

COC: False Adverting of Disney

(November 10, 2010, New York)

Founded in 2000, China Labor Watch (CLW) is a New-York based not-for-profit organization. CLW views Chinese workers' rights as inalienable human rights and is dedicated to promoting workers' fair redistribution of wealth under globalization. In November 2010, CLW released two reports on Walt Disney's supply chain labor issues.

The first report titled *Code of Conduct is No More than False Advertising, Disney Suppliers Continue Exploiting Chinese Workers* is a case study examining Disney's corporate responsibility efforts over the last decade in addressing supply chain labor issues. It was noted that although the overall conditions in Disney's Chinese suppliers have been improved, violations of Disney's Code of Conduct and China Labor Law remained, especially in aspects related to overtime, wages, underage labor, and workers' living conditions. Apparently, Disney has failed to use the Code of Conduct to monitor and prevent labor abuses in its supply chain. Accusations and criticisms have also been long existed around Disney's audit system. CLW urges Disney to transparentize its supply chain and allow independent organizations and shareholders to participate in the monitoring process.

The second report further evaluates the labor conditions at Disney's supply chain. Between July and September, 2010, CLW, in alliance with I shop fair –Network Ethical Consumption, an Austria-based NGO, conducted a series of investigations at two randomly selected Disney licensee factories: Hengtai Factory and Champion Crown (Shenzhen) Ltd. Hengtai is a large Hong Kong-invested toy factory with more than 2,000 employees. Champion Crown, headquartered in Hong Kong, is a Taiwan-invested factory, with approximately 600 workers.

The poor labor conditions of Disney suppliers have been a long-term issue. The recent investigations of the two factories reveal the following:

- Child laborers under 16 years old are still used.
- After a recent wage increase, workers' total income is about 335 USD/month, among which, 174 USD (51%) is paid for overtime work. In addition, 54 USD will be deducted per month for dining and dormitory rent.
- Total working hours are up to 330 hours/month, including 150 hours of overtime. Workers refusing to work overtime may be fired.
- Many workers can only have one day off in a month.
- Most workers do not have social insurance.
- Some workers use chemical materials during work without any form of protection.
- Fire hazards exist in workshops.
- Dormitories are dirty and disorderly. Facilities are old and in disrepair.
- Strike happened in both factories, and are all suppressed by the factory. A workers' strike in Hengtai ended with 70 workers fired; and strike in Champion Crown ended with reduction of workers' wages.

CLW believes that the miserable labor conditions in these two factories are consequences of the Disney licensing system, rather than isolated cases. For a long time, Disney has ignored human value and social responsibility. Its supply chain is unattended, and its self-audit system is full of corruption. The well-known manufacture code of conduct is nothing more than false adverting.



External independent supervision is essential in enforcing corporate codes of conduct and improving labor conditions. However, all information regarding the licensee supply chain is kept as a trade secret by Disney. CLW believes that the current impossibility of external supervision is the most important reason why labor conditions have not improved in the last ten years. Li Qiang, Executive Director of China Labor Watch, responds, “Disney’s position is groundless. Trade secrets should never be an excuse for a company to refuse to fulfill its social responsibility.”

The full reports are available in English at www.chinalaborwatch.org.