



# Toying with Workers' Rights

A Report on Producing Merchandise for the London 2012 Olympic Games

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A SPORTING CHANCE  
FOR WORKERS



This report is published by the Play Fair Campaign. Play Fair is a global campaign co-ordinated by international trade union federations and NGOs; namely, the International Trade Union Confederation (ITUC), the International Textile, Garment and Leather Workers' Federation (ITGLWF), the Clean Clothes Campaign (CCC) and Building and Wood Workers' International (BWI). The campaign calls on those who organise and profit from sports events to take specific steps to ensure that workers making sporting goods and building venues are not exploited, and that international labour standards are respected.

The Playfair 2012 Campaign, a joint project co-ordinated by the Trades Union Congress (TUC) and Labour Behind the Label (LBL), also co-published this report. Playfair 2012 exists to influence the London Games organisers and international sportswear brands and licensees to raise the bar on workers' rights in the run-up to the 2012 Olympic Games.

Copies of this report and further information are available to download from the following websites:

[www.play-fair.org](http://www.play-fair.org)  
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## Contents

Executive Summary: Toying with Workers' Rights .....	5
The Olympic Games: A Global Brand .....	7
China: Labour Rights in the Workshop of the World .....	8
Behind the Scenes: Factories Producing for London 2012 .....	10
Closing the Gap .....	17
Recommendations .....	21



# Executive Summary: Toying with Workers' Rights

**Olympic and Paralympic Merchandise is big business. The organisers of the 2012 Games estimate that the iconic London 2012 mascots Wenlock and Mandeville will boost total sales of Olympic key rings, soft toys, stickers, badges, backpacks and limited-edition playing cards to £1bn.<sup>1</sup> This is good news for London and the Olympics, but there is a hidden cost being paid by the Chinese workers employed to make these goods.**

As athletes put in long hours of training and battle it out to beat world records in their respective sports, workers around the world are forced into a race to the bottom on wages and conditions. But no medals will be awarded for their long hours and record breaking efforts to meet production targets on time. Previous Play Fair research has shown that as the demand for consumer merchandise mounts in the buildup to the Olympics, workers must work excessively long overtime, for very little pay, in often dangerous and exhausting working environments, with employers showing little regard for internationally-recognised labour standards or national laws. Our research has confirmed this situation continues in production for London 2012.

For years, the International Olympic Committee (IOC) and its respective national counterparts have preached ideals of ethics and fairness. Lord Coe, Chairman of the London Organising Committee of the Olympic Games and Paralympic Games (LOCOG), has called the games “a powerful lever of change, improving lives across the world”, and has stated an intention for the London Games to leave “a blueprint for inspiring positive social, economic and environmental change”.<sup>2</sup> LOCOG has taken some steps to apply these ideals to its procurement of promotional goods, sportswear and other products licensed under the Olympic brand. It has adopted a model code of conduct encompassing internationally-recognised human rights, embedded this code in contractual agreements with licensees, demanded that suppliers provide audit reports of production sites and set up a complaints mechanism for its supply chain. Yet, as our research shows, these steps have not proved sufficient to tackle the systematic exploitation of workers in the promotional goods industry.

This report investigates two factories in China producing official merchandise bearing the London 2012 Olympic Games logo. One is producing pin badges, and the second stuffed toys of the Olympic mascots Wenlock and Mandeville. We asked our researchers to document the reality of conditions in these factories compared to the standards enshrined in LOCOG's chosen code of conduct - the Ethical Trading Initiative Base Code, which guarantees a living wage, secure employment, healthy and safe working conditions, freedom of association and prohibits child and forced labour. Our findings were highly concerning. Our research across the two factories found breaches of every one of the nine standards LOCOG has committed to implementing in its supply chain.

None of the workers were being paid enough to cover basic costs and provide a discretionary income, the definition of a living wage included in the LOCOG code. In one factory, workers were not even receiving the minimum wage. Only a handful of workers were being paid the social security benefits

they are guaranteed under Chinese law, leaving them with no access to healthcare or pensions. In order to earn enough for their basic needs, workers across both factories needed to work up to 100 hours overtime a month. Some were working 24-hour shifts, others were not provided with a rest day. Even where this overtime was not necessary, it was still obligatory. Workers need special permission if they decide they do not want the overtime work. These extra hours could make more of a difference to workers' lives if they were paid according to the law, but neither of the factories provided overtime rates stipulated by the law.

In China it is illegal for workers to be employed in full-time work if they are under the age of sixteen, yet several fifteen-year-old workers were employed in one of the factories surveyed, in contravention of LOCOG's code on child labour. In the second factory workers are fined if they leave their employment before the end of their five-year contract, contravening LOCOG code provisions on freely-chosen employment.

The health and safety conditions at both factories, both in the workplace and in the dormitories provided for workers, need significant improvement. Personal Protective Equipment (PPE) for workers was either insufficient or its use was not compulsory. With no worker having received training on health and safety in the workplace, many were forgoing personal safety in order to work faster. None of the workers interviewed knew about fire procedures or how to use safety equipment. Back problems were common as a result of long hours sitting on stools. Dormitories are stuffy, and in one factory access to warm water was extremely limited.

For workers to demand their rights, they need to know what they are. Workers in one factory were not provided with a copy of their contract, which lays out their terms of employment; in the other factory the contract differed from the actual conditions provided, particularly in regard to wages. The factory does not provide payslips, so workers do not even know how much they were being paid and for what, making it impossible to challenge discrepancies. Even if workers did have the information they needed to complain, they were denied the possibility of joining together to demand the change needed. Neither factory had systems in place to allow for worker representation. This means each worker has to make a complaint individually, without the protection provided by a union. One worker who did complain about his wages was fined for “offending” his supervisor. It was clear that none of the workers felt able to organise, another right supposedly guaranteed under the LOCOG code.

So why are LOCOG's promises failing to make a real difference to workers? The truth is that LOCOG has done little to raise the bar on workers' rights, and its efforts have been limited to relying on audits that are notoriously bad at uncovering the reality for workers employed in factories on the other side of the world. Play Fair has emphasised again and again that audit fraud is widespread and that one-day, announced, inspections cannot be relied upon to provide the truth about working conditions. Our research found that workers are coached, threatened and even bribed to mislead auditors. One worker told us many are afraid they would be sacked if they unveiled

the truth, “Consumers may feel the Olympics mascots are fun and cute, they will never think of the hard work, low wages we have in the factory,” she said.

This is why, since the beginning of LOCOG’s work, we have repeatedly told them any genuine efforts for change must involve workers themselves. They must know about the rights they are entitled to and have access to a mechanism to demand change. Yet none of the workers we spoke to even knew that LOCOG had a code, let alone what it should mean for them. Nor did any of them know that there was a complaints mechanism they could use to raise issues with LOCOG directly. Even if they did, there was no worker representative that could help them do so, and the information they need to make an individual complaint is only available in English.

The fact is that mere paper promises will not change a system of exploitation that has existed for decades. In an industry

with intense price competition, licensee companies procuring goods bearing the Olympic logo are promoting ethics with a quiet voice, but demanding high quality and low cost with a much louder one. In response, supplier factories pay lip service to ethics, while transferring the true cost of production onto the workforce, in the form of poverty pay, insecure employment and excessive obligatory overtime.

