims that it address the need for oversight and responsibility in the production of Olympic logo goods.

The IOC and Olympic Licensing

*We are not in a position that we can give instructions to governments as to how they ought to behave... "It's not our task. We are here for organizing the games."*⁷

The IOC has consistently sidestepped human rights issues and maintained that it will not comment on "political" issues. However it cannot make such sweeping comments on issues relating to labour conditions in the production of Olympic goods. The IOC itself has only a handful of direct licensees and sponsors, but as the main coordinating body for the Olympics, it has the primary responsibility to ensure that the national Olympics committees and the host country ensure their licensees and sponsors uphold the Olympic ideals and aspirations. The IOC "owns" the Olympic logo and in effect allows the host country to use it for a limited amount of time – and as such the IOC needs to ensure the logo is not tarnished by evidence of abusive working conditions.

The IOC has the primary responsibility for the licensing of Olympic logo goods. The Olympic Charter – despite its silence on ethical business – makes the situation very clear and provides clear details of the remuneration the IOC obtains in return for the use of Olympic emblems.

For example:

⁷ Hein Verbruggen, Chief of the IOC's coordination commission for the Beijing Games, Associated Press 25 April 2007

Article 2...2.2.1 For all sponsorship and suppliership agreements and for all marketing initiatives other than those referred to in paragraph 2.2.2 below, such exploitation shall not cause serious damage to the interests of the NOC concerned, and the decision shall be taken by the IOC in consultation with such NOC, which shall receive part of the net proceeds deriving from such exploitation.

2.2.2 For all licensing agreements, the NOC shall receive half of all net income from such exploitation, after deduction of all taxes and out-of-pocket costs.

In China, the use of official Olympic logo goods is being carefully controlled and supervised. As far as we have been able to ascertain, a total of 55 companies have so far been awarded the right to produce official Olympic Logo goods.

According to the Olympic Charter, all contracts using the official Olympic logos shall be signed or approved by the OCOG concerned, shall only be valid within the country of the said OCOG, unless the OCOG has given prior written approval and the *"...use of an Olympic emblem must contribute to the development of the Olympic Movement and must not detract from its dignity; any association whatsoever between an Olympic emblem and products or services is prohibited if such association is incompatible with the Fundamental Principles of Olympism or the role of the IOC as set out in the Olympic Charter.(4.10.2)*

The IOC also has oversight of these contractual agreements and has the right to review any licensing contracts given out by the host country or an NOC: *- Upon request by the IOC, any NOC or OCOG shall provide a copy of any contract to which it is a party. (4.10.5)*

An official Olympic Games License is an agreement that grants the rights to use Olympic marks on products for retail sale. In return, licensees pay royalties for the rights, which go directly toward funding the Olympic Games. *"The program aims at promoting the Olympic Ideals and the Olympic Brand, providing quality consumer touch points for the inspiration of the Games."* As the Beijing 2008 website states Olympic licensing provides companies in the host country with a great business opportunity to produce and sell potentially large quantities of Olympic goods, through which, the licensees may have the opportunities to *"Gain considerable profit through producing or selling the licensed products and enhance brand image and increase market share and sales..."*⁸

The "mission" of the Beijing 2008 Licensing Programme is to promote the brand image of the Beijing Olympic Games and the Chinese Olympic Committee (COC), *" express the unique culture of China and Beijing by offering an array of traditional cultural products; make a strong effort to involve Chinese enterprises in Olympic licensing and to showcase Chinese products and build the brand image equation that conveys a quality message, i.e.' Made-in-China = High Quality' and to raise funds for the Beijing 2008 Olympic Games."* Sadly nowhere does this programme make reference to decent work, core labour standards or even adherence to domestic laws.

China's workers and the economic "miracle"

China's transition from an unproductive rural economy to a manufacturing powerhouse has been dubbed the 'Chinese miracle'. Growth has rocketed, exports have boomed and incomes have improved. For many in China, the transformation of the last 20 years has resulted in rising standards of living along with

⁸ Beijing 2008 Olympic Marketing Plan Overview,
<http://en.beijing2008.cn/46/72/column211717246.shtml>

unprecedented consumer choice. For businesses around the world, this miracle has given them access to new markets and to a cheap and compliant workforce. Indeed China's export success has been led by industries paying unnaturally low wages - from 1983 to 2002 total accumulative inflows of FDI rose from US\$ 1.8 billion to US\$ 446.3 billion, or from close to zero percent of GDP in the early 1980s to almost five percent of GDP by the late 1990s.

China's 'miracle' has come at a high price: exploitation and suppression on the largest scale possible. And it is a price that has been borne by the vast majority of the people it was supposed to benefit: the ordinary workers and farmers that make up most of the country.⁹ China's transformation has delivered higher incomes for some, and a substantial reduction of those living in absolute poverty. But around 250 million of its people, 16.6 percent of its population, still live on less than that amount and close to 700 million of its people, 47 percent of the population, live on less than US\$2 a day. Inequality has been rising and China now ranks among the most unequal of nations.

Many of those working in poverty or close to the borderline are the backbone of China's economic success in the boomtowns of the south and coastal areas. Coming from rural areas to escape backbreaking work and poverty, rural migrants number around 200 million and mainly work in the private sector where wages are low, hours are long and working lives are cheap. Many migrants work without formal contracts and often do not have official residency in their workplace. They are dependant on their employers. Denied basic rights such as access to adequate social security and pensions, many migrants work some 13 hours a day, seven days a week in order to earn the minimum wage or less. Health and safety standards are grossly inadequate. Official estimates give around 127,000 industrial deaths in 2005 – despite yearly pledges to improve the situation. One recent report states that more than 200 million of the 758 million employees across China suffer from one sort of occupational disease or another. In 2006, the number of large scale workplace disasters (classified as an accident with a death toll of 30 or more) declined, according to official statistics, but workplace accidents remained a daily feature. Some 700,000 workers suffer from different levels of disability due to work injuries. In the Pearl River Delta alone, it has been estimated that some 40,000 fingers are severed every year.

The Chinese government has made progress in many aspects of law reform and social progress, but for the majority of Chinese workers the new laws are un-enforced or inadequate to protect them from domestic and foreign employers taking advantage of China's positioning itself as the workshop of the world. While this may be changing as the government decides it has seen enough low end investment and is working towards – albeit belatedly – improving the skills and wages of its workforce, crucial areas remain unreformed.

Corporate Social Responsibility, heralded by many as the answer to improving working conditions in China, has been heavily promoted by international companies and brands as a symbol of their commitment to core labour standards. And yet, as this and many other first hand reports show, CSR remains widely ineffective inside China. Low standards, outdated and discredited "auditing" systems, and a lack of focus on the supply chain means that many CSR audits are meaningless and easily subverted. While some initiatives are looking deeper into issues, such as genuine worker participation, these remain small scale and expensive. Many codes of conduct pledge support for core labour standards which includes the right to freedom of association, but most fail to put forward any

⁹ For more on China's miracle see: Whose Miracle: How China's workers are paying the price for its economic boom, ICFTU (now ITUC) December 2005.

concrete plans for ensuring this freedom of association is respected and implemented.

There can be no sustainable change in working conditions and practices without worker participation and genuine involvement and yet most CSR initiatives in China make no reference to the failure of the Chinese authorities to allow workers the fundamental right to form and join independent trade unions. Even the most worthwhile initiatives will fail unless they are supported by independent worker organisations and are not simply dependant on the largesse of the employer. Freedom of Association and the right to collective bargaining are not simply empty slogans, but are meaningful and enabling rights which allow workers a voice in improving their workplace.

