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Dirty Frying Pans: An investigation of labor abuses in five Chinese cookware factories

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Executive Summary

People often seek out quality and durability when purchasing a frying pan, and they are willing to pay a hefty price for it. For example, even a moderately priced IKEA 365+ Series stainless steel frying pan retails for about \$20. But in the Chinese factory where this product is made, workers earn only \$0.06 to \$0.14 for their work in manufacturing each pan, which is 0.3% to 0.7% the market price.



Left: Worker applying adhesive. Right: Metallic dust covers workers.

The global cookware market was estimated to be worth more than \$18 billion in 2011. [1] The U.S. cookware market alone was estimated to be worth around \$4.5 billion in 2013. [2]

The piece-rate wage system widely utilized in Chinese cookware factories is indicative of labor conditions in the entire industry. Without a guaranteed base wage, factory workers' income and job security fluctuates with seasonal changes in product orders. The manufacturing and brand companies have maximized their profit margins by effectively passing the cost of order fluctuations to workers.

Piece-rate wages are only one aspect of the harsh cost cutting of cookware brands and manufacturers at the expense of workers, based on the findings of this report. The industry is plagued by illegal and unfair working conditions that include labor contract violations, a lack of paid leave or required insurances, mandatory overtime without overtime pay, unpaid wages, fines on workers, poor occupational safety measures, and insufficient living conditions.

Cookware manufacturing is a dirty business, full of metallic dust and toxic chemicals. Yet factories fail to prevent exposure, properly train workers, or provide sufficient protective equipment. At factories investigated for this report, workers in some departments were covered in metallic dust. These are the same sorts of problems that precipitated the 2014 Kunshan auto wheel factory explosion, a tragedy which took the lives of 146 workers.

From March until June 2015, China Labor Watch (CLW) and Solidar Suisse collaborated to carry out investigative research, including worker interviews and undercover investigation, into the labor conditions at five cookware factories in China's Guangdong Province. Our investigation found that these factories supply products to a number of cookware brands and retailers, including IKEA, Walmart, Carrefour, Cuisinart, Tupperware, Nuwave, Zwilling, WMF, Oppein, Russel Hobbs, Stanley Rogers, Bergner, Paderno, Greenpan, Kuhn Rikon, and others.



Cookware

Many of these companies use social auditing to ostensibly ensure compliance with their labor standards or codes of conduct. But in the course of this investigation, we recorded documentation and conduct at each factory which influences the validity of those audits, including fraudulent training records, pay stubs, and safety measures. At one factory, Xinhui Ri Xing Stainless Steel Products, the investigator even witnessed a buyer inspection which resulted in the factory bribing the auditor for a passing mark.

Even if the audits are sometimes accurate, the dismal working conditions detailed in this report clearly demonstrates a failure of corporate social responsibility when buyers do not institute sufficient reforms in their dealings with their supplier factories.

The table below lists the factories included in this investigation and brands supplying from them.

Company name	Location	Brands ³
Xinhui Ri Xing Stainless Steel Products	Qianfeng Industrial Park, Siqian Township, Xinhui District, Jiangmen City, Guangdong Province	Walmart, Kuhn Rikon, Macy's, Kohl's, IKEA, Carrefour, Clas Ohlson, Winco, Vollrath, SUS
Three A Stainless Steel Products Grouping Co.	No. 136, 2 Longgang, Danan Road, Xincheng Township, Xinxing County, Guangdong Province	IKEA, Mobelix, Konig, Russel Hobbs, Laguiole, Sabatier, Morphy Richards, Polaris, Glorious, Gam'Hotel, Stanley Rogers, Cuisinox, Oppein, Maser, Sola, Bergner, AMC, Galeria
Xianfeng Stainless Steel Manufactured Products (English name: Linkfair)	Yunfu City, Xinxing County, Guangdong Province	Paderno, Delimano, Nuwave, Carrefour, Princess House, Lagostina
Guangdong Master Group Stainless Steel Company	No. 44-46, South Danan Road, Xincheng Township, Xinxing County, Guangdong Province	Cuisinart, WMF, TCM, IBC, Tupperware, TESCOMA, Zwilling, Crofton, Nuwave, Cuisine Sante International, Fontignac, Momscook, Mustchef, Eleture
Anotech International Kitchenware Company	Jiaotou Industrial Park, Jianghai District, Jiangmen City, Guangdong Province	Greenpan