Change has to happen. Since 2004 the Play Fair Campaign, a worldwide alliance of trade unions, women’s rights groups, human rights activist groups, consumer organisations and workers, has been calling on the Olympic movement to ensure that lofty Olympic principles of fairness and respect are extended to workers producing goods for the Olympic family. At the very least the Olympic movement should be ensuring that all workers involved in delivering the Olympics are guaranteed those rights laid out in United Nations and International Labour Organisation (ILO) conventions.



# The Olympic Games: A Global Brand

The Olympic brand is one of the most recognised in the world. It represents the principles of Olympism: “a way of life based on the joy of effort, the educational value of good example and respect for universal fundamental ethical principles”.<sup>3</sup> These principles should define the spirit of the Games, which showcase the best in sporting endeavour and fair play.

The Olympic and Paralympic Games are not only the world's greatest sporting events. They represent a multi-billion pound global industry, directly and indirectly employing hundreds of thousands of workers across a huge range of industries. These workers create the stadia, equipment and infrastructure; they also work to produce a whole range of goods bearing the Olympic logo.

This report focuses on those workers producing promotional goods for London 2012, production that is vital to the staging of any Olympic event. Licensing and merchandise for the Olympics is an industry worth hundreds of millions of pounds, and a crucial part of every Games' business model. The London Organising Committee of the Olympic Games and Paralympic Games (LOCOG), responsible for the delivery and staging of the London Olympics, estimates that £2 billion will be raised through a combination of sponsorship, broadcasting rights and merchandising.<sup>4</sup> A large proportion of this will come from sales of Olympic-branded merchandise, including clothing, badges, mascots and other memorabilia.

## International Olympic Committee – Promoting Fair Play?

*“The goal of Olympism is to place sport at the service of the harmonious development of humankind.”*

- Olympic Charter 2011

The International Olympic Committee (IOC) serves as an umbrella organisation for the whole Olympic family. Its primary role is to supervise the organisation of the Winter and Summer Games, which take place every four years. It also owns all the rights to the Olympic name and symbols.

Given its overall control of the Olympic movement, the IOC should play an important role in promoting sustainability and ethical trade across a whole host of areas. For example, it could insist that respect for workers' rights is an integral part of the organisation's basic principles and Code of Ethics and that related labour standards are embedded in licensing, sponsorship and marketing agreements; make the ratification and implementation of international labour standards an important consideration in host country selection; oversee implementation of labour standards across the procurement contracts of the whole Olympic family – the IOC, Games Organising Committees and National Olympic Committees; and embed the concept of sustainable and ethical trade explicitly into its charter.<sup>5</sup>

To date, the willingness of the IOC to assume any responsibility for this work has been extremely limited. It has held a series of meetings with representatives of Play Fair, the last of these in London in April 2011, but has taken almost no concrete action

to turn the Play Fair demands into reality. In the eight years since the campaign started, the IOC has included language on workers' rights in the Olympic bid criteria and has indicated it might be willing to oversee complaints made regarding labour rights violations in Olympic supply chains. However, the language it included in the bid criteria is extremely weak, and there have been no concrete steps taken in regard to investigating or adopting such a mechanism. The Road Map for IOC Action on Workers' Rights<sup>6</sup> developed by the Play Fair campaign and presented to the IOC in 2008 has been entirely ignored.

The IOC claims that it considers engagement with the International Labour Organisation as the most effective mechanism for overseeing labour rights issues in Olympic supply chains. Yet the signing of a Co-operation agreement with the ILO as far back as 1998<sup>7</sup> has not resulted in any identifiable progress in this area.

## London 2012 – Raising the Bar?

*“Our Sustainable Sourcing Code is inspiring change amongst our suppliers, sponsors and licensees, who see the business advantages of sourcing sustainably.”* - Paul Deighton, Chief Executive, LOCOG<sup>8</sup>

The London bid to host the 2012 Olympic Games was the first to commit to embedding sustainability into its plans, and it made a clear commitment to ensuring ethical values run through the heart of the Games. The vision of the London Games was “to use the power of the Games to inspire change”.<sup>9</sup> In its bid document, ‘Towards a One Planet Olympics’, the London Games promised that “all goods, materials and services will... be evaluated according to environmental, social and ethical criteria as well as conventional value parameters” and that the “same principles will be used in selecting sponsors”.<sup>10</sup>

The sustainability remit of the London Games implementing bodies<sup>11</sup> is incredibly broad, covering environment, waste, climate change and social justice issues. To assist in this task, London Games organisers set up an oversight body which would monitor and advise the Olympic organising bodies on integrating sustainability into its work. Set up in January 2007, the Commission for a Sustainable London 2012 (CSL) (an independent body overseen by eleven voluntary commissioners and funded by the various Olympic delivery bodies, the Greater London Authority and central government) monitors the sustainability plans, objectives and progress of the organisations responsible for building and delivering the London 2012 Games.<sup>12</sup> This is done largely through stakeholder meetings, consultations and public reporting through CSL's own website, but doesn't include the capacity to investigate the impacts of sustainability policies on workers themselves.

## LOCOG and Ethical Procurement

LOCOG has so far granted up to 60 licensees the right to produce up to 10,000 merchandising product lines bearing the 2012 logo. The sale of these licenses is expected to generate

over £80million in revenue for LOCOG.<sup>13</sup> Although many of the companies holding licenses to produce for the Games are UK-based, the majority of the actual production will be carried out in factories located overseas. The ethical sourcing of products and services, including merchandising, is just one element of the sustainability programme being implemented by LOCOG and monitored by the CSL, but it is an element which even LOCOG describes as “one of the most significant areas in which LOCOG can make a difference in respect of our sustainability performance”.<sup>14</sup>

LOCOG’s approach to promoting sustainability in procurement has been to publish a Sustainable Sourcing Code, which licensees are contractually obliged to implement within their supply chains. Following discussion with Play Fair they have chosen to adopt the Ethical Trading Initiative Base Code,<sup>15</sup> which is used by many brands and retailers operating on the UK high street. This code includes clauses on the core labour

standards of freedom of association and the elimination of child and forced labour, and commits companies to pay a living wage and provide safe and healthy working conditions.<sup>16</sup> However, LOCOG has not stuck firmly to this code, and has been willing to accept the use of other codes of conduct that are already being used by licensees, some of which have lower commitments in regard to labour standards.

The responsibility of implementation is passed on to licensees who are obliged to register all suppliers contracted to carry out Olympic production onto an ‘ethical supplier’ database known as Sedex and to disclose all production locations to LOCOG. This will be supplemented by audits, to be carried out by audit companies approved by LOCOG. Finally, following extensive dialogue with Play Fair, LOCOG engaged consultants to set up a complaints mechanism, to provide a means for workers’ and labour rights organisations to call attention to breaches of LOCOG’s sourcing code and seek resolution to disputes.

## China: Labour Rights in the “Workshop of the World”

China is the world’s largest manufacturer, producing almost 20% of globally manufactured products.<sup>17</sup> Its manufacturing sector represents over one third of its economic output and employs around 40% of China’s 240 million migrant workers.<sup>18</sup> The manufacture of textile, garments, electronics and promotional goods represents a significant part of this output. However, behind the massive success story of China’s manufacturing sector lies an industry often based on exploitation of its vast workforce and systematic breaches of internationally-recognised labour rights.