Freedom of association

Trade Unions have been proven to be an effective means for workers to improve working conditions and at the same time provide them with an audible voice to participate meaningfully in society and give protection from the negative effects of economic change. This fundamental right - enshrined in the Conventions of the ILO – is denied to workers in China, since the government has not signed up to the core ILO labour standards on Freedom of Association and Collective Bargaining. Consequently, repression of worker activism remains commonplace.

The Chinese government has not ratified either of the two fundamental ILO Conventions on freedom of association and the right to organise and to bargain collectively (ILO Conventions No. 87 and No. 98). In February 2001, it ratified the International Covenant on Economic, Social and Cultural Rights (ICESCR), but announced at the same time that provisions guaranteed under Article 8,1 (a), namely the right to establish and join workers' organisations of one's own choosing, would be dealt with in accordance with Chinese law. In doing so, the government effectively entered a reservation concerning a fundamental element of the Covenant, thereby putting itself in breach of internationally recognised principles on the law of treaties. Indeed in 2005, the UN Committee on Economic, Social and Cultural Rights, "regretted" this prohibition of the right to organize and join independent trade unions" and urged that China "amend the Trade Union Act to allow workers to form independent trade unions outside the structure of the All China Federation of Trade Unions".

Put simply, workers are not free to form or join the trade unions of their choice, since only one "workers'" organisation is recognised in law, the All China Federation of Trade Unions (ACFTU). The ACFTU's role is to *"represent the interests of the workers and safeguard their legitimate rights"* but at the same time, a part of the governing bureaucracy of China the ACFTU must also *"observe and safeguard the Constitution (...), take economic development as the central task, uphold the socialist road, [and] the people's democratic dictatorship, leadership by the Communist Party of China (...)"*. The basic duty of the ACFTU remains to *"coordinate labour relations through consultation"* and *"mobilise workers to strive to fulfil their tasks in production"*.

In cases of worker unrest or grievances at a workplace, the ACFTU is unhelpful or absent at best and at worst deliberately obstructive to the workers demands and methods. This inaction and the absence of even rudimentary support for workers stems partly from its contradictory role. The ACFTU is both a part of the Party/State bureaucracy, an agency assisting the government in the primary task of ensuring social stability during the economic reforms and an alleged representative of the workers, assisting workers to ensure that emerging conflicts

and inequalities in the new 'socialist market economy' do not lead to an independent workers' movement.

No independent trade unions are allowed to exist, and attempts at establishing independent workers' organisations are repressed, sometimes violently. There is no right to strike in China and workers have few legitimate avenues to express their grievances. There is currently no law governing collective bargaining procedures, only regulations and provisions on Collective Contracts (revised 2004). Despite these limited opportunities for collective consultation and the obvious need for protection for workers - including migrants - there has been little progress towards any form of genuine collective bargaining. Deprived of a representative union, groups of workers in the thousands have been taking to the streets in protest, often after years of futile attempts to negotiate with the local authorities.

Organisers of these groups and protestors are often arrested. Some are sentenced to terms of imprisonment after criminal trials which fall well short of international standards. Others can be assigned to terms of "re-education through labour" ("lao jiao", sometimes called "rehabilitation through labour"), an administrative process which bypasses the few safeguards of the criminal justice system. The result of such repressive measures is that examples of independent unions are rare and short lived. Organisers of collective actions operate at great risk. Despite this, there are a rising number of workers prepared to take great risks to organise protests, strikes and collective actions.¹⁰

As China continues in its painful path towards a free market, workers from the old state-owned enterprises have been losing their jobs by the millions – and there are few new ones for them to take up. The creation of new jobs is expected to lag far behind the number of job seekers for many years to come and the official rate of urban unemployment (around 4.5 percent) masks a much higher rate, estimated by some to be around 10 -20% or more in some post-industrial areas. For many – especially women workers who are the first to be laid off and the last to be re-hired – redundancy at the age of 40 means effective retirement. Added to this are the endemic corruption and massive embezzlement from former state-owned enterprises and the collusion of business and government officials. The ACFTU has failed to negotiate, let alone enforce, any social safety provisions that may have been obtained during the restructuring of these state-owned enterprises.

The ACFTU also appears unwilling or unable to support workers in the private sector. Despite migrant workers being admitted into the ACFTU for the first time in 2003 and well publicized campaigns welcoming migrants into the fold, the ACFTU is almost non-existent in the majority of disputes and collective actions in the major manufacturing zones where the majority of private business is located. In all four factories PlayFair researched for this report we found no evidence of an ACFTU branch nor any other form of worker organisation or worker committee.

While free and independent trade unions are denied to Chinese workers, benevolent companies and the gradual introduction of more comprehensive laws cannot bring about any lasting remedies.

Turning a blind eye?

¹⁰ For a list of those currently imprisoned in China for their involvement with worker protests please see Imprisoned Labour Rights Activists in China at http://www.ihlo.org/DLA/POCS_011206.html

Given these overwhelmingly poor odds for ordinary workers in China, the lack of trade unions and the lax enforcement of domestic laws, it is not difficult to see how common the findings we uncovered are throughout China. What we are stressing in this report is that the IOC has the ultimate responsibility to ensure that workplaces such as these – where working conditions are putting the lives of workers at risk – are cleaned up before being allowed to profit from the Olympic Games.

While taking an overwhelmingly negative attitude to the evidence of serious problems in the Olympic supply chain, the IOC instead insists that all is well in the Olympic family. In the summer of 2005, speaking at the end of a three-day visit by the IOC, Hein Verbruggen, chairman of the IOC Coordination Commission for the Beijing Games said preparations for the Beijing games were going “smoothly.” - “We really have a green Olympics, not only because they are doing their best as far the environment is concerned, but also because it’s only green lights,” Verbruggen said, adding “It’s perhaps hard to believe but there’s nothing negative to say.”¹¹ It is indeed hard to believe and yet this is what the IOC wants us to believe. Our research shows differently.

Lekit Stationery Company Ltd.

A PlayFair researcher was hired by **Lekit Stationery Co. Ltd.**, a Taiwan-owned company with a large manufacturing plant in southern China at the start of this year and collected first hand information on the employment practices and working conditions at this plant.



PlayFair found that this large, successful manufacturer systematically pays its workforce less than 50% of the legal minimum wage for the area. The company pays its workers on a very low piece rate basis and requires them to work 13 hours a day with few, if any, days off during each month. Lekit is also one of many firms that uses a high percentage of casual labour in its manufacturing plants and does not appear to set aside, register or pay social security payments for its staff at the present time or at any time in the past. The firm uses an unnecessarily harsh system of fines and punishments to manage and discipline its staff. This licensed manufacturer of goods bearing the official Olympic logo and mascot also hires children and forces them to work 13 hour days; it takes pains to cover up the fact that it has hired children; and it keeps no records of the employment of these children as well as all the other factory workers in order to evade its current and future responsibilities as an employer.

Ownership:

Taiwan-invested company

Mainland China factory:

Jiangbian Administration Area, Qishi Town, Dongguan City, Guangdong , China.
Tel: 86-0769-8666 5177; 8666 8747; 8666 7077; 8666 7867; 8666 9847
Fax: 86-0769-8666 5277; 8672 3358

¹¹ Bloomberg News 2 June 2005

Email: esd3@lekit.com.hk or lekit4@lekit.cn
Website: www.lekit.cn

Hong Kong Office:

Room 610-12, Block A, Tonic Industrial Centre, Kowloon Bay, Hong Kong
Tel: 852-2750 2351
Fax: 852- 2750 2731

Lekit Stationery Co., Ltd. established in 1977, is an ISO 9001 certificated manufacturer of paper and leather products. PlayFair conducted its research at one of its manufacturing facilities in Dongguan in Guangdong province.