Note: [3] Links between factories and brands were sometimes substantiated by the on-site investigation via product labels or interviews, and sometimes the links were evidenced by online factory profiles which mentioned brand partners. The cookware products examined in this investigation are ordered in batches or seasonally, so the factory producing a brand company's products does not necessarily do so every month of the year.

FINDINGS

Our investigation brought to light numerous violations of Chinese law and/or ILO Conventions. CLW investigators were hired at the five factories listed above as front-line production workers. Their personal experiences and hundreds of worker interviews provided evidence of 25 sets of violations, summarized below. Further chapters of this report detail findings at each of the five individual factories.

- Hiring discrimination:** Employment restrictions, primarily in regard to age, were imposed at four factories; some of them explicitly employed men only. Any discrimination of workers based on ethnicity, race, gender, age or religion is illegal according to Chinese law. At one factory, preliminary medical checks for hepatitis were carried out to eliminate hepatitis sufferers. In order to reduce theft-rates, another factory only hired workers who knew other employees.
- Lack of pre-job health exam:** Two factories failed to carry out health checks before workers started work, making it difficult for anyone suffering from work-related illnesses to prove a link between work and illness.
- Hiring and health-check fees:** In those factories that did carry out health checks, costs were passed on to the workers. One factory imposed a 'factory card' fee; it also imposed fees on non-local workers.
- Withholding workers' ID:** At one factory, without providing any explanation, workers' personal ID cards were collected and withheld for a day, which contravenes Chinese regulations.
- Lack of sufficient pre-job safety training:** Chinese law prescribes 24 hours of pre-job safety training, to occur before a company has any factory workers begin working. Four factories failed to provide any such training; one merely gave a brief Power-Point presentation.



Cookware polishing workshop

- 6. Breaches of contract:** Three factories made their workers sign blank employment contracts; elsewhere, workers were given very little time to read their contracts before signing. Very few workers received a copy of their contracts. In one case, an investigator signed his employment contract several days after work began. At three factories, contractual conditions differed from the actual situation. For example, while the contract stipulated eight regular working hours per day, or 40 hours a week, the factory actually imposed mandatory unpaid overtime.
- 7. Piece-rate wage system:** In four factories, workers had no guaranteed income. They received piece-work pay, and did not earn the legal minimum wage. Only if they worked overtime (without being paid the legal overtime premium) did these workers manage to make ends meet - and only just. In slow periods, they were forced to take unpaid leave and try to find work elsewhere.
- 8. Lack of paid leave:** Three factories paid no holidays or sick leave. A worker wanting a day off receives no pay.
- 9. Excessive overtime:** Each of the five factories imposed significantly longer working hours than the regular eight-hour days. In the peak season, workers were called in every day; there was no day off on weekends. Although the law only permits six days of work in a week and a maximum of 36 overtime hours per month, some of the workers put in up to 154 hours of overtime a month.
- 10. Mandatory overtime:** One factory imposed forced overtime; any worker failing to turn up when required had to pay a fine of 30 RMB (\$4.50).
- 11. Lack of legal overtime pay:** None of the factories provided legal overtime pay. Even worse, one factory reduced pay for work exceeding the regular eight hours a day. According to Chinese law, any hours in excess of the eight-hour day are considered overtime and should be compensated at one-and-a-half times the regular wage rate on weekdays and double the regular rate on weekends.
- 12. Lack of pay stubs:** Two factories failed to hand out pay stubs, making it impossible for workers to check how their wages had been calculated and how much overtime had been paid.
- 13. Social insurance not purchased according to regulations:** None of the factories paid legally mandated social benefit contributions, such as housing, health, unemployment and pension insurance premiums. In some cases, any such payments were only made following government pressure, several months after workers took up their posts; the factories failed to pay either their full portion or the full range of benefits. Although social benefit contributions are by law compulsory for both the employers and employees, workers were wrongly told they were voluntary and many therefore opted out.
- 14. Poor or crowded living conditions:** Workers were provided generally unacceptable accommodation for rent: eight to twelve people

