

## **PUMA Supplier's unchanged dreadful conditions**



***In March 2008, three years after the initial investigation, China Labor Watch conducted a follow up investigation on Taiway Sports, Inc. and found much of the poor conditions that were identified three years ago, still exist at Taiway;***

- Poor contract procedure; Workers are able to use someone else' s name on the contract.
- Excessive Overtime; workers are forced to work overtime without overtime pay, working between 10 to 12 hours a day.
- Working 9 regular daily hours instead of eight hours as required by law.
- Withholds payment to workers. Wages are not distributed until the 25<sup>th</sup> of each month.
- Discrimination towards one' s background; different treatment based upon one' s provincial origin.
- Theft and violence often occur in dormitory and work place. Workers are forced to live outside the factory in order to avoid harm.
- Team leader retaliated against worker for filing complaints to high level manager.

- Excessive fines; workers are fined when bed sheet is not folded.
- Pitiable food quality; workers expressed that they are treated as pigs.

Hereafter provides the information and data gathered by CLW investigators over the course of three months. As an organization that serves to protect workers' rights in China, CLW hopes that PUMA, the factory's exclusive client would abandon the denial attitude which many corporations would often take, and shift its attention on improving its supplier's poor conditions.

### **Basic Facts**

Taiway Sports LTD is a Taiwanese factory, belonging to the Taiwan Diamond Group. The factory produces mainly sports shoes and ice skates and exports its goods to Germany, Japan and the US. Its primary client is PUMA.

- Address: Xiaobian Industrial District, Chang' an Town, Dongguan City  
东莞市长安镇宵边工业区
- Contact Number: 0769----5536597
- Number of workers: About 4,000, with a male to female ratio of 4:6

### **Contract**

There is no deposit required upon recruitment, only personal identification is required. Though workers have to sign a contract, many felt like it was simply a part of procedure. For instance, one interviewed worker said though he used someone else's name on the contract, he is still able to work. Workers are required to sign a new contract each year, and if one wishes to quit before the contract expires, all awards will be deducted.

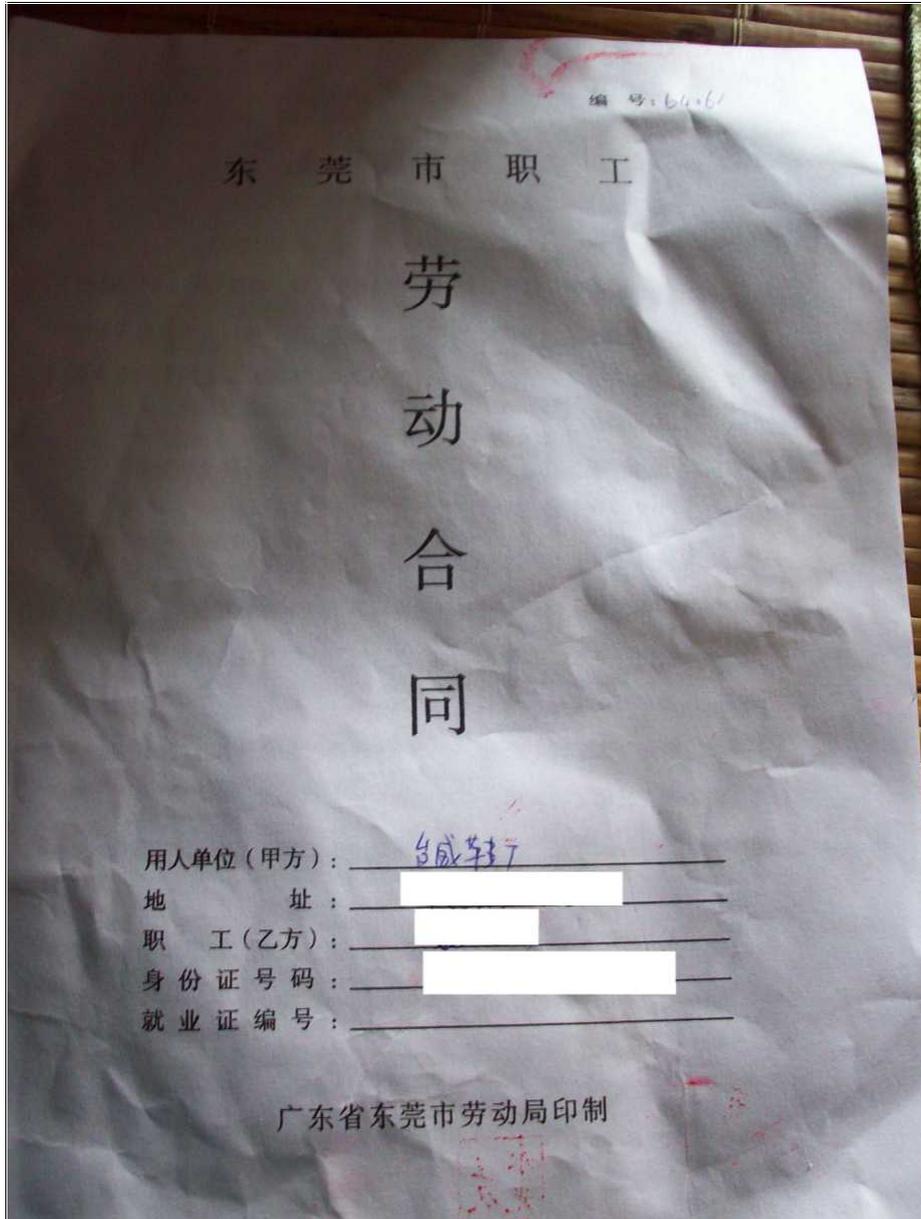
Asking for days off is extremely difficult at Taiway. In October 2006, a woman who requested for days off was rejected by her team leader. When she reported the rejection to a higher ranking manager, the team fired her for complaining to the manager.

