

# NEW BALANCE GOES TO CHINA

*A Rare Glimpse Inside the Emerging New Corporate World Order*

A SPECIAL JOINT REPORT BY THE NATIONAL LABOR COMMITTEE & CHINA LABOR WATCH





## NEW BALANCE GOES TO CHINA



Just 10 days after the National Labor Committee and China Labor Watch released a report critical of factory conditions at the Hongyuan shoe plant in the south of China—which is owned by the large Li Kai Company, a major supplier to New Balance—a team of New Balance executives were on the ground in China.

When they arrived in China on January 16, 2006, the New Balance team was met by upwards of 4,000 cheering workers. In the days leading up to their arrival, the workers were required to practice twice daily, including getting up early, rehearsing how to assemble in huge color-coordinated blocks and rows according to their uniform colors.

Each factory had to write and practice its own chant welcoming New Balance to China. As the New Balance executives enthusiastically applauded, the workers from Plant #5—referred to by the workers as Di Chang or the “Last Factory”—shouted as loud as they could:

*“New Balance, New Balance is the number one brand; Li Kai, Li Kai is number one in the shoe industry; Di Chang, Di Chang has the most accomplished and meritorious manufacturing.”*

NEW BALANCE EXECUTIVES APPLAUD CHINESE WORKERS.







At the same time, hundreds of workers lining the balconies of nearby dorms wildly wave red balloons as if this were the day of liberation.

The truth is the workers were not pleased to have to participate in this canned dog and pony show. So the workers in Factory Number 5 made up their own chant, expressing what they actually felt.

This is how it went:

*“New Balance, New Balance is the number one hirer of prostitutes; Li Kai, Li Kai has the lowest wages!; Di Chang, Di Chang manufactures crap!”*

### LOW WAGES AND NO RIGHTS:

The major complaint in the Li Kai Factory Number 5, which produces for New Balance, is the very low wages, which are well below subsistence levels. The base wage at Factory Number 5 is just 40 cents an hour and \$3.22 a day. After mandatory deductions are taken out for dorm and food expenses, the workers' wages actually drop to 32 cents an hour, \$ 2.55 a day, and only \$12.92 a week.

For the month of December 2005, some workers reported earning just 400 RMB, or \$49.32, which comes to 28 cents an hour, \$2.24 a day, and \$11.38 a week. According to the workers, in December, the month before New Balance arrived in China, work Teams # 17 and #25 on the 6<sup>th</sup> floor of Factory Number 5 spontaneously went out on a one-hour work stoppage, protesting the low wages and refusing to go back into work. It turns out that these sorts of small-scale, spontaneous protests are relatively common in Factory Number 5. Nonetheless, management always prevails because the workers have no rights and no voice. In order to survive in such conditions, the workers have no choice but to take a deep breath, swallow their pride, and force themselves to return to work. But they are definitely not the happy campers New Balance claims they are.

The reference to “prostitutes” in the workers own chant is in there because in Mandarin it rhymes, but much more importantly, it sums up their feeling about Li Kai and the New Balance management.

For the workers, management represents the Fat Boss who cares nothing at all about the workers, treating them like prostitutes to exploit and then discard for as little pay as possible.

Even the colorful uniforms, which stand out in the mass assembly, had to be paid for by the workers. New workers are charged 50 RMB, or \$6.17—about two days wages, to cover hiring formalities and paper work, but mostly for the purchase of two work uniforms. When the workers leave the factory they must turn in their uniforms, but are not given their money back. The workers know management uses the uniforms to create a good impression that Li Kai is a well organized and efficient factory. They object to the fact that management makes them pay for it.

*Local Li Kai/New Balance managers.*



Workers making New Balance sneakers at the Li Kai factories in China have no rights and no voice. At Factory Number 5 there is a “Worker Protection Committee”, but no one on the committee was elected by the workers. Everyone was appointed by the management. Workers who approached the “Worker Protection Committee” to raise the issue of the very low wages were bitterly disappointed when the committee took the side of management. Some workers volunteered that the “Worker Protection Committee” could occasionally be helpful, but only on matters that do not directly relate to factory issues like wages, hours, benefits, excessively strict work rules and innumerable fines.

### NEW BALANCE BENDS ITS CODE OF CONDUCT TO PLEASE LI KAI MANAGEMENT:

In fact, when it comes to the core internationally recognized right to organize independent unions, New Balance allowed subtle but significant changes to be made in the Mandarin translation of its code of conduct. Whereas the English version reads: “There shall be no discrimination against workers based on political affiliation or union membership,” the Mandarin translation removes “union membership” and inserts “membership in a social organization.” It is the same with the right to freedom of association. The English version reads: “Employees shall respect the right of workers to join and organize associations of their own choosing, and to bargain collectively.” The Mandarin version reads: “. . . join and organize legal associations or social organizations including the right to bargain collectively.” Of course, independent unions are not legal in China.

These subtle changes in New Balance’s code of conduct may seem small and innocent enough, but the reality is anything but subtle or minor.

The Li Kai workers have no rights, least of all the right to form an independent or real union and to bargain collectively.

In the following sections we will show how several core rights guaranteed under the New Balance Code of Conduct are also being systematically and routinely violated.



Code of Conduct



### WORKERS BEING LEFT BEHIND:

The lack of worker rights, especially the core internationally recognized labor rights to freedom of association, to organize independent unions and to bargain collectively, is the single greatest reason that China's factory workers are being left behind. The tens of millions of rural migrants working in China's export factories are certainly one of the pillars – if not the most significant one – supporting China's surging economy, the fastest growing in modern history. Yet the workers' wages have remained largely stagnant over the last decade.

This is definitely the case with the New Balance workers in China who are still earning just 40 cents an hour.

This report, we believe, offers a truly unprecedented glimpse into the actual working and living conditions in a large export factory in China, one that goes far behind the glossy teflon veneer presented by U.S. multinational corporate codes of conduct and private monitoring schemes. Our research was based not only on numerous worker interviews, but also on a whole trove of internal company documents, including work contracts, hiring posters, factory regulations and manuals, dorm rules, an astonishing list of military-like infractions which will be punished with fines, and photographs. All of these were smuggled out of the factory by many brave workers.

As we will see, in the new corporate world order, the large export assembly factories in China and across the world which are supplying U.S. corporations resemble minimum security prisons much more than they do "model" factories.

## NEW BALANCE WAS BOTH RIGHT AND WRONG

*NLC & CLW remove January 5, 2006 New Balance Report*

First, an explanation is in order. New Balance was right and the National Labor Committee and China Labor Watch were wrong when we reported on January 5, 2006 (“New Balance Sweatshop Stumble in China”) that the Hongyuan factory in Dongguan was a major supplier for New Balance. Though several senior workers in the Hongyuan plant were certain that there were times when New Balance shoes were produced there, Hongyuan is definitely not a major supplier for New Balance. The National Labor Committee and China Labor Watch are immediately taking the Hongyuan report off our websites and this correction will go out to everyone who received a copy of the earlier report.

However, New Balance was also terribly wrong making guarantees to the American people—as we will document in this new report—that conditions at its Li Kai supplier factories in China meet or exceed not only all of China’s labor laws, but also New Balance’s own code of conduct. New Balance has insisted again and again that the rights of its workers in China are fully respected. This is definitely not the case.

This is how the confusion arose over the Hongyuan plant. As late as 2001, the current four Li Kai factories, and the Hongyuan plant were all under the ownership of the Bi Hong group. For reasons the workers cannot explain, the Bi Hong group was suddenly dissolved, and four of the factories were then regrouped under the Li Kai Shoe Manufacturing Company. On the surface, the Hongyuan plant was broken off as a separate entity, though it remains under the same ownership and management as the Li Kai factories. In the workers’ minds, there is

simply one company, Li Kai, and it is for Li Kai that they work. For them, the factories are all the same.

The Chiling Industrial Management Zone No. 1 in Houjie Township, Dongguan City houses four Li Kai plants, Factories Number 1, 2, 3, and 5. The Dongguan Hongyuan Shoe Manufacturing plant—the focus of our earlier study—is located less than half a mile away, or the equivalent of about three long New York City blocks (between the major avenues), which take about 10 to 15 minutes to walk.

Moreover, as the Li Kai Company has a policy of issuing work contracts of only six months to one year, after which a new contract must be signed, it is not uncommon after their contract is over at one plant for workers to actually shuffle among the other factories for work. Again, this only reemphasizes in the workers’ minds that there is one single company, Li Kai, to which all the factories belong.

And as the Li Kai group as a whole is definitely a major supplier to New Balance, when our researcher asked the Hongyuan factory workers what was the majority of production, they immediately responded New Balance. Everyone knew New Balance. But they were talking about the Li Kai group as a whole, and not just their specific factory. We acknowledge our mistake and we will learn from it. However, the conditions we described at the Hongyuan plant remain accurate.



### NEW BALANCE PRODUCTION AT THE LI KAI DI CHANG FACTORY IN CHINA

Dongguan Li Kai Shoe Manufacturing  
Company  
Chiling Industrial Management Zone No. 1  
Chiling Industrial Road  
Houjie Township  
Dongguan City, Guangdong Province  
China

Phone: 0768-5835105/5835105/5832687  
Fax: 0769-5835102

Established 1998  
Major clients: New Balance, K-Swiss, Dada



New Balance is now the third largest athletic shoe maker in the United States with revenues of \$1.5 billion and producing more than 35 million pairs of shoes in 2004—the vast majority offshore in countries like China. New Balance owner, Jim Davis, is listed in “Forbes 400” as having a net worth of \$1.6 billion. New Balance has long stated its “commitment to act as a socially responsible citizen.”