had to sleep in small and dirty dormitories, and dozens of workers usually had to share one public bathroom. One factory put day and night-shift workers up in the same dorm rooms, which disturbed their sleep.

15. Insufficient sanitary facilities: One factory provided just six cold-water showers for 200 people, who had to bring hot water along in pails.

16. Insufficient worker protection: Although workers handle heavy machinery or hazardous chemicals (at coating, polishing or cleaning stations), or carry out welding work, none of the five factories provided adequate protective equipment; indeed, some provided none at all. Most workplaces were noisy, dirty and often covered with metallic dust. Ventilation was inadequate; many gloves or protective masks were provided only prior to inspections.

17. Insufficient fire safety: Fire safety was generally inadequate. Fire extinguishers were inadequately inspected and were not exchanged at the date of expiry; emergency exits were sometimes locked or blocked. Insufficient ventilation of metallic and protection of workers from the dust causes an ongoing fire hazard.

18. Inspection fraud or evasion: Numerous instances of fraudulent documentation or conduct aimed at changing inspection outcomes were recorded, including the following:

- at two factories, workers on piece rates were made to sign pay stubs for a monthly wage and overtime payments;
- at one factory, workers were made to sign a statement that they had passed safety training although that was not the case; at another factory, a notice was posted for a safety training event that had never occurred;
- at one factory, workers were paid 100 RMB (\$15) as a reward for falsely asserting that they were paying social benefit contributions;
- at several factories, protective items such as face masks and gloves were provided only prior to inspections;
- uninspected fire extinguishers were marked as having been inspected.

One of the CLW investigators witnessed an audit where workplaces were suddenly tidied up and cleaned; workers were briefed and told to lie if questioned about conduct that failed to comply with standards. In production, machines ran more slowly than usual; a notice of the latest election of union representatives was hung up, although the factory had no elected worker committee and no union to speak of. Furthermore, the inspector noted that the attendance sheet had been hand-written; when he demanded 6,000 RMB (\$912) as a bribe to suppress the finding in his report, management demanded that workers pay the bribe money.

19. Monetary fines on workers: At all factories workers had fines imposed on them, e.g. for arriving late, refusing to work overtime, chatting at work, not recording their hours on the dedicated card, failing to request permission for time off, and also for the occurrence of production errors or failed inspections.

20. Lack of functioning or effective union: None of the five factories had a functioning or effective union.

21. Lack of independent, effective grievance channels: Four factories lacked any independent grievance channel. Workers could only raise problem with their supervisors.

22. Resignation requires "authorization": At three factories, workers wishing to resign were required to request permission and receive authorization, although Chinese law only requires workers to notify employers of resignation. At one of the factories, such an authorization request had to be submitted one month in advance - even during the probation period, during which Chinese law stipulates an employee only needs to notify three days in advance. If a worker chooses to quite without permission, she will not receive due wages.

23. Unpaid wages upon resignation: At four factories, workers who had resigned did not receive their wages upon termination of their contract but only on the next pay-day (at the end of the following month). One CLW investigator was never paid his due wages.



Worker dorms at Three A

24. **Unpaid pre- or post-shift meetings:** At two factories, workers were called to meetings ten to fifteen minutes prior to or after their shifts; this time was not recorded as working time. These meeting are mandatory, unpaid overtime.

25. **Improperly disposed industrial waste pollutes environment:** Some factories failed to properly dispose of industrial waste. At one factory, unfiltered wastewater from production flowed into a nearby river on whose surface oil, floating bits of metal and other substances could be observed.