China is regularly accused of suppressing the rights of its citizens to free speech, assembly and association, and this applies as much to its workers as to any other section of the population. To date China has refused to ratify ILO Conventions 87 on Freedom of Association and 98 on Organising and Collective Bargaining, and actively suppresses this right in law. Although Article 3 of the Trade Union Law states that “*all manual or metal workers...have the right to organise and join trade unions*”, the All China Federation of Trade Unions (ACFTU) is the only legally-recognised national trade union<sup>19</sup> and any trade unions that are formed by workers must be under the supervision and direction of the ACFTU and must affiliate to the ACFTU at local, national or industrial level.<sup>20</sup> This means that the ACFTU has a monopoly on worker representation.

China has no effective national law protecting the rights of workers to bargain collectively either within or outside of a trade union structure, dictating only that enterprises “may” engage in consultations with workers.<sup>21</sup> The existence of collective agreements is particularly limited in privately owned enterprises. The right to strike was removed from the Chinese constitution in 1982 and has not been mentioned in any subsequent labour legislation. Although this means that strikes are neither legal nor illegal, in practice they are widely repressed.

Although companies claim that labour costs in China have been increasing in recent years, most workers continue to earn well below what is needed to provide a living wage.<sup>22</sup> In Guangdong, where the factories featured in this report are located, the Fair Wear Foundation (FWF) estimated that

average monthly expenses in 2009 for a worker without dependants were around 1436 CNY (£145), and most workers stated that between 2000 CNY (£201) and 2500 CNY (£251) per month would be an adequate living wage.<sup>23</sup> The Asia Floor Wage figure for 2011 defined an average minimum living wage for Chinese workers as 1843 CNY (£185). According to FWF research, legal minimum wages for a normal working week are still around 60% below living wage levels.<sup>24</sup> Low wages are further exacerbated by the tendency for employers to withhold wages, or delay payment of wages for a month or more despite provisions in the labour law which state that salaries must be paid as a monthly payment and without delay.<sup>25</sup>

The basic salary is just one part of the remuneration package that workers are entitled to. According to Chinese labour law, both the employee and employer are obliged to contribute to social insurance schemes covering pension, work-related injury insurance and medical insurance. The flouting of these payments is widespread in China, and the failure of employers to provide clearly explained pay slips means many workers do not know if they are insured or not. Workers are also entitled to receive paid sick leave equivalent to 80% of the minimum wage. Again, many employers simply refuse to provide any wage at all to workers who are ill.

The prevalence of low wages and lack of benefits means that many workers are obliged by economic necessity to work excessive overtime, even in cases where such overtime is considered voluntary. In reality few workers have a choice over whether they work overtime, and refusal can often result in punishments, fines or even dismissals. Chinese law defines a standard working week as 40 hours per week or 174 hours per month, with at least one rest day per week<sup>26</sup> and restricts legal overtime hours to a maximum of 36 hours per month<sup>27</sup>. Yet our research shows that workers are obliged to work two to three times that amount.

For many workers it is the availability of overtime which makes the difference between making ends meet or not. Overtime should be paid at premium rates, with weekday overtime pay equating to 1.5 times average hourly pay and weekend overtime

to be paid at twice average hourly pay. Any overtime worked during the eleven days authorised as holidays should be paid at three times normal salary.<sup>28</sup> Again, these rules are widely flouted, with many employers classifying Saturday as “normal” time and either paying no premium at all or premiums well below the legal figure for both weekday and weekend overtime. Given the extent of overtime carried out by Chinese workers, this constitutes a significant non-payment of legally-mandated wages.

Another major labour issue facing Chinese workers is the use of short-term or fixed-term contracts and the increasing use of temporary workers. The vast majority of workers in China are on fixed-term contracts, giving them employment for one to three years. This leaves workers without any long-term job security and vulnerable to unfair dismissal or refusal to renew contracts. Many workers are never given a copy of their contract meaning they are unable to prove the terms, length or even existence of their relationship with their employer. This is vital for workers who need to prove an employment relationship for legal cases and occupational health issues. It also means that workers may not even know the terms and conditions under which they have been employed. Finally, temporary and casual workers may be employed to avoid paying social security, sickness and maternity benefits that permanent workers are entitled to.

In 2008 the government brought in the Labour Contract Law which mandated that all employees who completed their third contract and those who had worked at one enterprise for over ten years should be put on non fixed-term contracts.<sup>29</sup> It also stipulated that all workers must be provided with a copy of their contract.<sup>30</sup> With the vast majority of workers either unaware of their legal rights or totally lacking in avenues to enforce them, many employers have either tried to get round the law through the use of temporary or

agency workers or are ignoring the law entirely.

Two of the ILO conventions that have been ratified by China are Conventions 100 and 111 on Equal Remuneration and Discrimination. Yet, as in many countries, gender discrimination continues to be widespread. Women are often employed in lower-paid, less-skilled work, receive pay that is lower than their male counterparts, rarely get employed at managerial level and are subject to verbal and sexual harassment.<sup>31</sup> Many women workers are forced out of jobs after becoming pregnant, and few are afforded the maternity rights they are entitled to.<sup>32</sup>

The Chinese labour force in Guangdong province is largely made up of internal migrant workers who relocate from rural areas to find employment. Under the Chinese household registration system, Hukou, workers are forced to register as citizens according to family residence. Many migrant workers obtain employment through agencies, who fail to obtain urban registration for the workers. This means they are working illegally, without the correct documents, making them even more vulnerable to unfair dismissal, non-payment of wages and non-existent labour contracts. There is often no way for migrant workers to get city citizenship, which means they are, in many instances, denied basic rights such as public housing, healthcare and education. This makes them totally reliant on medical care and housing provided by their employer.<sup>33</sup>

Given the widespread labour violations experienced by Chinese workers and the lack of enforcement of labour law throughout the country, it is clear that any company or organisation wishing to source ethically from Chinese manufacturers needs to take proactive steps to ensure workers in its supply chain have their rights respected.



## Behind the Scenes: Factories Producing for London 2012

In order to evaluate whether LOCOG's sourcing code was being properly implemented, Play Fair decided to investigate working conditions in two factories specifically producing merchandise for the London 2012 Games and compare what we found to the standards LOCOG and licensees had committed to implementing along their supply chains.

### THE FACTORIES

**Factory A** started producing London 2012 badges in 2011, including badges featuring the Wenlock and Mandeville mascots. The factory employs around 500 workers in low season and up to 1,000 workers in peak production periods. At the time of the research it was employing around 500 people. The factory is located in a rural area outside Huizhou in Guangdong province. It is not near any main town, and workers are relatively isolated. The majority of employees are migrant workers between sixteen and twenty-four and have limited access to housing, education and medical care.

**Factory B** is producing stuffed toy representations and collectibles of the two Olympic mascots Wenlock and Mandeville. Production of the mascots started in April 2011 and was continuing in October when the research took place. Located in a rural area of Guangdong province, the company produces plush toys for the export market and employs 250 workers in low production periods and 600 in high production periods. The extra 350 workers are mainly students and all are employed on a temporary basis. Many of the workers are migrant workers from different provinces of China, but unusually Factory B also employs a number of local workers.

### THE LICENCEES

Factory A is main supplier to the Chinese merchandise company Honav. Its UK subsidiary, **Honav UK Ltd**, was established in April 2008 just before it was granted the licence to produce souvenir badges for the London 2012 Games. In late 2007 it employed a British-born former marketing director of the International Olympic Committee (IOC) to help it develop its presence in the international sports market. Honav has produced Olympic-branded badges for a host of

previous Olympic Games, including Atlanta, Sydney, Athens and Beijing and made over £15million through sales of Beijing 2008 merchandise.<sup>34</sup> LOCOG stated it chose Honav in part due to its "comprehensive strategy to meet our environmental, sustainable and ethical criteria".<sup>35</sup> No information is available on Honav's website in regard to its ethical commitments or strategy.

