

# **The Kingmaker Company's Factory in Zhuhai, China:** **Stolen Wages, Unfair Labor Practices**

A Report by China Labor Watch

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## **Contents**

- I. Introduction**
- II. Work Hours**
- III. Wages**
- IV. Living Conditions**
- V. Meals**
- VI. Labor Intensity and Price of Labor**
- VII. Fines and Abusive Treatment**
- VIII. Holidays and Benefits**
- IX. Hiring Policy**
- X. Work-Related Injuries and Occupational Diseases**
- XI. Monitoring and Inspections**

## I. Introduction

Kingmaker Footwear Holdings Ltd. (Chinese name: Xin Xing Ji Tuan) is a Taiwan-invested company that produces infant, fashion, casual and rugged footwear. It operates 35 production lines in China and Vietnam, and these production lines employ about 20,000 total workers. In 2003 it invested over USD \$60 million in new production facilities. Its largest customers include multinational footwear manufacturers like Skechers, Clarks, Stride Rite and Wolverine.

This investigative report concerns the Kingmaker Zhuhai factory (Chinese name: Mei Xing Xie Chang), which is one of Kingmaker Footwear Holding Ltd's production facilities. Kingmaker Zhuhai is located in the Xiangzhou Cuizhu Industrial Zone of Zhuhai City, Guangdong Province, China and employs a total of 14,000 workers. Our investigation was conducted in Plant 1 of the Mei Xing factory (hereafter referred to as "Kingmaker Zhuhai"), which employs about 7,000 workers."

Kingmaker Zhuhai manufactures footwear products for several shoe companies, including Clarks and Skechers. This brief report is intended to document several instances in which factory operators violate workers' legal rights. Such violations must be corrected immediately.



Inside the Kingmaker Zhuhai factory compound

## II. Work Hours

Work hours at Kingmaker Zhuhai are from 7:30 to 21:00, with lunch break from 11:40 to 12:40 and dinner break from 16:40 to 18:00. However, the factory employs a staggered break system in which groups of workers start their breaks at three different times, but return to work at the same time. Thus, mid-day rest shifts begin at 11:40, 12:00, and 12:20, but all workers return to work at 12:40. Evening breaks begin at 16:40, 17:00, and 17:20 pm, and all workers return at 18:00.

There are different total work hours for workers in different departments. Because factory policy stipulates that workers cannot receive more than 3 hours of overtime pay, any overtime hours beyond the normal three are calculated as part of the regular 8-hour workday, i.e. the worker is not paid for them. Nonetheless, occasionally, when there are many orders, workers are required to work overtime until 1:00 or even 2:00 am, effectively losing many hours of pay. If a worker puts in this kind of overtime, he or she will work up to 18.5 hours in a day.

In addition to work hours, workers are also required to attend work-related morning meetings and do workplace cleaning every morning from 7:00 to 7:30 without receiving any compensation. In addition, workers are not allowed to punch their time card when working on Saturdays, even though they are paid for their Saturday hours.

Workers work 6 days a week with only Sunday off, but they get Saturday off as well when the factory does not have many orders.

Workers are not allowed to leave the factory during lunch break, when they have to take their rest on the shop floors, though they may leave the factory during dinner break if they choose.

### **III. Wages**

The factory implements two types of wage paying practices: hourly wages for workers in the warehouse and sample rooms and piece-rate wages for workers in the production departments. In other words, workers who produce items are paid by the number of items they produce, whereas workers who work in other departments are paid by the hour.

The standard hourly wage is 27 yuan for an 8-hour workday, i.e. 3.375 yuan/hour. However, the overtime rate is 2.5 yuan per hour, even lower than the regular rate. In addition, the factory uses the wage structure above for regular and overtime hours on rest days and statutory holidays in violation of China Labor Law, which mandates that a 50% premium be paid for overtime during regular work days, 100% for overtime on rest days, and 200% for overtime on statutory holidays.

Workers who are paid a piece-rate wage are paid according to the number of products they produce. These workers also receive a base wage of 510 yuan per month, but only if they complete their monthly piece quota. This is extremely burdensome for piece-rate wage workers during the slow season because if the factory has very few orders, the worker may not receive a base wage due to failure to complete the quota. One worker in the stitching department said that she received only 24 yuan in March, 2005.

For this reason, many workers feel it is preferable to get an hourly wage instead of a piece-rate wage. Production workers who have a good relationship with the supervisor of their department are sometimes paid an hourly wage instead of a piece one.