### THE EMERGING NEW CORPORATE WORLD ORDER

A huge gated industrial zone the size of nearly eight football fields where thousands of young workers, most of them women 18 to 23 years old, live and work under strict military-like discipline, where every second of their lives is micromanaged and controlled through endless factory regulations and punishments.

The Li Kai Industrial Park is huge, taking up 114,800 square feet, which is roughly equivalent to nearly eight football fields. The Li Kai group of four factories can produce 230,769 pairs of sneakers each week, one million each month, and 12 million pairs a year.

Li Kai Factory Number 5, which the workers call Di Chang, or literally “the last factory,” is itself huge, nearly two football fields in size, taking up approximately 26,240 square feet.

### A BEAUTIFUL NEW CORPORATE WORLD ORDER; MORE SOPHISTICATED PR TO COVER OVER THE 40-CENT-AN-HOUR WAGES AND TOTAL LACK OF RIGHTS

- § Factory managers in China “must do things while standing in the heart of the buyer.”
- § Free movies for the workers on Saturday nights.
- § Free “psychological counseling...to dispel worries.”
- § “...Calligraphy and painting competitions in order to enrich the lives of our workers outside of work.”
- § “Dorms...come with enough water for daily living...”
- § “Our workers [must] feel like they are in the midst of a warm

and harmonious family.”

This is what New Balance and the other multinational companies love. It sounds so good. Here is how the Li Kai Company describes living and working conditions for its thousands of young women employees locked in its gated industrial park.

Li Kai “specializes in producing the world-famous brand New Balance athletic and leisure shoes.”

“Our business ideas and business management are based on the concept of: ‘we must do things while standing in the heart of the buyer.’”

At Li Kai we strive to “the utmost extent to be socially responsible, to pay serious attention to the environment, to care for our workers, to give back to society, to provide our workers with a safe, roomy, well-lit production and work space so that their rest, entertainment, buying and other needs are situated in a comfortable environment.”

We “never stop striving higher, improving, and exceeding ourselves.”

“This company has perfect management techniques.... In respect to the way we treat our workers, our motto is this: Open, Fair and Just. We are concerned with their lives and the protection of their rights.... The company has two large and bright cafeterias. It can hold up to 1,000 workers at once.... The dorms...come with enough water for daily living.... Also, in order to ease the psychological stress of the workers, we provide psychological counseling and an assistance room attended by an expert psychological counseling teacher. This helps dispel workers’ worries and fix problems.”



Company dorm managers will also “help workers solve difficulties in their lives and advise workers about life.”

“The environment is nice and beautiful. In the compound there is a medical facility, park, supermarket, dining hall, movie theater, photography store, dance hall, pool hall, ping-pong table, basketball court, post office and all other amenities necessary for well being. Every Saturday we show movies to our workers for free. We often set up cultural events for our workers such as...ping-pong...and calligraphy competitions, in order to enrich the lives of our workers outside of work. We want our workers to feel like they are in the midst of a warm and harmonious family.

“Friends! Li Kai factory warmly welcomes you! We welcome you to work with us, to develop with us, and to help us create a beautiful new life!”

All new employees even receive training in the New Balance code of conduct.

This sounds like one big happy family. One must almost wonder, with all the free movies, psychological counseling, ping-pong games and calligraphy competitions, do these workers ever work? As we will see, they do work, ten hours a day, six days a week for 40 cents an hour, returning to their primitive dorms exhausted.

But there is also a darker, manipulative and controlling side to this family, which New Balance and the other corporations do not want us to see. Li Kai also says of its “perfect management techniques” that, “we are very serious.” This is a vast understatement.

Propaganda Poster

**力凯大底加工廠簡介**

- 地址：中國廣東省東莞市厚街鎮寮竹工業管理區 | 粵
- 電話：0769-5835103, 5835108, 5832887 傳真：0769-5835102
- 成立時間：1998年
- 主要設備：大底組合及打機
- 主要產品：各種類型的鞋底
- 主要客戶：K-SWISS, NEW BALANCE, DADA, 百威, 斯泰美, 特而等
- 先爭榮譽：1998年通過了 ISO 9002 國際標準認證 1999年通過了 ISO 14001 國際標準認證
- 管理理念：政府站在東方心更東望。

**本廠敬告：**

本公司位於廣東省東莞市厚街鎮寮竹工業管理區，緊鄰 107 國道與廣深高速公路，交通十分便利；距東莞市市中心區域僅 20 分鐘車程。本公司規模宏大，擁有 4 個分廠，主要產品為世界知名品牌多功跑鞋鞋底、足球鞋、便鞋、高跟鞋、復原鞋、戶外鞋、休閒鞋等，月產能達百萬雙。自設研發課，有強勁的自主開具設計新產品的能力，深得客戶好評，訂單充溢。

本公司管理體系完善，管理嚴謹，對待員工秉承“公平、公正、公開”的原則，關心員工生活，注重員工權益的維護。每月 25 日—30 日准時發放薪金（員工直接至厚街郵局領取）。公司擁有兩個寬敞明亮的員工餐廳，可以同時容納數千人用餐。員工每餐三餐一場。員工住宿條件優越，宿舍配套設施齊全，生活用水充足，每個房間均裝有 200 卡及磁卡電話，通訊聯絡十分方便。為了緩解員工心理壓力，公司特設心理諮詢輔導室，配齊專門心理輔導老師，幫助員工排解煩惱。

本公司占地廣闊，環境優美，總佔面積超過 8000 平方米，廠區內設有圖書室、電影、超市、餐飲部、攝影室、照相館、舞廳、桌球室、乒乓球室、籃球場、郵政代辦所等生活福利設施一應俱全。每周六放映錄影，供員工免費觀賞。公司經常舉辦文藝联欢晚會、籃球、乒乓球、書法等豐富的文化，極大地豐富員工的业余生活，使員工在繁忙工作之餘有一個溫馨和諧的大家庭之中。

各位朋友，力凯大底加工廠誠意歡迎！求建請考察與我們一起創始，一起發展，一起創造美好的新生活！

Workers are docked a day's wages for arriving late to work, for walking off the sidewalks, or dropping a candy wrapper.

Talking back to a supervisor will result in the loss of three days' wages.

“Causing a commotion, disseminating rumors, inciting workers to strike” will result in the loss of one week's wages.

Anyone who dares return to the dorm during working hours will be “treated as a thief.”

In the dorms, “it is strictly prohibited to use electricity without permission...or do anything else that is not good.”

Everyone must do “their duty to keep the place clean and that every day the room is swept and mopped three times....”

Going into other people's dorm rooms will result in the loss of one day's pay, as will “carelessly...hanging or posting things in the dormitory.” If “things in the room are thrown around messily” another day's pay is gone.



Girls Dormitory





Women's Wash Room and Toilet



However, there are also rewards under the new corporate world order, for “supervising and exposing fellow workers.” Ratting on others will get you a bonus of four days wages.

The New Balance workers at Li Kai Factory Number Five are definitely not all happy campers.

Workers wishing to leave the gated factory compound, perhaps to take a walk or buy a bowl of rice, must first be searched by security guards, who go through all their belongings. Many workers resent this as an affront to their personal privacy and dignity. This is especially the case with the women who do not want the male guards going through their personal belongings.

SYSTEMATIC  
VIOLATION OF CHINA'S  
LABOR LAWS AND NEW  
BALANCE'S CODE OF  
CONDUCT AT LI KAI  
FACTORY NUMBER 5 -

And what must be  
done by New Balance  
to Correct these  
abuses.



Young Workers at New Balance Party.



### CHILD LABOR:

Though the exploitation of child labor in China's export assembly factories is not a widespread problem, Li Kai, like many other shoe, garment and toy factories, prefers to hire very young women. As mentioned earlier, we estimate that approximately 80 percent of Factory Number 5 workers are women, and of those the vast majority are just 18 to 23 years old.

With such an emphasis on hiring young people, it is not totally surprising that our researchers encountered at least two workers at Li Kai Factory Number 5 who were just 14 years of age, an obvious violation of China's law.

The legal work age in China is 16, but here too, there are some problems at the Li Kai Factory.





Hiring Banner Outside the Factory

The company's manual states: "Minor workers [meaning 16 and 17 years old] enjoy a rest period of one hour each day. It counts as work time. Furthermore, [the minors] will not be working longer than the regular day," which is eight hours, five days a week.

New Balance's Code of Conduct similarly states: "No person shall be employed at an age younger than 16 . . . all facilities must be in compliance with all local regulations regarding the employment of young people" . . . including . . . "work schedules and labor intensity as applicable under local labor laws."

This is definitely not the happening at Li Kai Factory Number 5. Sixteen and seventeen year old workers are not receiving one paid rest hour each day. They are often working 10 hours and not the regulation eight hours, and they are required to work overtime on Saturdays.