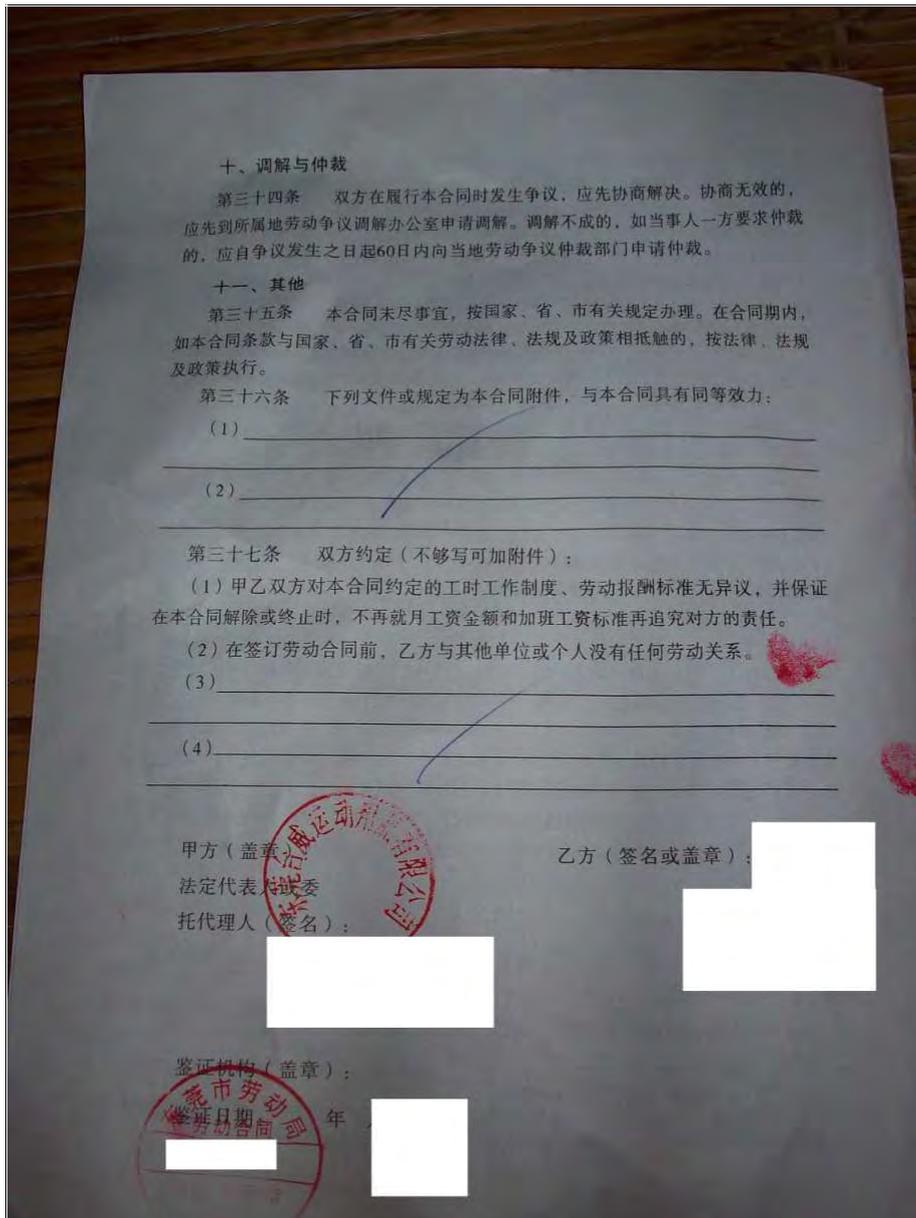
Moreover, it is very difficult for workers to quit. Thus in order to leave, workers have tried many different strategies to get fired at the minimum cost.