Workers report that their wages are becoming lower and lower each year. Organized by some managing staff members, workers were on strike for three days in April 2004, but as a result only managers' salaries were raised, leading one to believe that perhaps that was the original intent of the managers. . Workers at the cutting department went on strike on May 2, 2005, but they were told that if they are not satisfied with their wages, they could switch to other factories.

Workers receive their work payment at the end of each month. According to factory policy, workers get a month's pay at the end of the following month, i.e. they receive their wages one month in arrears. If a workers wants to quit the job and get the last month's pay, he or she must give the factory 15 days' notice and get permission from his or her group director, team director, department director and finally the factory director. The worker will not be allowed to quit with pay if any of the directors does not agree with his or her decision to leave the factory. Therefore, many workers choose to quit without notifying the factory and thus lose one month's payment.



Workers receive pay stubs each month. From an analysis of 5 pay stubs from one worker over a five-month period, one can see that a worker's income at Kingmaker Zhuhai varies drastically from month to month. Here are net incomes for this worker during the five month period:

Nov., 2004:	¥1152	(about \$139)
Dec., 2004:	¥900	(about \$108)
Jan., 2005:	¥754	(about \$91)
Feb., 2005:	¥278	(about \$34)
Mar., 2005:	¥853	(about \$103)

The photo below shows two of the pay stubs cited above, viz., November 2004 and December 2004. Looking at the various figures printed on the pay stub for December 2004, we can see in the left column that the base salary is 510 yuan, while the actual net income taken home by the worker is 900 yuan. This 900 yuan is arrived at after adding per-piece wage

In the middle column, the actually given piece rate, a combination of base wage and per-piece compensation, is 975 yuan. Below that, per-piece compensation is 515. At the bottom of the middle column, we see two numbers, 30 and 20, that correspond to miscellaneous compensations and compensation for food purchases, respectively.

In the far right column we see fees and deductions totaling 125. First, there is a monthly fee of 80 yuan for use of the canteen. There is also a cleaning service fee of 1 yuan, and retirement insurance of 44 yuan. The factory simultaneously gives workers 20 yuan for food while also charging them 80 yuan because the 20 yuan is considered to be a kind of monthly benefit for anybody working inside the factory.



A worker's pay stubs from Nov. and Dec., 2004

If we look again at the pay stub, we see that this worker had take-home earnings of 900 yuan in December, in November the figure was instead 1152 yuan. While the base wage of 510 yuan is the same for both months, the piece-wage rate was higher, indicating that the worker produced more pieces in November than December.

The fact that the worker receives a piece-rate wage on top of his or her base salary

indicates that the worker earns a piece wage, not an hourly wage. This means that, no matter how many hours the worker is at the factory, he or she will be paid only for the number of pieces produced. (Conversely, workers who are paid an hourly wage are paid without regard to the number of pieces they produce.) Despite this, however, as mentioned above, a worker who works in a department that normally pays by the piece (such as a production department) may be paid by the hour instead if he or she is on good terms with the department supervisor. In general, workers prefer to be paid by the hour because the income is comparatively stable. By getting paid by the hour instead of by the piece, a worker's income will generally be the same regardless of whether the factory has many orders or not.

#### IV. Living Conditions

There are two dormitory buildings in the factory compound. Each dorm building has 7 floors with over 20 rooms on each floor. There are 5 sets of double-tiered bunks per room, i.e. there are 10 workers per room. Two fans are placed in each room, and each worker gets his or her own clothing cupboard, but there are only two bathrooms/shower rooms per floor, meaning that these two facilities on each floor are shared by over 200 people. Each worker is charged 70 yuan (previously 46 yuan) for living in the dormitory, and there are strict rules enforced. It is not uncommon for managers to throw workers quilts, shoes and clothes into trashcans if they are not properly arranged. Workers' belongings are often stolen, and there is a general feeling of non-safety. For all of these reasons, some workers choose to live outside of the factory dormitory, but the standard of living is low because few workers can afford a decent place.



A Kingmaker Zhuhai factory worker's living quarters

#### V. Meals

The factory canteen is located on the first floor of the worker dormitory. Previously the factory charged each worker 80 yuan per month for food, but as of May, 2005, the figure has skyrocketed to 180 yuan (about \$22).