Factory B is owned by a Hong Kong-based toy company. It is producing plush toys for the UK toy company **Golden Bear Toys**, who won the licence to produce the mascots in 2009. This followed its successful bid to produce a limited run of mascots for Team GB at the Beijing Olympics. Golden Bear has ethical commitments on its website, but these are vague. Golden Bear acknowledges that it's at the "beginning of [its] sustainability journey" and that producing in China makes this a challenge<sup>36</sup> but also states that their "*membership of the British Toy and Hobby Association, which promotes sustainability and the environment..... helped us with our bid*".<sup>37</sup>

The British Toy and Hobby Association is a member of the International Council of Toy Industries (ICTI); its members are able to access the ICTI CARE initiative which aims to "*promote ethical manufacturing, in the form of fair labour treatment, as well as employee health and safety*".<sup>38</sup> This is done through the provision of a code of conduct and a system of auditing and certification. Factory B is certified by the ICTI. However, there are certain areas in which the ICTI code is weaker than the ETI Code adopted by LOCOG. There is no reference to a living wage, or any attempt to define wages in relation to workers' basic needs. The code only states that wages should comply with the minimum. On freedom of association the ICTI code does not recognise the right to bargain collectively (ILO 98), and although it lists the ILO Convention on Freedom of Association (C87) in its list of principles, its code of business practice simply mentions the right to be represented and not to organise. No detail or information is given on what constitutes acceptable standards of employee representation, which renders the commitment relatively useless. There are no provisions concerning the use of temporary or fixed-term contracts or on precarious work in general. The audit system used by ICTI to monitor compliance with the code is weak. The factory itself commissions the audit from a list of authorised auditors and uses the audit information to apply for certification. Some spot check audits are carried out, but this is not common. The inspections are carried out a minimum of once a year.

The investigation into Factory B was made possible after Golden Bear agreed to share its supplier list with the Trades Union Congress (TUC) to enable external investigations into working conditions to take place. The list was only to be shared with our research partners, so the factory name will remain anonymous in this report. Discussions regarding these findings and possible steps to improve conditions are on-going with Golden Bear Toys. Golden Bear is to be commended for its openness, and we hope it continues negotiations with Play Fair and its partners to improve conditions at this factory.



## FINDINGS: Sustainable Sourcing Code Violated at Every Level

The LOCOG Sourcing Code uses the standards laid out in the Ethical Trading Initiative Base Code, which includes reference to the Core Labour Standards set by the International Labour Organisation (ILO). The code itself contains nine core standards, which according to LOCOG, its licensees are contractually obliged to implement in their supplier factories. These nine standards include a number of different clauses, which specify key issues that should be addressed.

Play Fair decided to use this research to compare actual working conditions found in the two factories against the standards that LOCOG states are being upheld in its supplier factories. We found clear breaches under each of the nine code areas.

### EMPLOYMENT NOT FREELY CHOSEN

Although no forced labour<sup>39</sup> was discovered in either factory, serious violations of the freedom for workers to leave employment were uncovered in both. This is covered by the provision 1 of the ETI Base Code (see box). In Factory A, workers were able to resign, but the procedures were found to be so complicated that workers often gave up. An employee is first required to inform their immediate supervisor that they wish to resign and explain why, then take a form to be signed by the head of the department, the manager and finally the factory chief. Workers reported that the supervisor often refused to approve resignations, meaning the worker was often forced to leave without following the formal process and as a consequence, lost one month's salary. In Factory B, workers were prohibited from leaving their employment during the term of the contract for any reason. Most regular workers were employed on a five-year contract. Any worker who did leave within this time was required to pay compensation to the factory for breach of contract.

#### ETI Base Code Provision 1: Employment is freely chosen

1.2 Workers are not required to lodge "deposits" or their identity papers with their employer and are free to leave their employer after reasonable notice.

According to Chinese law also, workers should be able to resign from employment, without penalty, provided they give thirty days' notice to their employer.

### UNION RIGHTS IGNORED

China doesn't permit genuine freedom of association. Where legal restrictions on freedom of association exist, the ETI Base Code allows for the use of parallel means. This can take the form of, for example, a workers' committee or, in the case of China, a factory level branch of the ACFTU. In order to fulfil the criteria for representation, these committees must be elected by the workforce through free and confidential elections, the committee must not suffer interference from management, and must have a clear mandate to represent workers.

In both factories this right was found to be violated.

There was no ACFTU branch or workers' committee at Factory A. Most of the workers did not know what a union was and were largely unaware of their basic workplace rights or the possibility of collective action to resolve workplace issues. When they did have grievances, they usually talked to their immediate supervisors. There was no guarantee that their issues would be addressed. According to the factory rules posted on the notice board, any worker suspected of inciting a work stoppage or strike would be dismissed.

There was a workers' committee at Factory B, but the five members were appointed by the management and none of the workers interviewed knew who they were. In general, workers thought the committee had simply been established for the purposes of audits and as such had never used it to raise issues. Most stated that they took any issues directly to their supervisors or to the human resources department. Article 84 (4) and (10) of the employees' handbook for this factory states that any worker who incites others to go on strike or work idling, or participates in a strike or work idling, will be sacked without severance pay.

#### ETI Base Code Provision 2: Freedom of association and the right to collective bargaining are respected

2.4 Where the right to freedom of association and collective bargaining is restricted under law, the employer facilitates, and does not hinder, the development of parallel means for independent and free association and bargaining.

### WORKING CONDITIONS UNSAFE AND UNHYGENIC

#### Health and Safety Inadequate

In Factory A, workers have to use a wide range of potentially toxic chemicals, and the systems around the use of these were found to be woefully inadequate and put workers at risk.

The chemicals were not labelled with safe usage instructions or with information on potential harms. In many cases they were not marked with the name of the chemical and were simply labelled in regard to purpose (e.g. paint-removing water). Some of the chemicals such as ammonium persulfate and nitric acid were exposed to air, and the printing department in particular had a strong smell of paint and other chemicals. Workers stated that the smell was irritating, but that they eventually became accustomed to it.

Protective equipment provided was also inadequate. The only personal protective equipment (PPE) provided to workers at Factory A was surgical masks, but workers were skeptical that these provided protection, particularly from the metal dust that they are constantly exposed to. Workers said they felt they were breathing in a lot of dust and that their hands were always covered with it. One worker reported getting his fingers caught in a machine, which was not equipped with any safety devices. Others stated that a number of workers suffered from zinc burns, resulting from the high speed at which they needed to work. Although gloves were available to workers, wearing them slowed down their work and, as most workers are paid for each piece they produce, this resulted in less pay.

In Factory B, workers were provided with a greater range of PPE, including cotton masks, earplugs, gloves and hats. However, given the discomfort and inconvenience of using them, most workers didn't use the equipment, apart from the hats, unless auditors were visiting. At these times the wearing of PPE was compulsory. Workers were provided with stools rather than chairs to sit on during their shift, and most complained of constant backache as a result.

**ETI Base Code Provision 3:  
Working conditions are safe and hygienic**

3.1 A safe and hygienic working environment shall be provided. Adequate steps shall be taken to prevent accidents and injury to health... by minimising, so far as is reasonably practicable, the causes of hazards inherent in the working environment.

