

**“Easy to manage”**

**– A report on Chinese toy workers and  
the responsibility of the companies**

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SwedWatch is a non-religious, non-political NGO. Its mission is to scrutinize and publish reports on social and environmental concerns in connection to the activity of Swedish related companies abroad. You will find more information about SwedWatch on [www.swedwatch.org](http://www.swedwatch.org). Please contact SwedWatch by calling +46 (0)8-602 89 50 or via [info@swedwatch.org](mailto:info@swedwatch.org).

## FAIR TRADE CENTER

The Fair Trade Center is a non-profit NGO working with consumer information on company business activities in developing countries. On the Fair Trade Center website, [www.fairtradecenter.se](http://www.fairtradecenter.se), it is possible to order the documentary *Santa's Workshop*. The film is based on the research carried out for this report. Please contact the Fair Trade Center by calling +46 (8)-643 43 64 or via [info@fairtradecenter.se](mailto:info@fairtradecenter.se).



Forum Syd - Organisations cooperating for global justice. Close to 200 Swedish organisations working to provide development assistance, information and to form public opinion on global issues have gathered under Forum Syd's umbrella. Collectively, their work is known as development co-operation. Members range from big popular movements with annual budgets measured in hundreds of millions of Swedish Kronor per year, to small local associations supported by the voluntary work of just a few dedicated individuals.

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## Foreword

You are holding before you a report about the making of your toys, a report about the rapid transfer of manufacturing to China, about the migrant workers at the assembly line, about the global competition, about the responsibility of the Swedish companies for the consequences of their trade, about the consumer and the shareholder, about you and me.

The report is the result of one year's research work. In May 2004 a study was carried out on the ground at Guangdong in China where a large part of the toy manufacturing takes place. In February 2004 Hong Kong Christian Industrial Committee, HKCIC, carried out an inquiry of nine companies who supply toys to the Swedish market. The inquiry was performed on demand of SwedWatch and Fair Trade Center. HKCIC carried out interviews with workers outside the suppliers' factories.

The interviews with the workers show that the working conditions often are severe. Working hours of 14 hours per day, seven days a week, all days in the month are not unusual during the peak season. To that is added a dangerous working environment, a non-existent health and safety education, and low wages. This means that the suppliers of the Nordic companies are violating the Chinese legislation, the ILO conventions as well as their own codes of conduct. Companies concerned are Coop, Top Toy (BR-toys and Toys R Us), Brio, Disney, Wal-mart, Mattel, ICA and Åhléns. Social inspections that are undertaken by the companies have not succeeded in disclosing these problems. Instead the majority of the suppliers make use of different systems to circumvent the controls.

This report tells about the violations of workers' rights in the export industry of China and the manner in which the Nordic toy companies are linked to these violations. Furthermore, the report develops possible reasons of why the companies' ethical demands have not led to more improvements.

I direct a very big thank you to Parry Leung and Monina Wong at Hong Kong Christian Industrial Committee (HKCIC), Liu Kaiming, Deng Xin and Chenyan Liu at Institute of Contemporary Observation (ICO) and Merina Fung at Chinese Working Women Network (CWWN).

Kristina Bjurling  
October 2004

## Summary

In the past year SwedWatch has carried out research on the Nordic companies' purchase of toys in China. We have found that violations of the workers' rights are recurrent phenomena in the manufacturing of toys that we give to our children. In May 2004 SwedWatch carried out an inquiry on the ground in Guangdong, China. Currently, more than 75 percent of the total toy production takes place in China, a country where the workers risk long imprisonment if they follow their basic human rights. The toys are foremost produced by young female guest workers from the north of China.

SwedWatch has chosen to focus our research on some of the largest toy selling companies in Sweden, Top Toy (BR-toys and Toys R Us), Brio and Coop. Other international companies that are mentioned in the report are Disney, Wal-mart and Mattel. Toys are however also sold by many companies who purchase their material through importers. These companies do not only inflict less strict ethical demands but also have less presence in the factories in China than compared to the companies arranging their own direct import.

SwedWatch did not in any way want to risk the employment or safety of the employees. We have therefore chosen not to do any interviews with workers on our own, neither inside nor outside the plant. Instead, the Hong Kong Christian Industrial Committee, HKCIC, which has long experience of similar work among migrant workers in southern China, carried out these interviews in which the anonymity of the workers was maintained.

In February 2004 HKCIC carried out an inquiry on nine companies, which are suppliers for the Swedish toy selling companies. HKCIC interviewed around twelve workers outside every one of the plants. The inquiry was made on suppliers selected by the Nordic companies. In all probability the examined plants are thus among the companies owning better conditions. Despite this, we found breaches against Chinese legislation and the codes of conduct of the companies.

*The results of HKCIC interviews are among other things the following:*

- Eight out of nine suppliers violate Chinese legislation regarding working hours. The law allows an eight hour scheduled working day, plus a maximum of 36 hours overtime per month. On five of the plants working days reach up to fourteen hours and the workers do about 150 hours overtime per month during peak season. On six out of the nine plants the employees state that they do not have one single free day during the weeks of peak season, which lasts from about May till September.

- Five out of nine suppliers do not have any minimum wage guarantee, which conflicts with Chinese legislation. The minimum wage in Dongguan is 43 Euro and the minimum wage in the area of Shenzhen is 45 Euro. On one of the plants the workers state that their wages may be as low as 19 Euro during the low season. The wages are not sufficient for the workers to sustain themselves outside the plants, which is why a majority of the employees live in the dormitories of the plants.

- According to the Chinese legislation all employees are to be covered by both old age pension insurance and an accident insurance. At eight out of nine suppliers the employees informed HKCIC that their employers have not provided insurances for their employees.

- According to the interviews with workers outside the plants, eight out of nine suppliers offer no formal health and safety education, apart from fire drills. This absence of education is also contrary to legislation.

- Employees of all the supplier companies inform that they do not belong to any trade union or organisation pursuing their demands. None of the factory managers we spoke with had ever heard about the trade unions pursuing wage demands. If demands have been made, these have almost exclusively covered issues about food and lodging. In China organising independently is forbidden and only one state trade union is allowed; namely All China Federation of Trade Unions (ACFTU).

- Seven out of nine supplier companies are declared to be cheating when the buyers verify that their ethical rules, the so-called codes of conduct, are followed. All seven suppliers order the employees to give the buyers false answers. Two of the plants pay the employees for delivering the "right answer". Other examples of cheating are when the employee receives an "employment contract" before the arrival of the social auditors, which they later must return after the inspection, or when parts of the work force are sent away before the inspectors arrive.

The Swedish and Danish companies that take stock from the above mentioned suppliers are Brio, Top Toy, Coop, Åhléns and ICA. The Danish company Top Toy owns the toy chains BR-toys and Toys R Us in the Nordic countries and sells about 35 percent of the toys on the Swedish market. All of the companies have some set of ethical requirements for purchase; several of them have codes of conduct and inspections to see that these are complied with. The requirements cover working time, wages, health and safety, trade union rights and insurance. The plants have made improvements within health and safety, but still violate many of the other regulations.

The SwedWatch inquiry sheds light upon two main reasons to why the companies' codes of conduct are not followed by the suppliers and why the companies' own inspections are not capable of disclosing the violations of the demands or the legislation.

A basic reason to why the problems persist is that the purchasing companies are not willing to share the costs of their ethical demands. The suppliers are under great pressure due to low prices and the demand for shorter delivery times. The demand for good working conditions brings costs, but to a large extent the price trend goes in the opposite direction. The other fundamental reason is that the codes of conduct have been implemented without the participation of the workers in the plants. The employees are often not even aware of their rights and the working conditions that should be in force. They are even less aware of the actions they are able to take if these rights are violated.

Since the purchase prices and the trading conditions are not reasonable in comparison to the purchasers' demands, the suppliers feel obliged to cheat the inspections of the companies' demands. The suppliers get away with the cheating since the employees are not involved in working with the codes of conduct. The purchasers interview the employees, but the employers have already prepared the answers they deliver.

The trade union movement in Hong Kong points to the importance of the employees' participation in the enforcement of the code of conduct, if the companies are indeed serious

about improving the conditions for the migrant workers in Guangdong. An increasing number of studies point out that the companies should elaborate a follow-up of the ethical demands by actively engaging and educating the factory workers.

## Method

SwedWatch is a religiously and politically independent non-governmental organisation, which scrutinises and publishes reports on social and environmental concerns in connection to the activity of Swedish related companies abroad. SwedWatch consists of five member organisations: Friends of The Earth (Sweden), The Swedish Nature Conservation Society, Fair Trade Center, Education for Aid Activities and Church of Sweden Aid. In this case study SwedWatch co-operates with Fair Trade Center. Fair Trade Center is a non-profit association working with consumer information on companies' businesses in developing countries.

SwedWatch has undertaken the investigation, collected the information, and also written the report. Fair Trade Center is responsible for the drafting of recommendations and demands upon concerned companies and for formulating the debate to follow.

The case study of SwedWatch is founded on both second hand information from researchers, NGOs and trade unions as well as from first-hand information from concerned people at companies, workplaces and organisations. Kristina Bjurling at SwedWatch and Lotta Ekelund at LottaFilm visited Hong Kong, Shenzhen and Dongguan between May 17 and 30 in 2004. Throughout the visit Lotta Ekelund captured material for the film "Santa's workshop". During the progress of work, we have had the ambition of letting all parties air their views. Concerned Swedish companies have had the opportunity to comment on the content of the report. These comments will be appended to the report.<sup>1</sup>

### Cooperation with Chinese NGOs

SwedWatch has chosen to cooperate with the Hong Kong based voluntary agency Hong Kong Christian Industrial Committee, HKCIC, since the organisation has a long going experience of investigations of the working conditions in southern China. HKCIC was established in 1968 and aims at pursuing issues dealing with the situation of workers. The organisation works in collaboration with the independent Hong Kong trade union, Hong Kong Confederation of Trade Unions, HKCTU, founded in 1991. Since the beginning of the 1990s, support for the migrant workers in southern China has been among the most important tasks of HKCIC. In the year 2000 HKCIC revealed that the employment of children had occurred at a supplier company producing toys in southern China for McDonald's Happy Meal.

HKCIC study is only based on interviews carried out with workers outside their workplaces during the lunch or supper breaks. The organisation has taken the decision to keep the anonymity of the two researchers since they are from mainland China and might get into trouble if their names become known. Both of these are former factory workers, but have been conducting studies for HKCIC for a number of years.

The researchers have interviewed twelve employees at each plant on average. They have interviewed minor groups of four – five people, as well as single individuals. At each plant they have verified the information of the workers by cross checking with fellow workers.

SwedWatch has chosen to protect the identity of the suppliers in order not to risk other buyers choosing to break their contracts due to the contents of the reports. HKCIC, as well as Fair

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<sup>1</sup> We asked for comments from Top Toy, Brio and COOP. Unfortunately the comments from Brio and COOP are only available in the original Swedish report.

Trade Center, does not see the companies breaking contracts with the suppliers as a solution. The Swedish companies mentioned in the report know what factories and suppliers are examined in the study. In those cases however, SwedWatch and Fair Trade Center have a greater possibility to follow the measures taken by the companies. We have for the same reason, not presented the criticism made by the workers in the study conducted by HKCIC directly to the suppliers. We have instead decided to present the criticism indirectly through the Nordic companies. Another reason for not directly confronting the suppliers with this information is that it could lead to the risk of employers suppressing the workers into further silence instead of discussing solutions with the buyers and suppliers. This is also a recommendation from HKCIC. Fair Trade Center is responsible for pursuing dialogue with and appealing to the Swedish companies, which in turn are in contact with their suppliers.

One of the most difficult areas of SwedWatch's work in China has been to come up with the addresses of the suppliers. After inquiring the NGOs and the trade-associations in Hong Kong we chose to ask the companies themselves for the addresses of their suppliers. After consolidating these addresses, researches of HKCIC were able to carry out interviews outside a variety of the plants. The companies did not know that these interviews were being done until afterwards.

In other words, the study is based on a selection made by the companies<sup>1</sup>. Therefore the investigated factories most probably are among the better ones<sup>2</sup>. Despite this, we found violations of the Chinese legislation, international conventions as well as the companies' own codes of conduct.

The Institute of Contemporary Observation, the ICO, an NGO based in Shenzhen, founded in 2001, has also supported SwedWatch. The ICO works with issues regarding workers' rights, labour legislation and the social responsibility of companies. The ICO carries out research reports and educates on labour law issues. Staff from the ICO has acted as local guides and helped out with translation, transports and housing during the case study visit to Guangdong in May of 2004.

### **The selection of companies**

The toy industry consists of many stakeholders and intermediaries. SwedWatch has chosen to focus on the companies who market their own brand names towards the consumers. As a result of the consumer pressure, these companies, which are in close connection to the customers, have a strong motivating force for making changes and the middlemen of the industry are believed to be influenced by the actions of the leading companies of the business. This doesn't imply that SwedWatch looks upon the other smaller and more anonymous actors in the toy industry as being free of problems.

### **Sources**

Another difficulty specific of China is the immediate danger for workers to talk to foreigners. SwedWatch did in no way want to risk the employment or reputation of any of the workers. Therefore we chose not to make any direct interviews with the workers, neither inside nor outside the plant. Instead, HKCIC, having long experience from similar missions among migrant workers in southern China, carried out interviews where the workers have had the possibility to be anonymous. We did however on one occasion have the opportunity of meeting a group of anonymous migrant workers at the office of an NGO in Shenzhen.

## **Demands and recommendations of Fair Trade Center**

If the toy companies are to be sure that workers' rights are fully respected in their supply chains, they will need to take the following steps:

### **1. Develop and implement a credible labour-practices policy.**

The policy should call for suppliers and their subcontractors to respect internationally recognised labour standards, including all those identified by the ILO as being fundamental rights at work. It should include the right to a living wage, based on a regular working week that does not exceed 48 hours; humane working hours with no forced overtime, a safe and healthy workplace free from harassment; and a recognised employment relationship, with labour and social protection.

### **2. Use purchasing practices that do not lead to worker exploitation.**

The companies must take credible and clear steps as follows:

- Integrate labour-practice policies with current purchasing practices, to prevent the latter from undermining the factories' ability to meet labour standards.
- Make clear that the working standards are a deciding criterion when selecting suppliers – alongside indicators of price, delivery time and quality. Current suppliers should continue to be given support in ensuring that conditions improve in their workplaces.
- Stop demanding unrealistic delivery lead-times from suppliers where they result in abusive and exploitive conditions for workers.
- Negotiate fair prices with the supplier: one that reflects the true labour costs of production and allows the supplier to meet ethical labour standards, including fair working hours, payment of a living wage, provision of stable employment contracts, payment of social security, and provision of a healthy and safe working environment.
- Develop more stable and long-term relationships with suppliers and factories, enabling the latter, in turn, to engage more stable workforces on fairer terms.
- Ensure that staff responsible for the ethical policy of the company has the mandate to address unethical purchasing practices on the part of the buyers and merchandisers effectively.

### **3. Implement labour codes of conduct in ways that bring sustainable improvements in working conditions.**

Companies need to pay particular attention to the following reforms:

- Communicate in clear terms to suppliers, factory managers, and their sub-contractors that workers' rights to form or join trade unions and engage in collective bargaining are fundamental to the process of meeting labour standards, and that it is unacceptable to undermine these democratic rights.

- Work towards letting the employees' choose representatives in democratic elections at suppliers and subcontractors.
- Make sure that the employees receives education on the labour legislation in force, the ILO conventions and the companies' codes of conduct. This education shall be performed together with trade union organisations and credible local organisations with knowledge in questions regarding trade unions and labour legislation.
- Supply safe and easily accessible systems, which make it practically possible for employees to report violations of laws and codes of conduct.
- Conduct workplace inspections in conjunction with workers, trade unions, and credible local organisations, and ensure that such inspections address all forms of abuse, including insidious abuses such as prevention of trade union activities, excessive working hours, forced overtime and non-payment of overtime work , poverty wages, unfair piece-rate targets, lack of wage security especially during low seasons, exploitative terms of employment for migrant and temporary workers, and non-payment of health and maternity benefits.
- Ensure that workers have access to information on what actions have been taken to improve working conditions in their workplace as a result of an inspection or social audit; enable them to report whether these corrective actions have been taken.

#### **4. Work together to address problems in the toy industry**

The companies within the sector should take the following steps:

- Join with trade unions and other concerned organisations in assessing the impacts of the practices of sport wear industry on labour standards; identifying those business strategies and operations which are causing violations of workers' rights; and taking action to address them, giving particular attention to the need to match ethical commitments with actual purchasing practices.
- Join together with trade unions and other concerned organisations in order to promote the workers' right to form and join trade unions, and initiate a dialogue between the companies in the field with the intention of creating a framework agreement with a relevant global union federation.

#### **5. Inform the public about the working conditions in which their products are made, and provide transparent information about how their business operations affect working conditions in their supply-chains.**

The companies should take the following measures:

- Make public the information obtained about labour practices in their supply-chains, including information gathered from inspections and social audits.
- Report cases where actions taken to improve working conditions have been agreed with suppliers, and report whether these corrective actions were taken.

## **Fair Trade Center's comments on the ICTI CARE Process<sup>2</sup>**

The ICTI CARE Process is the international toy industry's ethical manufacturing program. It aims at ensuring that the industry's code of conduct, the ICTI Code of Business Practices, is followed by toy manufacturers. It is very positive that the toy industry has decided to work together in a sector wide approach to solve the problems.

However some areas namely, workers' participation, responsibility and transparency, are still weak if not absent in the proposed mechanism. We believe that the following issues would strengthen the ICTI initiative.

### **1. Workers' Participation**

The ICTI code contains specific standards regulating working, pay and safety conditions which, if they are to be complied substantially and consistently, require not only a sound management system and documentation, but also support and participation of workers on the shop floor. While day-to-day monitoring of code implementation is impossible, workers on the shop floor are able to control that the code is complied in the long run. The inadequacies of auditing are increasingly being acknowledged and complemented by the workers' participation approach in other industries and by a number of multi-stakeholder projects. ICTI should learn from this and work towards more workers' participation in their initiative.

### **2. Workers' Education**

To encourage significant participation of workers in ethical compliance and to make the complaint mechanism a meaningful one, the workforce should be educated and well informed about the ICTI code. This can only be done if workers' education is integrated on a mandatory and sustainable basis into the ICTI auditing mechanism. The ICTI should lead the industry and assist the member associations, companies and factories to conduct training not only for the management but also for rank and file workers. It should be considered as well to open the auditing mechanism for the participation of concerned labour organisations and unions for constructive input.

### **3. Responsibility of all companies**

The proposed ICTI auditing mechanism is based on voluntary application from Asian toy manufacturers and suppliers. They have to pay the full cost of their certification. While the toy factories are the main venue where compliance is measured, their performance is highly related to the buying practices and commitment of the buying companies (brand name companies and retailers from the "North"). Unilateral compliance only on the part of the (Asian) toy factories cannot be sustained. Corrective actions can only be successful with the commitment of the buying companies to review their buying policy (i.e. price pressure and ordering system).