In an open letter on a B2B website, Chris Qie, manager of the Dongguan plant, stated: "Lekit [is] privileged to provide stationery to the 2008 Beijing Olympics." (http://chrisque.en.ec21.com/company_info.jsp). The workers interviewed at the plant, confirming that Lekit was printing images of *Fuwa*, the Olympic mascot, on its paper products.

Lekit produces notebooks, address books, ringbound books, product menus, business journals, memo stationery, paper refills for diaries, fast-bound diaries, ring-bound diaries, personal organizers, leather bound desk accessories, leather portfolio planners, business card holders, desktop accessories, CD cases, wallets, and gifts items. Average monthly output is very high. For example, the company produces five million notebooks, eight million product menus and related products, one million leather-made diaries and other kinds of diaries, and 500,000 handbooks, files and related products each month (<http://www.lekit.cn/eng/profile.asp>).

Lekit also appears to be suppliers to Filofax (<http://www.filofax.co.uk/>) and MomAgenda (<http://www.momagenda.com>).



1. Hiring children

At the time of the survey in January 2007, PlayFair researchers found that Ledit had hired more than 20 children under the age of 16, contravening Article 15 of the Labour Law.¹² The children were primary and junior secondary school students from rural migrant families and were interested in working during the short winter break. Some of them were brought to the factory by their mothers to earn money to pay their school fees. While these children represented just 5% of the 400-strong workforce, some were quite young and all were required to work the same lengthy overtime as the adults.

One PlayFair researcher worked alongside these children in January 2007. The youngest worker was found to be only 12 years old. The usual work schedule of these children would be to work on the packing line from the morning start at 7:30 or 8:00 am until late in the evening, around 10:30pm. On one occasion, the schedule was changed. A pre-announced audit by outside inspectors was to be conducted, hence all the children were assigned to jobs out of sight in the warehouse.

The children were usually required to work at a large table putting the notebooks in order, that is, stacking them so that the front cover was facing up. Five notebooks were then grouped together, tied up as a unit and placed into one of the big packing cartons.

One of the reasons that the management hires children is because they can pay them lower wages. As for overtime pay, the children are paid only 3 yuan/hour, while their older co-workers receive 3.12 yuan/hour (See section on wages below.).

2. No contracts, no employment records

Ledit management does not give any of its employees a contract or any type of employment letter. Under Article 19 of the Labour Law, the following must be included in a labour contract:

- (a) terms of the contract;
- (b) job description;
- (c) labour protection and working conditions;
- (d) terms of remuneration;
- (e) rules, regulations and punishments for violations;
- (f) conditions for the termination of a labour contract; and
- (g) Specific provisions relating to instances of violations of a labour contract.

Without any record of their employment and in the event of a labour dispute over working hours, wages, compensation for an industrial injury, or social security and other benefits, it would be very difficult for workers to substantiate that they had been employed by the factory and defend their position and rights in a labour arbitration committee hearing or in a court.

3. Excessive working hours and forced overtime

¹² Article 15 of the Labour Law: No employing entities shall be allowed to recruit juveniles under the age of 16. Entities of literature and art, physical culture and sport, and special arts and crafts that need to recruit juveniles under the age of 16 must go through the formalities of examination and approval according to the relevant provisions of the State and guarantee their right to compulsory education.

Production lines on the shop floor are the sample development lines; paper products lines, 8 lines in all; printing lines with two-colour, three-colour, four-colour and five-colour printing machines; folding machine lines; spiraling lines; bed cutting lines; binding lines; leather sewing lines; and packing. Workers on various assembly lines interviewed by PlayFair said they found the job hard going, due to the over-long working hours.

A typical work day at Lekit is 12 hours, of which 4 hours is a mandatory overtime period. Staff work this overtime Mondays to Saturdays and sometimes on Sundays. In fact, most workers at Lekit only get Sunday nights off, and the production workers are rarely given any days off, even if they requested them.

Time	Daily Schedule
6:45 AM	Wake up
7:00 – 7:15	Breakfast
7:15 – 7:30	Punch timecard, clock in for morning session
7:30 – 8:00	Morning assembly (Thursdays only)
8:00 – 12:00	<i>Morning work session</i>
12:00 – 1:15 PM	Lunch and rest break
1:15 – 1:30	Punch timecard, clock in for afternoon session
1:30 – 5:30	<i>Afternoon work session</i>
5:30 – 6:15	Dinner
6:15 – 6:30	Punch timecard, clock in for evening session
6:30 – 10:30 or 2AM	<i>Overtime session</i>

Note: PlayFair collected the above data in Dongguan in January and February 2007.

One 13-year-old girl working at Lekit told us:

"I worked from early in the morning until 2am the next day! This happens not just once, but 2 or 3 times a month. I was exhausted but I was still required to go to work as usual the next day."

In January 2007, partly due to the high demand for souvenirs with the Olympic Games logo on them and partly because of the approach of the Lunar New Year Festival, *overtime work* at Lekit jumped to 160 hours that month. This is 4.5 times the maximum allowable overtime of 36 hours a month. (See Article 41 of the Labour Law of China). Thus, on top of the regular 168 hours (8 hours a day x 22 week days a month), the workers were forced to work another 160 hours, or about 80 hours a week

China has numerous laws and regulations which protect workers' health and guard against excessive overtime but they continue to be weakly enforced, leaving many workers with no protection against common problems; working long hours with insufficient rest.

4. Wages below the legal minimum wage and failure to pay overtime rate

In addition to working very long hours, workers at Lekit are paid *less* than the legal local minimum wages. In Dongguan, effective from September 1, 2006, the minimum wage was raised to 690 yuan a month or 4.12 yuan an hour based on an eight hour work day and a 5-day work week. However, Lekit workers were forced to work 26 "regular" days a month for a basic pay of only 450 yuan. At this rate (8 hours per day for 26 days and 450 yuan a month), a production worker earns a pitiful 2.16 yuan an hour

Obviously, there are two serious problems in the underpayment of wages: firstly, the basic wage is extremely low, well below the legal minimum required by law;

and secondly, the workers are not paid at the overtime rate at all on Saturdays, when the rate should be twice the normal wage rate.

A line leader on the paper products line also revealed:

“Even if we have diligently completed 160 hours of overtime, our boss would only pay 70 hours of it at 1.5 times the normal wage rate. He sets a ceiling there. All of us are very angry, but what can we do? We have never been paid properly. For the remaining 90 hours of overtime, we are paid at the usual rate of only 2.16 yuan an hour.”

In January 2007, when the amount of overtime hit a record high of 160 hours, a worker earned around 871.2 yuan for the month. The wages were calculated as follows: [450 yuan + (2.16 yuan x 1.5 times normal rate x 70 hours) + (2.16 yuan x 90 hours) = 450 + 226.8 + 194.4 yuan]. The highest monthly wage level we have heard from the workers was about 1,000 yuan.

Ironically, the only way workers at Lekit will receive the legal minimum wage is to work overtime, and those overtime hours are not paid as such.

This method of calculating wages and overtime is grossly unfair and exploitative. The management has systematically cheated its workers out of both their basic pay and overtime wages. Still, the majority of the 400-some women, aged between 35 and 45, choose to stay there. In a group interview, they said that Lekit was better than other small workshops in the village.