## WHAT NEW BALANCE MUST DO:

The child workers making New Balance sneakers should not suffer any more than they already have. These children must not simply be fired. This would be the worst thing New Balance could do. *New Balance should provide these underage workers with a monthly stipend equal to their highest monthly earnings so they can return to school to at least finish their compulsory nine years of education. The monthly stipends should continue for the period these children are in school. The children should also be guaranteed jobs at the Li Kai factory once they reach the legal age for working.*

Nor should there be any retaliation against the 16 and 17 year olds, but New Balance must insist that these young workers receive one hour of paid rest each day.

**GENDER, AGE,  
HEIGHT, AND EVEN  
PROVINCE OF ORIGIN  
DISCRIMINATION:**

Li Kai's company manual states: "for hiring, workers will not be discriminated against because of their race, nationality, sex or religion."

The New Balance Code agrees: "All employment decisions must be made in a non-discriminatory manner."

Unfortunately, this is not the reality. The majority of Li Kai hiring ads, posters and banners announce: "hiring new women workers" and among the requirements listed are: "18-30-year-old girls" who must be "at least 1.5 meters tall," which is a little over four feet nine inches.



Hiring Notice: Male security guards over 1.7 meters, Female security guards over 1.68 meters.





Li Kai does hire some men. A recent hiring poster read:

“Male workers: Newbies and old hands have an equal opportunity. Bring real identification. Those from Sichuan, Henan, Anwei, Jiangxi will not be hired.”

The company wants to keep the workers separated and unorganized. Management’s rational here is that if they hire too many men from the same province, these workers may bond together, and as a group be more assertive of their legal rights. To this end, the Li Kai Factory purposefully and illegally regulates the flow of new workers from the various provinces.

WHAT NEW BALANCE  
MUST DO:

Immediately End These Illegal  
Forms of Discrimination Based  
on Gender, Age, Height, and  
Province and Origin.

**力凱底加工廠大量招工**

因擴大生產綫,需大量招收刷膠,貼底,生手女工,  
本公司福利好,薪資發放準時,娛樂設施齊全,環境優美,

一. 招工條件如下:

1. 年滿18週歲—35週歲女青年,
2. 身高1.50米以上,身體健康,五官端正,
3. 初中畢業,會講普通話,
4. 帶齊真實有效身份證.

二. 招工時間,地點

每日: 上午8:00—11:00  
下午14:00—17:30

廠址: 東莞市厚街鎮赤嶺工業區,力凱底廠門口.

● 嘉源酒店

太平 ●—— 厚街 107國道 ●—— 東莞

中泰購物廣場 ●  
赤嶺公園 ●

赤嶺站 ●  
▲ 力凱底廠

公司電話: 0769-85835103 85835105 85832687  
 聯系人: 李炳元 - 13543734390  
 楊小華 - 0769-85741395  
 劉林春 - 13723554148

Li Kai Hiring Ad



**BELOW-SUBSISTENCE LEVEL WAGES**

New Balance workers earn just 40 cents an hour, which drops to 32 cents an hour, or only \$2.55 a day, after deductions for room and board.

New Balance workers at Li Kai Factory #5 earn a base wage of 574 RMB per month, which is \$70.78. The base wage is calculated according to both an hourly wage and a piece rate, meaning the worker must complete their production goal in order to receive the wage.

**Base Wage**

(574 RMB per month / 176 regular working hours)

RMB	\$U.S.
3.26 per hour	\$0.40 per hour
26.09 per day (8 hrs)	\$3.22 per day (8 hrs)
132.46 per week (40 hrs)	\$16.22 per week (40 hrs)
574 per month	\$70.78 per month
6,888 per year	\$849.32 per year

However, mandatory monthly deductions of 120 RMB for room and board lower the actual take-home wage to just 32 cents an hour and \$2.55 a day. July 2005 pay stubs reviewed by our researchers showed that many workers were earning just this 454 RMB for the month.

**Take-home Wage**

(after deducting 120 RMB room and board fee from base wage of 574 RMB)

RMB	\$U.S.
2.60 per hour	\$0.32 per hour
20.64 per day (8 hrs)	\$2.55 per day (8 hrs)
104.77 per week (40 hrs)	\$12.92 per week (40 hrs)
454 per month	\$55.98 per month
5,448 per year	\$671.76 per year

Thirty-two cents an hour does not go very far. Across the board, the workers describe the food they are served in the thousand-seat factory cafeteria as terrible. The so-called “meat dish” they are supposed to receive contains pathetically little meat. Often the food is so bad that the workers choose to go elsewhere to buy a cheap bowl of instant noodles or rice to supplement their cafeteria diet.

Even a small bowl of noodles costs 1.5 yuan, or 18 ½ cents. If a New Balance worker purchased just two bowls of noodles a day, this would cost 37 cents a day, \$2.60 a week, and \$11.28 each month. This further lowers the worker’s wage to just 26 cents an hour, and \$10.32 a week.

In December 2005, some New Balance workers at Li Kai Factory Number 5 took home just 400 RMB for the month, which amounts to 28 cents per hour and only \$2.24 a day

Taking home just 400 RMB in the month of December

RMB	US\$
2.27 per hour	\$0.28 per hour
18.18 per day (8 hrs)	\$2.24 per day (8 hrs)
92.30 per week (40 hrs)	\$11.38 a week (40 hrs)
400 per month	\$49.32 per month
4,800 per year	\$591.86 per year

As we have already seen, it was precisely these very low wages which led to a spontaneous work stoppage in December on the sixth floor of Factory Number 5. The workers report that such small spontaneous work actions are quite common.

Overtime work during weekdays is paid at a rate of 63 cents an hour, while overtime on the weekends is paid at 84 cents.

The attached pay stub from November 2005 shows a base wage of 574 RMB for 176 normal hours of work, amounting to 40 cents an hour. However this worker also put in an average of 8 ½ hours of overtime each week, increasing their pay to \$21.77 for the 48.5-hour week, resulting in an average wage of 45 cents an hour, including the overtime premium.

Further, some workers, but by no means all, can receive additional bonuses adding approximately 26 ½ percent to their base wage. For example, this worker received an award of 96 RMB for “actively and effectively working,” adding six cents an hour to their wage, \$2.73 a week, and \$11.84 a month. A second “skill award” added another 56 RMB to their monthly

工資支付單

2005年 1月

編號	
姓名	
實領工資	707
入廠日	20050307
總工時	210.0
基本底薪	574
平時上班時數	176.0
平時上班薪資	574
平時加班時數	24.0
平時加班薪資	123
例假加班時數	10.0
例假加班薪資	63
國假加班時數	
國假加班薪資	
應付工資	765
獎金	
績效分數	+ 96
技術獎	56
獎勵	
扣分	
其他	
績效欠分	
應發獎金	+ 152
代扣	
伙食費	60
住宿費	60
個人納稅	
預支	
簽名	

wage, or three cents an hour, \$1.59 a week, and \$6.91 a month. Combining the base wage, the overtime premiums and the two bonuses, this worker earned 917 RMB for the month, which comes to \$26.09 for the 48.5-hour week, and 54 cents an hour. After the mandatory deductions for room and board, the wage drops back to \$22.68 a week and 47 cents an hour.

So we are definitely speaking about take-home wages in the range of 32 cents to 47 cents an hour, which is nowhere even close to being a subsistence level wage.

Workers do not leave their families and travel hundreds if not thousands of miles to make New Balance sneakers at Li Kai Plant Number 5 because this is a dream come true. They come because they desperately need the money to survive. Their wage is the most important thing on their mind. They endure primitive dorm conditions sleeping on double level metal bunk beds, the terrible food, the exhaustion of 10-hour shifts six days a week, the humiliating discipline and the lack of rights because they need to survive. Their desperation is even greater in that export assembly factories in China often force workers out by the time they reach 35 years of age, to replace them with another crop of teenage girls. So New Balance should pay more attention to the very low wages earned by workers in China making their sneakers.

A quick but instructive back-of-the-envelope estimate shows it does not have to be this way. There is plenty of money being made, but just not by the workers. The Li Kai group of four factories, with approximately 4,000 workers in total, turns out 230,769 pairs of sneakers each week. In effect, this means that



each worker produces on average 57.69 pairs of sneakers each week. (230,769 pairs total ÷ 4,000 workers = 57.69 per worker, per week). Even if we take the relatively low retail price of \$55 per pair, this means each worker is involved in creating \$3,172.95 of revenue every week for New Balance and Li Kai. Yet their pay is just \$16.33 a week, meaning their wages amount to just one half of one percent (0.005) of the revenue they create. Only New Balance could provide the American people with a precise breakdown regarding its direct labor costs for each pair of sneakers made in China. If New Balance would do so, we think the American people would be quite shocked at how little the labor cost actually is, surely coming to less than two percent of the \$55 retail price for a pair of New Balance sneakers.

### WHAT NEW BALANCE SHOULD DO:

As one of the largest shoe companies in the world, and as a company with a strong public commitment to being a socially responsible good corporate citizen, New Balance should immediately review the very low wages currently being paid to workers in China making their sneakers, with the intention of moving to at least a subsistence-level wage.

There is a debate going on in China right now over whether or not it is even legal to deduct dorm and food expenses from a worker's base wage. According to Mr. Wu Jin Yuan, a representative of the Labor and Arbitration Committee of the Shenzhen Labor Bureau, workers should receive food and accommodation as a "benefit" which should not be deducted from their wages. New Balance should take the lead in this, demanding that food and dorm expenses be considered a benefit and no longer be deducted from the workers' wages. This would at least add eight cents an hour back to the worker's take-home wage, increasing it from 32 cents to the 40 cents they earn before the deductions.