3.2 Workers shall receive regular and recorded health and safety training, and such training shall be repeated for new or re-assigned workers.

3.3 Access to clean toilet facilities and to portable water, and, if appropriate, sanitary facilities for food storage shall be provided.

3.4 Accommodation, where provided, shall be clean, safe, and meet the basic needs of the workers.

**Put to Work with No Training**

None of the workers in Factory A or B reported receiving health and safety training. Neither factory was conducting fire drills, nor did any of the workers interviewed know how to use the fire extinguishers. Workers in Factory B reported that a small fire had broken out in the factory and none of the workers present knew how to put it out. Luckily none of the workers were injured in this incident.

In Factory B, first aid kits were provided, with the contact name of the assigned first aider. The worker identified as the first aider stated he had received no training and knew nothing about delivering first aid. Senior workers were simply asked

to put their names on a list. At the time of the research at least one of the first aid boxes was totally empty. Workers report they were only filled prior to audits.

**Unhygienic Food**

*"The factory does not treat us as human beings. The food that we have is worse than the pigs'."*

The workers at Factory B stated that the kitchen conditions in the factory canteen were unhygienic. Workers were not obliged to eat in the factory, but in reality they had little option but to use the factory canteen as, aside from a small snack store in front of the factory, the nearest restaurant was a fifteen minute walk away. Workers had to pay 2.4 CNY (2p) for each meal, which rarely contained meat and which workers complained was poorly cooked and bad-tasting.

**Stuffy and Inadequate Dormitory Living Conditions**

Factory A provided optional dormitories for workers on site, but these were single-sex, and rooms for couples were generally occupied by management. The accommodation costs 60 CNY (£6) per month in a room for up to twelve people. Air-conditioning was installed, but was only on during the night time. Night shift workers complained it was too hot to sleep during the day.



**Factory A: Wang – Fined for Speaking Out on Overtime**

Wang is 29 years old and rents a small room outside the factory with his wife, who works in a different factory nearby. Their son lives with Wang's mother in their village, as they can't afford to keep him with them in the city. They miss him a lot and try to speak to him regularly by phone or instant messaging. They only have the chance to visit him once a year, during the Lunar New Year.

Wang feels that the wages they receive are too low and are getting worse. *"The inflation is soaring, why don't our wages increase as well?"* he said. He also complains that all the factories are cheating workers. For example, the job advertisement outside his factory states that the overtime premium is paid in accordance with law. Wang knows that this isn't true.

He recalls that the factory was very busy during the summer. One day he had been working all day long without a break. He was exhausted and expected to take some rest after the work shift ended. At about 5:30pm, the supervisor suddenly announced workers had to stay for an overtime shift. *"I am a gentle person, but I could not suppress my anger due to tiredness."* He complained to the supervisor and then they had a quarrel. He was fined for offending his supervisor. Although there is a price to pay for defying orders from the management, he felt he should try to voice his concerns.

He feels sad that the management does not show empathy towards their fellow migrant workers and tells us that some of the supervisors and management always scold the workers. *"Why can't the supervisors talk to us peacefully?"*

Although Wang thinks the working conditions in the factory are unsatisfactory, he is hesitating over resigning. After working for ten years, he knows that *"no good factory"* exists and has no idea how this could be changed. *"Sometimes I buy a lottery ticket and hope I get some luck,"* he says.

Dormitory accommodation for workers in Factory B was also available for 60 CNY (£6), in rooms sleeping twelve workers. No hot water was provided for showers, and workers needed to go and collect hot water from a different location. This was only available after 9pm in the evening. The communal toilet and bathroom were located in a public area, which didn't afford much privacy. One of the biggest concerns raised by workers was that there were no power points available in the dormitories, so workers were not able to charge their phones. This meant their phones needed to be handed to management for charging, which workers felt was an infringement of their privacy.

## CHILD LABOUR USED

During the research period three under-age workers were being employed in Factory A, two boys and one girl, all aged 15. Other workers confirmed that under-age workers were often employed in the summer, and could be identified by how young they looked. Two of the under-age workers identified by researchers were temporary workers; the third was working long-term at the factory. Workers told researchers that any young-looking workers were asked to leave the factory during audit visits, suggesting that management were aware that they were employing under-age workers. No child labour was identified in Factory B.

### ETI Base Code Provision 4: Child labour shall not be used

According to Chinese law also, children under the age of sixteen should not be employed in full-time work.

## WAGES ILLEGALLY LOW OR INSUFFICIENT TO PROVIDE A LIVING WAGE

Wages in Factories A and B were found to be too low. Workers complained of employment conditions being deceptive and not explained, social security not paid, and deductions and fines being taken from pay packets.

The minimum wage in the area where Factory A is situated in 950 CNY (£97) per month, and 1100 CNY (£113) per month in Factory B. In both cases this should be earned before overtime or any bonuses. According to the ETI Code, wages in all cases should provide for a living wage. The minimum wage, which was the wage being received by most workers, is significantly below living-wage levels for the region, estimated to be around 2000 (£205) – 2500 CNY (£256).

In Factory A, probationary workers, employed on an hourly rate, all received around 950 CNY (£97) per month. Once the probation period of one month ended, workers were put on to piece rate and given a basic monthly salary of between 1000 (£102) and 1250 CNY (£128). The actual take-home salary of workers interviewed for the research ranged from 1300 CNY (£133) to 2900 CNY (£297) per month, with variations dependent on the overtime hours and productivity of the workers.

In Factory B, worker contracts stated that the basic salary was 1100 CNY (£133), equivalent to the local legal minimum. However, the basic wage levels (before overtime) of permanent production workers ranged from 900 CNY (£92) to 1500 CNY (£154), meaning a number were being paid below the legal minimum.

All temporary workers were being employed on an hourly wage which was illegally low. To comply with the minimum wage legislation, workers paid on a daily rate should receive 6.32 CNY (6p) per hour. At Factory B workers were being paid only 5 CNY (5p) (or 40 CNY/day (£4)).

Average monthly wages including overtime and bonuses varied significantly depending on the department workers were employed in. In the cloth-cutting, sewing, stitching and stuffing departments, workers were paid at piece rate and during peak season the skilled workers could earn between 2800 (£287)-3300 CNY (£338). Assembly workers and warehouse workers, who were both paid on a time rate, could earn 1700 (£174)-1900 CNY (£194) and 1400 (£143)-2000 CNY (£205) respectively.

### Factory A: Liang – Working in Poverty

Liang is eighteen years old and comes from the Guizhou province. Liang was a good student and had hoped to go to university, but before finishing high school his parents ran out of money and could no longer afford the tuition. At 16 Liang made the hard decision to leave school and look for a job in Guangdong province. He hoped to earn enough money to help his parents improve their house and farm and to take them to see different places in China.

Factory A is the third job Liang has had in the last two years. He now realises that working in a factory is never going to be a solution for his family's poverty. In the past two months, Liang's monthly salary has never been more than 1700 CNY (£174). Liang knows the factory is violating labour law, especially on wages, but is planning to stay in the job, at least for the next few months. *"Every factory is the same. Even though the basic salary in Shenzhen is higher, the living cost is higher as well. As workers, we are destined to suffer from hardship."* He is worried about the chemicals they have to use, but thinks it shouldn't affect his health if he doesn't stay for longer than a year.

Liang is not interested in learning about labour law. He does not trust the government to defend the rights of the workers, as he heard that workers had been arrested for expressing their grievances to the government. *"The business laws are stronger than the labour laws in my opinion,"* he said.