5. Unreasonable fines and deductions from wages

The system of control and discipline at this Taiwan-owned factory is very thorough and sometimes harsh. Lekit imposes a heavy fine of 20 yuan or approximately one full day's wages on those who spend more than 15 minutes in the toilet at any one time. Management also deducts 1 yuan from a worker's wages for every minute that they are late in attending the morning assembly on Thursdays. Workers will have as much as 3 days' wages deducted if they miss a day of work. Last but not least, there is a three-level disciplinary system of fines: 20 yuan for any "minor mistakes" ranging from not cleaning the dormitory rooms to not wearing staff cards at work; 50 yuan for "major mistakes," and 80 yuan for "unforgivable mistakes." A young male worker told PlayFair precisely: "Even a small infraction of the factory rules is resolved in fines and punishments. I hate working here."

6. Non-payment of social security and other legal employment benefits

PlayFair uncovered that Lekit does not file and pay social security for its workers with the exception of a few technicians. This is despite the fact that it is clearly stated under Article 73 of the *Labour Law* that *all* employees shall enjoy social security and insurance benefits at retirement; and for illness or injury; for disability due to work-related injury or occupational illness; unemployment; and childbirth.

Specifically, if a worker contracts an occupational disease or is injured, his or her *medical costs* should be covered by an insurance scheme. Moreover, if a worker is hospitalized, the employers should provide them with a *food allowance* (the amount varies by city) for the entire period of hospitalization.

7. Hazardous working conditions

Many workers indicated that the working environment at Lekit lacked safety protection and they themselves did not enjoy the legally mandated safety measures. Article 30 of the *Law on Prevention and Control of Occupational Illness* (effective May 1, 2002) specifies that:

“When signing labour contracts with workers, the employer shall truthfully inform the workers of any potential hazards of occupational illness and the consequences in the course of the work, the measures for prevention of such illnesses and the material benefits, and the same shall be clearly stated in the workers’ contracts; it may not conceal the facts or deceive the workers.”

In addition, the employer should install effective facilities on the shop floor and provide individual workers with the necessary protective clothing or gear for the prevention of occupational illness.

In reality, none of the workers we interviewed had ever signed a labour contract with Lekit, and as a result had not been told prior to starting work what potential hazards there were in the workplace.

In this particular factory in Dongguan, the hazards lie with the soldering units, and those working daily with glueing agents and caustic chemicals used in the production of leather items. One group of workers responsible for attaching decorative items, such as colourful strips and ribbons, on the notebooks, often suffers burns on their fingers or hands.

8. No legal maternity leave

No legal maternity leave is given as required by law. Pregnant workers can only apply for unpaid leave. However, according to the Labour Law, as well as the Regulation on the Protection of Women Workers, female workers are entitled to no less than 90 days of maternity leave.

9. No support system, no union representation

Not surprisingly, PlayFair found that there is no workers' organisation, workers' committee or council, or even a branch of the official trade union the ACFTU. The only possibility for workers to express opinions on their working and living conditions is to give these to their line supervisor or the personnel department.

Yue Wing Cheong Light Products (Shenzhen) Co. Ltd

The PlayFair investigation team conducted interviews with workers in the two official, licensed bag manufacturers for the 2008 Beijing Olympics. The following is a report on the working conditions at **Yue Wing Cheong Light Products (Shenzhen) Co., Ltd.** in Shenzhen.

¹³ Qing Gongye – literally Light Industrial Goods



PlayFair found that this large, successful manufacturer systematically pays its workforce less than 64.6% of the legal minimum wage for the area. The company pays its workers on a very low piece rate basis and requires them to work 13 hours a day with few, if any, days off during each month. The practice appears to have been the norm before the company became an official licensee of 2008 Beijing Olympic Games goods. Worse still, it appears to have taken a great deal of effort to hide from previous and current inspectors.

In addition, the company appears to have no regard for health and safety issues. Dust, cotton and linen fabrics, and fluff from all the various materials are thick in the air in the workshops, making breathing uncomfortable. The existing ventilation system cannot remove the materials and no masks are provided to protect the workers from breathing in the small particles every day. In the weaving division, workers are exposed to hazardous dyeing agents, creating painful sores on their hands.

Ownership:

Hong Kong capital (established in 1978) and later with headquarters in the United States

Yue Wing Cheong Light Products (Shenzhen) Co. Ltd.



Source: <http://www.ywcmfg.com/>

Olympic Games Licensee

Yue Wong Cheong Light Products (Shenzhen) Co., Ltd. (YWC) was named one of the two official licensed bag manufacturers for the 2008 Beijing Olympics (www.ywcmfg.com/index.htm). The company produces 50 different items which carry the 2008 Beijing Olympics logo.¹⁴

¹⁴ "China's Logo Crackdown" *Wall Street Journal* Nov. 3, 2005. Cited on the National Association of Manufacturers' website: www.nam.org/s_nam/sec_illum.asp?CID=202260&DID=235608.



Yue Wing Cheong Light Products (Shenzhen) Co., Ltd., a designated supplier of Beijing 2008 Olympic Games (Source: PlayFair)

Manufacturing base in Shenzhen:



The bag manufacturing plant based in Longgang District, Shenzhen (Source: PlayFair)

YWC's manufacturing complex in Shenzhen is very large, consisting of five factory buildings, Blocks K, A, B, C, and D (with about 3,000 production machines), and a 3-storey dormitory, canteens, a clinic, recreation facilities (a library, basketball field and pool table) and convenient stores.

Address: Jixia Village, Buji Town, Longgang District, Shenzhen, Guangdong, China
Tel: 0755-2874 9121 (ext. 8066)

Fax: 0755-2874 9877

U.S. headquarters and sales office:

Yue Wing Cheong Manufactory, Ltd.

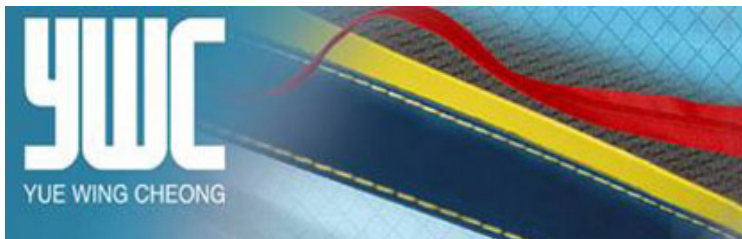
Address: 601 Washington Avenue, Suite 250, Newport, Kentucky 41071, USA

Tel: 859-291-3100

Fax: 859-291-3113

E-mail: ywcma@ywcmfg.com

Products:



Cooler bags, sports bags, computer bags, diaper bags, cosmetic bags, insulated bags, briefcases, backpacks, lunch bags, handbags, purses, and plush toys.¹⁵

Other customers mentioned:

According to the website the company also produces bags for international companies, such as Disney, Nike, Reebok, Wal-Mart, Home-Depot, Burberry, Marykay and Dell.

There are at least five serious problems with the working conditions at YWC.

1. Wages less than 64.6 percent the legal standards

YWC claims to uphold “strong business ethics and labour standards” and “the factory and labour practices are reviewed annually by independent inspection firms representing major US corporations including Disney, Wal-Mart, and K-Mart Stores to name a few,” according to the company’s website.¹⁶ However, PlayFair found to our disappointment that the firm’s actual practices are no better than most of the small and medium-sized sweatshops in southern China.