The Asian toy manufacturers' and suppliers' responsibility is obvious. But these mostly small and medium sized companies might be overtaxed to bear all costs for necessary corrective actions. This leads to the question if these costs should be shared amongst brand name companies and retailers from the "North" and toy manufacturers and suppliers from the "South".

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<sup>2</sup> These comments are based on the International Toy Campaign's comments on the ICTI CARE process.

#### **4. Transparency**

Transparency is an indispensable condition for credibility. Since the implementation of any code of conduct is a process of different steps taken at different times it is imperative to inform the public about steps taken and planned (including the overall timeframe for the steps towards an implementation of the code).

Transparency entails giving stakeholders concerned (e.g. trade unions, NGOs, ethical investment institutions and journalists) access to basic accreditation and certification information which include:

- Lists of certified Asian toy manufacturers and suppliers put together by the buying / ordering companies,
- information given by toy manufacturers and retailers about the proportions of their certified suppliers,
- summaries about the results of audits and the performance of supplying factories and companies given by toy manufacturers and retailers on the performance for example to which extent they meet the code's requirements and
- general information about the steps and timeframes of corrective action plans.

# 1. Background

## Guangdong - the manufacturing workshop of the world

The export industry of China is strongly concentrated to the Guangdong province in southern China. Here clothes, furniture, shoes and toys are produced for the department stores in the USA and Europe<sup>3</sup>. Since the 1980's several cities of the Guangdong province have been allowed to run a more open policy than the cities in the rest of China. The first five export processing zones of China are situated in southern China and three of them are located in Guangdong. In the economic zone foreign companies are given advantageous conditions for investments. The economic policy has given rise to an enormous expansion in the region. In the export processing zone of Shenzhen there were only fields and villages 25 years ago. Today Shenzhen is a city which has more than a million inhabitants. Between 1980 and 2000 the growth of Shenzhen was in average over 30 per cent per year<sup>4</sup>. Since 1988 the political governance of China decided to make the whole of the Pearl River Delta an economic zone, "The Pearl River Delta Open Economic Zone" (PRD). The PRD is together with Hong Kong and Macao the strongest economic region in China.

The manufacturing industry of PRD often consists of plants with a foreign capital or of subcontractors of a multinational company like Nike, IKEA, IBM, Nokia, among others. Several of the cities of Guangdong have their own specialisation. In Shenzhen for instance 80 percent of the world's artificial Christmas trees are produced and 70 percent of the world's copying machines<sup>5</sup>.

The Pearl River Delta of Guangdong is the region where most toys in the world are produced. There are about 7 000 plants in and around the cities of Shenzhen, Dongguan and Guangzhou which produce about 70 percent of the toys in the world<sup>6</sup>.

### **Facts about the Guangdong province**

A great part of China's economical development takes place in the Guangdong province in southern China. The GDP growth in Guangdong was 13,6 percent in 2003.

In 2003 the province accounted for almost a third of the Chinese trade and attracted about one third of China's direct investments.

Guangdong has 78 million domiciled inhabitants and about 11 million migrant workers (guest workers).

95 percent of the factory workers are migrant workers from the countryside and 60 percent of the workers come from provinces outside Guangdong.

By 2001 over 80 000 foreign companies had made investments in Guangdong.

250 of the world's 500 largest companies have made investments in Guangdong.

Sources: Sörmark, Ulf, *Southern China – economy and development*, A report from the Swedish foreign ministry, 2004-02-06, [www.swedishtrade.se](http://www.swedishtrade.se). 2004-02-11.

Kaiming, Liu, *Listening to the Workers' Voice – A Field Research on Labor Disputes in South China*, The Institute of Contemporary Observation, the ICO, February 2004.

The whole of the Chinese market is becoming yet more open to foreign investment and trade. This is partly due to the fact that China became a member of World Trade Organisation, WTO

in December of 2001<sup>7</sup>. Since China is one of the most competitive countries in the world within the consumer goods industry, extensive trade barriers from the EU and from other countries hit China<sup>8</sup>. On the last of December 2004 all restrictions to trade with China shall however be removed, apart from customs duty. This means that the competition from China will be yet harder. The Swedish investments in China are steadily increasing, just like the trade exchange<sup>9</sup>.

### **Guest workers from northern China**

The toy manufacturing is labour intensive and the labour force low-paid. Most of them are young guest workers from the countryside. The plant owners are often from China, Hong Kong, Taiwan or Korea. "The companies take advantage of the access to cheap labour, where these workers are lured to the region from first of all other poorer provinces in the inland", writes the Swedish foreign ministry in a report from 2004<sup>10</sup>. About eleven million migrant workers are expected to work in the Guangdong province, often with poor working conditions<sup>11</sup>. The migrant workers do not have the right to move permanently due to the dwelling system of China. This means that they do not have access to among other things social insurances, medical services, health care and schooling. In practice the workers will become some second-class citizens, according to Anita Chan, a researcher who has specialised on labour law issues in China<sup>12</sup>. If for instance they are not carrying their identity documents and a temporary travelling permit they run a risk of being sent back to their home provinces with immediate effect<sup>13</sup>. This means that the migrant workers are exposed to the will of the employer.

According to Anita Chan all permits as well as the deposition at the plant may cost the worker more than the money he receives from the first month's wages. This means that the worker runs a risk of becoming indebted even before he has started working<sup>14</sup>. Guangdong has the highest income level of all Chinese provinces, but according to Anita Chan the authorities only take account of the income of those registered in the province and not the income of the migrant workers from the poorer provinces. Anita Chan maintains that this means that the official statistics are misleading.

#### **Facts about Swedish trade with China**

China is Sweden's 13th largest importing country. It is bigger than for example Spain or Russia. Sweden imports more from China than from any other developing country.

China is Sweden's largest single importing country in Asia. During 2003 the import from China increased by 25 per cent.

There are about 200 Swedish companies that have about 400 factories and business units in China.

The import from China in 2002 amounted to 19 billion SEK (of which 2 billion from Hong Kong).

#### **Sources:**

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[www.swedishtrade.se](http://www.swedishtrade.se), 2004-08-30.

Länder i fickformat 2002 (Countries in a pocket book 2002); The Swedish Institute of International Affairs.

## Human rights in China

The Swedish ministry for foreign affairs believes that the respect of the human rights has been improved during the last twenty years in China<sup>15</sup>. The liberty of the individual has increased and it is today easier to access information via the Internet and the media. China has ratified five out of six basic conventions on human rights and China has also declared that the country has envisaged ratifying the sixth convention on the civil and political rights<sup>16</sup>.

The freedom of assembly as well as the freedom of association however is still restricted and independent trade union organisations are forbidden. Torture and abuse is common in the Chinese prisons and custodies. Death penalty is used widely. Amnesty International reported on over 1 600 death sentences and over 700 death penalties carried out during the year of 2003<sup>17</sup>. Critics of the regime and trade union leaders run a risk of being sentenced to long imprisonments for e.g. "the threatening of the state safety", "the division of the state" or the like. There is a phrase called "retraining entails employment" which means that dissidents and work activists are sent to labour camps. In 2001 310 000 people were sent to such camps<sup>18</sup>. In spite of these risks the collective protests from workers in China are increasing today.

### **Basic facts about China**

The Peoples Republic of China is a one-party state where the Communist party has monopolised power. The highest executive authority is the so-called state council. The Communist party has 66,5 million members.

In 2002 the Chinese population reached 1,3 billion inhabitants, which constituted a fifth of the world's population.

In 2002, 161 million people in China lived beneath the poverty line (1 USD per day and person). 1990 the figure was 360 million.

The absolute poverty decreases, but the gap between poor and rich is widening.

China is today the world seventh largest economy. In 2002 China was the country that attracted the most foreign investments of all.

Sources:

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[www.swedishtrade.se](http://www.swedishtrade.se). 2004-02-11.

## Chinese labour legislation

The Chinese legislation stipulates that human rights must follow the economic and social development. Apart from the Chinese legislation violating the basic rights of independent trade union organisation and the running of collective negotiations, Chinese legislation is relatively strong.

For example an eight-hour workday and 40-hour workweek shall apply. Overtime work must not exceed three hours per day and not 36 hours per month. All workers have a right of one day off per week<sup>19</sup>. This is also in accordance with the ILO convention C014, ratified by

China. After consulting with trade unionists and workers, the employer may exceptionally get a permit to prolong the overtime work on specific occasions provided they have specific needs during a shorter period<sup>20</sup>. According to Parry Leung at HKCIC this exception is however not aimed at industry manufacturing, but solely within for instance the health or transport sector.

All employed shall according to the Chinese legislation be covered by four different social insurances: pension insurance, an accident insurance, a medical insurance<sup>21</sup> and unemployment insurance<sup>22</sup>. According to the law, employers and workers shall conclude employment agreements in writing<sup>23</sup>. Children under the age of 16 must not work under the Chinese legislation. There are also specific rules protecting young workers, between the age of 16 – 18 years, from hard working conditions. According to the Chinese constitution modified in 1982 the workers' right to come out on strike in China is strongly restricted and in practice strikes are forbidden in China.

According to Liu Kaiming, CEO of the Shenzhen based organisation Institute of Contemporary Observation, ICO, the labour legislation is not adapted to the new situation of big private ownership<sup>24</sup>. The labour legislation is often based on the perception that there is no conflict between the employers and the workers, in spite the fact that 80 percent of the employers, in for example Shenzhen, at present are private. It is a belief of ICO that many laws therefore are not pertinent anymore and that the employers for example should have the right to go on strike. Furthermore Kaiming points out that many employed are helpless before a legal system which is perceived standing on the side of the employer, since the plant owners even often have political ramifications locally in China<sup>25</sup>.

”A head of the local ministry of labour tells us (the ICO, auth. notes) that if all laws were followed strictly, thousands of plants would be forced to close down and this would have an influence on the local economy and the social stability. Therefore the ministry of labour has chosen to turn a blind eye on illegal activities from the investors.” ICO believes that the authorities are sacrificing the poor migrant workers' rights in order not to risk investments<sup>26</sup>.

### **The Environmental situation in the Pearl River Delta**

There are about 6000 factories along the Dongjiang river in the Pearl River Delta. Many of the factories have operations influencing the environment, such as corrosion protection, colouring and tanning of leather.

Greenpeace Hong Kong estimates that about 70 - 80 percent of the industrial waste and 90 percent of the household waste is released without cleaning into the Dongjiang river.

Dongjiang river supplies almost 20 million people with freshwater.

Greenpeace have by testing the water quality found mercury levels 280 higher than the state requirement. The levels of led and phenols were higher than the state requirement levels.

Sources:

Liu, Howard, Greenpeace, Hong Kong, 2004-05-27 och [www.greenpeace.org.hk](http://www.greenpeace.org.hk), 2004-01-22

## **Working conditions and human rights in the export industry within China**

There is a lot of information on the hard conditions of the guest workers. Yet it is obvious that the workers are better off here than in less developed industrial areas in northern China, where unemployment is widespread. The guest workers are often young, between 18 – 25 years in average, of which 60 percent are estimated to be women<sup>27</sup>.

In 2003 ICO carried out a more comprehensive study among migrant workers in 16 districts of Guangdong. The researchers had contact with over 2000 workers and received 216 questionnaires from workers within the businesses of sport articles, clothes, shoes, toys and the electronics industries. The most common and the most serious violations of the migrant workers' rights were according to ICO: extreme working hours, low wages, unsure working conditions, failing or non-existent social insurances and an unhealthy work situation.

Parry Leung, investigator at Hong Kong Christian Industrial Committee, HKCIC, explains:  
– The work conditions in the Chinese export industry have not improved very much during the past ten years. The workers still have very long workdays, without one day off per week and without adequate wages.

According to a report from 2002 78 percent out of 1 482 workers do not have a contract of employment, 74 percent are not covered by any social insurance and 80 percent are working between ten and fourteen hours per day<sup>28</sup>. A growing problem and also the most common cause of labour disputes are that employers withhold the wages of the migrant workers for several months, or completely leave out the monthly payments<sup>29</sup>.

SwedWatch had the opportunity of meeting five young migrant workers during our case study visit to Guangdong in May. The group consisted of two men and three women between the ages of 19 and 24 years. The men were temporarily unemployed after being sacked as a consequence of accidents at the workplace. The women were working in the electronics industries. They were all migrant workers from the northern provinces of China.

– I do 130-140 hours overtime per month. During peak season we normally finish slightly after ten in the evening. I am exhausted. But I don't have any choice since I make my living out of it says one of the anonymous workers whom SwedWatch has spoken to<sup>30</sup>.

According to the study of the ICO 80 percent of the workers do more than 60 hours overtime a month<sup>31</sup>. The statutory limit is 36 hours a month. Some workers do almost 200 hours overtime a month. A majority of the workers are women, particularly in the work intensive export industry of shoes, clothes, electronics and toys. The reason of why there are more women than men in the export industry is that the employers prefer young women since they are considered easier to handle than the male workers<sup>32</sup>. Women workers who become pregnant risk to get dismissed despite this being contrary to the law<sup>33</sup>.

China has ratified the ILO convention no 182 regarding the elimination of the worst forms of child labour. According to Chinese legislation the employers are not allowed to employ workers under the age of 16. Child labour however is relatively common in practice, in particular lower down in the supplier chains. Since the children of migrant workers from other provinces are not allowed to go to school where they live, working might sometimes be the only alternative. Since 2002 the punishments are stricter if the employer hires children under the age of 16.

The working environmental problems of the manufacturing differ depending on the kind of manufacturing taking place at the workplace. From a general point of view it can be said that those working for the supplier of raw material are harder hit by the working environmental problems due to noxious chemicals in the manufacturing of metal or plastics, than employed in the assembly factories. But there are also health hazards in the assembly work such the fumes from glue, dust, heat, noise and hazardous paint and adhesive solvents.

Worries for the future, the economy and the health situation due to unsure employment as well as the lack of insurances, are destroying the health of many migrant workers, according to the organisation ICO<sup>34</sup>. If a migrant worker falls ill for a longer period, he or she has to go back to his or her hometown. Any other solution would not be economically sustainable since the migrant workers are not covered by any social insurances<sup>35</sup>.

Anita Chan, researcher, specialised in labour law issues in China, tells us about her reactions when she visited a hospital in Shenzhen, which mainly receive migrant workers who have hurt themselves in the factories around the economic zone of Shenzhen.

– We would believe that somebody who has lost his fingers would think of it as something unusual. But it was incredible to see these workers who were joking and talking. It is that common to lose a finger that they don't take it that seriously, says Anita Chan.

### **The situation of the trade unions**

All China Federation of Trade Unions (ACFTU) is the only trade union that is allowed in China. ACFTU has 120 million members and believes itself to be the world's biggest trade union organisation. The international trade union movement on the contrary agrees on the fact that ACFTU is to be regarded more as a Government organ for labour issues rather than a separate trade union organisation. ACFTU is entirely run by the Chinese state which chooses representatives all the way down to the local level and decides what the union shall think and what actions it shall take<sup>36</sup>. Its main task is to strengthen the party and the government.

– According to the law the workers can choose their trade union representatives locally, but the problem is that they then must belong to ACFTU and this union is controlled by the party staff, both at local level, district level and further up, says Parry Leung at HKCIC.

The union often stands more on the employers side than on that of the workers, according to Parry Leung. During the past two years the authorities of Guangdong have concentrated on the forming of unions at the workplaces in the province. But this has been done top down without any participation from the workers<sup>37</sup>.

During our case study visit to Guangdong several plants stated that there was one union at the workplace, but none of these trade unions had anything to say about the salaries, working hours or the working environment. Instead the union often organised entertainment for the workers. The only complaint that the union was said to pass on in the plants was regarding the food. The ICO has carried out a study, which showed that none of 216 workers interviewed directed themselves to the union if they had a problem at their workplace<sup>38</sup>.

Elisabeth Tang, Chief Executive at the Hong Kong Confederation of Trade Unions, HKCTU, does not think that foreign trade unions should waste their time on collaborating with ACFTU.

– ACFTU cannot do anything independently of the state. It received its instructions from the communist party. Its workers may be good people, but they are helpless. We don't believe that you can help the workers in China by working with ACFTU, Elisabeth Tang tells SwedWatch<sup>39</sup>.

Elisabeth Tang is worried about the fact that the picture abroad seems to be that China has become a more open society than before. She reminds us that almost every worker who has tried to organise the workers since the 1980s has been arrested.

– From an economic standpoint, China wants to copy the western world, but when we talk about human rights, they say that those are western values and that we are Chinese and that we have Chinese values. It is a great double standard says Elisabeth Tang.

Han Dong Fang is the founder of the China Labour Bulletin<sup>40</sup> and one and each of the prominent figures at the 1989 student revolt at the Ti'anmen Square. Han Dong Fang explains that it is not purposeful to talk to Chinese workers about the creation of unions<sup>41</sup>. The party has destroyed the word trade union, he says.

– We usually try to encourage the workers to turn to the union, but they reply, the union? They are a part of the plant management, how could we ask them for help?

According to the ICFTU, collective negotiations hardly exist in China and if they exist, they have a very little effect<sup>42</sup>. In practice the employment contracts are in most cases written unilaterally by the employer who decides the wages and the working conditions. In the economic zones, where a big part of the toy production takes place, the workers often don't have any contracts at all.

### **CHINA AND THE ILO**

China has since 1983 been a member of the International Labour Organisation (ILO), the UN organisation for labour issues.

The ILO has agreed on eight core conventions dealing with forced labour and slave labour, the Freedom of Association, the right to organise and the right to collective bargaining, the right to Equal Remuneration Work of Equal Value, discrimination and child labour.

China has not ratified any of the ILO core conventions on the Freedom of Association, the right to organise and the right to collective bargaining (the conventions 87 and 98).

Sources:

The Swedish Foreign Ministry, *Human rights in China 2003*, [www.manskligarattigheter.gov.se](http://www.manskligarattigheter.gov.se), 2004-02-12.  
The International Confederation of Free Trade Unions, the ICFTU, *Violations of trade union rights 2003*, published in Swedish by the Swedish Trade Union Confederation (LO) and the Swedish Confederation of Professional Employees (TCO) Assistance board, 2003.

## 2. The Swedish toy market

### The toy market and the manufacturing

Through the globalised trade our toys are often manufactured side by side in the same plants in China and will then be labelled with the help of different competing brands. Toys manufactured in Chinese plants at the request of international enterprises of branded goods like Mattel, Lego and Hasbro are sold via sales chains like Toys R Us, BR-toys and Barnens Hus.

The purchase cycle often starts about a year before the Christmas trade<sup>43</sup>. The purchasers travel to the toy fairs in Germany and in Hong Kong in January. Here the suppliers show new ideas of the future Christmas trade. In February the purchaser develops a so-called selection of ideas, which the purchasers discuss with the supplier. He also orders a sample hereof. The supplier makes many samples and awaits the taking of an interest hereof. From March on the companies build up their selection with the help of these samples and in April until May they often negotiate the final price with the supplier or the agency before the order is placed. The manufacture often takes place during a period of 30 – 60 days during the summer months and is then shipped to Europe in August – September or at the very latest in October.