Liang feels his only way out is to start his own business. He did start learning about computers and even opened his own online shop, but couldn't save the money he needed to get it started. He is now thinking about learning how to be a barber and opening his own shop, but needs to save money to do this. *"If I start my own business, I must comply with the laws. And I will donate money for education for poor children,"* he says.

### Benefits Deceptive or Unpaid

Chinese labour law stipulates that all workers are entitled to social insurance benefits, including pensions, work-related injury insurance and medical insurance. Yet, this was being violated on some level in both factories.

#### ETI Base Code Provision 5: Living wages are paid

5.... Wages and benefits paid for a standard working week meet, at a minimum, national legal standards or industry benchmark standards, whichever is higher. In any event wages should always be enough to meet basic needs and to provide some discretionary income.

5.2 All workers shall be provided with written and understandable information about their employment conditions in respect to wages before they enter employment and about the particulars of their wages for the pay period concerned each time that they are paid.

5.3 Deductions from wages as a disciplinary measure shall not be permitted nor shall any deductions from wages not provided for by national law be permitted without the expressed permission of the worker concerned....

According to Chinese labour law, workers and their employers should also be paying contributions to a social security scheme and all workers should be entitled to both holiday and sick pay.

During interviews many workers employed at Factory A stated that they were protected by social insurance but had no idea how much either they or their employer paid. Further research confirmed that in reality only a small proportion of workers were enrolled in the scheme, and most workers didn't really understand what the scheme was for. In Factory B, social insurance was only being paid for workers over 30, which meant the majority of the workforce was excluded.

Article 24 of the Regulation of Guangdong Province on Payment of Wages states that wages for sick leave should not be less than 80% of the local minimum wage level. In Factory

A workers told us that it was easy to get leave due to illness, but that sick leave was unpaid.

### Payslips Late or Non-existent

*"I don't know how to calculate my wages. My basic salary should be 1100 CNY (£113) as written on the contract. Later on, I found my actual basic wage is 1000 CNY (£102)."* - Worker in Factory B.

Pay slips should document the composition of the salary received by workers with clear breakdown of the basic salary, overtime premium, bonuses, allowances and deductions. Article 17 of the Regulation of Guangdong Province on the Payment of Wages stipulates that all employers should provide wage slips to employees. Article 50 of the labour law states that wages should be paid on monthly basis and the payment cannot be delayed without reason.

Workers in Factory A were provided with a pay slip, but with most workers being employed on piece rates and the number of overtime hours varying greatly, few could explain how their wages were calculated. Workers also complained that their wages were always paid a month late. Workers in Factory B were not given a payslip, and most stated that they had no idea how the wages were calculated. Here too workers were paid on the 25<sup>th</sup> of the month, but payment was often withheld for a month.

### Employment Contracts Not Provided

The labour contract is a fundamental protection for workers, which spells out the rights and obligations of both employer and employee. In case there is a labour dispute, the contract is essential evidence of an employment relationship. Workers at Factory A were asked to sign two copies of the contract when they started work there, but most workers were not provided with a copy. A number of workers told researchers that they didn't even have the chance to read through the contract prior to signing it. Workers at Factory B signed a five-year contract and were provided with a copy that states the terms and conditions. However, workers complained that the actual wages received were lower than the wages stated in their contract.

### Factory B: Chen – A Family Separated Through Poverty

Chen is thirty years old, and she has been working at Factory B for two years. Employed in the sewing department, she earns a monthly wage of about 2000 CNY (£204). When there are a lot of orders, she can earn up to 2800 CNY (£287) per month. Like the other sewing workers, Chen is paid per piece she produces and works hard in order to earn a higher salary. She says she feels like a machine. Although she can take a break, it means she will earn less if she is away from her position for long. She suffers from backache for sitting on a stool for ten hours a day. She is not protected by the social insurance. If she falls sick, even because of her work, she has to pay the medical fee on her own.

Chen started to work in the city in 1998. In the early days, she was proud to be able to improve the living standard of her family. She was able to buy a television for home after working for a year, and renovated her house three years after that. But after her father left his job in a mine, Chen had to work harder to support her family. She realised the life of a migrant worker is hard. Chen has given up on her dream to start her own small business – she knows she will never earn enough for that.

Chen is married and has a daughter. Because they are migrant workers, Chen's daughter is not able to get free education, and her mother cannot afford to pay. So now Chen's daughter lives with her parents-in-law in their village. When Chen sees other families in Foshan taking their children to fast food restaurants or buying them new clothes, she feels sad that she cannot afford the same for her daughter.

Chen says does not care much about the Olympic Games. The only reason she and her colleagues work so hard is because they need to earn more money. She hopes the piece rate can be raised so they do not have to feel so stressed. More importantly, if her salary increased, she could bring her daughter to live with her and her husband in Foshan.



### Workers Illegally Fined

In Factory A, workers complained about the long list of rules that they had to abide by in the factory. Over the summer the factory posted a list of “merits and demerits” or rewards and punishments which resulted in workers being given bonuses or, more often, deductions from their wages for certain behaviour. Fines ranged from 20 (£2) to 200 CNY (£20) depending on the “seriousness” of the offence. For example, being late by less than ten minutes resulted in a 20 CNY (£2) fine, failure to complete a task resulted in a 50 CNY (£5) fine, sleeping outside the dormitory without permission costs the worker 100 CNY (£10) and being “slack” in work without efforts to improve or taking a day leave without permission can result in a 200 CNY (£20) deduction. A number of workers did state they had also received bonuses for good work. There was no evidence of a fines system in operation in Factory B.

### WORKING HOURS EXCESSIVE

Working hours in both factories were reported to be excessive and in contravention of national laws as well as the ETI Base Code provisions.

In Factory A, the normal working day started at 8am and

ended at 9pm or 10pm. Workers were given two hours for lunch and an hour for dinner. In some departments, workers stayed until 11pm on a regular basis, and at least one worker in the polishing department had to work a 24-hour shift each Wednesday. Workers employed in the polishing department rarely got more than one to two days off per month. During high production periods, workers reported 24-hour shifts becoming more commonplace, particularly in the printing department. Other workers took on double shifts, working from 8am to 6pm and then 10pm until 8am the next day.

In Factory B, workers started their shift at 8am but were required to enter the factory 15 minutes early in order to register attendance. Their normal shift finished at 6.30pm, but workers normally returned for a further three hours work once dinner had been eaten. They were also obliged to complete a six-day week.

### Overtime up to Four Times the Legal Limit

Given the regular shift patterns, most workers at Factory A were

#### ETI Base Code Provision 6: Working hours are not excessive

6.1 Working hours comply with national laws and benchmark industry standards, whichever affords greater protection.

6.2 In any event, workers shall not on a regular basis be required to work in excess of 48 hours per week and shall be provided with at least one day off for every seven-day period on average. Overtime shall be voluntary, shall not exceed twelve hours per week, shall not be demanded on a regular basis and shall always be compensated at a premium rate.

Chinese Labour Law states that a standard working week should be 40 hours and that workers should be given a minimum of one rest day a week. Any overtime should be voluntary and should not exceed 36.

### Factory B: Zhang: Factory Inspections Are Bogus

Zhang is twenty-eight years old. She has been working in the plastic injection department in factory B for eight months and before that had worked in several factories in Shenzhen.