Some make mistakes intentionally after receiving monthly wage, while some continue to skip work until Taiway fires them. In Taiway, workers are able to obtain their deserved wage after being fired though factory will deduct penalty for each mistake or

violation workers commit.

Though the new labor law has been established and effective since January 1<sup>st</sup>, 2008, a group of workers still have the old contract signed before 2008.





## Work Hours

|                              |                                    |
|------------------------------|------------------------------------|
| Morning                      | 8:00am - 11:30am, 11:45am, 12:00pm |
| Noon                         | 12:00pm - 1:00pm                   |
| Afternoon                    | 1:00pm - 5:00pm                    |
| Break (If there is overtime) | 5:00pm - 6:00pm                    |
| Overtime                     | 6:00pm - 10:30pm                   |

Taiway gives its workers lunch breaks in several shifts. The factory separates them into three groups: first group leaves for lunch at 11:30am, followed by a second group

at 11:45am, and a third group at 12:00 PM. It also requires workers to arrive to work at least 20 minutes earlier than the stipulated time, obligating employees to work the additional hour without pay.

Though Saturday and Sunday are scheduled as off days, in some cases, Taiway will rearrange workers' off days to the upcoming week and asks them to work on weekends. That standard was established in September 2006, and previously, workers had to work until 11 PM even on Saturdays.

Currently, workers work an average of 2.5 hours of overtime daily. During peak season, however, workers have to work until at least 10:30pm. In other words, including overtime, workers regularly work at least 52.5 hours per week and about 62.5 hours during the peak season. Scarce

Some workers have reported that there were instances when Taiway reneged on agreements for overtime pay for overtime work.

### **Working Conditions**

At work, there are no restrictions on using the bathroom. The shaping department consists of eight conveyer belts for production. The number of workers at each belt varies: some belts have about 80 to 90 workers and some have 20 to 30 workers. According to workers, they are required to produce about 2,700 pairs of athletic shoes and 3,000 pairs of casual shoes per day.

### **Wage and Remuneration**

Before September 2006, Taiway paid workers by a piece-rate. Currently, the factory pays its workers an hourly wage. Taiway pays regular workers by the minimum wage, of 690 RMB, which it is not paid in full until employees have worked the full 184 hours for the month.

Cafeteria workers are paid by the minimum wage of 700 RMB if they work 26 days in one month. The wage will not be paid in full if the worker fails to work 26 days during that month. According to cafeteria workers, however, since workers have to take turns to work, many workers are only able to work about 24 to 25 days a month and cannot receive the minimum wage in full.

Taiway distributes wages in cash on the 25<sup>th</sup> of each month and provides pay stub. During investigation, CLW investigators asked the question whether there has been any case of wage miscalculation and obtained different answers from different workers. A sewing department worker from Guangxi said, " Sometimes it's a couple of

RMB less and sometimes it is almost 100 RMB. I tried to complain to my team leader every time, and he promised to take care of it right away but never did. My problem was never solved because I am from Guangxi province, my team leader is from the Henan province, and there are very few workers from the Guangxi province.”