The toy business consists of the retailers (for example BR-toys, Toys R Us, Barnens Hus), the wholesalers (for example Leksam, Playbox and Toyman) or the brand suppliers (Brio, Lego and others). In Sweden there are also several brand manufacturers (Micki, Kärnan and others) and about ten mayor toy wholesalers. Top Toy, which owns both BR-toys and Toys R Us in the Nordic countries, represent 35 percent of the toy market in Sweden<sup>44</sup>. The second largest is Barnens hus, then Leklust and at a shared forth place there are Lekia and BrioPartner.

Apart from in the specialised retail trade, toys are sold at hypermarkets, petrol stations, etcetera<sup>45</sup>. Some of the retailers have their own brands, which they import themselves, but also purchase brands of other retailers (for example Top Toy, see below). Others, like Barnens Hus, buy all their toys from wholesalers and brand suppliers<sup>46</sup>.

#### FACTS ABOUT TOYS

- 87,9 percent of the world's toys are manufactured in Asia.
- 75,5 percent of the world's toys are manufactured in China.
- The largest toy companies in the world are Mattel, Hasbro and Lego.
- In Sweden we purchase toys (including computer games) for somewhat more than five billions a year and every household approximately consumes toys for about 143 Euro per year in average.
- The toy retailers (retail trade) represent almost 70 percent of the sales and other sales places represent somewhat more than 30 percent.
- The toy consumption increased by somewhat more than 10 percent between 2001 and 2002 and by more than 7 percent between 2002 and 2003.
- The import of toys to Sweden from China has more than doubled in eight years.

Sources:

Toy Industries of Europe, TIE, Facts and Figures, July 2004,  
<http://www.tietoy.org/folders/tiefactsfigures2004.pdf>, 2004-09-22.

Tellander, Staffan, SCB, 2004-09-06, information from the studies made by Statistics Sweden *The retail trade 2002* and *"the toy retail trade 2002*, [http://www.scb.se/templates/Product\\_\\_\\_7146.asp](http://www.scb.se/templates/Product___7146.asp), 2004-09-07.

Import and export according to time, trade partners, kind and merchandise group SITCrev3, the database of Statistics Sweden, [www.scb.se](http://www.scb.se), 2004-08-30.

Toy manufacturing continues all year around but is intensified from May to October, before the Christmas trade in the US and in Europe. The toy chains want to keep as little as possible in stock and changed or cancelled orders are therefore not unusual. Toy suppliers that SwedWatch talked to at the toy fair organised by the association of toy and hobby suppliers as well as of the toy traders, told us that it is often decisive to get the license for new toys which are to be marketed within the trade. Even minor importers may for example get a licence to sell Pokémon on the Nordic market. These license takers often don't have any idea about where the production site is located, and know even less of the working conditions at the production plant.

### **Manufacture and purchase conditions**

A trend within the toy industry, as well as within the textile and shoe industry is that the delivery lead times are shortened. Many of the purchasing companies do not wish to keep expensive stocks in vain but instead place several orders with a shorter manufacturing time.

– Today the buyers only permit a two-week manufacturing time. It used to be 90 days, declares I.Y. Sim who is the manager of supplier I<sup>47</sup>.

Stefan Risberg, managing director at Toyman admits that it must be difficult for the suppliers with late orders with short delivery times<sup>48</sup>. Several of the other Nordic companies that SwedWatch has been in contact with however don't agree in that the manufacturing time has become shorter<sup>49</sup>. Christian Jakobsson, managing director at Intergroup, the purchasing company of Coop at Hong Kong, states that the production takes between 30 – 60 days and that they do not have any need for shortening the manufacturing time further. According to interviews with 20 Hong Kong owned toy suppliers that HKCIC has carried out, everyone states that all manufacturing times have been shortened. The deliveries used to take 45 – 60 days, nowadays the delivery shall often be within 30 days or even sooner<sup>50</sup>.

– Sometimes I joke with my customers and tell them that I'll fulfil all their wishes if they pay an extra 20 percent! They may also give me a manufacturing time of 90 days instead of 30. Then I won't need overtime work. If we have to ship the merchandises in 30 days we will obviously need overtime, says I.Y. Sim.

In order to be able to cope with the competition, the suppliers need to invest in the development of products. The price of toys has remained firm or decreased during 2002-2003, explains Christian Jakobsson, manager at Intergroup. At the same time the price of raw material like plastics, steel and cotton has gone up during 2004. To that is added the demands for good working conditions. All suppliers we meet point to the difficult situation with increasing demands from the buyers, higher prices on raw material but stagnant or decreasing prices. The manager of supplier I, who SwedWatch met in May 2004, estimates that the purchase price of soft toys has decreased by 40 percent during the past ten years. He is very pessimistic about the future of toy manufacturers in southern China.

– In order to get down to the price levels, which the purchasers demand, you need to find cheaper areas, cheaper labour. The quality decreases and the margins of the suppliers decrease. If this will continue the suppliers will disappear, says I.Y. Sim<sup>51</sup>.

I.Y. Sim predicts that the manufacturing of toys possibly will be moved to Africa in the future. Christian Jakobsson, manager at Intergroup, predicts that China's accession to the

WTO will lead to more new suppliers starting to compete with very low prices and in that way make the conditions even harder for the plants in southern China.

– What is happening is that the margins for the supplier decrease, which is what usually happens when there are yet more competitors. What is important is to find unique products, which nobody else has so that your profit will increase. Product development becomes very important. If you produce simple, traditional things, you will encounter difficulties says Christian Jakobsson about the new situation of Chinese suppliers<sup>52</sup>.

Charles Cheng, the sales manager of supplier C, tells us about how all buyers expect Chinese products to be very cheap, but means that in reality the costs increase by each year<sup>53</sup>.

– The minimum wages increase and the working hours are to be followed more closely, says Charles Cheng.

The suppliers mean that it is not acceptable to ask the customers to pay more.

– When a buyer offers one price, it is the responsibility of the supplier to handle that. Sometimes we get special demands, but we do not ask to get extra paid. The competition is very hard. If we don't accept it, another plant will receive the order, says Tong Hor Fu, at supplier G<sup>54</sup>.

### **The working conditions within the toy industry**

The working conditions in the toy industry do not differ that much from the working conditions in other light manufacture for export from China. The toy industry distinguishes itself however by being extremely seasonal. The heavy concentration of the production to a few months strongly increases the pressure on the employees in the toy industry during these months. The result is often extremely long working days with exhaustion as a consequence. During the low season the problem is on the contrary that the workers often don't even receive the statutory minimum wages.

Child labour is generally not considered to be a big problem within the toy industry, but it occurs. Workers have declared to HKCIC that child labour has existed until as late as last year at supplier E, who is the supplier of several Swedish toy companies<sup>55</sup>. At supplier F some of the interviewed workers state that certain workers have been employed with the help of false ID documents and that these are alleged to actually be under the age of 16.

Most toy workers are young women between 16 – 25 years. The young female workers are to be preferred to the young male workers since they are considered more obedient and easier to handle.

– The women are easier to manage, answers Tai Guang Lai, the factory manager of supplier C, when SwedWatch wonders why 90 percent of the employed are women<sup>56</sup>.

According to Anita Chan the working environment is often dangerous due to toxic solvents, which are used for the spraying of colours and glue<sup>57</sup>. Complaints about headaches, fever, bone aches and acute poisoning often occur at the colouring departments. According to HKCIC it is however in this field that they can see some improvements after that criticism from the international trade union movements and the consumer movement have made foreign buyers increase their demands on the toy suppliers<sup>58</sup>.

## Working hours and wages

The most common crime against Chinese labour legislation and the codes of conduct within the toy industry concerns the working time<sup>59</sup>. Working days of about 14 hours per day, seven days a week are not unusual during the peak season. The companies mean that the workers want to do as much overtime work they can, since their only reason for being in southern China is to work and earn money. According to Lars Gjourup, managing director at Top Toy Hong Kong, it is when the company has introduced restrictions for overtime that they receive complaints from the workers<sup>60</sup>. Many of the companies maintain that the guest workers' wages within the export industry are livingwages<sup>61</sup>, as they get housing and food at a relatively cheap price at the plant.

– A number of workers come from northern China. They want to work and save up money during two years in order to buy a house on the countryside or the like. As they stay in the dormitories I absolutely think that the minimum wages are wages to make a living on, says Christian Jakobsson, the managing director at Intergroup, the purchase company of Coop in Hong Kong.

But those workers who SwedWatch encounters tell us that they have to send money home to their families in the northern part of the country. When we ask them if they would do as much overtime work even if the wages were higher, the workers answer that of course they would not do it<sup>62</sup>. The plant workers that HKCIC has interviewed declare that the monthly cost for food and accommodation at the plant is between 9 Euro and 29 Euro<sup>63</sup>. To that they have the demands on them to provide for their families.

– I feel a great pressure. Things that I'd like to do on my own I cannot always do. It has to wait. I can't do anything about it. This is due to my family being quite poor. We are many children and the family cannot support itself says an anonymous worker that SwedWatch meet in Shenzhen<sup>64</sup>.

The interviews of ICO with migrant workers show that the workers often have many relatives who are dependent on them in their hometowns<sup>65</sup>. The study showed that the incomes of the migrant workers constituted between 50 and 80 percent of the family's total maintenance. When the companies claim that the wages are sufficient to cover for the basic needs of the workers, they refer their claims to the workers "choice" to stay in the dormitories of the plants. The companies maintain that most people want to stay in the dormitories to save money to use for their trips back to the countryside. Most migrant workers would not be able to afford to live outside the plants, even if they would have wanted to<sup>66</sup>.

– The workers should be able to choose if they would like to stay in the dormitories or not, says Parry Leung at HKCIC.

In the report "Factory Dormitories in South China" from 2002, which is based on interviews with migrant workers, many workers state that they would like to stay on in southern China<sup>67</sup>. The same goes for workers that SwedWatch have met. Even though the workers long back home, they know that there are no openings in their home province and therefore they instead dream about a possibility of staying on in southern China. A recurrent problem, which becomes clear from the interviews made by HKCIC, is that the workers do not receive their wages at the appointed time<sup>68</sup>. The employer keeps the wages for 15 to 30 days. According to the workers this is a widespread practice and a way for the employers to keep the workers in the plant during peak season. If the employed wishes to leave the plant, he or she runs a risk

of losing the remaining wages. The delayed payment of wages makes the economic situation of the migrant workers even more difficult.

Anita Chan means that China is the country, which pushes down its wages to the lowest levels in the whole world<sup>69</sup>. Despite the increasing demand for workers in the low-wage industries, the wages have not augmented. On the contrary some have gone down. The wages in China are very low compared to other developing countries<sup>70</sup>. When the minimum wages were first introduced during the 1990's it was to protect the employed. Now Chan stipulates that their main aim is to keep down the wages in order to maintain the competitiveness.

– In 1996 the workers in Shenzhen earned 58 – 68 Euro<sup>71</sup> per month and now eight years later they still earn as little. The better plants might pay almost 94 Euro, but only during the peak season and then the workers need to do very long working days. My conclusion is that the economic expansion has not been of much benefit to the workers, says Anita Chan.

The minimum wages have increased, but not regarding the real wages. According to the Chinese government, the minimum wages shall be fixed to 40-60 percent of the average wages in the region where the minimum wages are in force. But in Shenzhen the minimum wages decreased from 40 percent of the average wages in 1993 to below 24 percent in 1999. This means greater income cleavages between the urban population and the guest workers. Anita Chan shows that Shenzhen and Guangzhou have the lowest minimum wages in the whole of China, in comparison to the average wages in these areas. Also Elisabeth Tang, Chief Executive at HKCTU<sup>72</sup>, confirms that the wages of the plant workers in Guangdong have been close to stagnant during the last years despite the increase of the prices six – ten folds.

– The basic problem is that the workers cannot form their own unions; freedom of association is not implemented in China. So you can imagine, we have the world's biggest workforce, which is completely unorganised. It is only controlled. The workers have to keep quiet about their problems, says Elisabeth Tang.

### 3. Ethical and environmental demands

#### An international toy campaign

In 1993 two catastrophic fires took place in two toy plants, one in China and one in Thailand. The fires became the starting shot of an international movement, which wanted to improve the working conditions within the toy industry. 87 young migrant workers died in the Zhili Toy Factory in Shenzhen the 19<sup>th</sup> of November 1993. The plant managers of Zhili Toy Factory had blocked windows and emergency exits, which meant that when the fire broke out the 200 workers were locked up. 188 workers died and 469 were injured when a fire broke out and all emergency exits were blocked in the Kader plant outside Bangkok in Thailand the 10th of May 1993<sup>73</sup>. The Kader accident is considered one of the world's biggest plant fires in history.

– If the factory had had escape ladders and good fire alarms a tragedy like this would not have had to happen, Saramya Phol-klang, witness and survivor of the Kader accident, says to SwedWatch<sup>74</sup>.

Organisations in Ireland, Germany, France and Belgium have together with organisations in Hong Kong and in Thailand led an international campaign for better working conditions within the toy industry since 1993. The areas where improvements have been made during the ten-year-period are, according to the Hong Kong Christian Industrial Committee, HKCIC, fire safety, protection clothes and the working environment<sup>75</sup>.

The Irish part of the toy campaign consists of the Irish Congress of Trade Unions Development Education Project<sup>76</sup> as well as the Catholic help organisation Trocaire. These launched new demands on the toy industry in 2003. In the brochure “The Toy Campaign – Fair Play for Toy Workers – Demand a Fair Deal for Asian Toy Workers” they describe the importance of the workers' participation in the control of the codes of conduct and that buying companies co-finance the implementation of these codes<sup>77</sup>.

Since 1996 the members of the toy campaign based in Hong Kong, HKCIC and Asia Monitor resource Centre, AMRC, carried out several investigations of the companies' toy production in China. In August 2000 HKCIC released a report, which showed child workers in China manufacturing the McDonalds Happy Meal toys<sup>78</sup>. The discovery got worldwide attention and led to McDonalds interrupting the co-operation with the identified supplier. Since HKCIC does not think this is a good development, the organisation has hereafter been more careful in revealing the suppliers' names to the customers in the western world.

In recent years HKCIC has focused much on the yet harder purchase conditions, which Chinese suppliers often encounter, at the same time as they are expected to follow the codes of conduct of the purchasing companies. In the report “Unfair Trade for Unfair Toys” which builds on interviews with 20 suppliers in China, the suppliers say that they would actually need to increase the prices by 30 percent in order to fully follow the Chinese labour legislation<sup>79</sup>.

## Trade union demands in China

China has for a long time constituted a dilemma for those companies who want to take a social responsibility, since the country restricts the basic human rights of freedom of association. Due to this, the demand for freedom of association, which is stipulated in most of the companies' codes of conduct, is in principle toothless. There are however very few companies that would choose not to invest in or trade with China due to their ethical concern<sup>80</sup>.

– If you are a puritan you say that all companies shall abandon China immediately since the country violate international conventions only by being there. But if you are, like me, more pragmatic, you need to lay out demands on the company policy and try to influence as much as you can, says Christopher Avery, the head of Business and Human rights Resource Centre<sup>81</sup>.

According to Christopher Avery it is a risky argumentation believing that enterprises automatically support a positive development of the democratic rights through trading with or investing in China. Amnesty Business Group (ABG) recommends companies that are present in China to strive for human rights and to encourage that these are followed in all businesses<sup>82</sup>. Through this Amnesty means that companies may influence the situation to the better in China. In the Human Rights Principles for Companies of 1998 made by Amnesty it is stipulated that companies have a responsibility to make sure that the workers have the right to create free trade unions and to negotiate collectively even where this right is restricted by the law<sup>83</sup>.

– [Amnesty] means that the companies that want to be active in China need to take their responsibility for the violations that take place and to prevent violations, says Carl Söderbergh, the general secretary of Swedish Amnesty International<sup>84</sup>.

He believes that there is otherwise a risk that foreign companies will be used by the Chinese regime to legitimate the pressure on the citizens.

In the code of conduct of Intergroup, the purchase company of Coop, there is a wording, which says "the supplier shall be encouraged to facilitate parallel means for independent and free organisation and negotiation"<sup>85</sup>. In practice Intergroup/ Coop has however not done anything specific to encourage the employees to organise, more than demand its suppliers that the code of conduct should be announced on the notice boards of the plants<sup>86</sup>.

According to Anita Chan, researcher in Chinese labour legislation, the employers in Guangdong are beginning to experience the demands on the companies' social responsibility, by western purchasers increasing their demands<sup>87</sup>. At the same time she points out that this is only valid for those plants that are controlled by multinational companies. She means that the most important is that the Chinese government is capable of following its own legislation. She warns that China otherwise will become a threat to the effort of all other countries to respect the human rights in their working life, as they expose all countries of unjustified competition.

Han Dong Fang believes it to be right to put pressure on the companies in China, but believes it is wrong that the foreign consultants or companies decide whether the workers' rights are violated. He thinks that the workers must be more involved<sup>88</sup>. The trade unions and NGOs in Hong Kong have for a long time put forth the demand that the workers shall be involved in the work with the codes of conduct. Several of those that SwedWatch has spoken to in May

2004 think that more workplaces should carry out democratic voting to the local trade union club, even though these might later be forced to belong to the government associated organisation, ACFTU. Today there are examples of certain companies who have allowed democratic voting of workplace representatives at individual plants.

### **A good example**

The multinational athletic shoe company Reebok has encouraged its suppliers in China to permit democratic elections of trade union representatives at their factories.

In 2002 elections in the shoe factory Fu Luh were undertaken in the province of Fujian and in 2001 elections were held in the shoe factory at Kong Tai in the Guangdong province.

The examples are some of the first elections of their kind in China and they show that it is possible to democratise the union in China from below. In Fu Luh the workers chose the representative of ACFTU. The representatives who criticised the working conditions won a majority of the votes.

Both unions are members of ACFTU.

Reebok has also arranged an education for the worker on how they can be active in the trade union.

Source:

Maitland, Alison, "Sewing a seam of worker democracy in China", in *Financial Times*, 2002-12-12.

### **The ethical demands of the Nordic toy industry**

During the 1990s several of the large companies within the toy business have adopted ethical codes of conduct. The worldwide trade-association International Council of Toy Industries, ICTI, adopted a code of conduct for the business in 1995, the ICTI Code of Business Practices. In Sweden the Swedish trade-association, The Suppliers of Toys and Hobby Articles, LLH, has adopted the code of conduct. In the code of conduct of ICTI (and LLH) there are among other things demands concerning working hours, minimum age, the demand for a safe and healthy working environment and that no mental or physical punishment be practised.

The survey of the toy companies of Sweden during the autumn 2003 carried out by Fair Trade Center and SwedWatch showed however that many of the member companies of the toy suppliers did not use the codes of conduct established by LLH whilst doing their purchasing<sup>89</sup>. The worst were the smaller importers who often bought merchandise without a trademark, so-called non-branded goods. Toy buyers without their own import, where Barnens Hus, Leklust and Lekia are the largest actors, only demand that there should be no child labour. They have not started any inspections of their own, but refer instead to their importers<sup>90</sup>.

– We have entered in our contracts that no suppliers shall follow certain directives of the EU, which among other things concern child labour and the exploiting of the labour force. But today we don't do any regular inspections. We trust our suppliers, says Rolf Persson, chairman of the retailer Barnens Hus<sup>91</sup>.