All the workers (excluding those working in Block K) complain of exploitation. They normally work 356 hours a month (174 hours plus overtime work), earning a mere 778.4 yuan¹⁷ a month on average. This wage is 64.6% *below* the legal rate. Table 1 details the difference between the company’s calculation of monthly wages and that based on the current legal minimum wage rate in Shenzhen outlying districts:

Table 1: Comparison of company’s wage rates and legal standards

	<i>YWC's Pay System</i>	Yuan	<i>Legal Minimum Wages</i> (Shenzhen outlying districts)	Yuan
Basic wage	Typical salary at YWC is 25 yuan/day x 30 days in a month	750	On the basis of 8 hours/day x 21.75 days (174 hours/month)	700
Overtime Pay (OT) rate on weekdays	Additional 0.7 yuan/hour (5 hours/day x 22 days = 110 hours; Total OT on weekdays = 110 hours/month)	77	6.03 yuan/hour (4.02 yuan/hour x 1.5 times); 5 hours/day x 22 days = 110 hours/month	663
Overtime pay (OT) rate on Saturdays and Sundays	Additional 0.7 yuan/hour (5 hours/day x 4 Saturdays = 20 hours plus 13 hours x 4 Sundays = 52 hours; Total weekend OT = 72 hours/month)	50.4	8.04 yuan/hour (4.02 yuan/hour x 2 times); 13 hours/day x 8 weekend days = 104 hours/month	836
Bonus	Perfect attendance bonus	50		
Charges for food	Food	-120		

¹⁵ Source: Company website, www.ywcmfg.com/index.htm

¹⁶ See “Ethics” section on the company’s website, www.ywcmfg.com/ethics.htm

¹⁷ Ten Yuan (RMB) is around 0.97 Euros.

Rent charged	Dormitory space	-10		
Utility charges	Water and electricity	-15		
Insurance	Medical insurance	-4		
Total Wages		778.4		2,199
Less	Wages less than legal rate	1,420.6 [64.6%]		

PlayFair had expected that a company designated as an official Olympic Games licensee and one with such a clearly stated commitment to good business ethics would uphold a higher standard, yet the wages paid to the majority of the workers are well below the legal minimum wage of 4.02 yuan per hour (700 yuan/21.75 days/8 hours).



Women workers sewing bags (Source: PlayFair)

One woman worker explained the situation:

“Our wages are calculated by using the piece rate method, so we all have to work very hard to earn around 1,000 yuan a month. Many workers stay behind an extra 10 minutes just to do a few more pieces. For the product I make the rate is 0.8 yuan a dozen. It takes 20 minutes to do one dozen. In one day, I can do 30 to 40 dozens. I make around 20 yuan per day. We have to keep track of our own output, so we can verify our numbers with the company’s number to make sure they pay us the right amount at the end of the month. There is no overtime (OT) pay rate. The rate per piece is the same as during normal working hours. The company said we’d get an extra 0.7 yuan per hour during the OT sessions, but in reality, the extra money goes to pay for our meals.” [Ed note: The company provides meals during the OT sessions].

The workers do not receive a breakdown of their take-home pay each month, making it difficult to verify the company’s calculations.

2. Long working hours

Most of the YWC production staff on the shop floor work 13 hours a day (i.e., 8 hours normal time plus 5 hours overtime). Table 2 shows a typical working day:

Table 2: Typical work schedule

	Time	Hours
Morning session	7:30 to 11:30	4 hours
Lunch:	11:30 to 13:30	2 hours
Afternoon session	13:30 to 17:30	4 hours
Dinner	17:30 to 18:45	(1 hour 15 minutes)
Evening (OT session)	18:45 to 23:45	5 hours
Total hours worked/day		13 hours

Workers complain that they often do not have even one day off a month. There is no peak or low season, and the workers complain that they work night and day all year long.

Below is a typical complaint from workers of YWC:

“Block K is the newest factory building and the environment is very good. The wages are higher there than in the other blocks [A,B,C,D]. Many workers want to transfer to Block K, including me. Working in Block D is very tiring. I sit behind the machine all day every day [from 7:30am] until 11pm. My bum gets numb and my right leg hurts. I can’t walk now without my leg hurting.”

3. Health and safety hazards

According to those interviewed by PlayFair, the factory has health and safety problems that need urgent attention.



Stacks of flammable fabrics on the shop floors (Source: PlayFair)

In Block B, for instance, there is a cutting room on every floor. The main purpose of the cutting room is to cut the large pieces of fabric and other textiles. Workers complain about the dust and fluff from the various materials flying all over the place in these rooms. The factory does not offer the workers any protective gear. If a worker wants to wear a mask, she must buy it herself.



A sewing worker sits on a stool (without a back) the entire work shift (Source: PlayFair)

In the Handbag division of Block B, there are three workshops located in B2, B3 and B4. Each workshop has about 150 workers, operating 200 electric sewing machines. The main task is to sew the different handbag pieces.

The compensation (by piece) for completing the stitching of one dozen pieces varies between 0.5 and 3 yuan. Ergonomic problems like back and leg pain are common in these workshops. Workers sit on a stool (without a back) the entire 13 hours. They use their right foot to control the machine and their hands to control the sewing process. After 13 hours of intense work, many women said that their right leg is sore and the backside is completely numb.

In these sewing workshops, there are stacks of flammable fabrics, but there are inadequate fire extinguishers. The workers have not had any fire safety training, and if there were a fire, the results could be disastrous, PlayFair was told.



A very small number of fire extinguishers on site in the plant (Source: PlayFair)

In the Tape Weaving division, the workers are exposed to dyeing agents, which are very harmful to their hands. With prolonged exposure, the chemicals will eat at the skin and the next layer of tissue on their hands, creating painful sores. With these open sores, workers find it difficult to take a shower or wash their clothes by hand, the common practice. One woman, interviewed by PlayFair, with open sores on every finger of her left hand, replied angrily:

“Of course, no one wears protective gloves here! Wearing gloves will slow you down and the supervisor will think you’re arrogant. If you want to wear gloves, you can forget about working here.” (Don’t your hands hurt?) “Of course, they do! Even if I don’t put them in water, they still hurt. But putting them in water is the worst. My hands hurt so bad when I wash my clothes with laundry detergent. The detergent gets in the sores and it hurts so bad it makes me cry.”

Dust, cotton and linen fabrics, and fluff from all the various materials are thick in the air in the cutting rooms, making breathing uncomfortable. The ventilation system in use cannot remove the materials and no masks are provided to protect the workers from breathing in all the small particles every day.

4. Difficulty in resigning

The workers told PlayFair that it was very difficult to quit without forfeiting at least one month’s wages, unless he or she has worked at the factory for one year. But many find the continuous overtime unbearable and try to resign with the approval of management before the end of one year. This is called “mission impossible.” Most do not get their resignation approved, and are forced to quit, forfeiting at least the current month’s wages.

Only in rare cases can a staff member leave the job without having at least one month’s salary withheld. The company discovered that one of its employees had been only 15 years old and using a fake ID when she started working at the company. She was asked to go home and apply for her own identity card, then come back and re-join using her real identity card. Due to the fact that it was the company that had asked her to leave, the company did not withhold her salary.

5. Deceiving the buyers’ inspectors

YWC clearly is aware of the poor working conditions in its factory and takes pains to cover them up, especially the low level of wages. It was very disappointing to find this is a regular practice in this Olympic Games licensee.