A view into the workers' canteen at Kingmaker Zhuhai

Moreover, this 180 yuan is deducted regardless of whether a worker eats dinner at the factory canteen or not. Each meal provided consists of 3 dishes of vegetable or meat and one soup, and workers report that while there is a decent amount of oil in the food, it is flavorless. Food provided is in general of poor quality and little quantity, and there have been reports of dead rats found in food.

Therefore, many workers choose to have dinner outside the factory or cook by themselves even though they are still forced to pay for canteen use. Food provided to workers who work overtime after midnight are daytime leftovers.

In the past, meat dishes for workers in fact consisted only of the skins of the meat. Meat itself was not put in the workers' food and was given instead to management. However, this situation seems to be improving because more money is being charged. Because the food is of such poor



quality, workers rarely feel full after eating. Moreover, because workers are not free to leave the factory compound at lunchtime, they do not have the choice of eating outside the factory.



Lunchtime at the workers' canteen, May 2005

## **VI. Labor Intensity and Price of Labor**

The models that this factory is currently manufacturing include Clark's 11319 and 11313.

The piece rate is different for different departments. A worker in the cutting department can finish 13,000 pairs within 8 hours and get paid 0.0025 yuan per pair, i.e. 32.5 yuan for an 8-hour workday. Each production line in the molding department can manufacture 2000 pairs of shoes and workers are paid 1.2 to 1.8 yuan per pair; and the rate in the stitching department is 2 yuan per piece. In other words, for producing one pair of shoes that is sold for dozens or hundreds of dollars in the retail market, the cumulative wage for workers in all three departments is less than 5.2 – 5.8 yuan, which is equivalent to 63 to 70 cents.

There are many pregnant workers on the production lines, but the factory has taken no protective measures. They are required to work the same hours as other workers.

In order to speed up production, supervisors often verbally harass workers in the factory by calling them “pigs”, cursing their parents, and sometime even beating workers.

## **VII. Fines and Abusive Treatment**

- Monetary fines exists in the factory: the standard is 30 yuan for a “minor offence” and 90 yuan for a “major offence”, which is determined by the supervisors
- Three days' pay is deducted for being absent for one day
- 30 yuan is deducted for losing one's factory ID
- Workers are required to purchase work uniforms: 28 yuan per article of winter clothing, and 15 yuan per article of summer clothing
- Illegal body searches. Sometimes security guards will search workers if shoes are found missing, and they do not apologize if nothing is found

## **VIII. Holidays and Benefits**

- Workers are allowed to take days off without pay for Labor Day and National Day, which each allow for three days off with pay under the law
- No paid maternity leave, wedding or bereavement leave

- Monthly bonus of 30 yuan for full work attendance provided the worker is not late or absent and did not ask for time off.
- Annual bonus of 100 yuan for workers who have worked 1-3 years; 150 yuan for those who have worked 3-5 years; and 200 yuan for workers who have worked over 5 years.
- All other benefits, such as housing compensation, food compensation, medical compensation, etc. have all been cancelled since the factory started to purchase retirement insurance for workers.

## **IX. Hiring Policy**

The majority of workers are from Hunan, Sichuan, and Jiangxi provinces. At least 90% of the workers are women. Male workers have to pay at least 1000 yuan to be hired.

The factory subjects new workers to a health inspection for which workers have to pay 55 yuan (50 yuan for the inspection, 5 yuan for transportation), whereas it costs only 35 yuan to get a health inspection at a hospital. New workers are provided no training before they start.

The factory management signs a contract with workers around September of each year and the contract is valid for one year. There is only one copy of the contract and it is kept by management. Workers state that there is a great discrepancy between the content of the contract and what is practiced in reality. All they do is sign their names; there is no room for negotiating with management.

## **X. Work-related Injuries and Occupational Diseases**

Work-related injuries are not uncommon in the factory. Management provides no monetary compensation except for that which comes from the insurance company.

A toxic, corrosive and malodorous chemical is still being used in the molding department. Workers often faint due to the unpleasant smell even when they wear surgical masks.

## **XI. Monitoring and Inspections**

When questioned, workers state that there is no trade union at the factory. The factory has suggestion boxes for workers' complaints. However, workers said that they seldom make any use of the boxes, because the management would not address the issues they raised.

The factory also coaches workers on how to speak to compliance teams or human rights monitoring staff who visit the facility. It also threatens workers by telling them that if they say anything to the monitoring teams, they will have to leave the factory once the compliance team is finished.