Rolf Persson tells SwedWatch that they don't exactly know where the production of their toys takes place. Among the five largest toy wholesalers, Brio is the only one that imposes ethical demands and have a follow up process, but this is exclusive of the Brio-marked products<sup>92</sup>. The only demand of wholesalers like Eber Toys, Toyman and Playbox is that child labour

must not be used<sup>93</sup>. Many of the smaller toy suppliers and toy wholesalers never visit the producers in China, but buy their selection via visits to fairs or at the office of their agencies in Hong Kong<sup>94</sup>. Toyman is one of the largest Swedish toy suppliers. The company imports 95 percent of its goods from China. The managing director of the company, Stefan Risberg tells SwedWatch that he doesn't know very much about the working conditions under which their toys are manufactured:

– We have papers, which say that the workers live decently and that there is no child labour. But then again it is impossible to check upon the suppliers' sub-contracted factories, maintains Stefan Risberg<sup>95</sup>.

He estimates that each supplier in his turn uses about 15 – 20 sub-contracted factories.

– If the supplier has a capacity of ten thousand, but gets an order of thirty thousand, it will not refuse the order, it never would. Instead it accepts the order and gives it to a sub-contracted factory, says Stefan Risberg.

The larger companies, which have their own import, have on the contrary gone a step further and introduced their own codes of conduct, which they use for their purchases in China. Top Toy (BR-toys) has a code since 1999, the purchasing company of Coop adopted its code in 1997 and Brio adopted principles for its purchases in 1995. Both Top Toy and Brio say at present that they "in practice" use the code of conduct of the trade-association, the ICTI code.

Neither of the companies has an explicit policy about how they handle the question of free trade unionism in China. The basic attitude is that they as companies cannot interfere in the policy of China, but must accept that there are no free trade unions in China<sup>96</sup>.

#### ***What is a code of conduct?***

Codes of conduct are written rules for the company's business. Codes of conduct are adopted and written by the company itself and are a voluntary engagement.

A code of conduct should have its origin in rules agreed upon on an international basis laid down by the International Labour Organisation (ILO), the UN conventions on children's rights, the general explanation about human rights and the legislation in the actual country. A code of conduct shall include:

- The right to join and organise trade unions
- No child or forced labour
- Non-discrimination
- Regulated working hours
- Real employment
- A safe working environment
- Payment of correct wages

The code of conduct shall include, as well the purchasing company, the suppliers and the subcontractors.

The trade union movement is critical to the codes of conduct since they have been unilaterally adopted by the companies and not negotiated with the workers. They recommend that the companies enter global agreements with a global union federation.

Source: <http://www.fairtradecenter.se/uppfor.html>. 2004-09-22.

The trade-association The International Council of Toy Industries, ICTI, has since 2002 elaborated a system for the control of its code of conduct<sup>97</sup>. The purpose of the system is that ICTI shall certify auditing companies, which in their turn make inspections and acknowledge the toy plants in accordance with the ICTI code<sup>98</sup>. This far six auditing firms have been selected and certain controls have been carried out on trial at toy plants in Guangdong. The international toy campaign is positive to that a code of conduct as well as a control system, which will be used across the businesses, is developed<sup>99</sup>. At the same time the campaign is very critical of the vagueness of the ICTI code when it comes to the demand for trade union organisation that the participation of the workers in the system is deficient and that purchasing western companies are not expected to share the costs with the suppliers for the introduction of the code<sup>100</sup>. (See also Fair Trade Center's comments on the ICTI CARE Process, page 12). The toy companies have a moderately constructive attitude to the new control system of the ICTI. In principle all companies welcome co-operation within the business, where there is an agreement on demands and controls<sup>101</sup>.

### **About Phthalates in plastic toys**

Phthalates are used as softeners in plastics and rubber and are present in a number of products like vinyl flooring, outdoor swimming pools, plastic toys and plastic devices.

Some phthalates may have a hormone disrupting effect, impair fertility and cause allergies.

A total ban was introduced in September 2004 within the EU of the most harmful phthalates in all kinds of toys and children's products. Earlier the ban has only concerned toys for children under the age of three years.

The phthalates also have known health effects on the workers in the manufacturing industry, such as irregular menstruation and miscarriages.

Sources:

[www.kemi.se/prio/flik2/contentcategories/flater.htm](http://www.kemi.se/prio/flik2/contentcategories/flater.htm), 2004-03-25.

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Telephone interviews with Ulf Rick, The Chemicals inspection, 2004-03-11 and Sture Bengtsson, The industry union, 2004-09-09.

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## 4. Case study: Top Toy, Brio and Coop in China

### Introduction

SwedWatch undertook a case study visit to Hong Kong and the Guangdong province of China between 17<sup>th</sup> May and 30<sup>th</sup> May 2004. The visit had been preceded by research of the region and interviews with experts and sector representatives. Plant visits had been booked with Coop (Intergroup), Top Toy and ICA as well as with the suppliers of Brio. Some of the suppliers also turned out to supply Åhléns.

The purpose of the case study visit was to find out how the suppliers live up to legislation, ILO conventions and the companies' codes of conduct. Apart from the gathering of information for this report, a film: "Santa's workshop" was recorded during the trip.

### Brio

Ivar Bengtsson, a basket maker, founded Brio in 1884. To a certain extent, the company has remained partly in the possession of his family. In August 2004 however, Proventus Industries bought about 42 percent of the votes and about 30 percent of the Brio capital<sup>102</sup>. Brio's headquarters, and what remains of the Swedish Brio production are located in Osby in the northern part of the province of Skåne.

Brio is an international group, and the world leader of wooden toys. Brio has somewhat more than 800 employees at twelve subsidiaries and the company products are sold in more than 50 countries<sup>103</sup>. The Brio group both produce its own toys and resell other companies' toys. In the Nordic countries, a large part of the Brio turnover consists of wholesale business. The total turnover for 2003 was 177 million Euro<sup>104</sup>.

The toy chain of Brio toys is called 'Brio Partner'. It can be found in Norway, Sweden and Poland and comprises a total of almost 300 stores. Sales from the Brio Partners account for about eight percent of the total sale of the Swedish toy retail trade<sup>105</sup>. The Brio group also markets other brands such as Alga, Plasto and Plan Toys.

Brio has been struggling with large economic problems in recent years. The outcome of 2003 was minus 24,8 million Euro before taxes<sup>106</sup>. According to the CEO of Brio, Tomas Person, the losses are due to the increasing competition from larger manufacturers. As late as June 2004, one of the last production sites was closed in Osby.

– We are forced to transfer the production to China in order to lower the prices. We need to do like our competitors", Tomas Person told SwedWatch<sup>107</sup>.

### Purchase

At present Brio marked products cover about 30 percent of the total Brio sales. The remaining 70 percent comes from the toys of other companies. Brio has some ten suppliers that produce Brio labelled products. Regarding the other selection, Tomas Persson estimates the number of suppliers to be around one hundred. 95 percent of the purchases are made in China<sup>108</sup>. Brio also has important suppliers in Thailand.

### **Ethical and environmental demands**

Brio has followed the code of conduct of the sector organised by the International Council of Toy Industries since 1995. Although the demands on the environment and ethics actually don't differ when it comes to the company's own Brio branded products and the rest of its selection, the inspections carried out by Brio differ considerably. Tomas Persson admits that the inspection so far is as good as non-existent when it comes to products that are not branded "Brio".

– Today it is impossible to have full control of all suppliers. In many cases we have only been to the office in Hong Kong or at a fair. We cannot guarantee that these suppliers follow our demands", said Tomas Person.

Tomas Person went on to suggest that Brio's ambition is that the purchasers will begin active inspection work. For example, Brio will open an office in Hong Kong where employees will have the responsibility for this. Person cannot give any fixed date for when the inspection work of the purchase of non-marked Brio products will be implemented. He does think however that Brio has a large responsibility to follow up working conditions so that they are ethically defensible, particularly as they have chosen to transfer even more of the production to China.

### **Information to the consumers**

On Brio's website, consumers can quite easily see that Brio promotes ethical and environmental demands<sup>109</sup>. In the section: "Brio follows international rules of justice", the demands and the responsibility of Brio are described. The only thing that is mentioned regarding the inspection is that the managers and purchasers of Brio "constantly" do check-ups.

The information on the website leaves the consumer to believe that the code of conduct and all laws are followed in the production. This is however misleading, as 70 percent of Brio's purchases are not currently controlled (i.e. the non Brio-branded products).

### **Suppliers in China**

Brio is the customer of four of the suppliers (A, B, D and E) covered in HKCIC investigation<sup>110</sup>. Supplier B is the main supplier of Brio in China and thus a company which Brio puts a lot of confidence in.

Brio buys a fifth of the production of supplier D and therefore, Brio is an important customer of supplier D. SwedWatch visited all of the suppliers except for supplier E during its visit to the province of Guangdong in China in May 2004. Detailed accounts of the suppliers and to what extent they follow the code of conduct and the legislation of Brio are given below.

### **Top Toy**

The largest retailer in Sweden is BR-toys. BR-toys is owned by the Danish company, 'Top Toy A/S', who also owns the rights to the American chain: 'Toys R Us' in the Nordic countries<sup>111</sup>. Top Toy dominates the toy selling business in Sweden. Its market share is estimated to be about 35 per cent.

The annual turn over of Top Toy is about 260 million Euro<sup>112</sup>. Top Toy has about 2 500 employees. The company has had a purchase office in Hong Kong since 1993, where the purchase responsibility, quality control and shipping are located.

### **Purchase**

Top Toy sells both its own Top Toy branded products as well as other brands of toy in its stores. Lars Gjoerup, the manager of Top Toy Hong Kong estimates that the Top Toy branded products represent about 60 percent of the Top Toy selection<sup>113</sup>. The remaining 40 percent comes from other brands. According to Lars Gjoerup most of these are well-known brands such as Hasbro, Lego, Mattel and Nintendo.

About 90 percent of purchases are made from Asia, and Lars Gjoerup estimates that 92 percent of the total Asian import comes from China. For a few years now, Top Toy has replaced traditional purchasers with “category managers” in Scandinavia and “product managers” in Hong Kong. The category managers visit fairs and propose purchases. The product managers in Hong Kong then retake the responsibility and verify that the suppliers fulfil the demands regarding quality and environment that Top Toy requires before an order is placed. According to the company, the number of plants that supply Top Toy has decreased from about 500 in 1999 to 238 in 2004.

### **Ethical and environmental demands**

Top Toy established a code of conduct in 1999 and following this, it began to work with the control of the working conditions at the suppliers. The code contains demands on the work environment and working conditions as well as a ban on child labour. The focus was from the beginning placed on chemicals in the products as well as health and safety at the work places. The code does not refer to any ILO conventions.

In Top Toy’s code of conduct, there is no demand that employees should have the right to independent organisation at the workplaces. According to Top Toy, they use the code of conduct of the ICTI, which states that the employee should have the right to organise in accordance with applicable local legislation, but since free organisation is restricted according to the law of China, the demand will be ineffective. Top Toy demands that the employees should be allowed to have “good communication” with the plant management through regular meetings between the employees and the plant management on a monthly basis. The existence of this communication is controlled at Top Toy’s workplace inspections, but unfortunately the company cannot give SwedWatch an account of how many plants have such communication.

Top Toy has a ranking system of its suppliers, which runs from A – D. Grade A is given to the very best who have no remarks at inspections, and grade D is given to the suppliers who have several points that they need to remedy. Top Toy has information on how many of their suppliers have been graded, but this information is not public and SwedWatch has not been allowed to see this information. Top Toy asserts however that the company buys more and more products from those companies that have been graded A and B<sup>114</sup>.

According to Top Toy, for the suppliers that are categorised from B to D, improvement plans will be established with the supplier and then new check-ups will be made within 12 – 24 months. The company has one person employed who is responsible for the code of conduct. This code of conduct inspector does not however completely follow the company goal of following up the inspections.

The supplier D, who SwedWatch visited, belongs (according to Top Toy) to category D. This was laid down after an inspection in 2001 where Top Toy and the supplier agreed on an action plan<sup>115</sup>. Top Toy has not however carried out any re-inspection to examine if the changes have been carried out. Top Toy told SwedWatch that they are now phasing out supplier D and that purchases from them are now “very scarce”.

Top Toy emphasises the importance of the supplier's willingness to follow their demands. Should they encounter suppliers who are directly against their ethical or environmental demands they don't have any interest in maintaining this business relation.

### **Information to the consumers**

In the stores there is no written information to the consumers about ethical or environmental conditions in the production. Nor can the consumer find information about the code of conduct or monitoring at the BR-toys' website<sup>116</sup>. At the Top Toy website there is a paragraph in English about the demands of Top Toys and their monitoring of these demands<sup>117</sup>. On the whole though, the information available to consumers is very scarce.

### **Suppliers in China**

Six of the suppliers who participated in HKCIC interview study are suppliers of Top Toy (A, B, C, D, E and I). A detailed account of these suppliers and how they follow the Top Toy code of conduct is given below.

### **Coop**

Coop Norden is in reality owned by a number of large consumer associations, who together have over five million members. In Sweden, the members own the Cooperative Association; KF, which in turn owns 42 percent of Coop Norden<sup>118</sup>. Coop Norden has three wholly owned subsidiaries in Sweden, Denmark and Norway. In Sweden there are about 400 Coop stores.

Toys are mainly marketed at ‘Coop Forum’, the company's hypermarkets, where for instance textiles, toys, sport articles and tools are sold<sup>119</sup>. There are 43 Coop Forum stores in Sweden. Apart from these, toys are sold at different campaigns in the ordinary stores. The turnover of the selling of toys of Coop Forum is about 13,3 million Euro per year, including video and computer games. Coop estimates that the company represents about six percent of the total sale of toys in Sweden<sup>120</sup>.

### **Purchase**

The purchase company of Coop, Intergroup has existed in Hong Kong for 25 years and takes care of all purchases of textiles, toys, sport articles, tools etc.

Toys are largely bought from China<sup>121</sup>, although import from Vietnam is increasing, especially when it comes to the import of soft toys. Intergroup has about 23 suppliers of toys in China. These in turn may use about 15 subcontractors.

### **Ethical and environmental demands**

Intergroup has had a code of conduct since 1998. For about five years, they also carry out social inspections to verify that the suppliers fulfil the code<sup>122</sup>. Coop Norden also took on an ethical code of conduct in the spring of 2004, which to a large extent corresponds with the code of Intergroup. The code of conduct of Intergroup contains demands on working hours, the level of remuneration, the working environment and trade union rights. It stretches further

than many other company codes in that it calls for living wages. Intergroup encourages the suppliers to pay wages that cover employees' basic needs and some additional income on top of this.

Christian Jakobsson, the manager of Intergroup in Hong Kong estimates that minimum wages in Guangdong are wages that you can live on. The reasoning behind this is built on the information from the Chinese authorities, which according to Christian Jakobsson should know best. Intergroup has not done any judgement of its own in the area of living wages.

During 2003, Intergroup carried out inspections of how all suppliers follow the code of conduct. Out of the 52 toy suppliers in the whole of Asia, 43 suppliers were approved of without any remark, six were “not quite approved of” and two were “not approved of”<sup>123</sup>. According to Christian Jakobsson, for those suppliers that were “not quite approved of”, Intergroup will make action programmes that will be verified within four to nine months. Several of the suppliers that SwedWatch checked had passed the Intergroup inspections without any remark. According to Åke Natt och Dag, environmental and quality manager of Coop, the violation in most cases regard the working hours.

– The management and the workers have the same interest, since they wish to work as much as possible and earn a maximum during a limited period of time, stated Åke Natt och Dag.

According to the code of Intergroup, the workers have the right to one day's rest per week, something that four out of the six examined Coop suppliers violate according to HKCIC interviews.

Christian Jakobsson informed SwedWatch that Intergroup demands the factory management to ensure that the code of conduct are translated and studied with the participation of the employees. According to Åke Natt och Dag, the code should be posted on the plants' notice boards. SwedWatch could not however see the code at any suppliers that we visited. HKCIC interviews with the employees also showed that none of the employees had heard about the Intergroup code.

– We are part of the problem since we buy these products. The consumers are also part of the problem. However we also try to be part of the solution, since we forward these demands, Åke Natt och Dag said.

### **Information to the consumers**

Coop has general comprehensive information about environment and ethics on their website, but nothing regarding specific demands on work conditions within the supply chain<sup>124</sup>. Neither is there any information about their code of conduct or monitoring of the code.

### **Suppliers in China**

Coop buys toys from six of the suppliers which participate in HKCIC study, supplier A, B, C, G and H. Detailed accounts of these suppliers and how they follow the code of conduct of Coop/Intergroup are given below.

## Suppliers in China to Swedish companies (Supplier A – I)

In February of 2004 the Hong Kong Christian Industrial Committee, HKCIC undertook a study of nine suppliers of Scandinavian toy selling companies at the request of SwedWatch. The study builds exclusively on interviews with employees at the plants.

Below is a summary of the results from the interviews, as well as comments from the plant management at the plants where SwedWatch arranged visits. The workers themselves have forwarded the information about the working conditions.

### Supplier A

The plant of supplier A is located outside the town of Dongguan in the south of China and has about 750 employees. Here plastic toys (for example toy instruments, kitchen toys etc) are manufactured for export to Europe and the USA. The supplier sells to several companies at the Swedish toy market, among others **Coop, Top Toy, Åhléns, ICA, Brio, Toyman, Leksam, Playbox, Alrico, Eber and Inter Agenturer**. Coop has had a long contact with the supplier. Coop believes that the supplier follows their code of conduct. SwedWatch visited the supplier together with Intergroup in May of 2004.

### Working hours

At our visit, the factory management stated that the real working time is ten hours per day at the plant; eight hours of regular working hours and two hours of overtime<sup>125</sup>. According to HKCIC report however, employees declare that they work nine hours per day as regular working time and three to five hours of overtime during peak season. This means that employees work around 14 hours a day during the peak season, which runs from May until September. According to the interviews, with workers outside the plant, they work seven days a week and 31 days a month. During the worst period, they are not required to work overtime on Sundays.

### Wages

According to the plant management, wages are paid in accordance with existing legislation<sup>126</sup>. Even the employees that HKCIC interviewed stated that the plant pays minimum wages in Dongguan, which equate to 43 Euro per month. In general terms women are reported to receive lower wages than men do. Overtime work is paid after the ninth hour, although this is contradictory to the legislation that prescribes eight hours of regular working time. The monthly wages of workers at the assembly line vary between 48 – 58 Euro, including overtime of about three hours per day.

A bonus of 7,7 Euro is paid if the worker does not have any absence. If an employee is absent without permit a wage reduction for three days is made. Other reductions are made if they arrive late. All of the rules taken together results in that the employees neither can nor want to be absent on sick leave.

Plant A has a 40-day delay in its payments of wages. The employees state that the employer uses this method so that the employees will not leave during peak season.

### Housing

Plant A offers the employees three meals a day and makes a 4,4 Euro wage deduction per month for this. Most of them eat in the factory canteen. According to the workers, 20 people

sleep in each dormitory. Ten bunk beds are placed in each room. The employees complain about the crowdedness in the dormitories as well as the lines to the toilet and to water. Warm water is available until ten or eleven in the evening.