Following this, New Balance should enter into discussions with China Labor Watch, and other respected non-governmental human rights organization in Hong Kong to discuss implementing or at least moving in the direction of paying a subsistence-level wage.

## MANDATORY OVERTIME: TEN-HOUR SHIFTS, SIX DAYS A WEEK

The company manual, and also the labor contract the workers must sign, are very explicit that the Li Kai factory will strictly adhere to China's labor laws regarding regular hours.

The labor contract states:

*"The employer will implement a system of no more than 40 hours of work per week and no more than eight hours of work per day."*

The company manual says the same:

*"Standard work time: every Monday through Friday are regular work days. [Employees will work] eight hours a day on those days, totaling 40 hours a week."*

This is in accordance with China's labor laws which mandate regular working hours of eight hours per day, five days a week for a 40-hour work week, with Saturdays and Sundays off.

In reality however, this is not the case. The workers are typically at the factory 11 hours a day, while working 10 hours, Monday through Friday, with an additional eight-hour overtime shift required on Saturdays. Shortly after signing the labor contract, the workers are given their real work schedule.

## TYPICAL SHIFT FOR NEW BALANCE WORKERS AT THE FACTORY 11 HOURS A DAY WHILE WORKING 10 HOURS, SIX DAYS A WEEK

6:30 a.m.	Dorm lights go on, proceed to breakfast
6:55 a.m.	Punch in time card
7:00 a.m. - 11:10 a.m.	Work (4.166 hours)
11:10 a.m.-11:40 a.m.	Lunch (1/2 hour)
11:45 a.m.	Punch back in
11:45 a.m.-6:00 p.m.	Work (6.25 hours)
6:00 p.m.-7:00 p.m.	Supper (1 hour)





This would be the typical shift Monday through Friday, while the required overtime shift on Saturday is eight hours. Given the large number of workers, there are three shift schedules, which are staggered 15 minutes apart. But this also varies from department to department.

One department worked a similar 10-hour shift, but took 2 hours off for lunch.:

§	7:00 a.m.-11:00 a.m.	Work (4 hours)
§	11:00 a.m.-1:00 p.m.	Lunch (2 hours)
§	1:00 p.m.-5:00 p.m.	Work (4 hours)
§	5:00 p.m.-7:00 p.m.	Overtime (2 hours)

Another department worked from 7:30 a.m. to 8:30 p.m., taking two hours for lunch and another hour for supper, but still working the same 10 hours:

§	7:30 a.m.-11:30 a.m.	Work (4 hours)
§	11:30 a.m.-1:30 p.m.	Lunch (2 hours)
§	1:30 p.m.-5:30 p.m.	Work (4 hours)
§	5:30 p.m.-6:30 p.m.	Supper (1 hour)
§	6:30 p.m.-8:30 p.m.	Overtime (2 hours)

This schedule of working 10 hours a day Monday through Friday, and eight hours on Saturday, would put the workers at the factory 62 ½ hours a week, while working 58 hours, including 18 hours of overtime. In the course of a month, the overtime hours worked would total 78—which exceeds China’s legal limit by 217 percent. China’s legal limit on overtime is three hours a day, nine hours a week and 36 hours a month.

Many women—especially those who had to work standing up all day—

complained about the exhaustion of regularly working a 10-hour shift with just a half hour off for lunch. When these workers end their shift, their legs and backs are “*unbearably sore.*”

In practice if not on paper, all overtime work appears to be mandatory. One young woman questioned her foreman about the factory rules regarding overtime, to which he responded: “*There is no notification saying that you shouldn’t work overtime—so every lunch hour you need to work overtime.*”

On paper however, as in other factories, Li Kai tries to make the required overtime appear voluntary. Company regulations on overtime state: “*Overtime must be filed on the overtime form and must be delivered to the manager of the work unit that day before 4:00 p.m. After approval has been received, the worker must on the same day before 5:00 p.m. give it to the human resource center and the ‘Workers’ Protection Commission.’*” This would have the workers wandering around the factory for up to an hour every day, appearing before three different groups, including the management-controlled ‘Workers Protection Commission,’ just to volunteer to do overtime. This is simply not plausible.

A review of July 2005 pay stubs showed the workers putting in 66 hours of overtime for the month and 15.24 hours per week, bringing their work week to 55.24 hours. This would exceed China’s legal limit on overtime by 83 percent. In other months, workers reported working over 70 hours of overtime.

There are also months when there is very little overtime. One August 2005 pay stub showed a workweek of 41 hours, or just one hour of overtime a week. A November 2005 pay stub showed a 48.5-hour workweek.

Extreme and excessive mandatory overtime is not a problem at the Li Kai factories, especially in comparison with many other factories which are working 12 or more hours a day and seven days a week. Also, because the 40 cent-an-hour wages are so low, the vast majority of workers are more than willing to work overtime. They desperately need any extra money they can earn in order to survive. But all overtime must be voluntary.

### WHAT NEW BALANCE SHOULD DO:

New Balance's own code of conduct demands adherence to China's labor laws regarding working hours: *"Factories shall carry out operations in ways that limit overtime to a level that complies with national laws and ensures productive and humane working conditions."* Further, *"There shall be no penalties or fines for declining overtime."*

*New Balance should take immediate steps to guarantee—in practice—that all overtime work is strictly voluntary.*



### DENIAL OF UN/ILO LABOR RIGHTS:

There is no question that the core United Nations internationally recognized labor rights standards—freedom of association, the right to organize an independent union and to bargain collectively—are being systematically denied to the Li Kai factory workers who are producing New Balance sneakers. The so-called “Worker Protection Committee” is not elected by the New Balance workers, rather, its participants are solely appointed by management. Moreover, as we have seen, the “Worker Protection Committee” will not address work-related issues that deeply concern the workers such as wages, hours, benefits and labor rights presumably because management will not allow it. New Balance workers at the Li Kai Factory #5 have no rights and no democratic voice.

### WHAT NEW BALANCE SHOULD DO:

The New Balance code of conduct itself calls for freedom of association:

*“Employers shall respect the right of workers to join and organize associations of their own choosing and to bargain collectively.”  
However, to accommodate countries that systematically deny the United Nations/International Labor Organization worker rights standards, New Balance again bends its code of conduct to include, “where local law limits the right of freedom of association, employers shall not obstruct legal alternative means of free association, and shall, in all cases implement systems to assure open communication with employers.”*

New Balance should demand that the “Worker Protection Committee” be democratically elected by the workers in a secret ballot election.

Given that New Balance clearly accounts for the majority of production in Li Kai Factory #5, it only stands to reason that if New Balance feels strongly about this issue of worker rights and expresses its concerns, Li Kai management will in turn listen very seriously.

New Balance should open Li Kai Factory #5 to China Labor Watch and other respected, independent, local nongovernmental organizations, not only to monitor the secret ballot election for the “Worker Protection Committee,” but also to organize popular education seminars with the Li Kai workers regarding their legal rights and how the voting process will be organized.

## DENIAL OF PAID HOLIDAYS AND MARRIAGE AND BEREAVEMENT LEAVES

The workers are supposed to receive a paid annual vacation, but this is not being honored. The Li Kai Company manual states: *“Paid yearly vacations: Those who have worked at this company continuously for one year or more can enjoy a paid vacation... Those who have worked over one year and less than five years get five days.”*

But the assembly line workers our researcher interviewed—who had all worked at the factory for well over a year—had never even heard of this right to one week’s vacation.

It is the same with the “Marriage and Bereavement Leave.” The Li Kai company manual states, *“workers who are themselves getting married can have three days off. Those who are marrying late [men over 25 years old and women over 23] get an extra ten days off. Those who have a direct relative [mother, father, spouse, child] or a parent-in-law who dies can have up to three days off for bereavement leave. Those who must travel to other areas for this, it will depend on the distance and the person. The travel costs will be covered by the worker. Marriage and bereavement leave will be compensated for according to the labor contract.”*

The New Balance workers interviewed were unaware of these rights as well. Workers getting married or attending funerals are either forced to just skip work or to request special time off—of course without pay.

### WHAT NEW BALANCE MUST DO:

New Balance should immediately review, and insist that *Li Kai Factory #5* respect, in practice, the workers’ rights to paid marriage and bereavement leaves and paid annual vacation.



## VIOLATION OF PENSION & OTHER BENEFIT RIGHTS

China's labor law, the Li Kai Company regulations and the New Balance code of conduct all demand that workers be inscribed in health insurance, work injury insurance and pension programs.

New Balance's code of conduct states: *"Employers...shall provide legally mandated benefits."*

*However, our researchers could not find a single worker for whom a pension benefit was being paid. It is unclear if New Balance workers are receiving "health insurance" or "work injury insurance."*

### WHAT NEW BALANCE MUST DO:

It seems certain that Li Kai workers making New Balance sneakers are being denied their legal right to pension insurance, and may also be being illegally shortchanged on their right to both health insurance and work injury insurance.