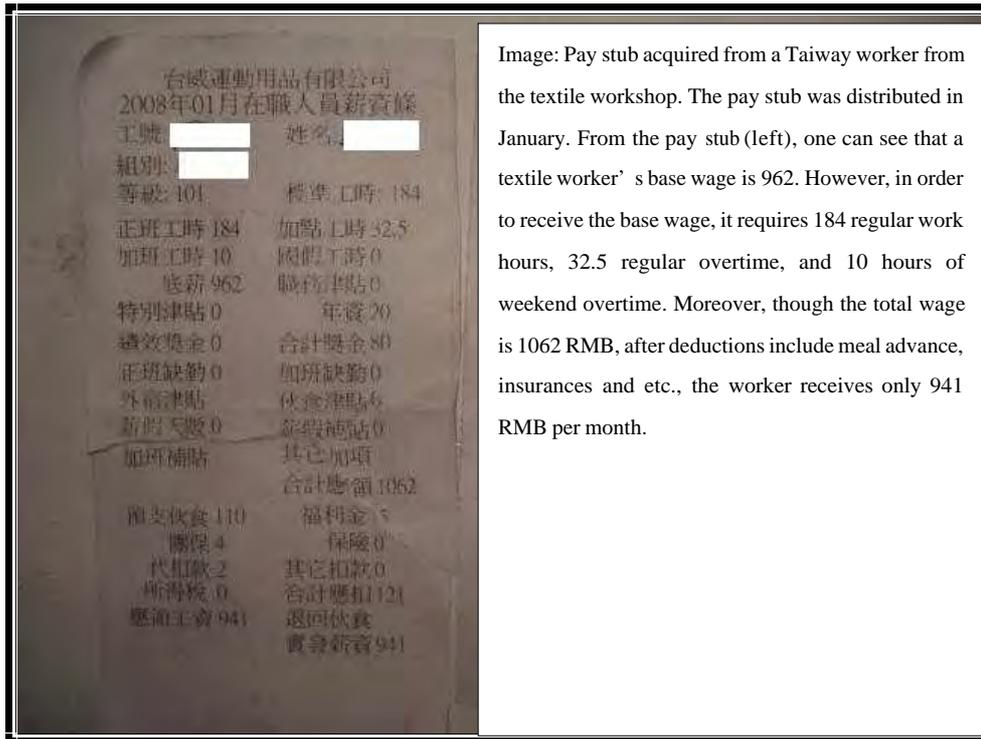
When workers from the Henan province were approached with the same question, they responded quite differently. They said that when wage miscalculation is brought to the attention of the team leader, they either receive the remaining wage in couple days or in the next payment.

Many workers also said that workers from the Henan and Sichuan provinces are paid much higher than workers from other provinces because they receive more awards. For instance, a team leader from Henan province often pays subordinates who are also from Henan higher awards.

Taiway provides uniforms to workers, and if workers need an additional uniform, the factory charges 20 RMB for a winter uniform and 15 RMB for a summer one.

Taiway offers a paid maternity leave, paying the minimum wage of 690 a month. May 1<sup>st</sup> and October 1<sup>st</sup> have a three day paid vacation. There is also a bereavement leave for 15 days and a marriage leave for 10 days.

Under the Labor Law article 72, employers are responsible for providing workers pension as well as unemployment, medical, work injury, maternal and social insurance. Taiway, however, only provides social insurance to workers and work injury insurance to a small group of workers. Although there is a clinic on site, workers are required to pay a fee to receive treatment for injuries.