### **Insurances**

According to the interviews, only workers operating machines in the die-casting department and molding department have industrial injuries insurance. It is only the managerial staffs have old age insurance. The Chinese legislation prescribes that all employees shall cover all employees with old age insurance and industrial injury insurance.

### **Health and safety**

Apart from fire-drills, the employees state that they don't receive any health or safety education.

### **Trade unions and co-decision**

According to the plant management there is a trade union. When we asked them about the complaints that the trade union has put forth during the recent years, there were some rather embarrassed laughs. There have been no complaints. The plant management explained to us that the union is something that the government decides shall exist at all work places<sup>127</sup>. No complaints have been left in the mailbox, which according to the company has been installed for the use of employees. The plant manager believes that this is either due to the fact that workers plan to stay at the factory for a limited time only, or that they will choose to leave if anything dissatisfies them. Another explanation given is that the workers have such a basic education that they don't understand such issues.

– Some of them can't even write, so how then will they be able to leave complaints in the mailbox?, the sales manager asks<sup>128</sup>.

### **Codes of conduct and inspections**

Older workers at the plant state that there is a system for fake payrolls and time cards. The fake payrolls show wages that are about 10 – 19 Euro higher than the real ones. Before the purchasers' inspections, the factory management usually warns the employees to talk about actual working hours and wages. According to interviews with workers, the factory management pay workers 10 Euro to give the purchasers' investigators false answers.

Supplier A claims to be following all legislation and does not either have any major problems in following the customers' codes of conduct. The management believes however that the customers should pay more for the compliance with the codes of conduct and the legislation.

– We need to be better equipped due to the demands in the codes of conduct; we need to pay for more benefits for the workers. Therefore we need to buy cheaper material and make cuts in the margin, maintained Ginny Mok, the sales manager of supplier A.

### **Complaints**

The workers complain about the long working days during peak season. They also complain about the dormitories where they have to queue for a shower or for washing their clothes. Some of the workers also believe that the stairwells are too narrow, which could have severe consequences in case of an accident.

## **Violations against the codes and the legislation, according to interviews with the employees:**

- Too long working hours
- A working week of seven days (during peak season)
- Incorrect overtime compensation
- Insufficient insurances
- No health and safety education
- Cheating at inspections

## **Supplier B**

Supplier B has two plants in Dongguan in the province of Guangdong. Buyers in Sweden/the Nordic countries are: **Brio, Top Toy and Coop**. The supplier produces plastic dolls, toy cars, electronic toys etc. HKCIC interviewed workers outside one of their plants. The supplier is ranked as a Top Toy 'A' supplier, i.e. the best category. Supplier B is Brio's main supplier in China.

With the help of Top Toy we were able to visit one factory of supplier B in May 2004. The plant that SwedWatch visited has been certified according to the social standard SA8000 and is one of the plants that have gone through the ICTI inspection program. At our visit at supplier B's plant we were not allowed to film nor could we record interviews, which means that most of the information comes from HKCIC interviews with the employees outside the other plant.

At the plant where HKCIC undertook interviews, employees estimated that there are about 2 500 employees. 85 percent are believed to be women between the ages of 18 and 30 years. They are all guest workers from poor provinces. The employees informed HKCIC that on the whole they are satisfied with the plant.

### **Working hours**

Most workers do eleven hours per day, eight hours of regular work and three hours of overtime between 18:00 and 21:00. The workers in the spraying and assembly departments have longer working hours. They work until midnight if it is necessary so as to finish an order.

Workers in the Injection moulding department work twelve hours a day and have two breaks of 30 minutes for lunch and dinner. They have one day off a week during the off-peak season. During peak season it is only in the departments of injection moulding and die casting that the workers have one day off a week.

### **Wages**

The plant workers confirmed that they are paid per hour. The daily wage for eight hours of work according to the workers is 2 Euro, which is the same as the minimum wage in the region. For overtime work, workers get 150 percent of their usual wage on weekdays and 200 percent during the weekend, which is in accordance with local legislation. The monthly wage for workers at the assembly line is often over 58 Euro during peak season. If those who work at the assembly department do six hours overtime, the workers may get wages of about 144 Euro.

According to the workers, their wages are delayed by 25 days, which means that the employer can keep a worker's wages if he or she decides to resign.

### **Other working conditions**

Many of the workers said that they do not have a contract of employment. Those who have signed a contract of employment maintain that they have not received a copy hereof. The employees confirm that newly employed workers don't receive any education at all before they start.

### **Housing**

Housing in the dormitories costs 7,7 Euro per month and the food costs 11,6 Euro in the plant canteen. Many workers choose to eat outside the plant. The plant also charges 1,7 Euro so that the workers can seek a temporary residence permit in Guangdong. A total of 21 Euro per month is deducted for living costs. Eight workers share one dormitory. There are however complaints that the water is not sufficient in the dormitories.

### **Insurances**

Only one part of the labour force has an accident and pension insurance. Those who have pension insurances pay 4,3 Euro per month for that.

### **Health and safety**

According to the employees they have only received education in fire safety.

### **Trade unions and co-decision**

The workers state that there is no organisation for the employees or any trade union, but according to the quality manager there are both committees where the employees discuss their working conditions each week as well as a trade union at the plant.

### **Codes of conduct and inspections**

Buyers regularly visit the plant to inspect the working conditions. Since the factory does not follow the legislation, which prescribes a maximum of 36 overtime hours per month, the employees at the plant show the social accountants and buyers fake entries in the wages accounts and also fake time cards.

The factory management also tells the employees what information they shall give the inspectors, i.e. that they never shall do more than three hours' overtime and that they are always free once a week.

### **Violations against the codes/the legislation according to the interviews:**

- Too long working hours
- Work seven days a week during peak season<sup>129</sup>
- Insufficient insurances
- No health and safety education
- Cheating at inspections

## Supplier C

Supplier C has four factories, two in Dongguan and two in Shenzhen. HKCIC has undertaken interviews at both plants in Dongguan and at one of the plants in Shenzhen. With the help of ICA, SwedWatch had the opportunity to visit one of the plants in Shenzhen. This plant is divided in two production units, one of which was visited by SwedWatch.

Supplier C has several long-time customers in Sweden, among others **Top Toy, Coop, ICA** and **Åhléns**. They produce plastic toys and toy cars.

Supplier C is registered at the Hong Kong stock exchange. The turnover for 2003 was 60,7 million Euro, and the net gain was about 9,3 million Euro. The company's own brand products represent 90 percent of the sales. The remaining sales consist of goods produced at the demand of others. 44 percent is exported to the US and 36 percent to Europe<sup>130</sup>.

Supplier C hires in total about 8 000 workers at its four plants in the south of China. The plant that we visited in Shenzhen has about 2 000 employees. Most of them are between 18 and 25 years of age and an absolute majority come from poorer provinces in the north of China. Tai Guang Lai, the plant manager at the plant in Shenzhen, told us that approximately 90 percent were young women.

### Working hours

At the plants in Dongguan, the workers have a twelve-hour workday during the peak season. In the plants in Shenzhen they do ten to eleven hours per day during the peak season. According to HKCIC report all plants violate the law of a maximum of 36 hours overtime per month during the peak season. All employees however have one day off a week, even during the peak season, which is in accordance with the legislation.

### ***Testimony from supplier C, 2004-05-25***

As SwedWatch stands on the factory yard watching when the workers exit the factory to have lunch, two women suddenly arrive to help a third woman who has fainted. The factory manager Tai Guang Lai explains that she has probably fainted because she has not had breakfast. It is common, he explains. Breakfast costs 0,14 Euro.

– They take her to the nursing care where she will come round. That's no big deal, says Lai.

When we get back to the factory during the lunch break, a sleeping crowd has replaced the workers intensive efficiency. Thousands of workers now lie exhausted at their workplaces. The factory manager Tai Guang Lai explains to us that the workers are trying to save up the time it takes to walk to the dormitories.

– They are afraid they will be late to the afternoon shift since that means a wages deduction, he explains.

Source: SwedWatch visit at supplier C, Shenzhen, 2004-05-25.

### Wages

The wages follow the legislation regarding minimum wage, but according to the workers they don't receive any overtime compensation in accordance with the law at weekends at any of the

plants. According to the law they should earn 200 percent of their usual wage at weekends, but instead they only receive 150 per cent, i.e. the same overtime compensation as weekdays. The employees earn between 58 and 87 Euro during peak season. They have a minimum wage guarantee.

### **Other working conditions**

At the two plants in Dongguan, workers do not receive a copy of their contract, which is against the law. The workers neither believe that the contracts say anything about the real conditions nor do they believe that the contracts give them any protection. Furthermore, the workers are not offered any body check-ups. At the plant in Shenzhen where interviews were held, the workers told us that they had got their employment through recruitment companies, where they had to pay 19 – 29 Euro for the job. The workers also stated that they do not get any health and safety education before they start their job. In the plants in Dongguan, those interviewed declared that in practice it is impossible for the workers to resign during the peak season. However, this is permitted in the plant in Shenzhen.

### **Housing**

At the plants in Dongguan eight to ten people stay in the same dormitory. For this they pay 7,7 Euro. To this is added food at an expense of 9 - 26 Euro per month. In all, this implies that about half of the workers' wages are used for paying fees and housing to the plant. At the plant in Shenzhen, where HKCIC has undertaken interviews, the workers state that they pay 4,8 Euro for the housing per month and that the food at the plant costs about 14 Euro per month.

### **Insurances**

At the plants in Dongguan, the workers maintained that only some sections of the staff are covered by a pension insurance, despite the fact that the legislation prescribes that all staff should be covered by this. The interviewed workers are not sure if they are covered with industrial injury insurance. At the plant in Shenzhen the workers stated that only a few of the employees are covered by old age insurance, but everybody is covered by industrial injury insurance. Charles Cheng, the sales manager of supplier C, stated however that all workers are covered by accident insurance<sup>131</sup>.

### **Health and safety**

At the plants in Shenzhen, some of the workers at the die-casting department complained about a dangerous working environment. Hot plastic could for example splash from the machines and burn them. HKCIC, as well as SwedWatch, could see small wounds on the workers' hands and elbows as well as burn marks on the workers' uniforms, shoes and socks. The ones who trim the plastic toys with small knives told HKCIC that they regularly cut themselves on the sharp knives. Employees stated that they have tried in vain to get the labour management to listen. Charles Cheng however told SwedWatch that he is not aware of any complaints from the workers.

Moreover we observed during the visit that employees at the department where they remove paint with thinner were working without respiratory protective devices. According to Charles Cheng, the sales manager, this is completely against the plant regulations. But he indicated that some workers don't want to wear the masks because they find it too difficult to breathe in them. Another possible environmental problem that SwedWatch was able to observe during its visit was that certain machines were very noisy. Only those sitting at the machines in question used ear protection.

According to Charles Cheng, workers are not allowed to enter certain areas that have been marked out with lines without wearing ear protection, but he admits that this might not always be followed. He explained that the workers are so busy and therefore end up standing too close to the machines. But according to Wydy Ling, the person responsible for the Top Toys code of conduct, the legislation covers not only the people working at the machine but also everybody else in the room<sup>132</sup>.

According to the employees, they don't receive any health and safety education. Charles Cheng maintains that this does exist. He says that they will now look into the fact that workers say that they have not received any education. During our visit to the plant, the factory manager, Tai Guang Lai told us that most accidents occur because the workers are very tired.

### **Trade unions and co-decision**

According to the employees that HKCIC has interviewed, there are no trade unions at any of the workplaces. But factory owner Tai Guang Lai, at the plant in Shenzhen, says that there is one trade union<sup>133</sup>. However it mainly organises sport activities and other leisure activities.

### **Complaints from the workers**

Supplier C has, due to the demand for reduced overtime work stipulated by the codes of conduct, started to outsource certain production on subcontractors. According to the manager however, this is not a long-time solution. Workers at the factory in Dongguan complained about earning less because of strict overtime controls. At the factory in Shenzhen the workers mainly complained about the working environment and the lack of communication with the management.

### **Codes of conduct and inspection work**

The workers do not know any Swedish purchasers or their codes of conduct.

Some purchasers do however visit the factories regularly in order to control the working hours, salaries, etc<sup>134</sup>. According to HKCIC interviews with the workers, the management ordered previous workers to give the "right answers" at the interviews, and the workers maintained that the management had falsified the bookkeeping earlier. But since the factories have begun to outsource the production on subcontractors and thus reduce the overtime, this problem has ceased.

The workers maintained that the subcontractors would not be able to solve the problems connected to working conditions, as these problems are often worse in the lower subcontracting line. Here there are no inspections either. Even Charles Cheng supposed that the working conditions are worse in the subcontractor chain. Top Toy applies the policy that its suppliers in principle shall never use any other subcontractors, as this will make it harder to verify the working conditions<sup>135</sup>.

### **Violations against the codes/the legislation according to the interviews:**

- Too long working hours
- Insufficient insurances
- No health examinations
- Dangerous working environment
- No health and safety education

## **Supplier D**

The factory is located between Shenzhen and Dongguan and has between 3000 and 5000 employees. At the factory, metallic toy cars are manufactured. The largest Swedish purchaser is **Brio**, which is alleged to buy about a fifth of the suppliers' products. According to the vendor assistant of supplier D; Nelson Li, Brio has been a customer of the company for about four years and is regarded as one of the most important customers of supplier D. **Top Toy** has also been a customer of the supplier for a long time. 70 percent of the workers are young women between the ages of 18 to 30 years. SwedWatch visited the factory in May 2004. Most of the information below however comes from HKCIC interviews undertaken with employees outside the factory in February 2004.

### **Working hours**

According to the interviews with the workers outside the factory, they do nine hours of regular working time and three hours of overtime work until 22:00, i.e. a twelve hour day. In the department of stamping, spraying, assembly and packaging spraying, the overtime work is alleged to be even longer as workers can do up to five hours of overtime a day during the peak season. Their working days are then 14 hours long. In the department of injection molding, working days are 12 hours long, from 8 am to 8 pm, with only a half-hour lunch break.

During peak season the workers maintain that they do seven days a week and at the most they have one day off per month. Normally the workers in the screw injection-moulding department however have one day off per week.

### **Wages**

According to the workers they get piece wages, i.e. they are paid per produced unit, in combination with a bonus system. The bonus varies between the different departments and is allocated if a worker does not make any mistakes or breaks any rules in the factory. In most cases workers can get a bonus of up to 19 Euro per month. Very few workers never make any mistake, which is required to receive the total bonus. The wages vary substantially; some experienced workers may earn 68 – 87 Euro while others only earn 39 – 48 Euro. They don't have any minimum wage guarantee during the off peak season, which means that the wages can sink periodically below the statutory minimum wage of 43 Euro per month.

### **Other working conditions**

The workers state that they have to pay a fee of 2,9 Euro in order to get employed. Such fees are illegal according to HKCIC. No health examination is offered though the law stipulates that this should take place every year. No education is given to new workers. The worker signs an employment contract for a year, but he/she does not receive a copy and the workers complain about the management not following the contract.

Penalty fares are given for different violations against the factory rules. 2,9 to 4,8 Euro is deducted if a worker is late for work three times a month. Fees of between 0,4 and 1 Euro are imposed if guards encounter a worker not wearing protective clothing. According to the interviews with the workers, the factory management is reluctant to permit sick leave, which means that many workers work even though they are ill and finally get so tired they can hardly make it to their workplace. If they are absent, three days' wages are deducted as a punishment. The workers stated in the interviews that they have to ask for permission to go to the toilet. Sales assistant Nelson Li maintained to SwedWatch however that everybody is allowed to go to the toilet whenever they want to.

## **Housing**

The food served in the canteen costs 0,2 – 0,3 Euro per meal, which means that the workers often find cheaper and better food outside the factory. Eight to ten workers share one dormitory with one toilet and access to water. They pay 1,9 Euro per month for this.

## **Insurances**

According to the workers, only the factory management and the technicians are covered by pension insurances, not the factory workers. Accident insurances are only given to the workers at the injection moulding department. The workers furthermore state that the factory only pays for medicines and health care, but that full statutory compensation is not given in case of an accident. In case of a serious accident the factory is alleged to having paid less than 1 Euro as a compensation for the increased costs of living. This is contrary to the Chinese legislation according to HKCIC.

## **Health and safety**

At least two serious accidents have occurred at the factory during the last year. Workers told us in interviews undertaken by HKCIC about an accident where a man had his leg injured by a tool. The factory then blamed the worker for causing the accident, which meant that he should compensate the injured worker. He however refused to do so and left the factory. Finally the injured worker had to cover half of the health care costs himself.

According to the workers another man was injured in July 2003 when a tool hurt his leg. The factory management blamed the worker for causing the accident himself and demanded a fee of 6,7 Euro from the injured worker. He did not receive any accident insurance or compensation for the accident. The worker is still there, but has a recurrent pain in his leg and head as a result of the accident. If the information from the workers is correct, supplier D is violating the law by not compensating the injured worker and by not creating a safe working environment for its workers.

### ***Testimony from supplier D***

”During the SwedWatch visit we saw the department where several accidents have occurred. It was remarkably slippery on the floor and the heat from the melting of zinc to be used for the toy cars made it difficult to spend longer periods of time in the workshop. There was also a very high sound level. Incessantly throughout the day the workers have to insert and remove the moulds from the machines. They work in this environment from eight in the morning until eight in the night and only have half an hour's lunch break.”

Source:

SwedWatch visit at supplier D, Dongguan, 2004-05-27.

## **Trade union and co-decision**

According to the workers there is no trade union or other organisation for the workers.

## **Complaints**

The interviewed workers complain about low wages, long working hours and bad health and safety conditions at the plant.

### **Codes of conduct and social revisions from the buyers**

According to the workers the purchasers make occasional visits. They are said to sometimes ask questions about their working hours, but not about other working conditions. According to the employees, the management tells the workers what answers they shall give in advance.

Brio has been the customer of supplier D since 2000 and has visited the plants several times in accordance with the sales assistant Nelson Li Brio. Brio is said not to have any objections against the working conditions or the working environment at the plant, but has mainly been interested in the prices and product information.

Top Toy undertook a social control of supplier D 2001 and the supplier was classified as category D, which is the lowest level. An action plan was made, but there have not been any new inspections at the plant. According to Wydy Ling, responsible of the code of conduct at Top Toy, this is due to a lack of time. Top Toy has instead chosen to direct more of its toy purchases to another supplier in the south of China.

### **Violations against the codes/the legislation according to the interviews:**

- Working hours
- Works seven days a week during peak season
- Don't give any minimum wage guarantee
- Incorrect overtime compensation
- No health examinations
- No health and safety education
- Insufficient insurances
- Dangerous working environment
- Cheating at inspections

### **Plant E**

The plant is located outside Shenzhen and produces plastic toys. It subcontracts work like the sewing of puppet clothes and puppet hair. The plant manufactures for **Brio** and **Top Toy** in Sweden as well as for **Walt Disney** and **Wal-Mart**<sup>3</sup>. It has about 2 000 employed who are guest workers from poor provinces in the north of China.

SwedWatch has not been able to visit the factory. The information builds on interviews with the workers outside the factory carried out by HKCIC in February 2004.