Inspectors sent by the company’s major buyers visit the factory every month, according to YWC workers interviewed by PlayFair. Management previously prepared two salary slips for each worker. One was a *fake* slip on which the worker’s salary was calculated according to the law, that is, according to the right hand column of Table 1; the other one was the *real* salary slip, calculated as shown in the left hand column of the same table. The workers were told to show the inspectors the fake slip which followed the labour law. In order to prevent its workers from showing the inspectors the real salary slip, management decided to stop giving workers the real salary slip all together. From October 2006 onwards, the workers have signed their names on a record sheet when they receive their salary, and these salary records are kept by the manager. Workers are then told to memorize the “correct wage calculations formula” and give these to the inspectors if they are picked to answer questions.

In addition, the personnel office forces the workers to sign a statement saying they have completed extensive training on 11 subjects, such as anti terrorist training, environmental policy and fire safety. In reality, according to PlayFair’s findings, the factory does not provide training in any of these areas and the signed documents are merely for the consumption of the inspectors.

6. Food and accommodation



Food provided by the factory cafeteria at 120 yuan per month (Source: PlayFair).

Workers find the quality of the food and accommodation at YWC satisfactory. However, they complain that the charge for food at 120 yuan a month is too high. For that fee, the factory cafeteria provides just two meals a day. Workers who choose to eat outside the factory are not charged for food, but the cost of eating outside is higher.



A 3-storey workers dormitory (Source: PlayFair)

The factory provides dormitory rooms for all its workers and deducts a fee of 12 yuan a month for rent and 15 yuan a month for water and electricity. Eight workers share one room. There are private lockers for each worker. Most of the workers live inside the factory complex, but some married couples live outside and will normally pay about 200 yuan a month in rent. The factory does not subsidize their rent payment.

7. Excessive fines and punishments

Managers punish workers severely if they miss work without permission. For example, an entire month's wages could be deducted from a worker's pay and she could be dismissed if she misses 3 days of work in one month. This harsh rule effectively prevents absenteeism, since workers will have to quit the job without pay.

8. No legal maternity leave

No legal maternity leave is given as required by law. Pregnant workers can only apply for unpaid leave. However, according to the Labour Law, as well as the Regulation on the Protection of Women Workers, female workers are entitled to no less than 90 days of maternity leave.

9. No support system, no union representation

Not surprisingly, PlayFair found that there is no workers' organisation, workers' committee or council, or even a branch of the official trade union the ACFTU. The only possibility for workers to express opinions on their working and living conditions is to give these to their line supervisor or the personnel department.

Eagle Leather Products Company Ltd.

PlayFair conducted interviews with workers from the two officially licensed bag manufacturers for the 2008 Beijing Olympics. The following is a summary of our findings on the working conditions at one of those manufacturers, **Eagle Leather Products Co., Ltd.**, a sub-company of the Silver Billion Group (<http://www.silverbillion.com>)



Eagle Leather Products was neither the best nor the worst employer that PlayFair researched. Its staff were not unhappy with the wages that they received, and it is believed they were paid in accordance with the minimum wage scheme for the area. However, the long periods of forced overtime and heavy penalties for any missed time can only be characterized as harsh and exploitative labour practices, unacceptable for a Hong Kong company and one designated as an Olympic Games licensee.

Eagle Leather Products Co. Ltd.

Eagle Centre, Min Zhu Xi Rd, Shijie Town, Dongguan, Guangdong, China 523024
Tel: 86-(0)769-8663 3628 or 8628 7222
Fax: 86-(0)769-8663 3464

Ownership:

Hong Kong

Parent company:

Silver Billion International Enterprises Ltd.
Tel: +86 769 8663 3628 or +86 769 8628 7222, Fax: +86 769 8663 3464
Email: info@silverbillion.com / Website: www.silverbillion.com
www.hxgift.cn/Web/silverbillion/en/index.html



Eagle Leather Products, founded in 1995, is a manufacturing facility within the compound of Eagle Centre in Dongguan, and is owned by a Hong Kong company, Silver Billion International Enterprises Ltd.

Eagle Leather Products Co., Ltd. is both a manufacturer and distributor of official Beijing 2008 licensed products, in particular, backpacks and travel bags. According to the employees' estimates, orders for Olympic Games' products now constitute more than 50% of the company's total orders.



Above are examples of products made by Eagle Leather Products Co., Ltd.

(Source: China Commodity Net http://ccn.mofcom.gov.cn/rzqy/show.php?ls_fileno=10266910)

The company employs a workforce of about 200 on the shop floor. These workers are between the ages of 16 and 30. They are divided into 8 smaller work units, responsible for sewing, quality control, materials preparation (webbing, zippers, hardware, fabrics, liners, nylons, leather, embroidered items, polyester, cotton, PVC materials, etc.), and other aspects of production.

1. Long working hours

In the bag-making industry, 90 to 120 days is the normal turnaround time, i.e., from receipt of an order to the shipping of the finished goods, and occasionally the lead time is even shorter. Most production workers are made to work 7 days a week, 30 days a month. A "standard" work day is 8.5 hours. Overtime is common and is done between 7 and 9 pm. Sometimes, the staff are asked to work until 11 pm without a break to fill rush orders. They could work more than 300 hours in one month, 140 hours of which is overtime and well in excess of the Labour Law's 36-hour maximum monthly limit.

According to those interviewed by PlayFair, production workers were forced to work overtime until 11:30pm on consecutive 15 days between 6 and 20 January 2007.

'We're so exhausted, trying to get the "Olympic bags" done in time! Every one of us works till very late. And the following day we still go to work at 7:30am! What sort of life is this?'

"To hell with the Olympics product, I am so tired. When we make loud complaints, our supervisor did not react negatively because he also wants everyone to work at a more relaxed pace, and not rushing all the time"

In other words, they endured long working days of 13 hours (an 8.5 hours normal day shift plus 4.5 hours of overtime between 7 and 11:30pm) for more than two weeks, without any time off during that period.

2. Delays in payment of wages

The factory workers are paid by the piece, and management follows the local practice of paying wages in arrears: Workers can only get their January wages some time between 2 and 10 March. This is a violation of the Labour Law.

Workers state that wages are satisfactory in this factory. They are paid between 800 and 1,000 yuan a month, excluding overtime pay. In addition, workers are entitled to the legal minimum wage as set by the government in Dongguan (currently set at 690 yuan a month, effective 1 September 2006).

3. Excessive fines and punishment

The management restricts workers toilet breaks to just 15 minutes. If they spend more time than that in the toilet, they are fined 30 yuan. In addition, managers punish workers heavily if they miss work without permission. For example, workers will have 3 days' wages deducted if they miss a day of work. This harsh rule effectively eliminates absenteeism.

Other rules are very arbitrary. For example, one young male worker was fired, because he refused to cut his hair. He left the factory in December 2006 without any compensation.

4. Lack of medical insurance and social security

The Labour Law requires employers to provide some form of insurance to all employees, including pensions and medical insurance of some sort but workers on the production lines told PlayFair that they have no insurance.

5. Substandard food and accommodation

Workers were very unhappy with the poor quality of food in the factory canteen, even though the meals are provided free of charge.

"We have to eat vegetables almost every day, but they're awful. The cabbage doesn't even taste like cabbage. There is always

something in the dish that you don't really want to see. So we just close out eyes and swallow it all in one gulp."

Another female worker added: "The things cooked there (in the factory canteen) are not for people to eat. Even a pig wouldn't eat it."

