Chinese Sweatshops: The Result of Outsourcing By Global Business Giants

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"*The difference between the money price of labour in China and Europe is still greater than that between the money price of subsistence; because the real recompence of labour is higher in Europe than in China*."[1]

***Adam Smith** [2]

"China does not have to depend on having clean manufacturers to get work — what China has is incredible mass and economies of scale," [3]

****Frost**

"I was dealing with a society that had no rules; or more accurately, plenty of rules but they were seldom enforced. China appeared to be run by masterful showmen: appearances mattered more than substance, rules were there to be distorted and success came through outfacing an opponent"[4]

***Clissold, former head Asimco

Everywhere on this earth where there was enormous surplus, perhaps the ultimate destination of desperate workers were the sweatshops. It has its origin between 1830 and 1850: A special kind of workshop where a middleman, "the sweater", directed the workers in garment making "under arduous conditions" was termed as sweatshops. To fulfill their minimum basic needs, the workers aggressively went there as they had no other way. Analysts sometimes used it to describe a workplace which was "physically or mentally abusive, or that crowds, confines, or compels workers, or forces them to work for long and unreasonable hours, as would be the case with penal labor or slave labor". Charles Kingley in his writing 'Cheap Clothes & Nasty' in 1850 used the term "sweater" for the subcontractor and "sweating system" for the process they did their business. It was the National Labor Committee[5] which brought the sweatshops "into the mainstream media".

Though trade unions, minimum wage, fire safety codes etc. reduced the number of sweatshops around the developed countries, it could not stop the increasing trend of these units in the developing countries. Analysts view was that it's the globalization and an urge for excellence of developing nations that kept alive the sweatshops around the globe.

Most of the Chinese manufacturing units like toy manufacturing units, clothing, shoe, electronics and many others could be designated as sweatshops (still in the early 21st century). Since the Chinese Laws were not being enforced strictly, the sweatshops thrived in the same manner as they had in the past. The Chinese did not have any other option to choose and "to put food on the table" they rushed to the sweatshops to help the MNCs or their subcontractors in China to cope up with the rapid global competition to produce the quality products at the cheapest possible price.

OUTSOURCING: THE URGE OF 21ST CENTURY

"Global sourcing has become a corporate mandate for both leading corporations and global service suppliers," stated Atul Vashistha, CEO of neoIT[6]. Enterprises outsourced various functions for many kinds of reasons. Outsourcing institutes placed comparative cost advantage in the first position. A greater access to the world-class capabilities and improvement in the company focus were among the others. Martin Cole, managing partner for Outsourcing and Infrastructure Delivery at Accenture[7] explained that "Traditionally, the outsourcing market focused on infrastructure, data operations and cost takeout

[1] Wealth of Nations, 1776

[2] Adam Smith, FRSE, (baptized and probably born June 5, 1723 O.S. (June 16 N.S.) – July 17, 1790) was a Scottish political economist and moral philosopher. His Inquiry into the Nature and Causes of the Wealth of Nations was one of the earliest attempts to study the historical development of industry and commerce in Europe. That work helped to create the modern academic discipline of economics and provided one of the best-known intellectual rationales for free trade, capitalism, and libertarianism.

[3] **Reuters: In China, Toil Works for Business:** http://www.chinalaborwatch.org/Honest%20Toil%20Reuters.htm?article_id=50301

[4] "A disorderly heaven", www.economist.com, March 18th 2004

[5] The National Labor Committee in Support of Human and Worker Rights, commonly known as the National Labor Committee or the NLC, is a non-profit NGO founded in 1981 by David Dyson to combat sweatshop labor and United States government policy in El Salvador and Central America. Today the NLC has offices in New York City, Bangladesh, and Central America; when Dyson left to become Executive Minister of Fort Greene's Lafayette Avenue Presbyterian Church, Charles Kernaghan became Executive Director.

The National Labor Committee engages in fact-finding missions throughout the world to expose and document labor and human rights abuses; they then use this information to raise public awareness in an effort to change corporate policy.

[6]San Ramon, California based neo IT is a consulting firm that is singularly focused on helping leading firms improve operations and grow their business by capitalizing on services globalization.

[7] Accenture is a global management consulting, technology services and outsourcing company. Committed to delivering innovation, Accenture collaborates with its clients to help them become high-performance business and governments. Accenture has more than 110 offices in 48 locations.

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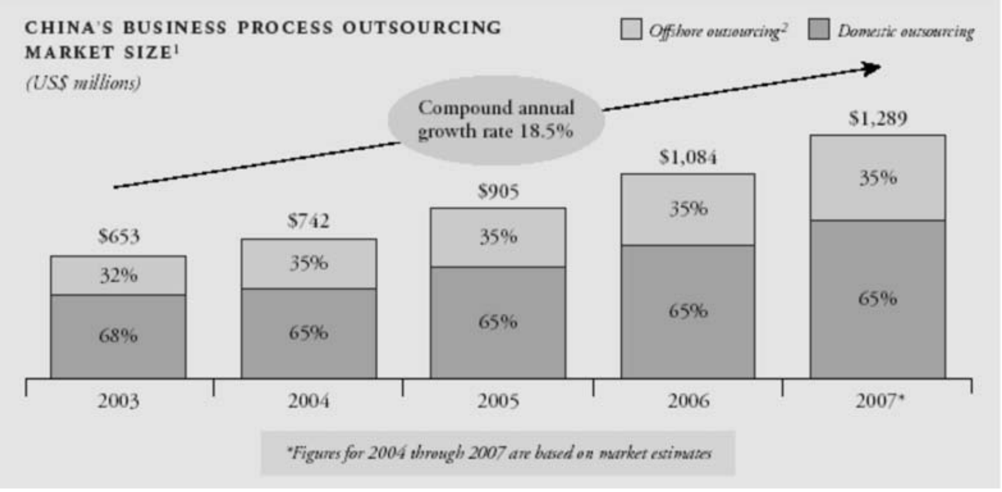
as primary drivers,”. “Now, in addition to reduce the cost of operations, enterprises are looking to outsource business areas to achieve greater flexibility and to gain greater ability to respond nimbly. It is critical to be able to respond to changing market conditions and a competitive environment frequently driven by mergers and acquisitions”. According to Dr. James Brian Quinn, a professor at Dartmouth College’s Amos Tuck School and author of *Innovation Explosion*, “Outsourcing to the best in the world ups the value and lowers the cost”. Allie Young, a chief analyst at Stamford, Conn.-based Gartner, Inc., explains that the “outsourcing market has been shifting gradually from a cost focus to a business focus, and that a new emphasis on access and speed to market has emerged. The focus now is on business outcomes, not just infrastructure. This is about taking advantage of relationship types and models, and a variety of contracting modes and structures”. According to Gartner Inc[8] in the year of 2003, outsourcing business had generated $298.5 billion. Forrester Research estimated that by 2015 as many as 3.3 million US jobs and $ 136 billion in wages will move to China, India, Russia ,Pakistan & Vietnam.
China, India, Vietnam, Honduras these developing countries encouraged outsourcing for their country’s benefit, to relieve their economy from the vicious circle of poverty. To these countries, outsourcing was the only way to provide employment to their people and to give a scope to their economy to make enormous profits and in this way to make a position in the world economy. According to a worldwide poll conducted by Pew Global Attitude Survey, “more, not less economic integration is good for the world”. Director of Development Policy of World Bank, David Dollar argued that “globalization indeed helps to reduce poverty and inequality”. To support his argument he pointed out that since 1980 world’s extreme poor decrease significantly. But the result of this game was not the win-win one. Human rights could not take place in the victory-stand. It became a spectator of the award-distribution ceremony of this game.