*New Balance should immediately review the status of all legal worker benefits at the Li Kai Factory #5 and take all necessary steps to guarantee compliance where this is warranted.*

## TEMPORARY CONTRACTS LASTING JUST SIX MONTHS TO ONE YEAR

New workers are given a one-month trial period, or contract, which reads: *“This person freely joined the company and will respect all the company’s rules. If this person does not follow the rules, the company can break off its relationship with him/her and he/she will have no ability to complain.”*

A person who makes it through the one-month trial period will be hired on as a full time employee. Factory regulations instruct all new workers that: *“The person will make the factory his/her family.”* But in the next breath, the worker must sign a labor contract which will last for a period of only six months to one year, after which a new contract will have to be entered into. In effect, this reduces the status of the workers to temporary employees who can easily be let go. This is wrong.

## WHAT NEW BALANCE SHOULD DO

New Balance should raise with Li Kai management the need to replace these temporary contracts with open-ended or at least multi-year contracts, which will provide the workers with greater security.



### BYZANTINE SYSTEM OF RULES, REGULATIONS AND HARSH FINES CONTROL EVERY ASPECT OF THE WORKERS' LIVES

As we have seen, New Balance workers at Li Kai Factory #5 are fined if they walk off the sidewalk, drop a candy wrapper, leave a shirt on their bunk bed, use electricity for personal reasons, talk back to supervisors, try to organize or fail to sweep and mop their room three times a day. The military-like lists of factory rules and regulations are long, intrusive and demeaning, and the fines are harsh.

New Balance's own code of conduct specifically prohibits this.: "There shall be no deduction of wages for disciplinary purposes." Further, their code demands that "*workers shall be treated with respect and dignity.*"

### WHAT NEW BALANCE MUST DO

The practice of levying harsh fines to impose military-like discipline and compliance with arbitrary factory rules and regulations should immediately stop.

### PAST NEW BALANCE VIOLATIONS IN CHINA

In May of 2000, the National Labor Committee reported on numerous serious violations at three New Balance suppliers in China: Lizhan Footwear, Free Trend, and the Pou Yuen factories. The violations included long hours, low wages, no rights and harsh management practices. After its own follow-up investigation, Business-Week reported on October 2, 2000 that:

*"...in mid-September, Social Accountability International (SAI), a New York group that started a factory monitoring system last year, revoked its certification of a Chinese factory that makes shoes for New Balance Athletic Shoe Inc. after auditors re-inspected the plant following the NLC report." "The auditors found that indeed there were many violations that they had not picked up the first time," says SAI President Alice Tepper Marlin."*

(See, "*Made in China/The Role of U.S. Companies in Denying Human and Worker Rights,*" May 2000, page 45.)

### NEW BALANCE MOVES TO HIDE ITS SUPPLIER FACTORIES IN CHINA

It is interesting to note that following such critical factory reports, New Balance went out of its way in 2003 to strip the names and locations of its supplier factories in China from any publicly available documents, including the Port Import Export Research Service (PIERS), a compilation of U.S. Customs records issued by the *Journal of Commerce*.

COMPLETE DEHUMANIZATION OF WORKERS IN THE NEW CORPORATE WORLD ORDER

At the center of the new corporate world order—as evidenced by the collaboration of New Balance and the Li Kai Shoe Company in China—is the complete dehumanization of the workforce. In this new corporate world order, young workers living and working in huge gated industrial zones have no rights and no voice, with every second of their lives micro-managed in a demeaning and humiliating manner through an endless list of military-like rules and regulations, backed up by serious fines and punishments. New Balance says these are “model factories,” but in reality they far more resemble minimum security prisons.

PRISON LABOR IN THE U.S. PAYS A LITTLE MORE THAN FACTORIES IN CHINA

In the use of prison labor, Oregon is the leader in the U.S., with 80 percent of its inmates working, being paid \$1.36 an hour to sew jeans. There are reports though, that in California prisons, women are paid just 44 cents an hour to assemble computers.

The real question to ask, as we read through these company rules, is would we want to work in this factory? Or, would we want our sons and daughters working under these conditions? Or, for that matter, do we think anyone should have to work under these conditions? Is this the sort of world we want to create?

As we have seen, once a new employee makes it through the trial period, they are hired on “full time,” but are only given six-month to one-year

contracts, in effect reducing them to temporary workers who can easily be shed.

The new worker is instructed, “*The person enters the factory willingly and respects the factory’s rules and regulations.*” Further, “*The person will make the factory his/her family.*”

Each new worker is then greeted with a heart-shaped note on pink paper reading: “*The Li Kai factory welcomes you. Your dorm is in Room \_\_ on Floor \_\_ of Building \_\_. Your bed is number \_\_. Your work unit is by the east door of Building \_\_. Your team is \_\_ and it is led by \_\_\_\_.*”

Another heart-shaped note instructs the new worker of her real working hours, which are 10-hour shifts, six days a week, for 40 cents an hour.



*“The dorm manager will assign beds... You cannot, without permission, live in the same room or bunk bed as others from your home town.”* (This seems an odd and cruel rule when you imagine a young teenaged girl entering such a huge factory where everything is so strange to her. What a comfort it would be to bunk with someone you may have known in your hometown. Management’s rationale here is to keep people separate. Even teenaged girls, if they bond together—which would be easier if they come from the same hometown—could become uppity, less fearful and more assertive of their rights.)

*“Not a single person in the dorm may change rooms or move beds without permission of the dorm manager.”*

Dorm managers will “every morning at 6:30 a.m. turn on the lights, and at 11:30 p.m. turn the lights off...”

*“From Monday to Friday when at work, sub-managers and below must wear the regulated uniforms.”* The workers have to pay 50 RMB, or \$6.17, for the uniforms, which is more than two days’ pay.) *“While at work, people cannot wear flip-flops.”*

*“Every day, after the time has come for work to begin, [the manager must] lock the entrance to the workers’ rooms and check the rooms three times to be positive that no workers are late to work or have left work early to come back to the dormitory without permission, at which point the manager should take note and communicate with the relevant department.”*

Getting to work can also be a problem. *“Walking off the sidewalk”* will be punished with a fine of 30 RMB (\$3.70), which is more than a day’s pay. Factory Rule 10.3 reads: *“Workers going to or coming from work must walk on designated walking areas, they cannot walk in the grass*

*or other green areas.”* Dropping a candy wrapper on the way to work, will also cost a day’s wages, as will *“getting to the factory gate without carrying ID (affects the order of the factory compound).”*

*“Talking back to supervisors”* will result in a fine of 80 RMB, or \$9.86, which is the equivalent of the loss of three days’ pay. *“Not taking orders from management or talking back”* is even worse, and will be met with a fine of 100 RMB, or \$12.33, which is nearly four days’ wages.

Workers who *“organize or participate in a mass disturbance”* will be fined 130 RMB, or \$16.03, which is the equivalent of the loss of five days’ pay.

Those *“causing a commotion, disseminating rumors, inciting workers to strike”* will be chastised with a fine of 180 RMB, or \$22.19, which amounts to the loss of a full week’s wages. (Of course if it were a serious strike, the worker would at a minimum be fired, and perhaps handed over to the police.)

Workers *“missing three days of work in a row”* will also be fined a week’s wages, as well as being docked for days missed.

Further, it is *“absolutely prohibited to bring any non-worker into the factory.”* (This is meant to keep human rights activists away from the factory and dorms, in an attempt to prevent truthful research on factory conditions from ever being made public.)

Anyone who returns to their dorms during working hours will be *“treated as a thief.”* *“Those who go back to the dormitory during working hours, must have a hall pass to produce for the dorm manager. If you do not have one, the dorm manager will not open the door for you. Those*



*who return without permission will be treated as a thief. Those that do have passes cannot be in the dorm for more than 15 minutes.”*

Also, there is to be *“absolutely no loitering around the factory after work....”*

However, in the new corporate world order, it is not just all the fines and punishments, there are handsome rewards—for ratting to management on other workers. *“Supervising and exposing fellow workers”* will get you 100 RMB, or \$12.33—the equivalent of nearly four days’ wages. *“Being a good person and putting forth good suggestions”* and providing *“excellent service”* will be rewarded with a 30 RMB prize (\$3.70).

When it comes to eating in the 1,000-seat factory cafeteria—where the workers describe the food as terrible—there are more rules. *“When going into the cafeteria, workers must form an orderly line. It is strictly forbidden to get out of line or cause a commotion, to push people or to beat the eating utensils causing loud noises... While eating or resting do not put your feet on the chairs....”* Further, *“You cannot take food out of the dining hall, except for those exceptional people who must have approval.”... “Non-workers who want to come...into the dining hall must get approval and then have [management] organize it.”*

Back in the dorms, more rules and regulations pile up.