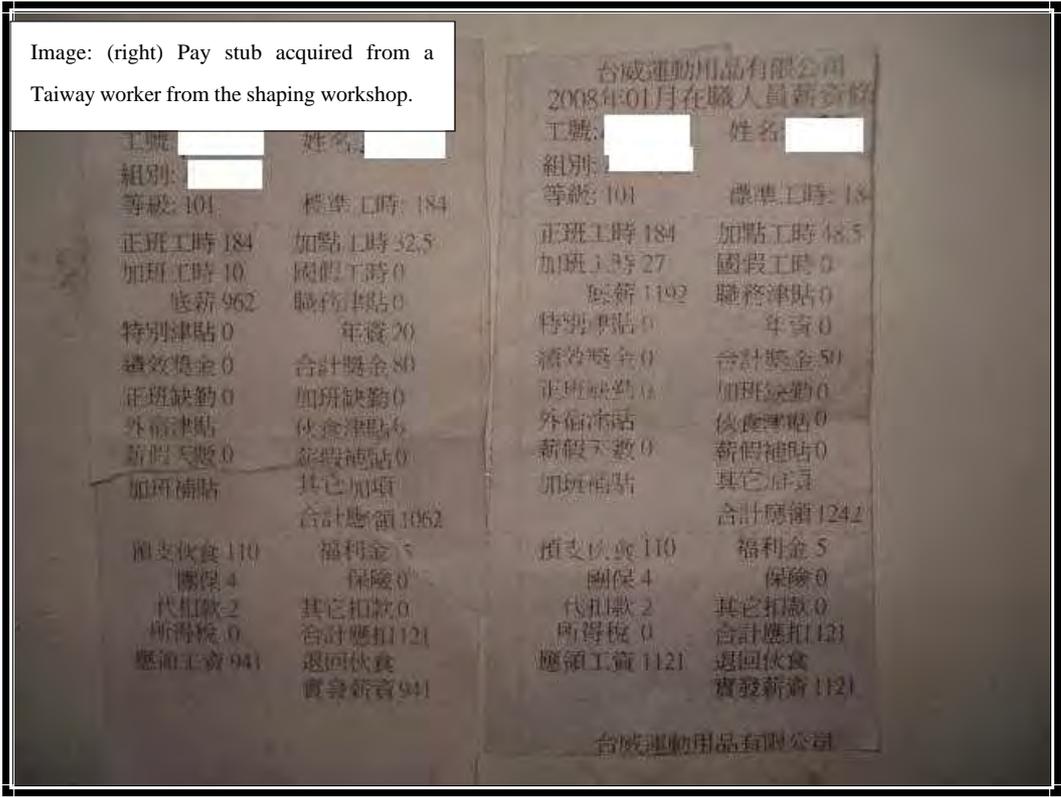


**Taiway Sports Ltd.**  
**2008 January employee pay stub**  
 Factory ID: N/A                      Name: N/A  
 Group: Textile

Level: 101    Standard Work Hour: 184

|                        |     |                        |      |
|------------------------|-----|------------------------|------|
| Regular Work Hour:     | 184 | Regular Overtime:      | 32.5 |
| Weekend Overtime:      | 10  | Holiday Overtime:      | 0    |
| Minimum Wage:          | 962 | Employment Subsidy:    | 0    |
| Special Subsidy:       | 0   | Annual Bonus:          | 20   |
| Achievement Award:     | 0   | Total Award:           | 80   |
| Regular Work Absence:  | 0   | Overtime Work Absence: | 0    |
| Accommodation Subsidy: | 0   | Meal Subsidy:          | 0    |
| Paid Vacation:         | 0   | Paid Vacation Subsidy: | 0    |
| Overtime Subsidy:      | 0   | Other:                 | 0    |

|                  |     |                      |      |
|------------------|-----|----------------------|------|
| (Deductions)     |     | Total Wage:          | 1062 |
| Meal Advance:    | 110 | Benefit:             | 5    |
| Group Insurance: | 4   | Insurance:           | 0    |
| Withhold:        | 2   | Total Deduction:     | 121  |
| Income Tax:      | 0   | Remaining Meal Cost: | 0    |
| Wage:            | 941 | Actual Wage:         | 941  |



**Taiway Sports Ltd.**  
**2008 January employee pay stub**  
 Factory ID: N/A                      Name: N/A  
 Group: Shaping  
 Level: 101                                  Standard Work Hour: 184

|                        |      |                        |      |
|------------------------|------|------------------------|------|
| Regular Work Hour:     | 184  | Regular Overtime:      | 48.5 |
| Weekend Overtime:      | 27   | Holiday Overtime:      | 0    |
| Minimum Wage:          | 1192 | Employment Subsidy:    | 0    |
| Special Subsidy:       | 0    | Annual Bonus:          | 0    |
| Achievement Award:     | 0    | Total Award:           | 50   |
| Regular Work Absence:  | 0    | Overtime Work Absence: | 0    |
| Accommodation Subsidy: | 0    | Meal Subsidy:          | 0    |
| Paid Vacation:         | 0    | Paid Vacation Subsidy: | 0    |
| Overtime Subsidy:      | 0    | Other:                 | 0    |
| <br>(Deductions)       |      | Total Wage:            | 1242 |
| Meal Advance:          | 110  | Benefit:               | 5    |
| Group Insurance:       | 4    | Insurance:             | 0    |
| Withhold:              | 2    | Total Deduction:       | 121  |
| Income Tax:            | 0    | Remaining Meal Cost:   | 0    |
| Wage:                  | 1121 | Actual Wage:           | 1121 |

## **Living and Canteen Conditions**

There are four dormitory buildings on site. Canteens are built on the first floor in three of the four dormitory buildings. The second and third floors house male workers and female workers occupy the rest of the dormitory. Each dormitory room is about 30 square meters, installed with an independent bathroom, four bunk beds able to house eight workers, and two fans. Dormitories distribute hot water from 5 PM to 6 PM and after 8:30 PM.