### **Working hours**

According to the interviews with the workers they work eleven hours per day including three hours overtime until 9.30 pm every day. During peak season, from May to October, the overtime might be five and a half-hours, which means that they work until 12 pm and have working days of close to 14 hours. The dressmaker's workshop has the longest overtime work, until one o'clock at night during peak season. The overtime hours represent nearly 150 hours per month during this period. The working hours at supplier E therefore strongly violate the labour legislation, which prescribes less than three hours overtime work per day and at the

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<sup>3</sup> For the Swedish buying companies this is confirmed, for Wal-mart and Disney this is based on what the workers told HKCIC when interviewing them outside the factory.

most 36 hours overtime work per month. At the packaging department they don't have a break at lunch, but start working again as soon as they have finished their meal. They don't have any day off during peak season, but often work every day of the month.

One worker states that he as a die cast worker does twelve hours per day including overtime, but says at the same time that they do even more overtime work at the packaging department. He earns 68 – 78 EURO during the off peak season and about 97 EURO during the peak season.

– Most of the workers are from the province of Sichuan. They only go home every fourth or fifth year since it is too far for them to go back home. We have seven days off per year.

He tells us that there sometimes are accidents where they for instance cut themselves because the machines and the needles are very sharp. There are yet higher demands on quality, which increases the pressure, particularly on the newly employed:

– The newly employed have less experience and therefore make many mistakes and are forced to redo the job. Some of them think it is so stressing and tiring that they leave the factory. If you need to redo your job because you made a mistake, you are forced to do that on the same day.

### **Wages**

The workers receive piece wages with a bonus, which means that they earn more if they work quickly. They are not paid for overtime work, but only according to how much they earn. This is contrary to the labour legislation, which stipulates that overtime work shall be based on 150 percent of the wages on weekdays and 200 percent on weekends. The factory does not offer any minimum wages, which means that the employees can earn less than the statutory minimum wages during off peak season.

The worker receives a bonus when he or she has reached a certain level of production speed. Assembly workers earn about 58 to 68 Euro, even though experienced workers may reach 700 to 87 Euro during the peak season. During the off peak season the wages may however sink to 19,4 Euro, which nobody can live on. The management tries to stop the employee from leaving the company during the peak season by among other things retaining wages due.

### **Housing**

The workers spend about 19,4 Euro per month on food and housing, which is the same amount as the lowest wages are alleged to be. They sleep eight people in each dormitory. There are dormitories for couples, but these are only offered to administrative staff.

### **Insurances**

At the interviews the workers maintain that everybody is not covered by a pension insurance. They do not know if they are covered by an accident insurance.

### **Health and safety**

The employees are not offered any health check-up though the law prescribes this. The plant does not offer the employees any health and safety education either.

### **Trade unionism and co-decision**

The employees state that there is no trade union at the workplace.

## **Complaints**

The working hours during peak season are very long; the employees do 13 to 14 hours and must then queue to have a shower or to wash their clothes. They go to bed late and on the following morning they need to get up and start working at eight o'clock again. They also complain about the low wages and that they are not compensated for the overtime work they do. During the off peak season, they are forced to spend all their wages on food and housing at the plant. The workers sign a contract for a year, but several workers complain about the non-compliance with the working conditions in the contract.

## **Codes of conduct and social revisions**

The buyers regularly visit the plant. They chose some workers and ask them about their working conditions. Even in this plant the employees are told what to answer when the buyers do their inspections. One worker tells us that he believes it to be natural:

– If you give any wrong answer out of unknowing, you will bring some unnecessary trouble for the factory. For the employees themselves, they will also feel bad if they happen to say something wrong. They will be afraid of being fired afterwards.

Before the buyers arrive, young workers and workers without a contract are sent off. Some of the workers that HKCIC have interviewed think that the inspections are insufficient and are of the opinion that they cannot possibly reflect reality.

A worker also tells us that his plant used child workers last year, which was revealed by a buyer at an inspection. Now the factory checks the ID documents of the workers more carefully.

## **Violations of the codes/legislation according to the interviews:**

- Too long working hours
- Work seven days a week during peak season
- Don't give any minimum wage guarantees
- Wrong overtime compensation
- Insufficient insurances
- No health examinations
- No health and safety education
- Cheating at the inspections

## **Supplier F**

Supplier F has two plants, one in Guangzhou and one in Shaoguan. Both plants manufacture plastic toys for among others **Coop**. According to information from HKCIC, the supplier employs between 3000 – 5000 workers and 75 percent are estimated to be young women between the ages of 18 till 30 years, who come from the Northern provinces.

SwedWatch has not had the possibility to visit the suppliers' plants, which means that the information exclusively builds on the study undertaken by HKCIC. HKCIC has only carried out interviews with workers outside the plant of Guangzhou.

### **Working hours**

The employees do eleven and a half-hour per day during peak season, including four hours overtime until 22.00 in the evenings<sup>136</sup>. The peak season stretches from Mars to September at this factory. In the paint, assembly and packaging departments the workers are said to have yet more overtime than during peak season. Here they are working until midnight, which entails working days of 13,5 hours. During peak season the workers don't have any day off during the week. The workers maintain that it is common that they do seven days a week several months in a row during the peak season. During the peak season they have two to three days off per month.

### **Wages**

The plant pays piece wages. To this is added a bonus of 2,9 Euro if they have not been absent. The wages vary a lot depending on the price the plant gets for an order. No overtime work is paid, which is contrary to the law. They don't have any minimum wages guarantee either, which also is contrary to the law.

The average wages for a worker at the assembly line is 48 – 58 Euro during peak season, including wages for three to four hours overtime work per day. Experienced and quick workers can earn close on 87 Euro while new, inexperienced workers can get about 39 Euro though they do overtime work.

The wages are paid one month too late. According to the workers this is due to the employer's wish to stop them from leaving the plant during the peak season.

### **Other working conditions**

The employees state that they need to pay 2,9 Euro in order to get an ID card, 1,9 Euro for a uniform and that 4,9 Euro is collected as an administration fee when they sign the job contract. The factory does not offer any health and safety education nor does it offer the new workers any health examinations, which is a requirement of the Chinese legislation. The official policy is that only workers between the ages of 18 and 30 years should be employed. In spite of this, older workers state that many young workers, including those not having the statutory age of 16 years, are working in the factory by using fake ID cards.

Contracts of one year are signed, but the workers do not receive any copies. Those interviewed believe that what is laid down in the contracts does not correspond with the factual working conditions.

The plant management has different penalty fares for violations against the plant rules. For example 0.2 Euro is deducted for being late. The employer does not permit sick leave during peak season. Should an employee be ill and absent during this time, it is regarded as absence and three days' salary is deducted as a punishment.

### **Housing**

The plant has a canteen and 2,9 Euro is automatically deducted for the meals. The workers however believe that the food that is served is inedible and many workers declare that they choose to eat outside the factory though this is already paid for. Around twelve workers live in a dormitory with a toilet and washing facilities. For this 3,9 Euro is deducted from the wages.

### **Insurances**

The interviewed workers don't know if they are covered by any pension or accident insurance, which the law prescribes.

### **Health and safety**

A part from the fire drills, the workers are not offered any health and safety education. The factory offers some protective clothing, but since the workers are worried that the gloves will slow down their job and that they will thus get lower wages, they prefer not to use this equipment. According to HKCIC investigator, they could see that the workers' hands were coloured in the paint department.

### **Trade unions and co-decision**

There is no trade union or other organisation for the workers at the factory according to the employees.

### **Complaints**

The workers complain about the extreme working hours during the peak season. They also complain about the low wages and that they don't get any overtime compensation. The workers complain about the bad ventilation in the dormitories.

### **Code of conduct and social revision from the purchasers**

Buyers come to the factory regularly to inspect wages and working hours. According to the workers, the factory management falsifies the bookkeeping of working times and wages and convince the workers of giving the "correct" answer before the inspections. Workers, who look too young, have to leave the factory before the inspectors arrive. The workers have to sign both a real pay slip and a false one when they collect their wages. The false payrolls are shown to the buyers. Workers, who tell the truth to the buyers, are punished and workers who give the "correct" answers are rewarded.

### **Violations against the codes/the legislation according to the interviews:**

- Too long working hours
- Work seven days a week during peak season
- Don't give any minimum wage guarantees
- Wrong overtime compensation
- Insufficient insurances
- No health examinations
- No health and safety education
- Cheating at the inspections
- Child workers (under the age of 16)

## **Factory G**

Supplier G has three factories, two in Dongguan and one in Shenzhen. Interviews have been undertaken with workers outside the two factories (A and B) in Dongguan. In May 2004 SwedWatch visited one of them (B) with the help of Coop. The customers often give an order

to factory A which will then give parts of the production to factory B. The working conditions are generally worse at factory B than at factory A.

The suppliers sells relatively little to the Swedish market, only 0,2 percent of the total sales. The only buyers in the Nordic countries are **Coop** and **Åhléns**<sup>137</sup>. The suppliers' owner is from Hong Kong. Important buyers include **Mattel**, **Wal-Mart** and **Disney**<sup>4</sup>. According to HKCIC investigation, factory A has about 400 – 700 workers and factory B has about 500 – 1400. They are all of them guest workers from the northern provinces and are mostly often between 17 and 25 years old.

### **Working hours**

According to HKCIC interviews with workers from the factory, they do eight hours regular working time and four hours overtime, until 23.00 at factory A. At factory B they have nine hours of regular working time and three to four hours of overtime during the peak season. When we visited the factory, the factory management however stated that they followed the local legislation, which prescribes a maximum of three hours overtime per day as well as a maximum of 36 hours overtime per month.

At both factories the workers state that they only are free one day per month during the peak season. According to the Chinese labour legislation and the Intergroup code of conduct, all employees have the right to one day off per week.

– We earn little during the off peak season since there is not that much to do. Those who work slowly earn about 19 – 29 EURO. Those working quickly and thus producing more, can earn 39 – 48 EURO, says an employee interviewed by HKCIC<sup>138</sup>.

Furthermore he tells us that the off peak season runs from October to June. During the peak season, from July to September, the workers can manage to scrape together 68 – 78 EURO, but then there is a required overtime until ten or eleven at night. If an order needs to be finished it does happen that they have to work all night.

– If we at the die-cast department work all night we get dizzy and our eyes become sore since we are not allowed to take any breaks. The light from the fluorescent tubes at our workplaces is very strong. If you stand under such strong light for a long time, your eyes get very unpleasant and this will cause you problem in the long run.

### **Wages**

At factory A the employees receive piece wages with a bonus system. The monthly wages amount to about 58 to 68 Euro during the peak season. But some inexperienced workers only earn 29 to 39 Euro. There are some cleaners at the factory who earn less than the statutory minimum wages in Dongguan. They only earn 1,7 Euro for an eight hour long workday while the statutory daily wages are 2 Euro, according to HKCIC. At both factories the wages are only paid 30 days after the end of a month.

At factory B the workers only get paid by piece rate, without any other compensation. During the off peak season the wages may therefore sink to between 29 to 48 Euro. There is no minimum wages guarantee, which is statutory. They do not receive any overtime compensation. Therefore the wages are lower at factory B instead of at factory A.

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<sup>4</sup> Interview with factory manager Tong Hur Fu during SwedWatch visit in May 2004 and HKCICs interviews with workers outside factory B.

### **Other working conditions**

Only simple education about the rules at the factory is offered to the newly employed. No health examination is offered. At factory A no contracts are signed with the workers. Instead the workers maintain that the factory management has false copies, which are shown to the buyers at the inspections. At factory B contracts are signed, but the employee don't get any copies hereof.

– We have a contract, but we actually don't know what that means. If they tell us that we shall sign a contract, we will do so. We don't have any copies of the contract either, says a young man who works at factory B.

A fee is demanded when a worker starts at one of the factories, which is contrary to the Chinese legislation.

### **Housing**

At factory A eight people sleep in the same dormitory, at factory B eleven workers live in the same dormitory. Workers at factory B pay 8,6 Euro for two meals a day and for electricity in the dormitories.

### **Insurances**

According to the interviews only the workers in the pressing department have industrial injuries insurance, but not other workers. Only managerial staffs and technicians have old age insurance, but not production workers. This is contrary to the Chinese legislation.

### **Health and safety**

A part from the fire drills, the factory management does not offer its employees any health and safety education.

### **Trade unions and co-decision**

There is no trade union according to the workers. According to the factory management at factory A there is however a trade union at the workplace. According to the interviews with the workers, the factory management encourages them to say that there is a trade union if they are asked about this during the buyers' inspections.

### **Complaints**

The workers who are interviewed complain about long working days, too few days of rest and too low wages. A young worker at factory B tells HKCIC that he knows very little about his possible benefits, insurances and rights. If he encounters any problems he usually asks the older workers at the factory. According to the workers this factory among other things manufactures Barbie dolls. He winds up in telling HKCIC about the expectations he has on his employer:

– We are only hoping that the factory management shall treat us better, that we shall get somewhat higher wages and that the working time shall get shorter.

At factory A the working conditions are better. But even here the employees sometimes work until 23.15 at night in order to finish the buyers' orders on time and the employees are only free one to two days per month. The wages are considerably better. A female worker of 27 years of age, who has been working at the factory for four years, says that the workers can

reach wages of 78 – 87 Euro during the peak season, sometimes even 97 Euro. The minimum wages of 43 Euro are guaranteed even during the off peak season. She herself thinks that she does not have anything to complain about.

### **Codes of conduct and social inspections**

The workers know that Mattel undertake social inspections five to six times a year. When the inspectors arrive, parts of the labour force are urged to leave factory A. The factory management teaches the remaining workers the answers they shall give if they get any questions. They are rewarded 2,9 Euro if they give the "correct" answers. An employee tells us that newly employed workers usually are sent away when the buyers are expected. The workers that are left all have contracts, which are distributed before the arrival of the inspectors and are recollected again when they have left.

At factory B the workers maintain that they have social inspections about four to five times a year. Before the arrival of the inspectors, 400 – 500 workers are sent to the local cinema or in some other way away from the factory area. When the inspectors have left again, they are ordered to come back to continue their job. They are also ordered to pack their belongings in the dormitories so that it looks like as if there are fewer workers at the factory than there is. The labour management tells the workers who are left what answers they shall give. They receive 2,9 - 4,8 Euro if they give the "correct" answer. The workers maintain that they are extremely tense during these inspections.

– We don't understand anything. Nobody could tell the truth. When we are working at the factory we in a way belong to the factory. It wouldn't do us any good if we told the truth. We can't afford to upset our manager, a young man who works at factory B tells HKCIC.

*Would you dare to tell the truth?*

– Of course not, he replies.

### **Violation against the codes/the legislation according to the interviews:**

- Too long working hours
- Work seven days a week during peak season
- Don't give any minimum wage guarantees
- Wrong overtime compensation
- Insufficient insurances
- No health examinations
- No health and safety education
- Cheating at the inspections

### **Supplier H**

The factory is located in Shenzhen and has about 3000 - 6000 workers who manufacture plastic dolls for among others **Coop**. The factory is partly certified in accordance with the social standards, SA8000. At the certified departments the employees have the SA8000 symbol on their ID badges. There is a strong separation between workers belonging to the SA8000-certified workplaces and the others, according to the HKCIC study.

SwedWatch was not allowed to visit the factory since the common policy of the supplier was not to allow any filming. The information below builds entirely on HKCIC interviews with employees outside the factory.

### **Working hours**

The factory has an eight-hour regular working time as well as three to four hours overtime during the peak season. They always have one day off a week and two days off during the off peak season.

### **Wages**

The employer pays piecework wages. According to the workers the monthly wages amount to 68 – 87 Euro during the peak season and 58 – 68 Euro during the off peak season. The employees have a minimum wages guarantee, i.e. 45 Euro. The peak season runs from May to October. During the off peak season during November to January the workers get “time off” since there is not that much to do.

### **Other working conditions**

The workers receive one-year contracts in writing. The employees can leave the company with a 15 days' notice.

### **Housing**

14,4 Euro is deducted from the wages for those workers who sleep in the factory dormitories and who have the meals offered in the canteen.

### **Insurance**

The workers who work at SA8000-certified departments are covered by pension insurances, while those who do not work there, lack pension insurances. The workers who were interviewed did not know if they were covered by the statutory accident insurance and therefore did not know if they would get any compensation in case of an accident.

### **Health and safety**

The workers receive a three days education on factory rules, fire drills, safety information, and policies, among other things. The workers go through health examinations when they start and then receive these regularly in order to check if they get any work related injuries. In the roto moulding department, hearing tests are carried out on a regular basis. The workers however have to pay for the health examinations themselves.

### **Trade unions and co-decision**

According to the workers, there is no trade union or other organisation that represent their interest at the workplace.

### **Complaints**

The workers complain about the orders being allocated unevenly throughout the year, which means that the wages vary significantly throughout the year. Those interviewed complain about the wages being too low during the off peak season since the mayor parts of the wages then have to be used for food and housing.

### **Codes of conduct and inspections**

According to the workers there is a clear difference between SA8000-certified workplaces and the other factories. Before the inspectors arrive, the suppliers make sure that the workers from the non-certified workplaces get time off. Only the workers from the SA8000-certified workplaces stay. The factory management instruct the remaining workers in giving the "correct" answers and they are rewarded between 1,9 – 7,8 Euro for this afterwards.

### **Violation against the codes/legislation:**

- Separation between SA8000- certified workplaces and other workplaces
- Cheating at the inspections
- Insufficient insurances

## **Supplier I**

The factory is located outside Shenzhen and has between 600 – 700 employees. Swedish and Danish purchasers are **ICA**, **Åhléns** and **Top Toy**. The factory also supplies **Disney** and **Wal-Mart**<sup>5</sup>. The workers are between 18 – 25 years of age and mainly guest workers from the northern provinces of China. SwedWatch visited the factory in May 2004.

### **Working hours**

The working times are eleven hours per day, including three hours of overtime during the peak season. The sewing department has more overtime, from 06.00 pm to 12.00 pm. In most cases all workers have one day off per week, but sometimes during the peak seasons they don't have any day off at all during the week, which is contrary to the Chinese labour law regulations.

### **Wages**

Workers are paid by time rate. No other subsidy or allowance is given. During the peak season the workers state that the factory workers may earn 68 – 87 Euro. The minimum wages in this district are 45 Euro, though some of the less experienced workers in this factory don't reach the minimum wages according to the employees. The factory pays statutory overtime compensation, one time and a half the wages at weekdays and twice the wages in the weekends. At this factory the wages are paid 20 days after the fixed date for payment according to the workers.

### **Other working conditions**

The factory follows the statutory limitation of overtime work relatively strictly nowadays, yet the factory management wants to keep the same production level. The factory therefore establishes daily production quota for each department that must be fulfilled within the regular working hours. When the workers don't attain the daily production quota, this is openly criticised. Many employees tell HKCIC that they feel that they are under a lot of stress due to the increased pressure.

Many of the workers get their job through recruitment companies and have to pay this company 10 Euro in order to get the job. The workers receive copies of their one-year contracts. No education is offered to the newly employed.

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<sup>5</sup> According to I.Y Sim, managing director, during SwedWatch visit in May 2004 and workers interviews outside the factory.

### **Housing**

The workers get two meals a day at the factory and 10,4 Euro per month is automatically deducted on the wages for this. 4,3 Euro is deducted for the dormitories.