CHINA AS AN OUTSOURCING DESTINATION

MNCs Interest in China

In the early phase of 21st century, there was more and more talk about China becoming the world’s factory. Most of global leaders recognized China as an emerging market and as the newest destination for outsourcing. During the period 2003-2007, outsourcing growth in China was 18.5% (Exhibit1). For decades, China led outsourcing charge of manufacturing and textile goods.

Exhibit 1



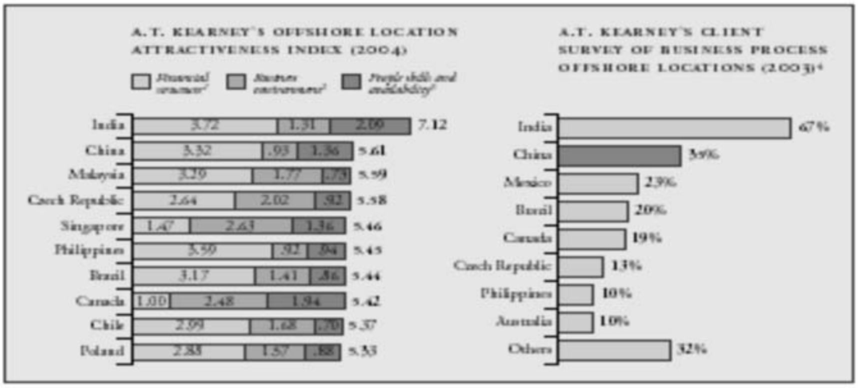
Source: The Changing Face of China ATKEARNEY
http://atkearney.com/shared_res/pdf/ChinaOffshore_S.pdf

Gradually it became the hottest destination offshore (Exhibit 2). Many reasons influenced both the big giants all over the world and start-up companies to move towards China (Exhibit 3). Companies like IBM, Qualcomm, Agilent made the decision to move to China because of the sheer operational scale that was possible because of labor pool in China (Exhibit 4**).** With a population of more than 130 million, China was widely known to have low labor costs with a lower growth rate compared to other developing and developed countries (Exhibit 5). The average hourly manufacturing compensation in 2002 was $0.57, which was just about 3 percent of the average hourly compensation of manufacturing production workers in the United States and of many developed countries of the world. Regional competitors in the newly industrialized

[8] Gartner, Inc. is the leading provider of research and analysis on the global information technology industry

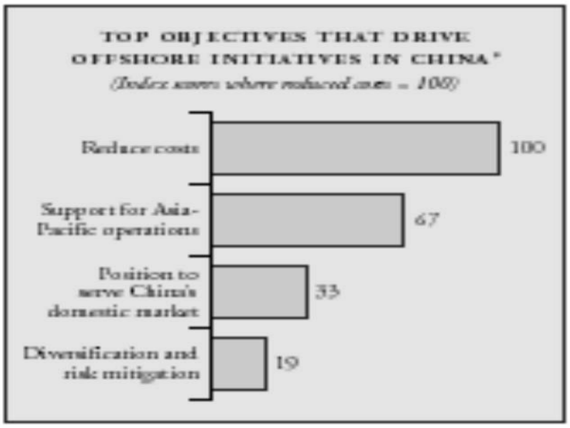
Exhibit 2

China : World's Most Attractive Offshore Location



Source: The Changing Face of China
ATKEARNEY http://atkearney.com/shared_res/pdf/ChinaOffshore_S.pdf

Exhibit 3



Source: The Changing Face of China
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Exhibit 4(a) China's Share in Total World Population

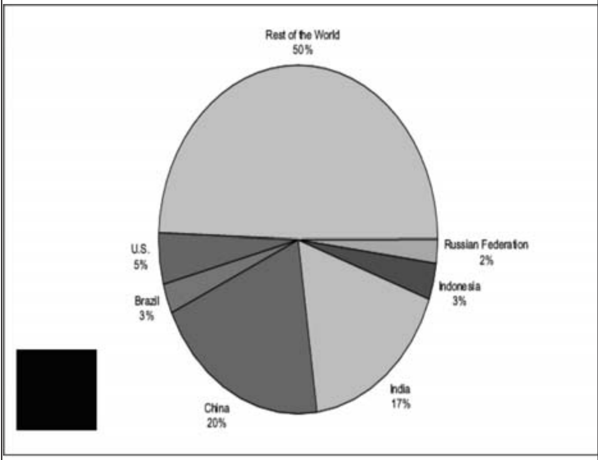
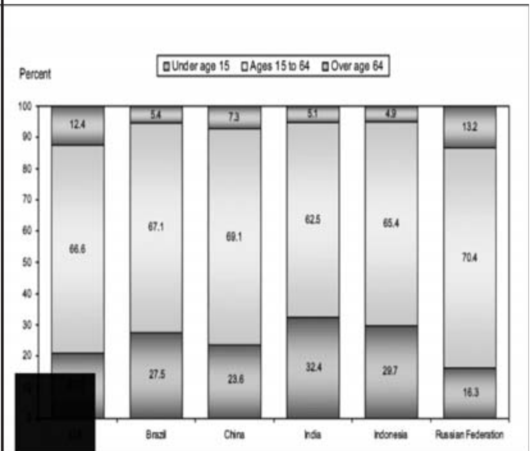


Exhibit 4(b) Inter country comparison of dependency ratio



economies of Asia had, on an average, labor costs more than 10 times those for China's manufacturing workers and Mexico and Brazil had labor costs about 4 times those for China's manufacturing employees. In labor intensive, low-tech industries such as textile, garments & household products, China took away FDI and export share from Thailand, Indonesia, Malaysia and Philippines.

Exhibit 5(a)
Wages in different provinces of China in 2005

Source: http://neweconomist.blogs.com/photos/uncategorized/20060318_chinaswagecostchallenge_bw.gif

In the late 1970s, China started its export strategy with a greater emphasis on coal and petroleum. By the 1990s, exports were predominantly composed of labor intensive manufactured products: textiles, apparel, footwear, toys and sporting goods alone accounted for 40% of the total exports. Electric equipments—such as telephones, television sets, videocassettes recorders made up another 10%. According to Nicholas Lardy, these products were based overwhelmingly on processing and assembly type activity and thus they too were labor intensive. In 2004 & 2006, the FDI growth rate of China was14% & 8% simultaneously. By 1990s, many foreign investors discovered China as an optimal place to manufacture and assemble low tech goods requiring abundant quantities of cheap labor. Cost minimizing firms thus naturally regarded the country as an important place to invest and conduct operations.

China's Interest to Open the Door:

An urge to modernize the Chinese economy led China to open its doors in 1970. Since late 70s its GDP gradually increased with an increase in FDI (Exhibit 6). One of the basic objectives of the Chinese government policy to encourage foreign capital was "exchanging technology with market". "Socialism with Chinese characteristics"[9] was started in 1978 in the People's Republic of China (PRC). The initiative was taken by pragmatists within the Communist Party of China (CPC) led by Deng Xiaoping which were ongoing as of the early 21st century. Opening to the outer world was central to the country's development. About 45% of its exports were by Foreign-invested enterprises. In 2005, its foreign exchange reserve exceeded $800 billion and in November 2006, it further exceeded to $1 trillion which placed it in the number 1 position in this field.