Workers who are not living in the factory dormitory can receive a 60 RMB subsidy a month. Many male workers choose to live outside the factory because there are limited spaces in the dormitory and it is safer living outside the factory. According to interviewed workers, theft often occurs in the dormitories. A worker from Henan said, “ My meal card which I can deposit money to buy food was stolen two months in a row, and the broken door was never fixed. There used to be eight people living in my room, but because of theft, five people have left!”

Taiway conducts a dormitory room audit each week. First place receives 100 RMB, second place receives 50 RMB, and the awards are distributed among workers whose room is nominated. Rooms in poor condition will be fined, though the details are not provided.

There are three canteens in Taiway, each with eight televisions installed. The largest canteen can hold about 2,000 workers, and the small ones hold about 700 workers. In the beginning of each month, Taiway deposits 110 RMB in each worker’ s meal card and deducts the amount from workers’ wage at the end of the month without workers’ consent.

The canteen offers five different types of dishes for each meal. Each meal costs about 2 to 4 RMB and workers can only choose two meat dishes and vegetable dishes. When asked to describe the quality of food, workers replied, “ it tastes like pig food.” However, workers have no choice but to dine in the canteen because there are no other restaurants nearby.

Image: Workers' dormitory





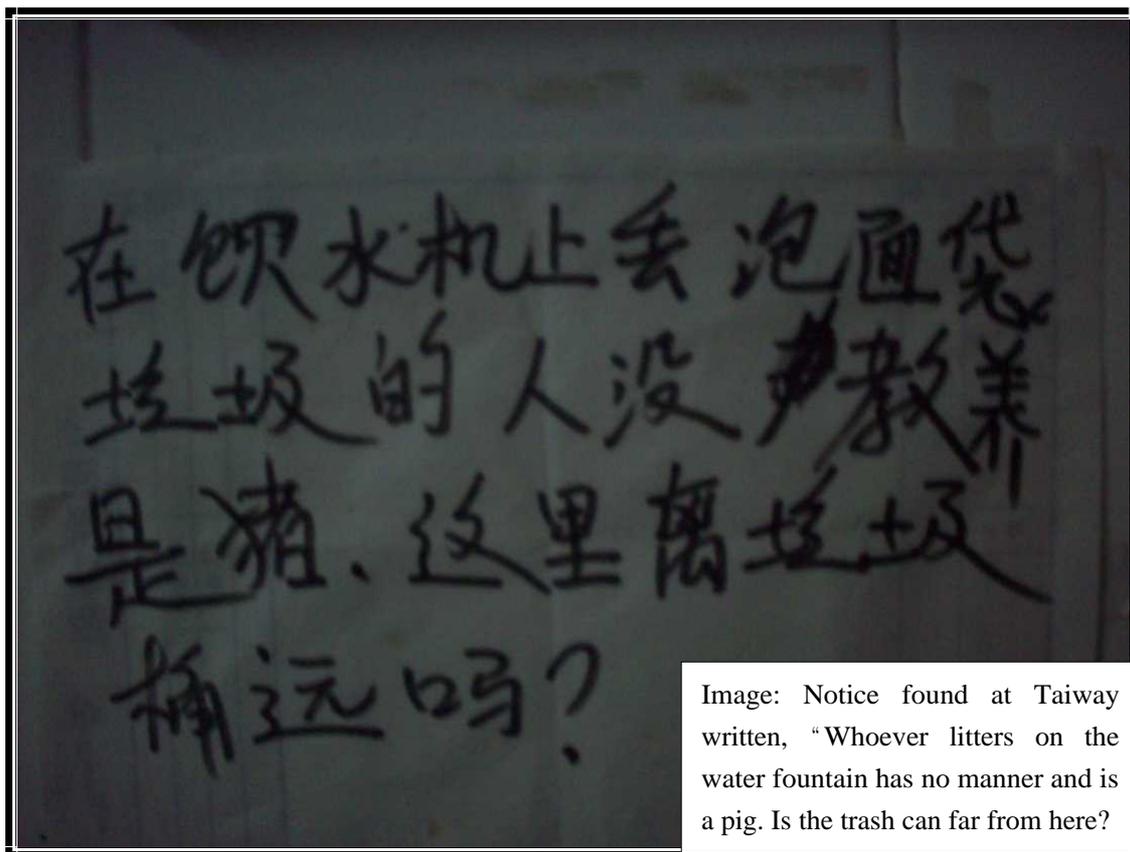


Image: Notice found at Taiway written, "Whoever litters on the water fountain has no manner and is a pig. Is the trash can far from here?"