She is paid by piece rate, and in the low season, her monthly wage is between 1500-1800CNY (£154-£184). When there are lots of orders, she can earn about 2500 CNY (£256). She has two children who live in her home village, and most of her salary gets sent back to her family. She doesn't have much chance to save and stays in her room on her days off to avoid spending money. In the peak season, Zhang does between two to four hours overtime per day. When she leaves the factory, it is late at night. It is very dark on the road and she worries about her safety.

In the plastic injection department, she has to operate machines and deal with chemicals. Sometimes she has to use thinner to clean the oil off the products. Zhang complains that she suffers from a rash and skin allergy as a result. She does not have social insurance and has to go to the human resources department to get medicine. The machines are noisy. Although earplugs are provided, she does not feel they are protective enough. She believes her hearing will deteriorate if she continues to work at the factory. Other protective equipment like gloves and masks are provided, but only every three or four days. It is only used when the inspectors come.

The price she gets for Olympics products and other products are the same, but the standards are much stricter. Zhang feels paralyzed by doing such monotonous work every second, every minute, but does not dare to slow down because she is paid by piece rate. “I hope the Olympic Games Committee can tell us how much a plush toy is sold for and gives us a fair unit price,” she exclaimed.

Zhang says the factory inspections do not reveal the reality in the factory. The factory does not allow workers to tell the truth to the auditors. Many workers in the factory are middle-aged. They are afraid they would be sacked if they told the truth. “Consumers may feel the Olympics mascots are fun and cute, they will never think of the hard work, low wage and bad food we have in the factory,” she said. Zhang planned to resign before the Chinese New Year.

completing between eighty to one hundred hours per month in overtime work, between two or three times the legal limit. This was more for workers who had to do overnight shifts. Overtime is not voluntary, and if workers don't want to work overtime, they need to seek permission from their supervisors. In Factory B, workers generally had to complete around twenty-four hours of overtime per week. When the mascot production first started, the factory had yet to hire more temporary workers, and overtime for May and June was up to one hundred and forty hours per month – four times the legal limit. During this time workers were told to sign a “voluntary pledge” in which they requested to be given more overtime. Signing the pledge was mandatory.

**Overtime Payment Illegally Low**

Article 44 of the Chinese labour law guarantees workers should earn 150% of the hourly wage for overtime in weekdays, 200% of the hourly wage for overtime in weekends, and 300% of the hourly wage on public holidays.

At Factory A, most workers were not able to say how much they were being paid for overtime. A number of probationary workers thought they are receiving 5 CNY (5p) per hour during the week and 6 CNY (6p) during the weekends. In violation of national laws, the factory did not count the first eight hours on Saturday as overtime, and the premium rate was only paid after the ninth hour. This premium was found to be well below the legally mandated standard, which should be at least 8.19 CNY (8p) for weekday overtime and 10.92 CNY (£1) for weekend. Workers at Factory B also didn't know how much they were paid for overtime work. Only one employee thought they knew the rate and stated it was about 6 CNY (6p) per hour. Based on the contracted hourly wage of workers, the overtime premium on weekdays, weekends and public holidays should be CNY 9.48 (9p), 12.64 (£1.30) and 18.96 CNY (£2) respectively.

**DISCRIMINATION PRACTISED**

The gender ratio in Factory A is about 50% male/female. The researchers told us that speaking to the female workers was particularly difficult; therefore, it was impossible to get information on gender-specific discrimination. Child-care services were available in Factory A, which is rare within private-sector companies. Workers stated that there were no pregnant women employed at the factory, so it was impossible to know whether maternity rights were properly implemented. In Factory A, around 30% of the workers were over the age of thirty; the majority were young, migrant workers aged between sixteen and twenty-five. Most of the migrant workers did not have the papers needed to access local services. In Factory B, younger workers were not provided with social security, and this benefit was only provided to workers over thirty. The temporary workers also tended to be migrant workers. Many of the regular workers came from the local area.

**ETI Base Code Provision 7:  
No discrimination is practised**

7.1 There is no discrimination in hiring, compensation, access to training, promotion, termination or retirement based on race, caste, national origin, religion, age, disability, gender, marital status, sexual orientation, union membership or political affiliation.

In both factories it is made clear to workers that anyone engaging in organising or trade union-type activities will be dismissed from the factory.

**TEMPORARY EMPLOYMENT RIFE**

In Factory A, workers are employed on a probationary period for the first month, then are made into regular workers. As most are not given a copy of their contract and have not read the terms of employment, workers are unclear how long their contracts are for. Some workers stated that their contract lasted for a year, and others stated they had three-year contracts. At the time of research, around thirty of the workers interviewed were employed as temporary workers. None of the workers interviewed for the research were employed on a permanent (non fixed-term) contract.

During periods of high orders, Factory B hires around three hundred temporary workers, more than doubling the regular workforce. A large number of these workers are students. Regular workers are all employed on fixed-term, five-year contracts. None of the workers interviewed were on a permanent, or non fixed-term contract.

In Factory A, temporary workers were employed on similar terms and conditions as regular workers but were not provided with a labour contract by the factory. Temporary workers at Factory B are employed on a daily wage, rather than a monthly or piece-rate wage, and earn 40 CNY (£4) per day, rather than the statutory minimum of 50 CNY (£5) per day. Temporary workers are also not provided with social security payments. Labour turnover is extremely high in Factory B.

**ETI Base Code Provision 8:  
Regular employment is provided**

8.1 To every extent possible work performed must be on the basis of recognised employment relationship established through national law and practice.

8.2 Obligations to employees under labour or social security laws and regulations arising from the regular employment relationship shall not be avoided through the use of labour-only contracting....

**HARSH AND INHUMANE TREATMENT**

According to workers in Factory A, the atmosphere and treatment of the workers is dependent on the attitude of their immediate supervisors. While some rarely scold, workers reported that others are constantly insulting them. If workers did argue with supervisors, this resulted in a “demerit” or fine. If workers needed to take a break, they were supposed to obtain an “off duty permit” from their supervisor; this was limited to ten workers at a time.

**ETI Base Code Provision 9:  
No harsh or inhumane treatment is allowed**

9.1 Physical abuse or discipline, the threat of physical abuse, sexual or other harassment and verbal abuse or other forms of intimidation shall be prohibited.

# Closing the Gap

The London Organising Committee of the Olympic Games and Paralympic Games states that the London Games are to be the most sustainable Games ever. So why is it still the case that workers in these supply chains continue to experience widespread abuse of their rights?

The fact is that the Olympic family is only just starting to take responsibility for its impact on the wider global community and LOCOG is building on what was an incredibly low standard to begin with. Although it has taken small steps in the right direction, none of them have been meaningful enough to really ensure respect for the fundamental labour rights of workers producing London 2012 licensed goods. Here we look at how LOCOG and others could have closed the gap between aspiration and reality.

## 1. Sustainable Sourcing Code of Conduct

The publication of labour standards that licensees and suppliers are expected to adhere to is an important first step, and the embedding of these standards as a contractual requirement helps to give proper weight to these standards. However, simply adopting a policy is not sufficient; for the code to be translated into reality, LOCOG needs to be much more proactive in its enforcement of the code. It is also important for LOCOG to be consistent in its approach. LOCOG has been willing to accept the use of other codes when proposed by its licensees, meaning that different standards are being used by different suppliers and industries. In the case of toys, LOCOG has agreed that it is acceptable for factories to be covered by the ICTI Code instead of the ETI Base Code, despite the fact the ICTI Code has lower standards than the ETI Code, particularly on living wage, temporary work and freedom of association.