CHINESE SWEATSHOPS: A RESULT OF REFORM

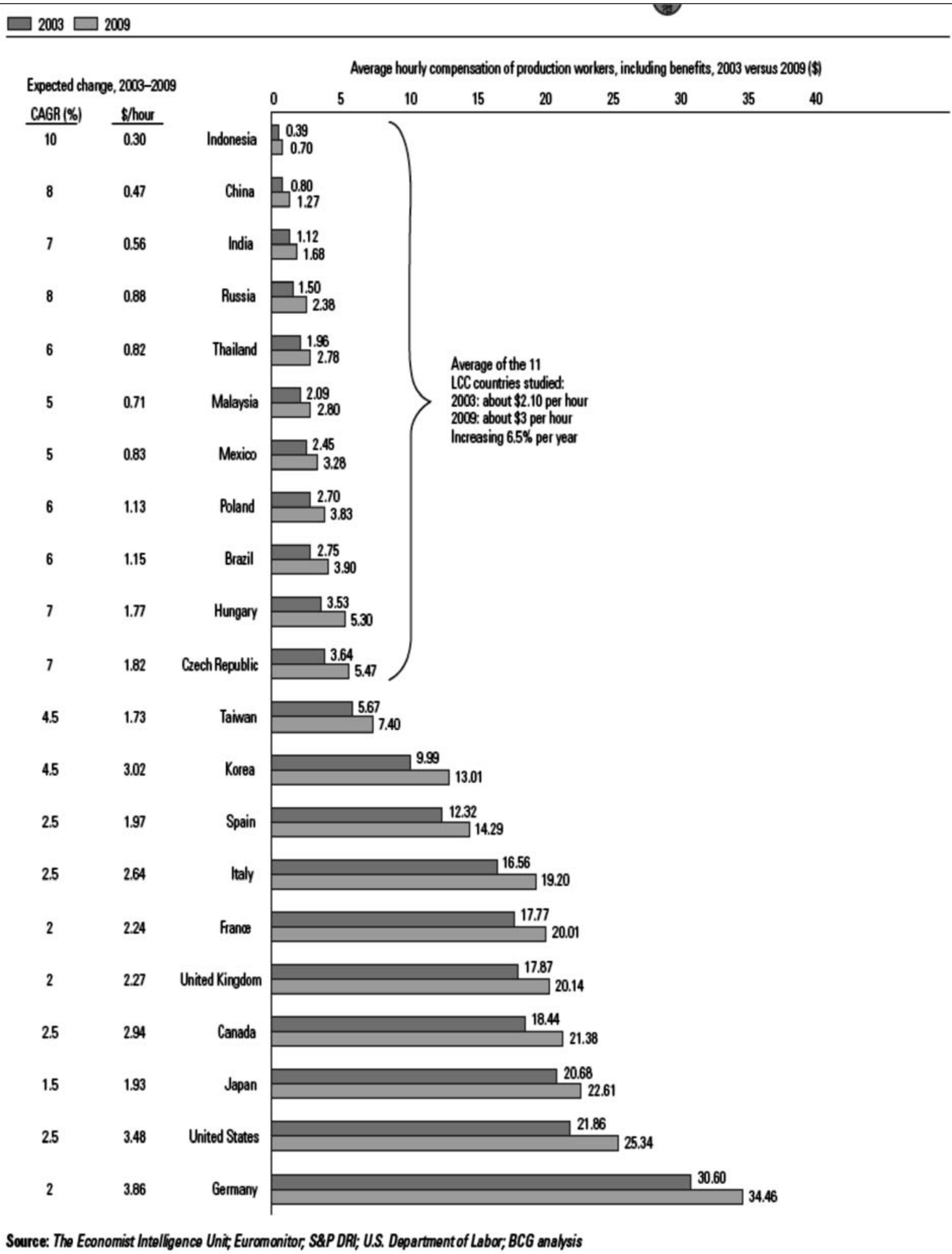
Two forms of ownership of industrial enterprises existed in China before the economic reforms in 1978: "all people'" ownership, which was changed into "state ownership" in the late 1980s, and collective ownership (owned by villages or communities). To describe the industrial employment and its associated benefits the phrase "iron rice bowl"[10] was often used. With low wages, employees used to enjoy lifetime employment, guaranteed pension benefits, health care, housing, and education for dependents, paid maternity leave, and other such benefits that created a high level of security and societal equity. In addition to that, many Chinese workers engaged in decision making and management issues at their place of employment.

In 1978, the Chinese government began an official "reform" era which initi*ally* included: breaking up of rural communes; designating Special Economic Zones (SEZs); and introducing "market mechanisms" into state-owned enterprises (SOEs). "Architect of China's reform", the "capitalist roader", Deng Xiaoping consolidated power in late 1978 with an objective to take China into a new direction. During his visit to the U.S. in January 1979 (the first official state visit between the two countries), he became deeply impressed by the material wealth of the U.S. Reform slogans such as "to get rich is glorious," and "development is the absolute need" was the consequence of his impression.

[9] "Socialism with Chinese characteristics" is an official term for the economy of the People's Republic of China which as of 2006 consists of mixed forms of private and public ownership competing within a market environment.

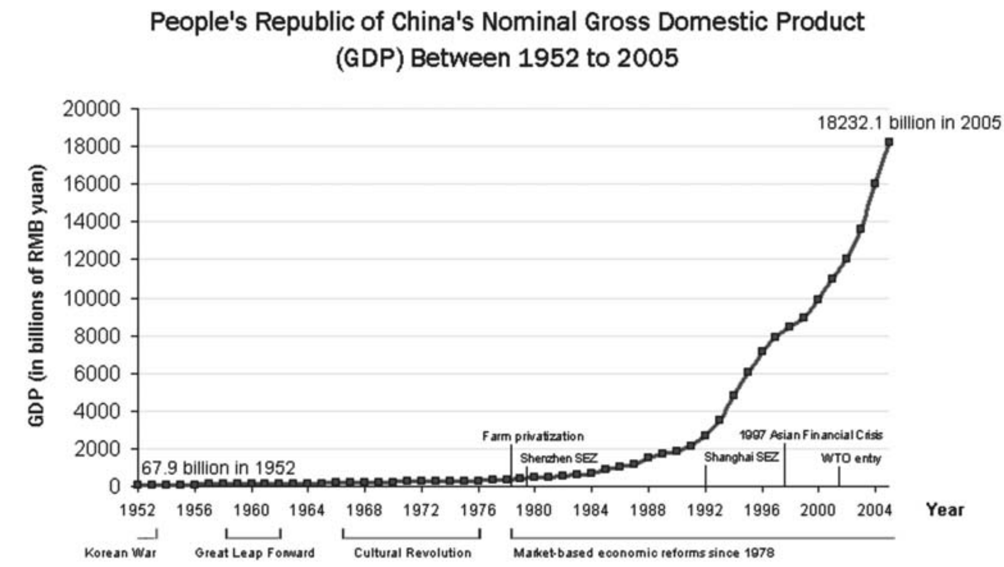
[10] "Iron rice bowl" is a Chinese term used to refer to an occupation with guaranteed job security, as well as steady income and benefits. Traditionally, people considered to have iron rice bowls included military personnel, members of the civil service, as well as employees of various state run enterprises (through the mechanism of the Work unit).