**WORKERS WILL BE FINED 30 RMB, OR \$3.70, WHICH IS MORE THAN A DAY’S WAGES FOR:**

§ *“Sleeping in a bed that was not assigned to you;”*

§ *“Things in the room are thrown around messily;”*

§ *“Carelessly...hanging or posting things in the dormitory;”*

§ *“Speaking loudly...” Under dorm regulations, “it is strictly prohibited to speak loudly in the hallways or the rooms during rest times.”*

§ *“Running around into other people’s rooms.”*

§ *“Showering in the dormitories.”*

(This actually means using a bucket of hot water to take a sponge bath. There are no showers in the dorms. The workers must go to another building to bathe. Given all the hassle and the long lines,



the workers tend to bathe once a week. There is actually a dorm regulation addressing this crime. *“It is strictly forbidden to use large buckets from the drinking water dispenser to use for a shower.”* In the shower room there are more rules. *“In the showers while showering, you must respect the order of first come first served. You cannot just take a showerhead, you cannot take two showerheads for one person.”*)

- § *“Not sweeping the washroom, or not sweeping it well, for more than a day in a row” is punished with a fine of 30 RMB, or more than a day’s wages.*
- § *“Bringing food into the dormitory” is a worse infraction and “will incur an 80 RMB fine,” or \$9.86, the equivalent of the loss of three days’ wages.*
- § *“Men and women...going into each others rooms,” which management describes as “chaotically running around” will be punished with a fine of 100 RMB, or \$12.33, nearly four days’ wages.*
- § *“Bringing someone who is not a worker into the dormitory without approval...” will result in a fine of 130 RMB, \$16.03, or the loss of nearly five days’ wages. It is also prohibited for workers to enter any dorm building other than their own.*
- § *“Using electricity in the dormitory without approval” will result in a fine of nearly five days’ wages. In fact, under dorm regulations, “it is strictly forbidden...to use electricity for personal reasons... or do anything else that is not good.”*

§ *There is to be no loitering in the halls either. “After the lights go off, it is prohibited to loiter in the hallway.”*

Cleanliness is apparently an important virtue for New Balance and its Li Kai supplier. *“Every day, the room manager needs to check the schedule and make sure that everyone has done their duty to keep the place clean and that every day the room is swept and mopped three times...”* Furthermore, *“It is strictly prohibited to litter anywhere in or around the dormitory or to spit.”*



Dormitory Sanitation Rules

## MANAGEMENT'S SHELL GAME PLAYED WITH THE WORKERS' OWN MONEY

Of course, by forcing the workers to clean the company's dormitories—or risk serious fines—Li Kai management saves money in cleaning bills. But management is also using a shell game, with the workers' own money, to pit the workers against each other to make certain they go about their cleaning with real enthusiasm. Management has developed a point system of merits and demerits to judge each room's cleanliness. So a “dirty floor,” “stuff on or under the bed not put away,” “using electricity for personal purposes,” and “dirty doors or windows” will each be met with one to two point demerits for each roommate.

“The dorm manager will inspect the rooms every day. A good room will have 10 points. At the end of the month, the rooms will be put into order from the cleanest to the least clean. The top three will be rewarded and the bottom three fined.”

The least clean room (which may in fact be perfectly clean) will receive a fine each month of 50 RMB, \$6.17, or nearly two days' wages for the room manager and 30 RMB, \$3.70, more than a day's wages for each person in the room. The fines will be doubled if the workers have failed to appoint a room manager. The second and third least clean rooms suffer somewhat lesser fines.

On the other hand, the very cleanest room each month receives special rewards, with the room manager getting 50 RMB (\$6.17, two days' pay), while “each roommate gets one set of extra special sheets.” Workers in the second and third cleanest rooms will be handsomely rewarded with “a bottle of shampoo” and “a towel,” respectively.

Of course, the whole scheme is based on using the workers' own money, but in typical corporate double-speak, management explains: “We have formulated these rules...to protect the hygiene of the dormitories and to ensure that workers have a good and clean place to relax.”

Even relaxing can be difficult for the workers at Li Kai Factory #5: “On grass areas, while watching a movie, a skit or while engaging in other entertainment events, you must take great care to protect the grass; you cannot destroy the hygiene of the environment.”



Factory Rules & Regulations



### RESIGNING IS ALSO FRAUGHT WITH DIFFICULTIES

Just as working at Li Kai is not easy, trying to resign is also fraught with difficulties. According to the Rules on Leaving... “for those who follow relevant regulations on resignations, salary will be received on the 30<sup>th</sup> day of the third month after the resignation has occurred.” In short, a worker leaving the factory must wait three full months to collect the back wages due them. (To understand the hardship this causes, it is important to remember that these workers, many of whom are resigning to return to their families, are all from rural areas, often hundreds if not thousands of miles from the factory. This leaves them either trapped in the city for three months waiting for the wages owed them—which they can hardly afford to do—or to simply give up and leave without the month’s wage due them.)

When a worker resigns, they are also thoroughly searched on the way out by the dorm manager and security guards. “Things that the worker takes with him/her when leaving the main entrance must first go through the dorm manager to open for inspection. After the dorm manager has inspected the things the worker who wants to leave is taking with him/her and finds there is nothing wrong with it, [the dorm manager] should sign their name. If there is discovered...banned goods, the dorm manager should, along with the security guards, confiscate the goods and the worker [sic], and should immediately alert the higher authorities and let the relevant department take care of it.”

There are even “requirements” for the security guards: “Men must have experience in the army, must be over 1.7 meters [5 ½ feet] tall and women must be over 1.68 meters tall.

This is life under the new corporate world order.

## LI KAI DORM REGULATIONS

- 1) The following infractions will incur a 30 RMB fine:
  - a. Things in room are thrown around messily
  - b. Speaking loudly such that it disrupts the rest of others
  - c. Sleeping in a bed that was not assigned to you
  - d. Running around into other people's rooms
  - e. Rearranging room assignments without approval
  - f. Showering in the dormitories
  - g. One person using 2 people's beds
  - h. Not sweeping the washroom, or not sweeping it well, for more than one day in a row.
  - i. --
  - j. Carelessly drawing or hanging or posting things in the dormitory
- 2) The following infractions will incur an 80 RMB fine:
  - a. Breaking company property (plus compensation for the price of the thing broken)
  - b. Bringing food into the dormitory
- 3) The following infractions will incur a 100 RMB fine:
  - a. Men and women chaotically running around into each other's rooms
  - b. Not taking orders from management or talking back
- 4) The following infractions will incur a 130 RMB fine:
  - a. Using electricity in the dormitory without approval
  - b. Bringing someone who is not a worker into the dormitory without approval or going through the necessary formalities
  - c. Using appliances that waste energy
  - d. Stealing other people's money
  - e. Those who get drunk, gamble, argue, fight or organize or

- participate in a mass disturbance
- f. Carrying concealed weapons, ...or other chemical products
- g. Breaking company property with malicious intent (note: if it's serious the matter will be transferred to the public security bureau for handling)

### Dorm Management Regulations

To continue improving the dormitory environment and to provide workers with a comfortable resting environment, these regulations have been formulated:

- 1) The dorm manager will assign beds. New workers, once they have taken care of all the formalities, will go through the dorm manager to get a room and bed assignment. You cannot, without permission, live in the same room or bunk bed as others from your hometown.
- 2) It is strictly forbidden for one person to use two beds, to move or take other people's things, to run around other dormitories [i.e. buildings], use electricity for personal reasons, using large buckets from the drinking-water-dispenser to use for a shower
- 3) Not a single person in the dorm may change rooms or move beds without permission of the dorm manager
- 4) Each room manager must turn in a schedule at the end of the month to the dormitory manager, marking those who were there and those who were missing.
- 5) Those who go back to the dormitory during work hours must have a hall pass to produce for the dorm manager. If you don't have one, the dorm manager will not open the

door for you. Those who return without permission will be treated as a thief. Those who do have hall passes cannot be in the dorm for more than 15 minutes.

- 6) Every day the room manager needs to check the schedule and make sure that everyone has done their duty to keep the place clean and that every day the room is swept and mopped three times and that – inside or outside the room – there are no fruit peels, wrappers or other garbage. It is strictly prohibited to litter anywhere in or around the dormitories or to spit.
- 7) It is strictly prohibited to use electricity without permission, fight, gamble, get drunk, or do anything else that is not good.
- 8) If a non-worker stays in a dormitory room and the dorm manager does not report it, they will all be punished
- 9) It is strictly prohibited to speak loudly in the hallways or the rooms during rest times. After the lights go off it is prohibited to loiter in the hallway.
- 10) Those who have decided to leave the factory must go to the dormitory manager on their floor to deal with the formalities.



## LI KAI DI CHANG RULES AND REGULATIONS SYSTEM

### 1) Entering the Factory

- a. The person enters the factory willingly and respects the factory's rules and regulations. The person will make the factory his/her family.
- b. After the probationary period, those workers who are unable to complete the work properly, upon clearing up their pay, should leave the factory.

### 2) Schedule

- a. Day Shift: 7-11:30am; 12:30-6pm
- b. Night Shift: 7:30pm-midnight; 1-6:30am
- c. If there is a special situation, you will be notified

### 3) Fines

- a. The following infractions will incur a 30 RMB penalty:
  - i. ...or fights during eating times (it affects the environment and appetite)
  - ii. Spitting, throwing fruit peels or wrappers around (it affects the sanitation of the environment)
  - iii. --
  - iv. Gets to work late, leaves early, while at work leaves without telling the foreman, falls asleep at work (affects the collective labor power and is detrimental to the well-being of the collective)
  - v. Those who walk in areas other than the factory compound or the living compound (it affects public order)

vi. Those who don't work and run out of the workshop randomly (affects the order of the workshop)

vii. Going into the factory gate without carrying ID (affects the order of the factory compound)

### b. The following infractions will incur an 80 RMB penalty:

i. Destroying labels or tags recklessly

ii. Foreman takes attendance incorrectly (he will have failed in his duty to the workers)

iii. Lending your ID to someone else

iv. Not accepting direction or work assignments, talking back to cadres or shirking duties (it is very much against the interests of the collective)

v. Purposefully losing or breaking company property, for which one must pay compensation [above and beyond the 80 RMB punishment] (affects the well-being of the collective)

vi. Those who litter in the vicinity of the showers, washrooms or drinking water facilities, if caught in the act, can avoid punishment by paying 10 yuan per place they littered.