Most of the above violations are in direct breach of Chinese law. As summarized in the table below, this investigation revealed 27 abuses within the five cookware factories, 22 of which are violations of Chinese law, marked with an asterisk (*):

Issue	Factory	Three A	Anotech	Master	Linkfair	Ri Xing
Hiring discrimination *		x	x	x		x
Lack of pre-job health exam *		x		x		
Worker pays hiring or exam fees *			x	x	x	x
Holding workers' personal IDs for extended time *			x			
Lack of sufficient pre-job safety training *	x	x	x	x	x	x
Contract and actual conditions differ *			x	x	x	
Contracts signed days after work begins *	x					
Blank labor contracts*				x	x	x
Piece-rate wage system	x			x	x	x
Lack of paid leave *	x			x	x	
Excessive overtime *	x	x	x	x	x	x
Mandatory overtime *				x		
Lack of legal overtime pay *	x	x	x	x	x	x
Lack of pay stubs *			x			x
Social insurance not purchased according to regulations *	x	x	x	x	x	x
Poor or crowded living conditions	x	x	x	x	x	x
Insufficient facilities	x					
Insufficient worker protection *	x	x	x	x	x	x
Insufficient fire safety *	x	x	x	x	x	x
Inspection fraud or evasion*	x	x	x	x	x	x
Monetary fines on workers *	x	x	x	x	x	x
Lack of functioning/effective union *	x	x	x	x	x	x
Lack of independent, effective grievance channel		x	x	x	x	x
Resignation requires 'permission' *			x		x	x
Unpaid wages upon resignation *	x	x	x	x	x	
Unpaid pre- or post-shift meetings *			x			x
Industrial waste improperly disposed, pollutes environment			x			

Many of the abuses documented in this investigation are also violations of the standards set out and promoted by implicated brand companies. For example, in addition to a number of requirements for employment practices, health and safety, and freedom of association and collective bargaining, Walmart's supplier standards also state: "Suppliers and their designated manufacturing facilities ("Suppliers") must fully comply with all applicable national and/or local laws and regulations." Similarly, IKEA's code of conduct (called "IKEA IWAY") requires that "The IKEA supplier shall always comply with the most demanding requirements whether they are relevant applicable laws or IKEA IWAY specific requirements."

The findings of this report reveal such codes of conduct to be, at best, evidence of an inability among major brand and retail companies to ensure the implementation of their own standards. At worst, the companies' codes of conduct are tantamount to false advertising, incorrectly ensuring the public that the companies' business decisions do no harm while in reality profit is being squeezed from workers through illegal and harsh working conditions.

BUYER ACTION

We call on brand and retailer buyers to take the following steps to remedy current violations and prevent future abuses:

- Cooperate with Chinese suppliers to improve labor conditions - do not carelessly resort to canceling contracts.
- Guarantee compliance with (fundamental) human rights and Chinese legal standards across the entire supply chain (due diligence).
- Express your intention to improve by releasing a full list of suppliers and the products they manufacture for your company.
- Verify compliance with laws and standards by installing effective and independent grievance channels at supplier factories in order to facilitate the identification of and reporting on any infringements, and to enable remedial action. A worker hotline should be set up, which is managed by an independent local NGO.
- Call on Chinese suppliers to invite the local union to train workers in union rights, duties, and election procedures before hosting a direct election of worker representatives. After the election, the supplier should allow for union experts to provide the workers and representatives with collective bargaining training. Buyer should support suppliers through the entire process.

[1] "Research and Markets: Global Housewares & Specialties - 2012 Report: Cookware segment was market's most lucrative in 2011, with total revenues of \$18 billion," Reuters, 5 July 2012, <http://www.reuters.com/article/idUS162636+05-Jul-2012+BW20120705>

[2] "US Cookware and Bakeware Market Snapshot 2013," Riedel Marketing Group, June 2013, last access 29 January 2016, <http://www.slideshare.net/AJRat4RMG/us-cookware-and-bakeware-market-snapshot-2013>

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