Exhibit 5(b)Inter country comparison of compensation of production over the Period 2003-2009



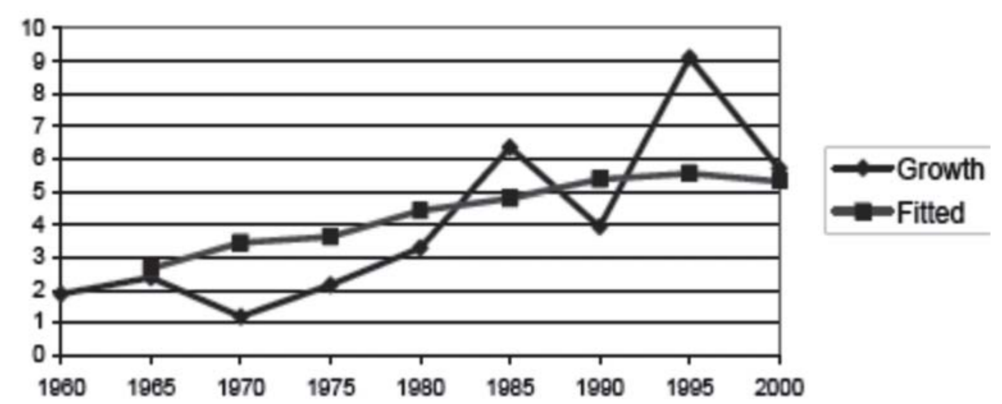
Source:http://knowledge.wharton.upenn.edu/papers/download/BCG-Wspecialreport-final.pdf

Exhibit 6(a)



Source: http://en.wikipedia.org/wiki/Image:Prc1952-2005gdp.gif#file

Exhibit 6(b)China's Economic Growth Since 60s



Source: Why Has China's Economy Taken Off Faster than India's? June 2006 David E. Bloom, David Canning, Linlin Hu, Yuanli Liu, Ajay Mahal, and Winnie Yip1 http://www.hsph.harvard.edu/pgda/Bloom_Canning_China_India.pdf

In late 1979, the government selected several thousand state-owned enterprises to operate on a profit making basis. In early 1980, the program was expanded to cover 16 percent of SOEs. After a short break of 4 years the program resumed in 1984 with a mission "smashing the iron rice bowl". The objective was to increase the labor productivity by ending the lifetime job security. Some new bonus and profit sharing schemes were implemented to get better results.

With a little halt after the protests at Tiananmen Square[11], the market oriented reform was started again in 1992 with a greater pace with Deng Xiaoping's "Southern Tour". Privatization of collective enterprises and SOEs further increased. Tax advantages were extended to private and foreign businesses that were not given to SOEs. Unable to compete with advantages given to foreign-owned firms, SOEs fired millions of workers and decreased social benefits during this period. With a surplus of workers and no competition from diminishing SOEs, industries had tightened their grip on workers and sweatshops had become the norm. Especially in the coastal SEZs—where most foreign corporations did business—Chinese

[11] The Tiananmen Square protests of 1989**,** also known as the *Tiananmen Square Massacre*, *June 4th Incident*, or the *Political Turmoil between Spring and Summer of 1989* by the government of the People's Republic of China, were a series of demonstrations led by students, intellectuals and labour activists in the People's Republic of China between April 15, 1989 and June 4, 1989. The demonstrations centred on Tiananmen Square in Beijing, but large scale protests also occurred in cities throughout China, including Shanghai.

workers earned lower wages in terms of purchasing power, fewer benefits, longer working hours, increasing work-related injuries, and other associated problems .

CHINESE SWEATSHOPS: THE PLAYGROUND OF MNCS

The Walt Disney Company is one of the largest media and entertainment corporations of the world. Founded on October 16, 1923 by brothers Walt and Roy Disney as a small animation studio, in the year 2005 it earned total revenue of US $31.9 billion. This revenue was not generated from one source. It was from the largest Hollywood studios and eleven theme parks, two water parks and several television networks (including the American Broadcasting Company[12]). Wide variety of consumer products from garments, stuffed toys, to plastic toys, and many other accessories such as traveling kits, hair accessories, belts, bags, caps, and watches. In late 20th century, Disney's production lines had been shifted to China, Indonesia, Thailand, Sri Lanka, and El Salvador where abundant cheap labor was offered. Government suppression along with the cheap labor pool helped China to take no. 1 position in Disney's outsourcing destination list. Two decades ago HK, Taiwan, and Korea were the production bases for Disney. Labor cost in Indonesia was much lower than that in China but political instability and the government failure to control the riots had left it behind. Moreover, workers in China were not allowed to organize themselves and had no collective bargaining power. Disney and its licensee took this advantage.

Most of the workers of Disney in China were from rural areas in inland provinces like Sichuan, Hunan, Hubei, Henan, Jiangxi, Shaanxi, Anhui and Guangxi. Their families' livings always depended on their farms. Their low level of annual household income (US$24-49) forced their young members to rush to the sweatshops in Southern China to explore more job opportunities to gain more money. As described by per the report by HKCIC on February 2001, the conditions of the workers in Disney factories in China were really heart breaking. Lower wage, longer working hours, unhealthy working environment were the facts in those units (Exhibit 7).

According to the AFL-CIO[13], "Wal-Mart is the single largest importer of foreign-produced goods in the United States". According to Lee Scott, President and Chief Executive Officer "Each of our business units continues to thrive to innovate and to bring its customers quality products at affordable prices." and "When it comes to our performance during fiscal 2006, we have a lot to be proud of at Wal-Mart. Our net sales rose 9.5% to a record $312.4 billion. Net income rose 9.4% to a record $11.2 billion. In 2004, their trade with China alone constituted approximately 10 percent of the total US trade deficit. In the year of 2004, along with China, about 60% of its products were imported from South Korea, Philippines, Malaysia, Cambodia, Thailand and Vietnam which were just 6% in 1996.

Panyu United Stationery Products Factory is located in Shipai Village, Dongyong Township, Panyu County, Guangzhou, Guangdong, in China. It is a Holiday season card, soft and hard-covered notebooks producer and was a supplier for Wal-Mart**.** According to a report by China Labour Watch in December 2005, (Holiday Cards of Abuse) over 2000 workers were working there, produced Christmas related goods for Wal-Mart of worth $768,092 in just a period of 10 days. The messages of the cards, its colorfulness hardly matched with the lives of the makers of these cards. As per the study of China Labor Watch (2005), the workers in the Panyu employees used to work 11½ hours a day and 80 ½ hours a week and during the peak holiday rush period (July, August and September) they had to work 13 ½ hours a day (7.30 am to 9.00 pm), seven days a week, i.e. 94 ½ hours a week with a return of just 34 cents an hour (20% lower than China's subsistence-level legal minimum wage).Workers were forced to work 40 ½ hours of overtime a week (exceeded China's legal limit by 487 percent. During the slow season also the workers were required to put in 12 hours shift with 2 hours off for lunch and supper, 6 days a week and 20 hours of overtime per week and 86.6 hours of overtime each month which exceeded China's legal limit by 2.4 times**.** Workers were housed in dark and gloomy dorm rooms. The workers did not have any right to freedom of association, to organize and demonstrate for more humane conditions. The factory management prohibits husbands or wives from even visiting the dorm to see their spouses.

During the holiday season maternity leave, leave to get married or to bury a family member who has died were without pay and authorities strictly denied workers their legal right to national holidays, especially the most important Spring Festival.

Lungcheong Toy factory in Zhouwn Industrial District, Dongguan City, Guangdong Province, produce battery-operated radio controlled toy cars and trucks for Wal-Mart, Mattel, MGA and others. About three thousand workers working at the Lungcheong Toy factory in Dongguan City in Guangdong Province specialized in manufacturing radio operated plastic toy trucks—like MGA's "Big Foot Ragin' Monster Truck". Wal-Mart store purchased about $64.97 in December 2005. As of December 10, 2005, the legal rights of the Lungcheong Toy workers continued to be systematically violated.

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[12] "The American Broadcasting Company (ABC) operates television and radio networks in the United States and is also shown on basic cable in Canada. Created in 1943 from the former NBC Blue radio network, ABC is now owned by The Walt Disney Company and is part of Disney-ABC Television Group. Its first broadcast on television was in 1948".