### c. The following infractions will incur a 100 RMB penalty:

i. Gambling or drinking on factory premises (it's against societal laws and affects the safety of workers)

ii. A cadre who is caught stealing or breaking company property

iii. Destroys safety equipment

### d. The following infractions will incur a fine of 180 RMB:

- i. Skips 3 days of work in a row
  - ii. Bringing weapons into the dorm
  - iii. Stealing or messing with the company or any workers' finances
  - iv. Smoking in any part of the factory dealing with flammable chemicals
  - v. Causing a commotion, disseminating rumors, inciting workers to strike
  - vi. Arguing, fighting, or being a disorderly drunk
- 4) Rewards
- a. Being a good person and putting forth good suggestions: 30 yuan
  - b. Exposing others and also being a straight arrow: 100 yuan
  - c. Excellent service: 300 yuan
- 5) Rules on leaving:
- a. For those who follow the relevant regulations on resignations, salary will be received on the 30<sup>th</sup> day of the 3<sup>rd</sup> month after resignation has occurred
  - b. One must follow the rules on returning all factory property, or it will be deducted from the worker's salary
  - c. For those who quit within 5 months of starting, the original cost of the 2 work uniforms will be deducted from the salary
- 6) Absolutely no loitering around the factory after work and it is absolutely prohibited to bring any non-workers into the factory
- 7) Non-guards cannot enter any of the guard facilities or kitchens without permission.

## DORMITORY SANITATION RULES

- 1) To protect the hygiene of the dormitories and to ensure that workers have a good and clean place to relax, we have formulated these rules:
- 2) The dorm manager will inspect the rooms every day. A good room will have 10 points. At the end of the month the rooms will be put into order from most clean to least clean. The top three will be rewarded and the bottom three fined.
- 3) Rewards:
  - a. Number one most clean gets 50 RMB for the manager; each roommate gets one set of sheets
  - b. Number two gets 40 RMB for the manager; each roommate gets a bottle of shampoo
  - c. Number three gets 40 RMB for the manager; each roommate gets a towel
- Punishment:
  - d. Number one least clean: manager is fined 50 RMB, each roommate is fined 30
  - e. Number two: manager is fined 40 RMB, each roommate is fined 20
  - f. Number three: manager is fined 30 RMB, each roommate is fined 10
- 4) Specific Deductions:
  - a. Dirty floor: each roommate fined 1 point
  - b. Stuff on and under the bed is not put away: each

- roommate fined 1 point
- c. Balcony is dirty or water buckets not put away: each roommate fined 1 point
- d. Hanging, drawing or posting stuff [on the walls]: each roommate fined 2 points
- e. Using electricity for personal purposes: each roommate fined 2 points
- f. Making loud disturbances: those in the vicinity fined 2 points
- g. Each room's washroom needs to be swept 3 times a day, failure to do so: 2 points
- h. Doors, windows and fans not clean: each infraction is 2 points
- i. Breaking factory property: 2 points plus compensation for the price of the good

Rooms without room managers who appear in the top three receive no awards. Rooms without room managers who appear in the bottom three receive twice the punishment.



Manual Highlights			
Page 2	“This company specializes in producing the world-famous brand New Balance athletic and leisure shoes.”	Page 10	regulations, etc.” Rule 5.2.7 [on minors – between 16 and 18 years of age]
Page 2	“Our business ideas and business management are based on the concept of ‘We must do things while standing in the heart of the buyer.’”		“Minor workers enjoy a rest period of one hour each day. It counts as work time. Furthermore, [the minor] will not be working longer than the regular day nor will [he/she] be engaged in nighttime production (from 10pm to 6am).
Page 2	[We try to] “the utmost extent to be socially responsible, to pay serious attention to the environment, to care for our workers, to give back to society, keep provide our workers with a safe, roomy, well-lit production and work space so that their rest, entertainment, buying needs etc. are in a comfortable environment. [We] never stop striving higher, improving, or exceeding ourselves. [We] [will] continue to develop.”	Page 10	Rule 5.2.8 [as above] “The company does not hire child workers or students who have not completed their compulsory education.”
Page 3	Rule 3.2.3 [rules on hiring workers] “Show relevant identity papers, proof of educational degree, proof of qualifications or other proof, either original copies or photocopies.”	Page 13	Rule 6.3.2.1 [no harassment in relation to the New Balance code of conduct] “Respect workers and protect their dignity.”
Page 4	Rule 3.3.2.1 [on training before you’re fully hired: New workers will be educated and trained on the following:] “Summary of the company, labor laws and the workers’ handbook, New Balance code of conduct, all the regulations of the company, safe and hygienic production techniques, standards of behavior, the sequence and procedure of the work units, the company’s day-to-day management rules, relevant national laws and	Page 13	Rule 6.3.2.2 [as above] “Workers must receive respect and fair treatment and appropriate treatment. Workers in the workshop are free of all physical, oral or psychological mistreatment.”
		Page 14	Rule 6.4.1 [what managers can be punished for] [Among others] “not respecting [workers].”
		Page 14	Rule 6.4.2 [as above] “Verbal abuse, ...loudly cursing, verbal threats, cursing (for example: rudely scolding a worker [by saying] ‘you’re mom’s ...’, ‘stupid egg’, ... ‘you are stupid to death’, etc.)”

Page 16 of conduct] Rule 7.1.1 [on discrimination as per New Balance code  
 “In hiring workers will not be discriminated against because of their race, nationality, sex or religion.”

Page 16 Rule 7.1.2 [as above]  
 “Women will enjoy equal treatment with men. In the process of hiring workers, except where the government has regulated jobs unsuitable for women, no one will use gender as a reason to refuse to hire women....”

Page 17 Rule 8.1.1 [on regular work hours]  
 “Standard work time: every Monday through Friday are regular work days. [Workers will work] eight hours a day on those days, totaling 40 hours a week. The company will decide the work hours of each unit individually as follows:  
 Group One: 7:30-11:30am, 1:30-5:30pm, 6:30-8:30pm  
 Group Two: 7:45-11:45am, 1:34-5:45pm, 6:45-8:45pm  
 Group Three: 8am-12pm, 2-6pm, 7-9pm  
 If there is a change in the work hours of any reason there will be a memo given out.”

Page 17 Rule 8.1.2.1 [as above, regarding overtime]  
 “For those who work overtime on Saturday and Sunday, the company will, according to the labor law and relevant regulation, arrange appropriate time off and compensation.”

Page 17 Rule 8.1.2.2 [as above]  
 “Workers who work beyond the standard work hours will have that time considered overtime hours; Workers who work on regulated rest days or holidays will also have that time considered overtime hours; overtime hours or overtime will be called overtime in this pamphlet.”

Page 18 Rule 8.2.1  
 “Day of rest: Sunday (this is for a 24 hour period).”

Page 18 Rule 8.2.2.1 [regarding statutory holidays]  
 “New Years: 1 day off (January 1<sup>st</sup>).”

Rule 8.2.2.2  
 “Spring Festival: 3 days off (the first three days of the lunar month).”

Rule 8.2.2.3  
 “International Labor Day: 3 days off (May 1, 2 and 3).”

Rule 8.2.2.4  
 “National Day: 3 days off (October 1, 2 and 3).”

Page 18 Rule 8.2.3  
 “Paid Yearly Vacation: Those who have worked at this company continuously for one year or more can enjoy a paid vacation. The exact time of that vacation will be decided by the contract signed by the worker. However, the worker must first apply to their managing work

unit's cadre's approval and agreement for the vacation."

Rule 8.2.3.1

"Those who have worked over one year and less than 5 years get 5 days."

Rule 8.2.3.2

"Those who have worked for more than five years and less than 10 years get 7 days."

Rule 8.2.3.3

"Those who have worked over 10 years and less than twenty get 10 days off."

Rule 8.2.3.4

"Those who have worked over twenty years get 14 days off."

Rule 8.2.3.5

"This vacation must be taken before December 31 and cannot be transferred to the next year."

Page 19

Rule 8.2.4

"Personal Leave: workers who because of personal reasons need to take time off, cannot take more than 20 days off total in a year."

Page 19

Rule 9.2.5

"Marriage and Bereavement Leave: Workers who are themselves getting married can have 3 days off. Those who are marrying late (men over 25 years old and

women over 23 years old) get an extra 10 days off. Those who have a direct relative (mother, father, spouse, child) or a parent in law who dies can have up to 3 days of bereavement leave. Those who must travel to other areas for this, it will depend on the distance and the person [will receive time off for travel]. The travel costs will be covered by the worker. Marriage and bereavement leave will be compensated for according to the labor contract."

Page 19

Rule 8.2.6

"Other: Workers who because of non-work related injuries or illnesses, because of work-related injury, or because of giving birth, will get paid according to the stipulation in the work contract or according to relevant national regulations. Days off not covered in this manual will be dealt with according to the labor law and of the relevant laws and regulations."