## **Fines and Penalties**

Taiway implements many fines. For instance, fighting at work will lead to one major penalty, and each penalty costs 24 RMB. If it is a serious case of violence, workers will be marked three penalties and fired. Smoking in a dormitory room will lead to one to three major penalties for everyone in the room, and smoking at work will lead to three major penalties in addition to a 100 RMB fine. Unfolded bed sheets will also lead to one major penalty. Being more than ten minutes late for work will lead to a 5 RMB penalty and skipping work one day will lead to deduction worth three days' wage.

## **Other Conditions**

About 40 percent of workers at Taiway are from the Henan province, 40 percent from the Sichuan province, and the remaining 20 percent are from other provinces. Due to discrimination, workers from Henan and Sichuan have formed their own provincial groups and sometimes fight with rival groups. As a result, Taiway now avoids in recruiting workers from Sichuan and Henan province. In addition, it now recruits mainly female workers between 18 and 40 years of age.

According to PUMA, in 2005, it introduced its S.A.F.E Pocket Guide which provides information on PUMA' s social, health, safety and environment standards and etc. Copies of the Pocket Guide are printed and sent to its suppliers for distribution for workers. However, on March 20<sup>th</sup>, 2008, after interviewing seven workers from Taiway, none of the interviewed workers have received such guidebook.

## **Conclusion**

At Taiway, the factory demonstrates a number of failures in its management; long regular work hours and overtime; discrimination based on origin; excessive fines; food and living conditions are extremely poor.

### *Work Hours*

At Taiway, the government stipulated contract law means nothing; it is simply words that are irrelevant to factory's production and heavy exploitation to workers in order to pursue higher profit. Though the contract law regulates that the daily work hours cannot exceed eight hours, Taiway requires workers to arrive to work 20 minutes earlier than the stipulated work time with no overtime pay, including lunch and dinner break, workers have no choice but to sacrifice one extra hour working for free, contributing to work while knowing they are receiving nothing in return but their decaying life. By obligating workers to work one extra hour with no overtime pay, under China's new guideline of 21.75 average working days per month, each year Taiway squeezes about \$873,430 USD (6,201,360 RMB) from its 4,000 workers.

At Taiway, during the peak season, workers are required to work the average of 250 hours per month, and at the end of the day, they gained nothing but an exhausted and sore body, low wages, and humiliation.

### *Wage and Remuneration*

With the inflation in various commodities during the past few years, it is difficult for average workers, especially Taiway workers who are required to work extra hour for free, to self-sustain or support a family. In addition to the low paid wages, Taiway also posts various fines in attempt to cover their cost. In Taiway, workers not folding their bed sheets before going to work will be fined 24 RMB, equivalent to six hours worth of wage.

### *Work Conditions*

At Taiway, team leaders and supervisors judge and issue awards to their subordinates not by their work performance, but on their provincial origin. In the factory consisted with employees mostly from Henan and Sichuan province, team leaders and supervisors tend to favor workers who share the same provincial origin as them. Workers working under a team leader whose provincial origin is different than theirs should not expect to receive a fair award or a response for their miscalculated wage. The system has been greatly influenced and corrupted by such discrimination; workers from a province that is weak in numbers at Taiway can only blame their parents giving them birth at a wrong place.

### *Living and Canteen Conditions*

Theft and violence often occurs in the dormitories and work places. Because of theft, many workers who used live in the factory dormitory because of work convenience are forced to rent apartments offsite and pay a significant portion of their wages to avoid their belongings being continuously stolen.

Due to discrimination, workers from Henan and Sichuan have formed their own provincial groups and sometimes fight against each other. Such large scale violence promotes Taiway' s system of discrimination, weakens workers' desire to work, and endangers the whole factory' s safety. However, without any effective corrective action that could solve the root of the crisis, Taiway now merely rejects all applicants from Henan and Sichuan, thus adding another aspect that contributes to the discrimination at workplace.

Food is an essential element in human' s daily life; the right nutrient enhances immune system, increases durability and the drive to work more efficiently. In Taiway' s canteen, however, workers are viewed as cattle, fed by the lowest quality of food. Many workers expressed that the canteen food tastes like pig food though they have no choice but to continue to eat such horrible food because there are no other restaurants nearby.

In 2005, after receiving complaints from workers at Taiway factory, CLW began its initial research on the factory and discovered a number of horrifying conditions. Three years after, CLW conducted a follow-up investigation on Taiway, and discovered that, poor conditions remain at work place.