[13] American Federation of Labor and Congress of Industrial Organizations, commonly AFL-CIO, is America's largest federation of unions, made up of 53 national and international (including Canadian) unions, together representing over 9 million workers. The AFL-CIO was formed in 1955 when the AFL and the CIO merged after a long estrangement. From 1955 until 2005, the AFL-CIO's member unions represented virtually all unionized workers in the United States. Since 2005, when several large unions split with the federation, the American Federation of State, County and Municipal Employees (AFSCME), with over a million members, is the largest union in the AFL-CIO.

Exhibit 7: Working Conditions Of Disney factories in China as of 2001

Chart

		Product	*Capital*	*Export*	*No. of workers*	*Age of workers*	*Wage*	*Working days*	*Working hour*
1	**Factory A**	Garment	Mainland Chinese	Mainly for domestic market	50-60	18-30	¥500 -800 [USD61-98]	Mon-Sat 7 days/week in peak season	8hr + 3hrOT/day (OT except Wed&Sat)
2	**Factory B**	Garment	Mainland Chinese	Mainly for domestic market	50-60	18-30	¥500 -800 [USD61-98]	Mon-Sat 7 days/week in peak season	8hr + 3hrOT/day (OT except Wed&Sat)
3	**Factory C**	Toys	HK	Export to HK and Japan	15000-20000	18-30	¥500 -700 [USD61-85]	Mon-Sun	9-10 hr+4 hr OT/ day +7.5 hr OT/ day in assembly section in pea
4	**Factory D**	Accessory	HK	Export to HK	500-600	18-30	¥500 - 700 [USD61-85] (peak season) ¥200 -300 [USD24-37] (low season)	7 days/weeks mostly but forced workers to take leaves in low season	8hr + 5-8hr OT/ day In the peak season, workers are forced to w overnight. They can only take rest in the n and then have to work again.
5	**Factory E**	Toys	HK	Export to US and Europe	1800	20-30	¥400 -600 [USD49-73]	Mon-Sun	8hr + 3hr OT/ day + 5 hr OT/ day in the peak season
6	**Factory F**	Toys	HK	Export to HK, US and Europe	4000	20-30	¥500 -600 [USD61-73]	Mon-Sun	8hr + 5.5hr OT/ day + 8-9hr OT/day in the peak season in the assembly session, workers are forced till 03:00 and then work as usual in the nex
7	**Factory G**	Accessory	HK	Export to HK	About 4000	18-30	¥500 -1000 [USD61-122]	Mon-Sat 7 days/week in peak season	9hr + 4.5hr OT/day + 5-7 hr OT/day in the peak season
8	**Factory H**	Toys	HK	Export to US	5000	Around 20	¥700 -800 [USD85-98] (peak season) ¥300 -400 [USD37-49] (low season)	Mon-Sun	8hr + 3hr OT/day +5-7 hr OT/day in the peak season
9	**Factory I**	Watches	HK	Both Export to US and HK	1000	16-30	¥400 -500 [USD49-61] ¥1000 [USD122] (electrician)	Mon-Sun	8hr + 4 hr OT/ day (OT except Sat and Sun evening) 5.5 hr OT/ day in the peak season
10	**Factory J**	Toys	HK	Both Export to US and Canada	10000	18-30	¥500 -600 [USD61-73]	Mon-Sat	8hr/ day + 2 hr OT/ day in the peak season
11	**Factory K**	Accessory	HK	Mainly for domestic market and HK	200-300	18-40	¥200 -600 [USD24-73]	Mon-Sat	8hr/ day + 3.5hr OT/day in the peak season
12	**Factory L**	Toys	Taiwanese	Mainly domestic market	500-600	20-30	¥500 -600 [USD61-73]	Mon-Sun	8hr + 4hrOT/ day In peak season, they are forced to work OT extra. Occasionally, they are pressed to wo overnight and work in the next day withou time.

		Code of Conduct	*Monitoring*	*Trade Union*	*Social insurance*	*Food and Accommodation*	*Fine*	*Remarks*
1	**Factory A**	Code is posted	Announced visit Factory cleans up before the monitors came Workers are forced to sign the falsified payrolls.	No	¥42.5 (Pension insurance)	Factory doesn't offer dormitory and food for workers but provide allowance for housing (¥30) and food (¥70).		Workers are sometimes not a punch their work card. Illegally subcontract Disney' other factories; Sign one-year contract with and workers have a duplicat
2	**Factory B**	Workers have heard of Code but don't know the details	Announced visit Factory was cleaned up before the monitors came	No	¥43.2 (Pension insurance)	Factory doesn't offer dormitory and food for workers but provide allowance for housing (¥30) and food (¥70).	Late to work (¥2) Forget to switch off the electricity (¥5) Absence without prior notice (attendance bonus will be cut)	
3	**Factory C**	Workers don't know anything about Disney's Code	Workers recognized someone from Disney visited the factory. But they never hear those monitors talk to their fellow workers. Workers are trained how to answer the monitors.	No	No	Food and dorm: ¥113/month Workers complained of bad food. 14workers/ room	Not many	Workers need to pay ¥40 (fo uniform and factory ID card they start to work in the fact Workers complained to be ex dangerous working conditio smell and harmful chemical) only provides the gloves and when visitors come.
4	**Factory D**	Management introduced Disney's Code to workers in their first day in the factory.	Workers mentioned that there were many outsiders visiting the factory	No	No	¥150 (food +dorm) 8 workers/ room	Many fines ¥5 -300	Always delayed payment (i.e months) High turnover rate Payrolls given do not illustra how wages are calculated
5	**Factory E**	Workers don't know of Disney's Code.	Workers pointed that management produced double book keeping which to cheat the monitors. Management instructed workers how to answer the monitors' questions. If workers did not answer properly, they will be punished or even fired.	No	No	¥25/ month (Food+Dorm) Workers complained of poor quality of food and dorm provided by factory. 21-24 workers/ room 7-8 triple desk beds placed.	Many fines ¥2 -200 Workers complained of unreasonable fines.	Workers are forced to finish which factory set. No overtir payment is given regardless overtime.
6	**Factory F**	Some workers have seen Disney's Code but not known its content.	Workers were arranged to talk to some visitors but they did not know whom they talked to. Some workers mentioned that management prohibited the young workers to go back the factory when Disney monitors	No	Workers do not know whether they join the social security scheme.	¥75-90 (Food+Dorm) Workers complained of poor quality of food and dorm. No matter workers live and eat outside, the fee will be deducted automatically.	Late to work (¥5-10) Not wear the factory ID properly (¥5)	