### **Insurances**

The workers don't know if they are covered by any insurance.

### **Health and safety**

Only fire drills, no other health and safety education is given following the interviews with the workers.

### **Trade unions and co-decision**

According to the workers there is no trade union at the workplace.

### **Complaints**

The workers find that there is very little possibility to influence the conditions at the workplace. Several of the interviewed however find that this factory is better than many of the others. The only complaint regards the daily quota, which are too highly fixed and create too much pressure on the workers.

### **Codes of conduct and inspection work**

The workers know that inspectors come from Disney and Wal-Mart. According to the workers, supplier I used to falsify the book keeping of wages and working hours, however the inspectors discovered this. Thereafter the factory management has tried to improve the conditions and to follow the codes. The workers' wages have increased from 1,5 Euro per day to 2 Euro per day.

### **Violation against the codes/the legislation according to the interviews:**

- Working hours
- No health and safety education
- Do not give any minimum wages guarantee

### **The companies' reactions to HKCIC reports**

SwedWatch has asked the companies to comment on the information found by HKCIC and SwedWatch. The comment from Top Toy is included as an annexe to this report<sup>6</sup>. During the autumn of 2004, Fair Trade Center met with all companies concerned. At these meetings Fair Trade Center put forward their demands and recommendations (please see page 10). It is yet too early to make any statements about the actions that the companies will take. It is however clear that all companies concerned look seriously at the accusations and are undertaking studies at the factories of the identified suppliers.

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<sup>6</sup> The comments from COOP and Brio are available in Swedish only.

**Table: The violations against the Chinese legislation and the codes of conduct<sup>7</sup>**

	Supplier								
Nordic buyer	A	B	C	D	E	F	G	H	I
Brio	•	•		•	•				
Coop	•	•	•			•	•	•	
Ica	•		•						•
Top Toy	•	•	•	•	•				•
Åhléns	•		•				•		•

	Supplier									Total
	A	B	C	D	E	F	G	H	I	
Cheating inspections	•	•		•	•	•	•	•		7
Working hours	•	•	•	•	•	•	•		•	8
7 days working week	•	• <sup>8</sup>		•	•	•	•			6
No minimum wage guarantee				•	•	•	•		•	5
Incorrect overtime compensation	•			•	•	•	•			5
Insufficient insurance	•	•	•	•	•	•	•	•		8
No health checks			•	•	•	•	•			5
Dangerous working environment			•	•						2
No health & safety training	•	•	•	•	•	•	•		•	8
Childwork						•				1
<b>Total</b>	<b>6</b>	<b>5</b>	<b>5</b>	<b>9</b>	<b>8</b>	<b>9</b>	<b>8</b>	<b>2</b>	<b>3</b>	

<sup>7</sup> The table is a summary of HKCIC interviews with employees outside the factories in February 2004.

<sup>8</sup> The workers have one day off during off peak season. It is only at the the injection moulding and die casting departments that the factory workers have one day off per week even during the peak season.

## 5. Conclusion

SwedWatch may with great certainty establish that the companies indirectly, through their suppliers, violate Chinese legislation, international conventions and their own codes of conduct within the toy manufacturing in southern China. This is also done to a larger extent than the Swedish and western purchasing companies are aware of. Young migrant workers who often work 14 hours a day and live in dormitories in connection with the factories have manufactured the toys that we buy for our children. The wages that they receive are very low, even by Chinese standards. They are often not covered by statutory insurance, do not have an employment contract and don't have the possibility to organise. It also seems as though an unexpected effect of the code of conduct and the inspection work of the companies is that the Chinese suppliers have found sophisticated ways of deceiving their auditors and inspectors.

For the last few years, the companies have started to put demands on their suppliers and have in many cases also developed a method to try and tackle insufficient working conditions. Some improvements of the working environment in the factories can be palpable. During the last decade, the Chinese factories have become safer and healthier workplaces, which to a large extent is because western companies have begun to introduce demands in this field.

Despite this, the guest workers continue to be completely unaware of their right, which creates a breeding ground for exploitation. They are often exposed to long working days, low wages, an unhealthy working environment and they find it hard to influence their work situation.

*HKCIC examination shows that the suppliers of the Swedish companies violate several laws and their own codes of conduct;*

The single most common violation against the legislation and the codes of conduct relates to the working hours. According to HKCIC interviews eight out of the nine examined suppliers violated the Chinese legislation with regards to working hours. Five of the plants have almost 14 hour long working days and overtime of about 150 hours per month during peak season. Six out of the nine factories do not have a day off per week during peak season. Chinese legislation and an ILO convention<sup>139</sup>, ratified by China, lays down the right to at least one-day off per week. At some of the factories the employees work without any time off for several months in a row.

Five out of the nine suppliers do not give a minimum wage guarantee, which means that the wages may sink to under the minimum wage level during off-peak season. The minimum wage at Dongguan is at present 43,3 Euro/month and the minimum wage in Shenzhen is 45 Euro/month<sup>140</sup>. NGOs and workers that SwedWatch talked to believe that reasonable living wages, that is wages which at least will cover the basic needs, in the region are close to 72 Euro<sup>141</sup>. In one of the factories the workers maintain that the wages can be as low as 19 Euro during the low season.

Eight out of nine factories have a delayed payment of wages between 15 and 40 days. This leads to large financial problems for the employees. According to the workers, this delay is used to stop the workers from leaving the company.

At eight out of the nine suppliers the employer reportedly does not give any formal health and safety education, apart from fire drills. At two of the factories the workers complained about bad working environment.

At all suppliers the majority of the employees are young guest workers from the northern provinces of China. They live eight to twenty people in a dormitory of the factory and eat in the factory's canteen. The workers often do not want to leave the factory area because they cannot afford to spend any money. Many of the workers work without a contract and are totally dependent on the consent of the employer.

In China only trade unions that belong to the governmental All China Trade Union Federation (ACFTU) are permitted. Workers often don't have any confidence in this governmental organisation. The workers at all suppliers maintained that they do not belong to any trade union or other organisation that they could discuss their work situation with. At our visits however, we discovered that several of the factories had trade union branches. The trade union that we spoke to though did not know what negotiations with the employer meant. None of the factory managements that we spoke to said that the trade unions of the factories had any wage claims. Instead, the trade unions organised entertainment for the employees.

Perhaps the most important issue that HKCIC inquiry shows is that seven out of nine suppliers are said to be systematically cheating during the purchasers' inspections of their codes of conduct. The majority of employers order employees to give purchasers the "right answer". Two of the factories even pay their workers to do this. Another example of cheating is that workers receive a temporary employment contract before the social inspectors arrive. The contract must be returned after the inspection. At other factories certain parts of the work force are sent away before the inspectors arrive. At three of the factories the employee accuse the employers of false bookkeeping of wages and working hours, which they show at the purchasers' inspections. The fact that double bookkeeping has become relatively common as a method to avoid the purchasers' inspections has been confirmed by the American organisation Verité.

Since 1995, Verité has undertaken about 200 plant inspections at the vendors of large international companies in China<sup>142</sup>. The experience of Verités is that a majority of suppliers are using triple or quadruple bookkeeping in order to not reveal wages under the minimum level or unpaid compensation for overtime work.

The reason for the violation of the workers' rights should be discussed and analysed thoroughly. The SwedWatch study shows that two factors need to be discussed:

*1) The non-willingness from the purchasing companies to pay for the compliance of the demands in the codes of conduct.*

All suppliers that SwedWatch spoke to find the situation close to untenable. Several of them are talking about moving production to north China where the labour is even cheaper or to cheaper regions abroad. Africa for instance has been mentioned. None of the suppliers found that the purchasing companies are willing to share the costs for following the demands.

The result is that there is widespread cheating and double bookkeeping of working time and wages including making the workers give the "correct" answers to the inspectors' questions.

SwedWatch asked Anita Chan, a researcher specialised on labour issues in China, why the cheating is so widespread:

– It is usual for there to be complaints about larger companies lowering the prices. They calculate the price per produced unit and the competition is so great that the price per unit has gone down. In a way I understand the suppliers. The inspectors and organisations urge the companies to improve conditions, but the suppliers are not paid to undertake improvements.

Anita Chan explained that it is up to the international consumer movement to put pressure on purchasing companies so that they pay for the improvement of working conditions.

SwedWatch asked the Swedish companies why they are not sharing the costs for the pursuing of the codes. Åke Natt och Dag, head of the environment and quality, Coop, Lars Gjoerup, CEO Top Toy Hong Kong and Tomas Persson, CEO, Brio, all consider that the consumers in this case must be prepared to pay more. Åke Natt och Dag does not however find that there is a risk of Coop paying too low a price to its suppliers.

- If the price is too low the supplier will not accept the order, he says.

None of the seven suppliers that SwedWatch interviewed in China would however say no to an order due to the demands being too high. Nor could they demand to get paid better. Instead they try to cut down the costs with all the means at their disposal, which has an effect on the workers.

Several international consumer campaigns have recently given attention to the demands that the western companies put on their suppliers in the developing countries. Campaigns like the Clean Clothes Campaign “Play Fair at the Olympics”, and the Oxfam “Trading Away Our Rights” show how the purchasing conditions can cause poor working conditions in the supply chains. The consulting firm, Acona shows in the report “Buying your way into trouble?”, how the companies' purchase methods often conflict with the companies' ethical policies. They strongly recommend that the companies connect their ethical demands with their purchasing methods to a larger extent<sup>143</sup>.

## 2) *The lack of a real co-decision and possibility of exerting an influence.*

Despite the fact that the codes of conduct have existed for about ten years and that they are about the workers' working conditions, many of the workers are unaware of the codes and the labour legislation. Ethical demands often only reach the factory management and not those who the codes actually concern; i.e. the workers at the plants in developing countries.

Several of the larger companies that have had codes of conduct for ten years now have initiated a self-critical analysis of why many problems persist in the production of their goods. In an article in the magazine *Ethical Corporation* it is described how Levi Strauss nowadays consider the traditional inspection methods of the company to not work<sup>144</sup>. Levi Strauss experienced that for ten years the company had visited suppliers and filled in inspection forms, but found out later that the information they were given was incorrect. Time and time again reports from non-governmental organisations and trade unions show that company inspections do not work. Nowadays, Levi Strauss concentrates on a follow up of its' code of conduct which involves the workers. This is done for example through regular meetings between the plant management and worker representatives. The idea is to use methods other than the regular inspection of working conditions and instead give the workers a real possibility of exerting an influence on their own working situation.

– If you really want the workers' rights to be respected, you need to make sure that there is a possibility for this. You need to put pressure on the factory managers and let the workers vote for their own representatives, said Han Dong Fang, the head and the founder of China Labour Bulletin, CLB.

Han Dong Fang considers, just like Elisabeth Tang at the Hong Kong Confederation of Trade Unions, that it is a matter of democratising the official trade union organisation, ACFTU, from below. The idea is that the workers themselves get to choose their representatives and that they start a real trade union work from the factory floor. However, they would have to belong to ACFTU, as this is the only trade union allowed. Some trials in that direction have already been undertaken. The best-known example is where Reebok has been the driving force as a foreign company<sup>145</sup>. In an article about the trials, Doug Cahn, head of the Reebok programme of human rights, said:

– The suppliers in China are incredible when it comes to finding ways of cheating us. The best inspectors are the workers themselves.

A step in the right direction of employees choosing their trade union representatives themselves at the workplaces is to give the workers education about their rights and about the codes of conduct of the companies, according to several organisations that SwedWatch spoke to<sup>146</sup>.

– There is only one way. To introduce an even stronger membership in the union and make the workers become more and more active. In that way the workers can play an important role in the organisation. If they can get more power and get stronger from below, they can increase pressure upwards. The higher official trade representatives will then be forced to listen to their members, explained Han Dong Fang.

- <sup>1</sup> COOP gave the suppliers A, F, G and H, Top Toy gave the supplier B, ICA gave C and I, Brio gave D and E.
- <sup>2</sup> In the case of Top Toy the company has only given us the permission to visit some of its most highly ranked factories (A-B).
- <sup>3</sup> Southern China – economy and development”, Report from the Swedish Foreign Ministry, Ulf Sörmark, 2004-02-06, [www.swedishtrade.se](http://www.swedishtrade.se), 2004-02-11.
- <sup>4</sup> Ibid.
- <sup>5</sup> Ibid.
- <sup>6</sup> Schrage, Elliot J, ”Promoting International Workers Rights Throgh Private Voluntary Initiatives: Public Relations or Public Policy?”, A report to the US Department of State on behalf of The University of Iowa Center for Human Rights, January 2004:108.
- <sup>7</sup> ”Kina as a WTO member – 18 months after the accession”, the National Board of Trade, Report 2003-06-06, p 10.
- <sup>8</sup> Risinggård Börje, ”Kina – hot eller möjlighet”, the Importer, Number 2/2003: p 6-7.
- <sup>9</sup> Report from the Swedish Foreign Ministry, China, 2004-06-11, [www.swedishtrade.se](http://www.swedishtrade.se), 2004-08-30.
- <sup>10</sup> Ibid.
- <sup>11</sup> Southern China – economy and development”, Report from the Swedish Foreign Ministry, Ulf Sörmark, 2004-02-06, gathered from [www.swedishtrade.se](http://www.swedishtrade.se), 2004-02-11.
- <sup>12</sup> Chan, Anita, 2002, ”The Culture of Survival: Lives of Migrant Workers Through the Prism of Private Letters”, Chap 7, p 163, <http://rspas.anu.edu.au/~anita/>, 2004-08-30.
- <sup>13</sup> Ibid.
- <sup>14</sup> Chan, Anita, ”A Race to the Bottom – Globalisation and China's labour standards”, China Perspectives, No 46, March – April 2003:p 46.
- <sup>15</sup> Ibid.
- <sup>16</sup> ”Human rights in China 2003”, the Swedish Foreign Ministry, [www.manskligarattigheter.gov.se](http://www.manskligarattigheter.gov.se), 2004-02-12. This would however imply that China would need to change its legislation as regards for example the freedom of assembly and freedom of association. The Chinese government has handed in reservations to Human rights conventions, for example against the right of organising and choosing trade union.
- <sup>17</sup> ”Report on China 2004”, <http://web.amnesty.org/report2004/chn-summary-eng>, 2004-08-30.
- <sup>18</sup> ”Human rights in China 2003”, the Swedish Foreign Ministry, [www.manskligarattigheter.gov.se](http://www.manskligarattigheter.gov.se), 2004-02-12.
- <sup>19</sup> Government White Papers, 2. Formation of New Labor Relations, [www.china.org.cn/e-white/17/7-v.htm](http://www.china.org.cn/e-white/17/7-v.htm), 2004-02-16.
- <sup>20</sup> Kaiming, Liu (2004), ”Listening to Workers’ Voice”, p 38.
- <sup>21</sup> Certain questionmarks still remain according to HKCIC about the local decisions about this insurance, but according to HKCIC the authorities recommend the employer that the employees be covered by this insurance.
- <sup>22</sup> The Hong Kong Christian Industrial Committee, HKCIC prestudy for SwedWatch, February 2004.
- <sup>23</sup> Government White Papers, 2. Formation of New Labor Relations, [www.china.org.cn/e-white/17/7-v.htm](http://www.china.org.cn/e-white/17/7-v.htm), 2004-02-16.
- <sup>24</sup> Kaiming, Liu (2004), ”Listening to Workers' Voice”, 2004:17-18.
- <sup>25</sup> Ibid:21.
- <sup>26</sup> Ibid:22.
- <sup>27</sup> ”Civil Society groups are emerging to aid migrant women workers in southern China”, Zhang Ze, China Country Director at the Asia Foundation, Beijing. Paper presented at the China supplier workshop on Labor practices and corporate social responsibility, Oct 22-23 2001, Shenzhen, China, [www.ico-china.org](http://www.ico-china.org), 2003-11-04.
- <sup>28</sup> Kaiming, Liu (2004), ”Listening to Workers’ Voice”, p 14.
- <sup>29</sup> Ibid:40 including an interview with Anita Chan, 2004-05-26.
- <sup>30</sup> Interview with anonymous migrant workers 2004-05-25.
- <sup>31</sup> Kaiming, Liu (2004), ”Listening to Workers’ Voice”, p 35.
- <sup>32</sup> Tai Guang Lai, factory manager at supplier C including several suppliers that we spoke to in May 2004.
- <sup>33</sup> ”Human rights in China 2003”, The Swedish Foreign Ministry, [www.manskligarattigheter.gov.se](http://www.manskligarattigheter.gov.se), 2004-02-12.
- <sup>34</sup> Kaiming, (2004), ”Listening to Workers’ Voice”, p 45 – 46.
- <sup>35</sup> Ibid:46.
- <sup>36</sup> ”ACFTU and union organizing”, Trini Leung, China Labour Bulletin, 2002-04-26, [www.china-labour.org.hk](http://www.china-labour.org.hk), 2003-11-05 and ”People's Republic of China: Annual Survey of Violations of Trade Union Rights 2003”, [www.icftu.org](http://www.icftu.org), 2004-01-08.
- <sup>37</sup> Kaiming, (2004), ”Listening to Workers' Voice”, p 51.
- <sup>38</sup> Ibid.