As Taiway' s primary client, PUMA has the responsibility to commit to the supplier and conduct regular and effective audits to ensure that its products are produced ethically. However, despite its code of conduct and social sustainability report produced annually, it seems that the only aspect PUMA is after is maximizing the company' s profit, investing more and more money in advertisement and composing reports that essentially creates a mirage to the audience internationally, making believe that PUMA is a responsible and respectable company, while behind the scene, workers struggle and suffer, working days and nights manufacturing PUMA' s products.

According to PUMA' s S.A.F.E. department, the company wants their suppliers to continuously improve themselves. Despite the statement, however, after the course of three years, conditions at Taiway persist; long work hours, low pay, poor living conditions, discrimination and more. Workers are still suffering under the vicious cycle created by PUMA, while the company climbs higher latter in revenues claiming itself to be socially responsible.

It is never CLW' s aim to criticize any particular company; our ultimate goal is to advance workers' position at work place, maintain social justice, and ensure companies are complying with their own code of conduct. Li Qiang, Executive Director of China Labor Watch believes, "Compared to other companies in the same industry, PUMA tends to put less attention on workers' conditions. Using Taiway as an example, the factory' s unchanged conditions suggest that PUMA merely focuses on marketing the finished products rather than what workers have to go through each day during the process of production."

As a company expands and develops to a level that it is internationally known and its products, become the popular commodities used among the general public, its place in the society is significant and irreplaceable. Each approach it constructs, can greatly impact the society. Therefore, the company has a much greater responsibility not limited within the business sector, but also outreaches to maintain social justice and ethics, and serves as a reputable model to other businesses as well as the general public. PUMA certainly represents the company described above, though it frequently enjoys avoiding its responsibility and shifting blames. CLW hopes that by reporting the findings gathered from Taiway, it would gain the company' s attention to begin its production ethically, and offer workers better work conditions, rather than being a pure profiteer and ignore workers' critical conditions. In the end, PUMA is the key pull these workers out of the cycle of vicious exploitation. *Our belief is in accordance with PUMA' s Sustainability Report, that to ensure ethical sourcing, it is ultimately up to the company' s commitment.*

## **Recommendations**

China Labor Watch urges PUMA to take the following actions:

- Obey Chinese labor laws and regulations.
- Not abandon its supplier factories, but rather commit to them and to be resolute in making sure that violations are corrected.
- PUMA and its supplier factories should not impose any form of retaliations on workers who filed complaints.
- PUMA should urge its supplier to offer workers legal work hours, fair wages that allows sustainability and eliminate discrimination at work place.
- PUMA should also publicize the results of factory audits.

## **To Consumers**

April 21<sup>st</sup>, 2008

Dear friends,

More than four thousand Chinese workers are currently working under heavy exploitation and they desperately need your support! We hope you will join our writing campaign to PUMA, to urge the German-based sports company to improve the working and living condition of their supplier factories' workers in China.

The following is an investigative report summary on one of the supplier factories of PUMA. Based on the information obtained from many sources, including interviews conducted with workers from the factory, this report is intended to document several instances, in which the factory operators violate their workers' legal rights, to disseminate that information to the international community, and to call for corrective actions by the factory to improve working conditions for its workers.

Below is the summary of our findings, each day, workers are forced to work under the critical conditions described below.

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Friends, Chinese workers need your help to fight against corporate greed. Please take action now!  
We sincerely appreciate you help.

In Solidarity,

Li Qiang

Executive Director, China Labor Watch

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Please direct your appeal to the individuals below:

Dr. Reiner Hengstmann  
Global Head Environmental & Social Affairs  
PUMA AG  
Unit 802, 8 F.  
Equitable Bank Tower  
8751 Paseo de Roxas Avenue  
Makati City  
Philippines 1226  
phone +632-8897144 (direct line)  
fax. +632-8860718  
mail: [reiner.hengstmann@puma.com](mailto:reiner.hengstmann@puma.com)

Please sign your name under the following letter to urgently demand PUMA to take immediate measures to improve workers' working conditions in the factory and announce these improvements to the public:

To Whom It May Concern:

This letter is regarding to your China-based supplier factory' s management. I am a consumer, and I recently have read a China Labor Watch' s investigation report on your supplier factory, Taiway Sports Inc. After reading the report, I became very aware and concerned about the workers' situations in the factory. I wish you would take your time to truly focus on your supplier factory' s management and take immediate actions to improve workers' working conditions rather than shifting blames and avoiding the problems.

Regards,

Please following this letter to your friend