			came in late 1999.			30 workers/ room		
7	**Factory G**	Workers don't know of Disney's Code although some of them have seen it.	Some workers said that Disney monitors visited the factory but management showed them the falsified records.	No	No	Food: ¥1 -2/ meal Workers can choose to eat outside. They are given ¥30 -60/ month as food allowance. Dorm: ¥20/ month 12-14 workers/ room	Many fines ¥10 -100 Warning letters with names are posted at the notice board	
8	**Factory H**	Workers don't know of Disney's Code	Workers mentioned they were many visitors in the factory. They dare not to tell them the truth because management warned them not to say any negative thing about the factory to the visitors.	No	Ordinary workers do not join any social insurance But staff do who need to contribute¥30 a month	¥1.5/ meal Because of poor quality, workers prefer to eat outside. ¥17/ month 16 workers/ room If it is not tidy, ¥5 is fined and workers are published to copy the dorm regulation several times	Late to work (¥5) Absence without prior notice (¥30)	Workers need to pay ¥95 when they starts to work (¥65 for temporary residential pass and ¥30 for factory uniform) It is very difficult to resign. If workers want to leave, they have to sacrifice their suspended wages and their personal belongings in their dorm. It is very common for the factory to suspend two- month wage from workers. It makes financial difficulties to them. Some of them need to them.
9	**Factory I**	Code is posted	Workers mentioned some visitors did come to the factory and talk to them last July but they did not know whether they were from Disney.	Workers have no idea of it	No	¥25/ month for food Free form 10workers/room 6 double-desk beds		Because of delayed payment, some workers struck last year. Management fired them eventually. Workers are forced to punch their cards on 16:45 to falsify their off- duty time and back to work again.
10	**Factory J**	Workers don't know of Disney's Code	There are always some visitors in the factory but they are not sure whether some of them are from Disney.	No A letter box is available in factory	No	¥50 -70/ month (Food) ¥6/ month (Dorm) Some senior workers: 12workers/room Ordinary workers: 400 workers/ room with barred window	Many fines ¥3 -100 Sometimes management will punish the violator to copy the factory rules.	
11	**Factory K**	Workers do not know of Disney's Code	Workers claimed that Disney monitors visit the factory in July 1999 but did not talk to them.	No	No	¥7/ day (Disney section) ¥60/m (other workers) Bad food and dorm Workers describe food as worse as pig feed 12workers/ room very crowded	Late to work (¥5) Absence without prior notice (¥30)	
12	**Factory L**	Workers do not know the Code		No	No	Free food and dorm 12 workers/ room		

Source:Be aware of Mickey Disney' Sweatshop in South China: A report by HKCIC, February 2001
http://www.somo.nl/monitoring/reports/disneychart.pdf

Women workers at Lungcheong were routinely denied their legal right to three months maternity leave with pay. The factory authority illegally denied Health Insurance to workers and work injuries resulted in termination of work (Article 72 of China's Labor Code). As per the China Labor Watch's statement, the new workers had to sign an agreement that stated on the job injury was not the company's responsibility.

All overtime work was mandatory in Lungcheong. During the peak season (May to early December), the standard shift was from 8:00 a.m. to 9:00 p.m., or 13 hours a day, six to seven days a week. Violating the legal norms, the Lungcheong factory did not pay for national statutory holidays, such as New Years. Authorities also denied legal rights to paid leave to get married, for the birth of a child, or to bury family members.

There were many young girls below the age of 16 who are working in the factory illegally .As per the study, before inspections, supervisors used to remind the underage workers to remember the false names and ages on their factory ID cards.

In 2004, a union was established at the Lungcheong plant. But workers hardly knew much about the union's activities. They did know very well only one thing that they had to pay 1 Yuan (12 cents) per month to the emergency fund, meant to provide assistance to destitute workers; especially for new workers who arrived penniless from the countryside.

Lungcheong subcontracted large orders to the Xingyue Toy factory in Guangzhou, where working conditions were much worse than at Lungcheong. At Xingyue, workers could be at the factory up to 19 hours a day, seven days a week, while earning just 21 cents an hour. Some Lungcheong subcontractors paid wages as low as 13 cents an hour.

In March 2005, the legal minimum wage in China was raised from 450 Yuan ($55.49) a month to 574 Yuan ($70.78). The Lungcheong factory actually raised the rate to 570 Yuan. This raised the hourly wage only a nominal 27 percent (from 32 cents to 41 cents).

According to the workers, the wage increase was basically an eye wash. To cope up with the increased wage rate, the management sped up production lines and increased production quotas. At the same time, fees for dorms and food were increased. For a 11 feet by 20 feet dorm room (contained 20 bunk beds, three fans), the company charged 30 Yuan ($3.70) per month to 50 Yuan ($6.17). Each floor had one public bath and shower room. Fees for food increased from 110 Yuan ($13.56) a month to approximately 183 Yuan ($22.56) a month, while the quality of the food further deteriorated.

Lungcheong and its subcontractor Xingyue Toy factory were not the distinct cases. Perhaps it was the Toy industry's scenario (Exhibit 8).

Exhibit 8: Working Conditions in Different Industries in China in 2006

Interview Code[34]	Type of Enterprise	Type of Industry	Workforce Size	Labour Contract	Social Security/Insurance Benefits	Trade Union
#1/2	Joint venture (Taiwan)	Garments	2,000 to 3,000 employees: over 90% women	None	Medical insurance and pension plan provided after 3 yearsí service	None
#2/2	Privately owned (domestic)	Electronics	Over 100 employees: 80% women	None	Pension plan; no medical insurance	n/a[35]
#3/2	Taiwan-owned	Lighting fixtures	200 to 300 employees: mostly women	None	None	None
#4/2	Privately owned (domestic)	Knitting mill	Almost 200 employees: 60-70% women	None	None	None
	Hong Kong-owned	Yarn mill	400 to 500 employees	None	None	Yes
#5/2	Hong Kong-owned	Electronics	200 to 300 employees: 60% women	None	None	n/a
#6/1 #7/1	Taiwan-owned	Shoes	Over 10,000 employees: 80% women	Yes	None	None[36]
#8/1	Taiwan-owned	Electronics	Over 600 employees: more than 2/3 women	None	n/a	None
#9/2	Privately owned (domestic)	Shoes	Mostly women	None	Medical insurance	No[37]
#10/1	Taiwan-owned	Shoe parts	Mostly women	Yes	n/a	n/a
#11/3	Privately owned (domestic)	Electronics	100 to 200 employees: mostly women	None	None	None
#12/1	Shareholding company (domestic)	Chemicals	More than 200 employees: only 20 women.	Yes	Only some staff eligible for benefits	None
#13/3	Taiwan-owned	Ceramics	More than 200 employees: more than 60% women	None	None	None
#14/1	NGO	Migrant worker support group	n/a	Yes	Yes	n/a
#15/1	n/a	Electronics	Mostly women	n/a	None	n/a
#16/2	Taiwan-owned	Shoes	Over 1,000 employees: 80% women	n/a	n/a	None
#17/5	Joint venture (Taiwan)	Ceramics	Nearly 1,000 employees: 50% women	None	None	n/a

Source: Falling Through the Floor. Migrant Women Workers' Quest for Decent Work in Dongguan, China. China Labour BulletinCLB Research Series: No. 2, September 2006http://gb.china-labour.org.hk/gate/gb/www.china-labour.org.hk/fs/view/research-reports/Women_Workers_Report.pdf

Wellco Factory, in Dongguan, Chang'an is a Korean-invested factory was contracted by Nike. As of December 2005, near about eight thousand workers were working there without signing any contract with the factory. In the sewing department of the factory, all the workers were women and mostly they were between 18 and 25 years of age.

The workers worked there about 11 hours a day with $30-$42 per month (in 2005). In addition to that, all the workers must work 2-4 hours overtime with just $0.19-$0.33 per hour of overtime which again violated the Chinese Labor Law and any kind of refusal caused a fine of $1.20 - $3.61. Sometimes the workers lost the entire day's pay. After deducting the charges for housing, meals etc, a worker in a month just got $36.14-$72.29, including overtimes. Every month workers got only 2-4 days off (those who were working at the factory for one year used to get an annual leave of five days and in the case of those workers who had been serving since two years or more, they were entitled to an annual leave of seven days). The workers were working there by a quota system. They had to complete the given assignment in the working day. If someone failed to do this, they forcefully had to participate in "prolonged work" without any pay.

Moreover at the time of their joining, the workers had to pay a deposit, which was verbally promised as refundable. But the fact was that it was very difficult to reclaim this amount.