However, most workers force themselves to eat in the factory canteen, because there is no food allowance for those who want to eat outside the factory complex; "It's disgusting food, but we have to eat it." While factory managers often criticize the workers for wasting food, workers contend it is not that they want to waste food but they are compelled to do so. In the end, workers work long hours and lack proper nutrition. Many lose weight and their health can be seriously threatened.

In the factory dormitory, 14 people share each room, sleeping on seven bunk beds. As such, the living arrangements are crowded and noisy. Many workers complain that they have difficulty falling asleep before midnight. Management and security in the dormitories is also lacking and workers said there is lots of theft of personal items, ranging from cell phones to toothpaste. One worker said, "There's no solution. I have to stay alert all the time."

6. Dubious hiring practices

Workers are openly recruited. New workers are required to undergo a physical examination at a local hospital and the 45 yuan fee for the examination is deducted from their first month's salary. The factory does not provide any formal safety and health training to new workers, as required by law.

Officially, the factory requires that all workers be aged 18 or above. However, PlayFair was told by the interviewees that there were around 20 teenagers below the age of 18 working in the factory, chiefly because of the current labour shortage in the region.

7. Hazardous working conditions

The workers interviewed by PlayFair reported that the air in the painting rooms is very unhealthy. The smell of paint is so strong that the workers in this unit frequently feel dizzy and light-headed. The workers are not given any masks or other forms of protection from the fumes. In the summer, some of the workers in the painting rooms feel so unwell that they have to apply for a day-off. However, only one out of five such requests are granted, and three days' wages are deducted from a worker who takes a day off without permission.

8. No legal maternity leave

No legal maternity leave is given as required by law. Pregnant workers can only apply for unpaid leave. However, according to the Labour Law, as well as the Regulation on the Protection of Women Workers, female workers are entitled to no less than 90 days of maternity leave.

9. No support system, no union representation

Not surprisingly, PlayFair found that there is no workers' organisation, workers' committee or council, or even a branch of the official trade union the ACFTU. The only possibility for workers to express opinions on their working and living conditions is to give these to their line supervisor or the personnel department.

Mainland Headwear Holdings Limited



www.mainlandheadwear.com

The Group, established in Hong Kong in 1986, is engaged in the design, manufacture and distribution of headwear. Its manufacturing plants are based in Shenzhen, Dongguan and Panyu cities in Guangdong, southern China. According to the Mainland Headwear website and financial Report of 2006, in addition to holding a manufacturing and distribution license for the headwear of the 2008 Beijing Olympics as well as the worldwide exclusive manufacturing rights, and the distribution rights in China (including Hong Kong) and Japan, for FIFA branded headwear, the Group continues to explore business opportunities for new headwear manufacturing and distribution licenses for high profile events. PlayFair investigated the working conditions of its Shenzhen operation by interviewing both current and previous employees.

PlayFair found that workers are forced to do overtime work for as many as 5.5 hours on weekdays and Saturdays, far exceeding the legal maximum limit of 1 to 3 hours overtime a day (or a total of 36 hours in a month). PlayFair also found that both the piece-rate workers and those working on an hourly basis are severely underpaid, respectively 57% and 35.7% less than the legal minimum standards, making merely 800 to 1,200 yuan a month. We also found that workers were coached to provide false answers to inspectors.

Ownership

Hong Kong

Olympic Games licensee:

Mainland Headwear Holdings Limited "has been granted sole rights by the Beijing Olympic Games Organizing Committee to produce hats with the Olympic insignia and to sell them to officially designated department stores, initially in Beijing but later in other mainland cities."

<http://www.china.org.cn/english/sports/103555.htm>).

Listed company:

Mainland Headwear was listed on the main board of the Hong Kong stock exchange in December 2000.

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Manufacturing base in Shenzhen:



The company's manufacturing facility in mainland China is the Shenzhen Buji Zhenhan Arts Factory, located in the Xiufeng Industrial Zone, Buji Town, Longgang District, Shenzhen outlying zone, Guangdong. The plant has a total of 3,000 employees, about half of which are women.

A new factory building is now being built adjacent to the existing Shenzhen factory. This will eventually increase the production capacity by about 40%¹⁸

Products:

The company is licensed to produce casual headwear products, including baseball caps, bucket hats, winter caps, gatsby hats, headbands and sun visors. In all, Mainland Headwear produces more than 30 million hats a year.

Other Customers mentioned

On the website other customers mentioned include Warner Brothers (Batman and Robin, Superman, and Star Wars); NBA, MLB, NCAA, NHL, Manchester United Football Club, Reebok, Timberland, Ellesse, Fila and Diadora. Kangol, NASCAR, Titleist, Quiksilver, and Budweiser. (See www.mainlandheadwear.com.)

Retail outlets

The company has expanded its business to include retailing with the following partners: **LIDS Store (U.S.)** was launched with outlets opened in Hong Kong and mainland China under a license agreement with Hat World Corp of the U.S. in 2004; As of 31 December 2006, the total number of LIDS outlets reached 38. **Hello Kitty (Japan)** was opened in China in March 2005; **Kangol stores** were opened by jointly Kangol (U.K) and Mainland Headwear in China in December 2005; and **Sanrio stores** were either owned by the Group (44 stores) or under franchising terms (30 stores) in China, as of 31 December 2006.



¹⁸ Mainland Headwear announces 2006 annual results-
www.mainlandheadwear.com/chi/introduction/content.asp.

1. Wages below legal minimum, excessive working hours

Mainland Headwear Holdings Limited may be a publicly listed company with the majority of its profits from manufacturing, however it has demonstrated management practices and corporate social responsibility on a par with the average low margin sweatshops in the region¹⁹. Most workers interviewed by PlayFair said wages at its Shenzhen plant were, in fact, *lower* than the legal minimum standards.

Both those employees working on a hourly-rate basis and those working on a piece-rate basis normally work 13.5 hours a day, 26 days a month (22 weekdays plus 4 Saturdays). On average, a piece-rate worker earns around 800 yuan a month, and those working on hourly basis earn around 1,200 yuan a month. Both these figures include the average overtime payment and perfect attendance allowance. Thus, a piece-rate worker earns only around 2.28 yuan an hour, and those working on an hourly basis earn around 3.42 yuan an hour.

As of 1 July 2006, workers in the Buji area in Shenzhen outlying district are entitled to a minimum wage of 700 yuan a month or 4.02 yuan an hour, for an eight-hour work day, five days a week. The law also states that workers should be paid one and a half times the normal hourly rate for each hour overtime worked on Monday through Friday and twice the normal rate for each hour worked on weekends. According to the Shenzhen government's most recent minimum wage adjustment, the legal monthly wage for a worker working 13.5 hours a day, six days a week should be:

Wages (basic plus overtime) in accordance with the legal standard	Total (Yuan/Month)
Basic monthly wage for normal 8-hour, 5-day work week	700
Weekday overtime: 5.5 hours x 22 weekdays x 4.02 yuan/hour x 1.5	729.63
Weekend overtime: 13.5 hours x 4 Saturdays x 4.02 yuan/hour x 2	434.16
	1,863.79

From the above, it is clear that both the piece-rate workers and those working on an hourly basis have been severely exploited.

- ◆ Those who are paid **by the piece rate** are the lowest paid, 57% or 1,063.79 yuan below the minimum monthly wage,
- ◆ Those paid **by the hour** are slightly better off. However, their pay is still 35.6% or 663.79 yuan below the minimum wage level.

In addition, Article 41 of the Labour Law states that the maximum overtime per day should not exceed 3 hours, and the maximum overtime a month should not exceed 36 hours in total. In reality, the average overtime is 5.5 hours per day (including weekends), and the monthly overtime can be greater than 175 hours (5.5 hours x 22 days = 121 plus 13.5 hours x 4 days = 54), or 5 times the legal limit.