Page 20

Rule 8.3.1

"When asking for time off [for the above reasons, i.e. good reasons and bad] you must fill out a form for asking for time off, write the reason clearly, write the kind of time off, the dates, the times and your job and then give it to the cadre above you who will go through the process. After he/she agrees [the worker] can take time off."

Page 20

Rule 8.3.2

"If [the worker] suddenly gets sick or has an accident and cannot ask for time off, [the worker] must bring proof of the situation or else this will be considered a



	personal vacation or skipping work.”		
Page 22	<p>Rule 8.6.1  “Workers enjoy one day off a week. If there is an especially heavy work load and workers must work overtime, then the workers will be paid overtime wages or given extra time off according to relevant regulations.”</p>		For those who have had perfect attendance for the month, no matter what kind of salary the worker gets, the company guarantees that the worker’s wages will not be below the minimum wage as set by the government.”
		Page 25	<p>Rule 9.2.5  “Overtime must be filled in in the overtime form and must be delivered that day before 4:00 pm to the manager of the work unit. After approval has been received, the worker must on the same day before 5:00 pm give it to the human resources center and the worker’s rights commission.” [see page 24 article 8.6.5 “When it is not time to leave work and hasn’t approved his/her leader for approval, and just leaves work for non-work related reasons will be considered as leaving early;”]</p>
Page 24	<p>Rule 9.1.1  “Workers will be paid as follows: the basic wage guaranteed in the worker’s contract, plus weekday overtime wages, plus holiday or rest day overtime wages, plus any awards given.”</p>		
Page 24	<p>Rule 9.1.3  “Weekday overtime: weekday overtime will be paid as follows: number of hours × regular wage × 150% (if there has been a change in the wages see the new regulations the company will have issued).”</p> <p>Rule 9.1.4  “Rest day Overtime: rest day overtime will be counted as follows: number of hours × regular wage × 200% (If there has been a change in the wage system see the relevant memo [that will have been issued]).”</p> <p>Rule 9.1.5  “Statutory Holidays: statutory holidays will be counted as follows: hours × regular wages × 400%....”</p>	Page 26	<p>Rule 9.3  “Deductions: food fees, dormitory fees, insurance fees, personal taxes and other personal liabilities as stated by the local government will be [deducted] by the company as [living] expenditures.”</p>
		Page 29	<p>Rule 10.1.3.4 [the responsibilities of the dorm manager]  “Help workers solve difficulties in their lives and advise/tutor the workers about life.”</p>
Page 24	<p>Rule 9.1.6</p>	Page 30	<p>Rule 10.1.4.5 [as above]  “Every day, after the time has come for work to begin, lock the entrance to the workers’ rooms and check the rooms three times to be positive that no workers are</p>

	late to work or have left work early to come back to the dormitory without permission, at which point the manager should take note and communicate with the relevant department.”		it.”
Page 30	Rule 10.1.4.6 [as above] “Every morning at 6:30 turn on the lights, at 11:30 pm turn the lights off...”	Page 33	Rule 10.2.2 [on eating and dining hall rules] “When going into the cafeteria, workers must form an orderly line. It is strictly forbidden to get out of line and cause a commotion, push people or beat the eating utensils causing loud noises.”
Page 30	Rule 10.1.4.7 [as above] “After the lights have gone out, control the order in the factory, keep the peace and quiet.”		Rule 10.2.4 “While eating or resting do not put your feet on the tables or chairs...”
Page 32	Rule 10.1.9.1 [about leaving the dorms] “The things that the worker takes with him/her when leaving the main entrance must first go through the dorm manager to open for inspection.”		Rule 10.2.5 “You cannot take food out of the dining halls, except for those exceptional people who must and have approval.”
Page 32	Rule 10.1.9.2 [as above] “After the dorm manager has inspected the things the worker who wants to leave is taking with/him her and finds that there’s nothing wrong with it, [the dorm manager] should sign their name.”		Rule 10.2.6 “Non-workers who want to come and eat in the dining hall must get approval and then have the [higher ups] organize it. You cannot decide on your own to bring people who do not work at this factory to eat food.”
Page 33	Rule 10.1.9.3 [as above] “If there is discovered company stuff or banned stuff, including shoes produced by the company, raw materials, ... and other banned goods, the dorm manager should, along with the security guards, confiscate the goods and the worker and should immediately alert the higher authorities and let the relevant department take care of	Page 34	Rule 10.3.1 “Workers when going to or coming from work must walk on designated walking areas, they cannot walk on the grass or other green areas.”
		Page 34	Rule 10.3.2 “On grass areas while watching a movie, a skit or while engaging in other entertainment events, you must take great care to protect the grass, you cannot destroy the

hygiene of the environment.”

- Page 34      Rule 10.3.3  
“In the showers while showering you must respect the order of first come first serve, you cannot just take a shower head, you cannot take two shower heads for one person.”
- Page 34      Rule 10.4.1 [regarding the requirements as to the character and behavior of the workers]  
“From Monday to Friday when at work sub-managers and below must wear the regulated work uniforms. At other times workers may dress casually.”
- Page 34      Rule 10.4.3  
“While at work people cannot wear flip-flops....”



## NEW BALANCE - SUPPLIER CODE OF CONDUCT

The New Balance Mission is “To be Recognized as the World’s Leading Manufacturer of High Performance Footwear and Apparel.” We support this mission by conducting our internal and external relationships according to these Core Values: Teamwork, Total Customer Satisfaction, Integrity.

The Code of Conduct defines our minimum expectations. We expect our suppliers to ensure that no exploitative conditions or unsafe working conditions exist at the facilities where our merchandise is manufactured.

This Supplier Code of Conduct expresses the commitment of New Balance Athletic Shoe, Inc. to do business only with those manufacturers and suppliers that share its commitment to fair and safe labor practices.

### EMPLOYMENT PRACTICES: Compliance with Local Laws

- All Standards set forth in this Code of Conduct are subject to compliance with applicable national and local laws. All vendors shall operate in full compliance with laws of their respective country of manufacture.

### Child Labor

- No person shall be employed at an age younger than 16 (or 15 where the governing law allows such employment), or younger than the age for completing compulsory education if that age in the country of manufacture is greater than 16.

- All facilities are required to maintain official documentation allowing for verification of each worker’s date of birth.

- All facilities must be in compliance with all local regulations regarding the employment of young workers. These regulations shall include types of work, work schedules and labor intensity as applicable under local labor law.

### Harassment or Abuse

- Workers shall be treated with respect and dignity. Workers shall not be subject to any physical, verbal, sexual or psychological harassment or abuse in connection with their employment.

- There shall be no corporal punishment.

- Behavior that is sexually coercive, threatening, abusive or exploitative shall not be permitted.

### Health and Safety

- Employers shall provide a safe and sanitary working environment using OSHA standards as a benchmark, in order to avoid preventable work-related accidents and injuries.

### Nondiscrimination

- All employment decisions must be made in a nondiscriminatory manner.

- Workers shall be employed, promoted and compensated based upon their ability to perform their job, rather than on the basis of gender, race, caste, sexual orientation, religious or cultural beliefs.

- There shall be no pre-employment or during-employment screening for pregnancy.
- There shall be no discrimination against workers based on political affiliation or union membership.

#### Wages and Benefits

- Employers shall pay workers for all work completed and shall pay at least the minimum wage required by law or the prevailing industry wage, consistent with the local area statistics, whichever is higher, and shall provide legally mandated benefits.
- There shall be no deductions of wages for disciplinary purposes.
- The employer shall not engage in false apprenticeship practices that are used to avoid payment of compensation.

#### Work Hours

- As part of normal business operations including those countries where domestic law does not limit work hours, suppliers shall not require an excess of a 60-hour workweek on a regularly scheduled basis.
- Workers shall be entitled to one full day off out of each seven-day week.
- Workers shall not be asked or required to take work home or off premises.

- All hours worked must be documented in writing and made available to New Balance staff, upon request.

#### Overtime

- Exceptional business circumstances requiring a workweek in excess of the local official workweek (or a 48-hour workweek, whichever is lower) shall be subject to the laws regarding the payment of overtime in addition to compensation for regular hours of work.
- In countries where there is no legal standard regarding overtime premiums, industry standards shall be the model. In no event shall this be at a rate less than the regular hourly rate.
- Factories shall carry out operations in ways that limit overtime to a level that complies with national labor laws and ensures productive and humane working conditions.

#### Forced Labor

- There shall not be any use of forced labor, whether in the form of prison labor, indentured labor, bonded labor, or otherwise. There shall be no penalties or fines for declining overtime.
- Workers shall not be locked inside of factory premises for any reason.

#### Environmental Conditions

- All facilities shall comply with all local environmental laws. Manufacturers, subcontractors and suppliers must certify compliance with all applicable environmental regulations in their country.

### Subcontractors

- This Code of Conduct applies to all subcontractors utilized by New Balance suppliers.
- All Suppliers are required to take all necessary steps to ensure that its subcontractors adhere to this Code of Conduct. No subcontractors will be used without New Balance's prior approval.

In the event of any willful, non-compliance with the Code of Conduct, New Balance may terminate or refuse to renew our supply agreements with suppliers based on the suppliers' awareness of the Code of Conduct.



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*- labor donated -*