2005s survey of China Labor Watch revealed that the working conditions at the factory were too dangerous for the health of the workers. The workers and their colleagues were suffering from dizziness, skin irritations, headaches and dyspnea. The supervisors did not regard the workers' well-being at all.

Talking was strictly prohibited in working hours in Wellco factory. And if the workers disobeyed this rule, they were fined $1.20-$3.61.

Most of the workers at Wellco factory were unaware about the factory Code of Conduct. The factory had no trade union. In March 1997, the assembly production department went on strike because the factory did not pay them their wages. All the workers who went on strike were fired.

According to several workers, the factory employed children aged between 13-15 in the sewing, handwork and cutting departments which was a clear violation of China's Labour Law (which did not allow children under 16 to be employed) and Nike's code of conduct (insisted not to employ children under 15).

Nority International Group Ltd was a shoe factory, located in Dongguan, Chang'an County. In 2005, about 6,000-7,000 workers, most of whom were women, worked there. This Taiwanese-owned factory used to produce shoes for Reebok. At Nority, the normal work week, excluding overtime, was 12 hours a day (8am-11:30am, 12:30pm-4:30pm, and 5:30pm-10pm), 6 days a week, 72 hours a week and 3-4 days off each month. Workers at Nority were often forced to work an additional 2-5 hours of overtime (a gross violation of both Reebok's Code of Conduct and the Chinese Labor Law). By working in a clearly hazardous environment, bearing so much dust and noise pollution, excessive heat, dangerous fumes and congestion, the workers used to get only $1.20-$1.45 per day whereas in Dongguan, minimum wage was $1.93 for 8 hours of work, overtime work gave a return to the workers $0.36 an hour ($0.10 below the legal minimum). A fine of $7.23 to $21.67 was charged if someone refused to work overtime and the person refusing to work overtime three days in a row would be fired. Women workers were fired for becoming pregnant. The factory used to provide food and housing to their workers by charging $3.86 per month for housing and $4.82-$8.43 for meals per month. Excluding the benefits and adding the overtimes, each worker made a net amount of $60.24-$72.29 per month.

Here also the workers worked in a quota system. Any failure to fulfill the quota during work hours resulted in overtime work without pay. At the time of joining, the work deposition of one month's salary was mandatory which according to the authorities was refundable, but very rarely they received the amount after they left the job. Before work, calisthenics was mandatory and whoever missed it could be fined. Talking during the work was strictly prohibited at Nority and there was also a fine system for the violation of this rule. Per offence, more commonly, the authority charged fines of $7.23-$21.69 and sometimes they could be told to sweep the floors as a warning for minor offences.

KTP Holdings Ltd in Bao'an and Donguan counties produced mostly for Reebok. Adidas and LA Gear was the other purchaser of KTP. 45-50 percent of dealings of KTP were with Reebok. 4,000-6,000 workers from Hunan, Sichuan, and Jiangxi provinces were working at the factory of Bao'an. Most of them were women aged between 22-25 years.

The workers at KTP were paid by piece rate. Wages ranged from $60.24-$72.29 per month including the overtime (compulsory) for 8am to 11 pm schedule, and 2days off in a month(during the peak season the workers did not get a single day off). As per factory regulation, calisthenics at 7 am was mandatory.

Workers who live in the factory dorms had to pay $9.04 per month. Child care, social security benefits, medical insurance and bereavement leave were not provided. Fines were common in this factory as well. If someone did not attend the morning exercise session, then they were fined. Refusal to work overtime would cost a fine of $1.20.There was no trade union or collective bargaining in the factory.

A Taiwanese shoe company, Yuan Yuen Industrial Holdings Co. Ltd., in Dongguan near the first Special Economic Zone in China was established in 1989 and from its establishment it had a contract both for Nike and Reebok. From December 2005, about 50,000-60,000 workers from Hunan, Henan, Jiangxi and Hubei were working there. It was registered in Hong Kong and belonged to the Pao Chen Cooperative. According to a business magazine published in Taiwan, the Pao Chen Cooperative was the biggest sports shoe producer in the world. About 80 percent workers of Yue Yuen were women and most of them were aged between 18-22 years.

As per the study, the workers in this factory used to work additional 2 hours of overtime along with their daily norms of 10-12 hours - 60-84 hours in a week (16 hours more than the limit set by Chinese Labor Law) and get a very nominal return to their services, $48.19 and $72.29 per month including overtime. The respondents reported to the enumerators of China Labor Watch and National Labor Committee in their survey in December 2005 that failure to work overtime resulted in a fine. Nobody could leave the factory premises without completing their daily quota.

Social security benefits, health care, child care and bereavement leave were not provided by the factory, although they are mandatory by law.Health care was also not provided on a regular basis, and less than half said health check-ups were given by the factory.

Workers complained about noise, air pollution and fumes. Many of them had skin irritations, and several suffered from dizziness and headaches.

Participation in calisthenics was mandatory in Yue Yuen. Workers were not allowed to talk to their coworkers while working. Verbal abuse and fines were popular methods of punishment in Yue Yuen. Many workers mentioned that for minor offences, they were charged a fine of $3.61 and if the mistakes were major in the management's eye, then the fines could be as much as $10.84.

The government trade union existed at the Yue Yuen factory. But it was not for the workers sake rather; it favored the authorities more.

Almost all of the workers in the Yue Yuen factory had no knowledge of Nike's or Reebok's Codes of Conduct. The workers who thought they knew about the Codes were often confusing them with the ISO9002 (the international quality control standards which products must meet in order to be exported).

Panyu United Stationery Products, Lungcheong Toy factory, Xingyue Toy factory, Nority International Group Ltd, KTP Holdings Ltd, and Yuan Yuen Industrial Holdings Co. Ltd were not distinct cases where there was a clear violation of human rights. More or less every where the workers had to face the worst kind of exploitation (Exhibit 8 & 9).

Exhibit 9 Overtime rates in different industries in China in 2006

Interview Number	Type of Industry	Extent of Overtime	Maximum Overtime per Day	Overtime Pay
#1/2	Garments	Depends on orders in hand: slow periods, occasionally until 10 pm; peak periods, 26 to 27 such days per month.	3.5 hours	No overtime rate for those on piece-rate basis; if paid on hourly basis, overtime at 1.9 yuan/hour
#2/2	Electronics	Little overtime, only in busy season	2 hours	n/a
#3/2	Lighting fixtures	Daily overtime, including on weekends	8 hours	All paid on piece-rate basis; no overtime rate
#4/2	1) Knitting mill; 2) Yarn mill	Overtime only when orders to fill	16 hours	All paid on piece rate basis; no overtime rate
#5/2	Electronics	Day shift, 13 hrs; night shift, 11 hrs (factory uses a 9-hour working day)	Day shift: 5 hours; night shift: 3 hours	2.3 yuan/hour
#6/1 #7/1	Shoes	Overtime daily except Wednesdays and Saturdays 6-day working week normal	3 hours	3- 4 yuan/hour
#8/1	Electronics	Occasional overtime; 7-day working week; Saturday a normal working day; Sunday counts as overtime	4 hours	1.8 yuan/hour
#9/2	Shoes	Work day from 7:00 am until 8:30 pm, only 3 hours of which count as overtime; same applies if work day lasts until 9:30 pm; all-day Saturday counted as overtime	6 hours	n/a
#10/1	Shoe parts	Work day from 7:30 am until 11:30 pm or later; only 2 hours per day counted as overtime	8 hours	3.65 yuan/hour
#11/3	Electronics	At peak periods, overtime extended until 11 pm, and even 1 am or through the night; regular working hours required the next day	16 hours	n/a
#12/1	Chemicals	Very little overtime work	n/a	n/a
#13/3	Ceramics	Seven-day work week, 12-13-hour work days	8 hours	1.5 – 2 yuan/hour
#15/1	Electronics	Daily overtime; mandatory Saturdays; Sunday work required during peak seasons, counted as overtime	2.5 hours	2.88 yuan/hour
#16/2	Shoes	Occasional overtime; mandatory Saturdays	2 – 3 hours	n/a
#17/5	Ceramics	Frequent overtime	n/a	2 yuan/hour