Even if the workers actually wanted to work overtime to make more money, the overtime rate is substantially below the government's rate, and the overtime work demanded by the factory (without rest) is too high. Another problem is that

¹⁹ Source: www.hkma.org.hk/qa/Summary_Mainland.pdf, page 40.

there is no clear breakdown in the payroll slip that workers receive. Thus, they cannot see how management has precisely calculated their overtime work.

2. Difficulty in resigning

Since the working conditions are exploitative, many workers want to resign but the factory usually refuses to accept the resignation. Without this acceptance, the worker will lose at least one month's pay (ranging from 800 to 1,200 yuan on average) and a 100 yuan deposit by walking off the job. Workers said that this is a typical practice in factories in Shenzhen outlying districts. One male worker said:

"I have worked here for 3 years and I handed in my resignation letter four or five months ago, but it was never accepted. So, I had no choice but to walk off the job (the term in Chinese is 'leave voluntarily' zi yuan likai) in January 2007, and lose one month's salary plus the 100 yuan deposit."

Another worker, who took the step of 'leaving voluntarily', told PlayFair:

"I'm finally liberated! This factory overtime is too much and too tiring. Everyday we work until 11:30pm [after starting at 7:30am]. All the workers in my unit have left!"

"Even if you want to quit, it won't be accepted, so many workers skip work for 3 days in order to get themselves fired. Then, you can at least get your pay for the previous month [but not the current month]. So walking off [the job] is a common way for workers to get out of this factory."

3. Hiring practice

One worker interviewed by PlayFair said he was 16 years old (born in January 1990) when he started working at the factory. Initially, he was not hired because of his age. Then, he got a fake identity card showing that he was older and the factory hired him. He said:

"There are [minors] working who are younger than me. It's difficult for the factory to tell one's age. If you have a fake identity card, you can get hired by this factory."

The hiring of underage children who use fake identity cards is common in China. However, the fact that a publicly listed company and an Olympic Games licensee should engage in this practice is very disappointing.

4. Misleading inspectors and customers

One of the most surprising discoveries made by PlayFair researchers was that this listed company coaches its workers on how to answer inspectors sent by their clients to view the factory's operations. Workers were told to lie about:

- the basic wages equaled 700 yuan per month (for 8-hour a day and 5-day work week) even if it did not;
- the overtime rate at 1.5 times the normal rate for weekday overtime and twice the normal rate for weekend overtime, when in fact the rates were much lower than the legal requirement.
- the rest days of a two-day weekend break, when in reality, there is only one-day break on Sunday or no break at all, especially during the peak season;
- the employment contract, when in fact the workers were not given a copy

of their contract. They sign a document when they are employed, but it is not the standard and fair contract approved by the Labour Bureau and they were not given a copy of their own.

PlayFair was told that sometimes visiting inspectors will interview workers at random, and if the workers tell the truth, that is, do not give the prepared answers, they are fired immediately and charges such as prepaid meal fees are deducted from their wages. However, if the workers give the prepared answers to the inspectors, they will each be rewarded 100 yuan.

5. Health and safety hazards

Work intensity is extremely high, which is due to the very large output in volume per month. Frequent changes in headwear design pose challenges to new workers. The dust level from all the different fabrics in the weaving, sewing and cutting rooms is high, and workers find it very uncomfortable to work in these rooms, especially for a 13 or 14 hour shift. The ventilation system is insufficient to remove the dust and fluff.

6. Food and accommodation

The workers find the food and accommodation in this factory satisfactory. The factory cafeteria provides three meals a day free of charge. Workers can also choose to eat outside.

The factory provides dormitory rooms to workers, deducting just 10 yuan a month in rent. There are eight people in each room, sleeping on four bunk beds. Most of the workers live and eat inside the factory grounds, but some married couples live outside. There is a special allowance of 50 yuan a month for those married workers renting accommodation outside the factory complex.

7. No legal maternity leave

No legal maternity leave is given as required by law. Pregnant workers can only apply for unpaid leave. However, according to the Labour Law, as well as the Regulation on the Protection of Women Workers, female workers are entitled to no less than 90 days of maternity leave.

8. No support system, no union representation

Not surprisingly, PlayFair found that there is no workers' organisation, workers' committee or council, or even a branch of the official trade union the ACFTU. The only possibility for workers to express opinions on their working and living conditions is to give these to their line supervisor or the personnel department.

CONCLUSIONS

The findings in this report are extremely worrying – child labour, excessive working hours, routine underpayment of wages and blatant disregard for Chinese labour laws are not minor imperfections that can be easily explained away.

These conditions are common in the sportswear, toy, electronics goods supply chains - in one sense, the working conditions we have highlighted in these factories producing Olympic logo goods are no different from those which prevail in the many thousands of workplaces scattered throughout China. PlayFair also urges brand companies and buyers to take responsibility for the conditions in

which their goods are produced. The four factories we monitor in this report not only produce for the Olympics but also for a range of well-known international companies, many of whom have codes of conduct which clearly are not being implemented. They are also responsible for ensuring working conditions are fair.

What is specially damning about these particular factories is that these factories have been officially awarded licenses to produce goods worthy of the spirit of "Olympism" - producing goods aimed at "*promoting the Olympic Ideals and the Olympic Brand*"

PlayFair therefore urges the IOC to step up to the starting line and take charge of the preparations for the Olympic Games in Beijing in 2008 by ensuring that Chinese workers are not being abused in the race to take the gold in the Games. It is time for the IOC to finally put in place a mechanism for ensuring that those businesses with which it is associated adhere fully to the Olympic Ideal.

PlayFair also urges the Chinese government – along with governments around the world – to ensure that working conditions such as these are eradicated and that companies exploiting workers are brought into line.

Consequently, PlayFair 2008 calls upon the International Olympics Committee to:

- *Require from the host countries, starting with China, that Olympic licensed production meets core labour standards and where it has been found not to meet such standards the IOC takes it upon itself to work with the host country to rectify the situation*
- *Make it a condition for future Olympic Games events that the host country must have ratified, implemented and respected the core ILO conventions*
- *Require that, as a contractual condition in its licensing, sponsorship and marketing agreements, labour practices and working conditions involved in the production of IOC branded products comply with internationally recognized labour standards*
- *Commit resources to undertake proactive investigations of working conditions and to establish mechanisms for ending abusive and exploitative labour practices in IOC and NOC supply chains, including substantiated complaints.*
- *Commit to promoting publicly the necessity to end the exploitation and abuse involved in the sportswear and athletic footwear industries.*
- *Ensure that respect for workers' rights is an integral part of the Olympic Charter and of the IOC Code of Ethics.*
- *Support efforts to ensure respect for workers' rights in other aspects of Games-related employment.*

In addition we call upon the National Olympics Committees (NOCs) and the Organising Committees of the Olympic Games (OCOGs), including Beijing to:

- *Work through the IOC to put in place mechanisms for ending abusive and exploitative practices as described above.*

- *Use their influence on companies operating in their country and national team sponsors to push for this campaign's demands.*
- *Require that the NOC publicly discloses the names of those companies with which it has licensing, sponsorship and marketing agreements.*
- *Require that, as a contractual condition in its licensing, sponsorship and marketing agreements with companies, that they publicly disclose their production locations and ensure that labour practices and working conditions involved in the production of NOC branded products comply with internationally recognized labour standards.*