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- <sup>39</sup> Elisabeth Tang, General secretary, the Hong Kong Confederation of Trade Unions, the HKCTU, Hong Kong, 2004-05-18.
- <sup>40</sup> China Labour Bulletin, CLB, supports Chinese workers' organising and a.o. get legal aid, [www.china-labour.org.hk](http://www.china-labour.org.hk).
- <sup>41</sup> Han Dongfang, China Labour Bulletin, Hong Kong, 2004-05-18.
- <sup>42</sup> "People's Republic of China: Annual Survey of Violations of Trade Union Rights 2003", [www.icftu.org](http://www.icftu.org), 2004-01-08.
- <sup>43</sup> The paragraph about purchases builds on interviews with a.o. Christian Jakobsson, CEO, Intergroup, Stefan Risberg, CEO, Toyman as well as exhibitors at the toy fair at Upplands Väsby in April 2004.
- <sup>44</sup> Top Toys' own information from a meeting in Hong Kong with the CEO of Top Toy Hong Kong, Lars Gjoerup, the product safety manager Jon Vastrup and the code of conduct responsible Wydy Ling, 2004-05-29.
- <sup>45</sup> Toys are developed and manufactured in above all two different ways; one is known as OEM (Original Equipment Manufacturer) and means that the customer already has designed and developed a toy which the company tries to find a manufacturing factory for. The other way is known as ODM (Original Design and Manufacturer) and means that the factory itself designs and develops toys and finds customers who are interested in placing and order by them. The customer then does not just buy the product, but also the design from the supplier.
- <sup>46</sup> Rolf Ericsson, chairman, Barnens Hus, Upplands Väsby, 2004-04-02.
- <sup>47</sup> I.Y. Sim, CEO, supplier I, Shenzhen, 2004-05-26.
- <sup>48</sup> Stefan Risberg, CEO, Toyman, Stockholm, 2004-04-02.
- <sup>49</sup> Among others Christian Jakobsson, CEO Intergroup, the COOP purchase company in Hong Kong, 2004-05-20 and Lars Gjoerup, CEO Top Toy Hong Kong, 2004-05-29.
- <sup>50</sup> "Integration with the Pearl River Delta – Unfair Trade for Unfair Toys", press release from HKCIC, 2003-01-10, p 5.
- <sup>51</sup> I.Y. Sim, CEO, supplier I, Shenzhen, 2004-05-26.
- <sup>52</sup> Christian Jakobsson, CEO, Intergroup, Hong Kong, 2004-05-20.
- <sup>53</sup> Charles Cheng, sales manager, supplier C, Hong Kong, 2004-05-28.
- <sup>54</sup> Tong Hor Fu, supplier G, Dongguan, 2004-05-20.
- <sup>55</sup> HKCIC prestudy for SwedWatch, interviews with employee at nine suppliers of toys to Nordic companies, February 2004.
- <sup>56</sup> Tai Guang Lai, factory manager at supplier C, Shenzhen, 2004-05-26.
- <sup>57</sup> Chan, Anita, 2002, "The Culture of Survival: Lives of Migrant Workers Through the Prism of Private Letters", Chap 7, p 163.
- <sup>58</sup> "Integration with Pearl River Delta – Unfair Trade for Unfair Toys", press release from the Hong Kong Christian Industrial Committee, 2003-01-10.
- <sup>59</sup> HKCIC prestudy for SwedWatch, February 2004, Kaiming, 2004:34, conversation with Liu Kaiming, ICO, Parry Leung, HKCIC, company representatives and others.
- <sup>59</sup> Lars Gjoerup, CEO Top Toy Hong Kong, 2004-05-29.
- <sup>61</sup> A hot discussion has for a long time been the meaning of wages that you can live on. In the general declaration of the UN (article 23) about human rights, it is said that a person's wages shall permit the person to satisfy his/her basic needs. The definition however does not tell how many people in a family that shall be provided for by these wages.
- <sup>62</sup> Interview with anonymous migrant workers, Shenzhen, 2004-05-25.
- <sup>63</sup> HKCIC prestudy for SwedWatch, February 2004.
- <sup>64</sup> Interview with anonymous migrant workers, Shenzhen, 2004-05-25.
- <sup>65</sup> Kaiming, Liu (2004), "Listening to Workers' Voice", p 42 – 43.
- <sup>66</sup> "Factory Dormitories in South China – A research report", 2002, Pentland and ICO as well as an interview with Parry Leung, HKCIC, Hong Kong, 2004-05-29.
- <sup>67</sup> Ibid:10.
- <sup>68</sup> HKCIC prestudy for SwedWatch, February 2004.
- <sup>69</sup> Chan, Anita, "A Race to the Bottom – Globalisation and China's labour standards", China Perspectives, No 46, March – April, 2003.
- <sup>70</sup> According to Anita Chan for example Vietnam and Kambodja have a similar wage level despite significantly lower costs of living.
- <sup>71</sup> The exchange rate for Chinese RMB into Euro, 1 RMB = 0,87 Euro, per 2004-09-02 and later converted from Euro into Euro by the rate 1 Euro = 9 Euro per 2005-04-19. In the original Swedish report all costs and prizes where mentioned in Euro.
- <sup>72</sup> The HKCTU is the Hong Kong equivalent of the Swedish Trade Union Confederation and the only independent trade union confederation of China.

- <sup>73</sup> "Case study of the Kader Toy Factory Fire 10 May-13 July 1993", Newsletter no 3, October 1993, CLIST (Centre for Labour Information Service and Training), Thailand.
- <sup>74</sup> Saramya Phol-klang, survivor from the Kader accident, Bangkok, 2004-04-25.
- <sup>75</sup> "Integration with Pearl River Delta – Unfair Trade for Unfair Toys", press release from the Hong Kong Christian Industrial Committee, 2003-01-10.
- <sup>76</sup> Irish Congress of Trade Unions (ICTU) is the Irish equivalent of the Swedish Trade Union Confederation.
- <sup>77</sup> "The Toy Campaign – Fair Play for Toy Workers – Demand a Fair Deal for Asian Toy Workers", brochure 2003-11-19, collected at [www.ictuglobalsolidarity.org](http://www.ictuglobalsolidarity.org), 2004-01-11.
- <sup>78</sup> "How Hasbro, McDonald's, Mattel and Disney manufacture their toys", The Hong Kong Industrial Committee, December 2001, p 2 och p 5.
- <sup>79</sup> Ibid: 6.
- <sup>80</sup> "Contemporary social and environmental knowledge of China", The Swedish Workers' Educational Association and The Olof Palme International Center, red Chen Maiping, 1998.
- <sup>81</sup> Christopher L Avery, "CHINA: Recommendations to a company doing business in China", [www.business-humanrights.org](http://www.business-humanrights.org), 2004-01-15.
- <sup>82</sup> Amnesty International and The Prince of Wales Business Leaders Forum: Human rights – Is it any of your business?, s 30, 2000, [www.iblf.uk](http://www.iblf.uk), 2004-01-15.
- <sup>83</sup> "Human Rights Principles for companies", Amnesty International, 1 January 1998.
- <sup>84</sup> Carl Söderbergh, general secretary, Swedish Amnesty International, Stockholm, 2004-04-15.
- <sup>85</sup> "IGFEL Code of Conduct", Intergroup Far East Ltd. Ethical Policy, adopted 1997.
- <sup>86</sup> Åke Natt och Dag, environmental and quality manager, Coop, Stockholm, 2004-06-07.
- <sup>87</sup> Chan, Anita, "A Race to the Bottom – Globalisation and China's labour standards", China Perspectives, No 46, March – April 2003: p 48.
- <sup>88</sup> Interview with Han Dongfang, China Labour Bulletin, CLB, Hong Kong, 2004-05-19.
- <sup>89</sup> Götberg Heléne, "Toys at any price", Råd och Rön, no 10, December 2003: 10-13
- <sup>90</sup> Ibid.
- <sup>91</sup> Rolf Eriksson, manager of the Children's house, Upplands Väsby, The toy fair, 2004-04-02.
- <sup>92</sup> Götberg Heléne, "Toys at any price", Råd och Rön, no 10, December 2003: 10-13. The article was built on a research undertaken by Fair Trade Center and SwedWatch. Of the five wholesalers, Leksam however has not replied to the questions from Fair Trade Center.
- <sup>93</sup> After the attention observed in connection with the article published in Råd och Rön, Playbox contacted Fair Trade Center and got help to develop a more comprehensive policy for its purchases.
- <sup>94</sup> Interviews with toy suppliers at the Toy fair, Upplands Väsby 2004-04-02.
- <sup>95</sup> Stefan Risberg, CEO Toyman, Stockholm, 2004-04-02.
- <sup>96</sup> Conversation with Christian Jakobsson, CEO Intergroup, Åke Natt och Dag, environmental manager at Coop, Lars Gjoerup, CEO Top Toy Hong Kong among others.
- <sup>97</sup> <http://www.toy-icti.org/whoarewe/org&obj.htm>, 2004-02-12.
- <sup>98</sup> Press release from the ICTI, 2002-12-18 as well as an interview with Bob Lee, CEO ICTI Asia, Hong Kong, 2004-05-28.
- <sup>99</sup> Lara Kelly, Campaign officer, Trocaire, telephone interview 2004-03-02. David Joyce, Congress Global Solidarity, the ICTU, e-mail message of 2004-02-04.
- <sup>100</sup> "ICTI Code of Business Practices: Implementation", letter from the Hong Kong Christian Industrial Committee, Bischöfliches Hilfswerk Misereor, Katholische Arbeitnehmer-Bewegung, Katholische Frauengemeinschaft, Nürnberger Bündnis Fair Toys and Werkstatt Ökonomie to the ICTI board, 2003-07-10.
- <sup>101</sup> Lars Gjoerup, CEO, Top Toy Hong Kong, 2004-05-29.
- <sup>102</sup> "Uttalande från styrelsen i Brio AB i anledning av offentligt bud från Proventus Industrier den 28 juli 2004", [www.brio.se](http://www.brio.se), 2004-08-31.
- <sup>103</sup> [www.brio.se](http://www.brio.se), 2004-06-23 and Brio Yearly report 2003.
- <sup>104</sup> The Brio annual report 2003.
- <sup>105</sup> <http://www.etikbarometern.se/foretag.asp>, 2004-09-24
- <sup>106</sup> Brio Årsredovisning 2003.
- <sup>107</sup> Person, Tomas, CEO and group executive officer, Brio, Osby, 2004-06-21.
- <sup>108</sup> Telefonintervju, Claes Ragnarsson, Purchasing Manager, Brio, 2004-02-06.
- <sup>109</sup> "Brio följer BRIO följer internationella rättviseregler", [www.brio.se](http://www.brio.se), 2004-09-02.
- <sup>110</sup> Investigation by HKCICs based on interviews with workers in February 2004.
- <sup>111</sup> Top-Toy A/S has a franchise contract with Toys R Us shops in Scandinavia since 1996. The contract is in function up to 2006, "Toys in Scandinavia", Top Toy material, 2003, and meeting with Lars Gjoerup, CEO. Top Toy Hong Kong, 2004-05-29.
- <sup>112</sup> E-mail from Lars Gjoerup, CEO, Top Toy Hong Kong, 2004-09-02.

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- <sup>113</sup> Lars Gjoerup, CEO, Top Toy Hong Kong, 2004-05-29.
- <sup>114</sup> Information from interview with Lars Gjoerup, CEO, Jon Vastrup, quality manager and Wydy Ling, code of conduct responsible, Hong Kong, 2004-05-29.
- <sup>115</sup> Ibid.
- <sup>116</sup> [www.br-leksaker.se](http://www.br-leksaker.se), 2004-08-18.
- <sup>117</sup> <http://www2.top-toy.com>, 2004-08-18.
- <sup>118</sup> COOPs Yearly Report 2003, p 5, [http://www.coop.se/se/pdf/Press/cn\\_2003.pdf](http://www.coop.se/se/pdf/Press/cn_2003.pdf), 2004-09-02.
- <sup>119</sup> Telephone interview with Thommy Järlefelt, specialvaruchef COOP, 2003-09-10.
- <sup>120</sup> Ibid.
- <sup>121</sup> Telephone interview with Christian Jakobsson, CEO, Intergroup, 2003-09-16 and Thommy Järlefelt, COOP, 2003-09-10.
- <sup>122</sup> Kooperativa Förbundet have as well agreed on guidelines for working conditions at the suppliers since 1999. These are similar to the Intergroups Code of conduct.
- <sup>123</sup> Email from Åke Natt och Dag, Environmental and quality manager, COOP, 2004-08-30.
- <sup>124</sup> [www.coop.se](http://www.coop.se), 2004-09-02.
- <sup>125</sup> Interview with the factory management on supplier A, Dongguan, 2004-05-20.
- <sup>126</sup> Ibid.
- <sup>127</sup> Interview with the factory management on supplier A, Dongguan, 2004-05-20.
- <sup>128</sup> Ibid.
- <sup>129</sup> Exception of the injection-moulding and pressure die casting departments which are said to have one day of even during the peak season.
- <sup>130</sup> HKCIC pre study for SwedWatch, February 2004.
- <sup>131</sup> Charles Cheng, sales manager, supplier C, Hong Kong, 2004-05-28.
- <sup>132</sup> Wydy Ling, code of conduct responsible, Top Toy Hong Kong, 2004-05-29.
- <sup>133</sup> Tai Guang Lai, factory manager, Shenzhen, 2004-05-25.
- <sup>134</sup> HKCICs förstudie åt SwedWatch, februari 2004.
- <sup>135</sup> Lars Gjoerup, CEO Top Toy Hong Kong, 2004-05-29.
- <sup>136</sup> HKCIC prestudy for SwedWatch, February 2004.
- <sup>137</sup> E-mail message from supplier G, 2004-06-04.
- <sup>138</sup> Quotation from an interview with an anonymous worker at supplier G in February 2004 undertaken by HKCIC.
- <sup>139</sup> ILO convention C014, Weekly Rest Convention, 1921. Ratified by 117 countries. <http://www.ilo.org/ilolex/english/conCEOisp1.htm>, 2004-09-07.
- <sup>140</sup> The pre study of HKCIC done for SwedWatch, February 2004, visit in May 2004 and email from Parry Leung, researcher, HKCIC, 2004-09-03.
- <sup>141</sup> Among others, an interview with Liu Kaiming, CEO at ICO, Shenzhen, 2004-05-24. (The concept of living wage is based on The UN Declaration on the Human Rights where art 23 states that it is every mans right to receive a compensation for his or hers work that is sufficient for the basic needs of his or hers family. Several social standards (among other, SA8000) and Codes of Conducts (among others the code of Clean Clothes Campaign) states that living wage, rather than minimum wage, should be the rule.
- <sup>142</sup> "Statement of Mil Niepold, Director of Policy, Verité; Inc., Before the Congressional-Executive Commission on China, 2255 Rayburn House Office Building, April 28, 2003, s 2, [www.cecc.gov](http://www.cecc.gov), 2004-01-29.
- <sup>143</sup> "Buying your way into trouble – The Challenge of responsible supply chain management", Acona for Insight Investment Mangement Ltd, 2004.
- <sup>144</sup> Webb, 2004, "Levi Strauss and participatory approaches to social auditing challenges", Ethical Corporation, nr 27, March, p 44 – 45.
- <sup>145</sup> Maitland, Alison, "Sewing a seam of worker democracy in China", i *Financial Times*, 2002-12-12. Interview with Monina Wong, HKCIC, Hong Kong, 2004-05-17.
- <sup>146</sup> Merina Fung, project leader, Chinese Women Working Network, CWWN, Shenzhen, 2004-05-26 and Monina Wong, HKCIC, Hong Kong, 2004-05-17. Both HKCIC and the CWWN are working with the goal to carry out such educations for migrant workers in Guangdong.

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## Appendix: Comment from Top Toy

To SwedWatch, Attn. Kristina Bjurling Comments to “*Leksaker til vilket pris?*” 2004.09.28

We agree with the report that a dialog between the company placing the orders and their suppliers is important for the process of improving the working conditions. Audits by itself without follow up with a constructive dialog will not help this process.

TOP-TOY, as the leader on the Swedish toys retail market, has an advance sourcing structure. This fully supports our goal to be “Corporate Social Responsible” (CSR), and e.g. TOP-TOY’s “Code of Conduct” is integrated with our business contracts. TOP-TOY can confirm improvements within the last few years.

The report states that limited information is shown on the web-site [www.top-toy.com](http://www.top-toy.com). Please note that TOP-TOY has our dedicated web-site targeted to our suppliers on [www.top-toy.com.hk](http://www.top-toy.com.hk). Click on “Supplier info” for more details, including our full “Code of Conduct” (downloadable in English and Chinese). We find the information more relevant for our suppliers, compared to the end consumers.

In January 2004 TOP-TOY arranged a visit for SwedWatch to 2 factories in China, and in May 2004 we arranged another visit to the same factory and a new factory. In total we have shown 3 of TOP-TOY’s key suppliers to, but only one (Supplier “B”) is included in the report?

One of the factories SwedWatch visited, including filming and interview, is the key supplier of games to TOP-TOY. This factory has a modern management and they are applying for the ICTI certificate. SwedWatch saw examples where TOP-TOY has moved game products from lower grade factories to this factory, where TOP-TOY accepted price increases of between 20-40% for “the same product”. This is showing TOP-TOY’s commitment to our CSR. The previous suppliers were not interested in a dialog about the working conditions.

The report is missing one important point, and that is the support of the professional and often expensive factories is essential to keep on the improvement in the factories.

We are displeased with some of the findings, and we are working with Fair Trade Center/HKCIC to clarify the serious issues. All 6 factories manufacturing TOP-TOY branded products have within the last few years been audited by TOP-TOY, and therefore we have a detailed level of information about the factories. TOP-TOY has agreed under confidentiality to share and compare the findings from TOP-TOY’s audit with the interviews made by HKCIC.

The additional research is going on with Fair Trade Center/HKCIC and TOP-TOY. We expect it will result in:

- TOP-TOY’s Audit tools and Procedures will be improved as much as possible to cover unknown problems.
- Where the problems are confirmed likely, follow up (including a correction plan) with the relevant suppliers will be made.

In the report the “conclusions” are made based on the assumptions that the information from the interviews is nothing but the truth.

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- Approx. 12 persons have been interviewed by HKCIC out of more than e.g. 2000 persons working in one factory. The interviews were made outside the factory without any proof or access to documentation.
  - A factory audit made by TOP-TOY takes two full days for one factory. We interview about the same number of persons, and in addition we do verify all information by cross check of documents (incl. Payroll, employment contracts, insurance) besides inspecting the working conditions.

The interviews are an important part of TOP-TOY's audits. However, the report does not mention how the other companies perform their factory audits?

The working hours is a general problem, but your conclusion that some factories are breaking the law is made without knowing if the factory has a special permission from the local labour department to exceed the normal overtime during a limited peak season. The workers may not be aware of this permission, but this is part of the material we collect and check during TOP-TOY's factory audit inside the factory.

We appreciate the work done by the team behind this report, and will use the input and information to improve the way TOP-TOY is working with our social responsibility.

Best regards  
TOP-TOY  
Lars Gjoerup

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## Appendix: List of Toy campaigns

### **Fair Trade Center**

Sandfjärdsg. 95  
120 56 Årsta  
Sweden  
Phone: +46 (0)8 643 43 64  
[info@fairtradecenter.se](mailto:info@fairtradecenter.se)  
[www.fairtradecenter.se](http://www.fairtradecenter.se)

### **Hong Kong Christian Industrial Committee**

Phone: +852-23665860  
Fax: +852-27245098  
[hkcic@hknet.com](mailto:hkcic@hknet.com)  
[www.cic.org.hk](http://www.cic.org.hk)

### **Congress Global Solidarity**

Irish Congress of Trade Unions  
32 Parnell Square  
Dublin 1  
Ireland  
Phone : +353 1 889 7777  
[www.ictuglobalsolidarity.org](http://www.ictuglobalsolidarity.org)

### **Toy campaign "Non merci Saint Nicolas"**

rue Provinciale 285  
B-1301 Wavre  
Belgium  
Phone: +32 (0)10 43 79 60  
Fax: +32(0)10 43 79 69  
[carole@vetementspropres.be](mailto:carole@vetementspropres.be)  
[www.vetementspropres.be](http://www.vetementspropres.be)

### **Aktion fair spielt (Action fair play)**

Misereor Werkstatt Ökonomie  
Dr. Klaus Piepel                      Uwe Kleinert  
Mozartstr. 9                              Obere Seegasse 18  
52066 Aachen                            69124 Heidelberg  
Phone: +49-241-442-0                  +49-6221-4333611  
[piepel@misereor.de](mailto:piepel@misereor.de)                      [uwe.kleinert@woek.de](mailto:uwe.kleinert@woek.de)  
[www.fair-spielt.de](http://www.fair-spielt.de)

### **Centre for Labour Information Service and Training (CLIST)**

166/23 Moo 5, Paholyothin 52  
Moo Ban Nattakarn  
Kwang Klong-Thanon, Bangkaen  
Bangkok 10220, Thailand  
Phone: +66 2 9726385  
[clist@loxinfo.co.th](mailto:clist@loxinfo.co.th)