Source: Falling Through the Floor
Migrant Women Workers' Quest for Decent Work in Dongguan, China
China Labour Bulletin
CLB Research Series: No. 2, September 2006
http://gb.china-labour.org.hk/gate/gb/www.china-labour.org.hk/fs/view/research-reports/Women_Workers_Report.pdf

In their Blue Paper on "Developing Human Resources in China (Report No. 3)", 2006 the Chinese Academy of Social Sciences reflected the fact that 70% of China's intellectuals died prematurely from overworking and the scene was much more pathetic in comparatively advanced areas of eastern and southern coast. In July 2006, the journal Liaowang Dongland Zhoukan revealed that at least 1 million people in China died from overwork each year in China.

TEARS IN SWEATSHOPS FOR UPLIFTMENT OF THE ECONOMY

Historical Perspective

The World Bank estimated that about 1/5th of human beings on the earth in the 1st phase of 21st century lived under the international poverty line. And if one could trace the history then this figure was relatively better. World poverty has got better largely due to the economic success of China and India, the two countries with the largest number of workers in sweatshops. Economists opined that anti-sweatshops activities might be the cause of worse-off condition of workers in the third world countries. They boldly stated that "Either you believe labor demand curves are spiraling downwards, or you don't". In the UDCs, choice was not between the high-paid work and low-paid work rather it was between low-paid work and unemployment and only the right choice might make the nation glorious.

Great Britain and United States used sweatshops as part of the Second Industrial Revolution. Economists' view was that sweated industries were the result of "flexible specialized production" which was an urge of the competitive era. Specialization helped the producers to offer quality products to consumers. And flexibility led to full basket & time delivery of satisfaction. A flexible producer could efficiently adjust himself with the market demand. To meet new demands, it could expand very quickly and at the time of downturn could retract very efficiently and in this way became successful to optimize the cost of operation. Collective efforts of all these flexible producers would ultimately be beneficial for the economy as a whole. They did not at all obey the social responsibility of production as this was not costless and used to shift all onto society. These producers used to avoid union rules and legal regulations and restrictions that set wages, benefits, and conditions by working in hidden shops and moving frequently. They create a secondary labor market, which often involves the most vulnerable of workers: immigrants (often illegal), young women, and the undereducated. All these were for the sake of society, for the well being of the economy.

Domestic Manufacturers & Sweatshops

Developing countries needed foreign investment to continue their walking on the road of economic growth. This urge led them to compete with the others on this earth who had the same will and this allowed the MNCs to dictate their purchase price. Helplessly these producers tried to produce cheaply by minimizing worker salaries and benefits, and by demanding the highest levels of productivity from their workers.

Wal-Mart, the retail-giant had a clear policy for their suppliers, "On basic products that don't change, the price Wal-Mart will pay, and will charge shoppers, must drop year after year". They went with the slogan "Save more, Smile more". Like Wal-Mart, every retailer did know very well the law of demand. And in order to gain sufficiently, they offered the consumers to buy more at "discount" prices and seek lowest-cost supplier. Retail chains pressure contracted manufacturers by refusing to pay more than a rock-bottom price for manufacturing orders. Manufacturers coped-up with this financial squeeze not by compensating from their own pockets, but by cutting workers' wages and benefits, and by compromising workers' physical safety.

One Study showed that in September 2005, Lungcheong Toy factory shipped 10,000 radio-controlled toy trucks (Item # B7431) to Mattel, landed Customs value of which was total of $157,650. This included the entire cost of production including all materials, labor (direct and indirect), shipping costs and profit to the factory. At Wal-Mart stores, a single piece was sold by $29.97. So the mark-up of each truck was $14.40. Another survey by the American Chamber of Commerce in Beijing during October 2006 revealed the fact that the profit margins for 42% of 1800 US businesses in China was higher than their average world wide margin. Now the question is that was it the internal competition within the Chinese economy or the unwillingness of the MNCs to guarantee the legal rights of human resources that was responsible for the existence of Chinese sweatshops even in the ultra modern era.

Since 1992, Wal-Mart made its suppliers sign a code of basic labor standards. Likewise, others such as Nike, Reebok etc had their own code of conduct. They did just have only one responsibility that was the investigation of compliance of these rules and regulations. Nike's Code of Conduct clearly stated that "employer should provide a safe and healthy working environment to prevent accident and injury to health", "workers are entitled to at least one day of rest every week", and "workers should have the right to organize". It was totally against of coerced labor, it insisted not to employ children under the age of 15. Reebok's code of conduct stated that workers "are not to work more than 60-hours a week", "should have the freedom to choose whether they want to work overtime". So it's the manufacturers' responsibility, to take care of the human rights. MNCs could do only one thing that was the investigation of the factory environment and could cancel the agreement if any violations of code of conduct could be traced and this was the only by which they could respect the human rights. According to Chinese factory managers, all these standards settled by the foreign companies were one of the promotional tools; it helped them to prove that they were followers of responsible capitalism.

Analysts' view is that the MNCs didn't have any willingness to respect human rights. In most of the cases, the factory authority came to know of the visits in advance. And naturally the authorities managed everything as per the code of conduct at the time of their visits in order to get a green signal to proceed. Workers also could not be so brave to go against the factory authority as by doing so they might loose their job.

(Continued on page 40)

Table: 2 Mileage Improvement

Bus code	**Month & year**		
	April 2005	May 2005	Percentage increase
Q	3.2	4.3	1.1
V	3.0	4.3	1.3
L	3.1	3.9	0.8

Table: 3 Cost analysis

Bus code	**Fuel consumed**		**Cost of fuel in Rs**		**Savings in Rs**
	April 2005	May 2005	April 2005	May 2005	
Q	312.50	232.55	10937.05	8139.25	2797.8
V	333.55	232.55	11674.25	8139.25	3535
L	322.58	256.41	11290.30	8974.35	2315.95
Total	968.63	721.51	33902.05	12525.28	21376.77

There is an improvement observed and fuel cost was saved.

5.0 CONCLUSION:

By using the theory of constrains, we break out the selected constrain and attain the improved profit based on fuel consumption. The constraints selected for this work based on the survey made are poor maintained vehicle producing less mileage and poor driving skill towards fuel economy. There is an improvement in less fuel consumption in May compared with April, so profit is attained by the transport department in May. Average saving per vehicle per month is Rs 7125. Total cost saving will be Rs 1, 63, 875, if all heavy vehicles are playing in the routes. In this work we have achieved a considerable improvement in the profit by considering one of the strategy (Theory Of Constrains) and the fuel economy is also improved. We can extend this work for maximizing the profit of transport industry in considering all cost function.

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(Continued from page 21)

One internal industry documents review by Business Week revealed another fact that maximum factories in China used to keep double sets of books. In the past 4 years, the percentage of Chinese manufacturers caught in submitting false payroll records has risen from 46% to 75%. According to Tang Yinghong, Former Administrator of Ningbo Beifa Group, "Tutoring and helping factories deal with audits has become an industry in China".

Nike and some other companies thought that improvement in the method of production might reduce the labor-hour requirement. But was it possible to change the profit-seeking mind of the producer which helps the economy to grow-up?

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