Whatever code of conduct is used, it is only useful if it can actually be used by workers and their organisations as a tool to improve working conditions. An English-only document that workers never see is more or less useless. For the code of conduct to have any meaning, it needs to be posted in the factory, or given directly to workers, in the language that workers themselves speak. Workers also need to be provided

with information and training on what the standards mean for them and provided with methods for enforcing them, ideally through trade unions or, in the case of China, independent worker committees.

None of the workers interviewed for this research had ever seen a copy of the LOCOG Sustainable Sourcing Code or the ETI Base Code, and none had even heard of its existence. Hardly any of the workers interviewed were aware of what rights they were entitled to either under the LOCOG code, Chinese labour law or ILO conventions. In Factory A no mechanism for worker-led enforcement existed at all, and in Factory B the mechanism provided falls well below standards for genuine worker representation and provided no voice to workers.

## 2. Transparency and Disclosure of Production Locations

A core demand of the Play Fair campaign is for Organising Committees to publicly disclose the location of factories producing under licence. Play Fair acknowledges that transparency is not a magic bullet for addressing labour rights violations, yet if LOCOG supplier factories were publicly known, it would be far easier for trade unions, NGOs and other workers' organisations to use the LOCOG code to train and support workers, where there is capacity to do so. It also allows workers to find out who it is they are really producing for and get a better understanding of the supply chains they are in. Finally, it opens the supply chain up to public scrutiny, providing further pressure for improvements to be both made and maintained.

LOCOG has refused to take this step, arguing that "maintaining accurate and publicly accessible production details would be challenging due to the size and complexity of our supply chain".<sup>40</sup> In fact, publishing a publicly accessible database of promotional goods suppliers is not unheard of. The Workers Rights Consortium (WRC) in the US provides a mechanism for publishing supply chains for universities that have signed up to its code. This includes suppliers of mascots, cups, badges and caps. WRC was willing to offer advice on putting together a system and even met with LOCOG to discuss how the system operates. LOCOG never pursued this offer.

LOCOG also told us that the promotional goods industry would not be prepared to take this step. It is true that there is reluctance from the promotional goods industry in general to meet demands for more transparency, but it is not unheard of. In fact Hasbro, one of the world's leading toy manufacturers, published a list of its core suppliers early in 2011,<sup>41</sup> and the ICTI is encouraging its other members to do the same. Golden Bear did agree to provide the names of its supplier factory, although it needed to seek permission to ensure it didn't break LOCOG's own confidentiality clauses.

The strongest commitment LOCOG was prepared to make on transparency was to state that it encourages its suppliers to disclose production locations, but to date this encouragement has been limited to a statement on its website. LOCOG says it will also raise the issue at its supplier conference in early 2012,



but it remains to be seen. To overcome its reluctance to ask for full transparency, LOCOG has instead decided to compel its suppliers to sign up to a database system, SEDEX, as a way of ensuring all production locations are made known to LOCOG itself and to allow it to see previous audit reports of the facilities.

In fact, the use of SEDEX does little to address the issue of transparency, and even LOCOG admits SEDEX contributes more to efficient data management than to the enforcement of ethical standards. There is no facility for allowing workers or their organisations to provide information on the factories, and only companies who are members of SEDEX can access the information. For this reason Play Fair has continued to insist that membership of SEDEX does little to help improve labour rights on the ground and does nothing to address our core demand of transparency.

Play Fair feels that LOCOG remained unambitious in its approach to transparency. The Olympics is a huge and regular global event, which operates as a considerable consumer of promotional goods. John Hales, the managing director of Golden Bear, stated that the contract to supply Olympic mascots "...means a tremendous amount to us. It is without doubt the most prestigious contract we have ever received".<sup>42</sup> The Organising Committees could and should have used this influence to push the industry as a whole to take steps towards greater transparency. Had it done so, it would have rightly been able to claim credit for pushing towards more widespread change.

### 3. Beyond Auditing of Supplier Factories

The only ethical trade work LOCOG is planning to undertake in the countries where its goods are actually made is a programme of social auditing. Again, this is hardly groundbreaking. Big brands and retailers spend millions of pounds each year on audits, yet the change for workers has been extremely limited.<sup>43</sup> Play Fair urged LOCOG not to simply go down the well-trodden path of social auditing as a fix-all for ethical procurement for the Games, and to work instead towards effectively involving workers in the monitoring and remediation of supply chain issues. This call has gone largely unheeded, as LOCOG put auditing at the centre of its plans.

LOCOG has been slow to implement this strategy, despite simply adopting a system that adds nothing to industry standard. LOCOG was still in the process of selecting auditors in April 2011. Given that the list of approved auditors is being developed so late in the day, it's unlikely that any LOCOG approved audits have been carried out at Olympic mascot production sites. Production of these goods is now coming to an end, so even if such audits are carried out and done with the intention of improving conditions, they would have little meaning. LOCOG no longer has the same influence it would have had if this work had been done several years ago when the licences were being granted.

Even if LOCOG had carried out its programme of auditing in a timely and consistent manner, it is unlikely that this approach would have uncovered the workers' rights violations detailed here. Most audits last no more than a day and are almost always scheduled with the factory well in advance. Given

the frequency of audits, managers are adept at ensuring the factory passes any test. Workers are coached in the correct answers, toilets and floors are cleaned and any workers that shouldn't be there will be asked to leave for the day.

Workers at Factory A told our researchers that factory inspections take place almost twice a month conducted by different companies. Before the audit takes place, the management will ask the workers to put on the personal protective equipment and clean the factory. Any young-looking workers are sent out of the factory or to a different department. One worker was told: "In case someone interviews you, you should say there is no overtime work and you have two days off a week. If the auditor asks you other things, you just have to say you are new and do not know the situation well". In Factory B, workers report that they are given notice prior to any inspection and all workers are asked to prepare. First aid kits are filled, and wearing protective equipment becomes compulsory. Workers attend training at the beginning of their employment, which includes what answers to give during any inspection. Workers who give the "correct" answers are rewarded with a 300 CNY (£31) bonus.



Our researchers found that standard answers were common throughout the off-site interviews they conducted. This raised their suspicions of audit coaching, and they had to ask more detailed questions to understand the real situation. However, a normal auditor doesn't have the time to do this and often lacks the experience to judge if workers have been coached or paperwork has been falsified.

Finally, an audit is no more than a check carried out on specific conditions at a given time. Even if workers do speak out, auditors do their job properly and violations are reported, change doesn't automatically follow. This requires adequate and systematic follow-up. Without this later checks are just as likely to mean more effective audit fraud than real, sustainable change. Workers interviewed for the report stated they had no faith in the audit system and without the trust that speaking out would result in real change, they were not willing to take the risk.

If LOCOG and other Olympic organisations really want to find out what conditions are like in factories, they need to make strong links with trade unions and worker organisations on the ground, who workers know and trust. They need to be clear

that they are serious about supporting long-term change, are interested in more than simply “risk management” and are prepared to do more than simply drop suppliers when violations are uncovered.

#### 4. Complaints Mechanism

Another Play Fair demand was for LOCOG to establish a complaints mechanism, which would enable workers and their organisations to demand resolution and redress for workers' rights violations in LOCOG supply chains. This is one area in which LOCOG has gone beyond normal practice. The mechanism it has developed is based on UN Principles and includes the engagement of an independent stakeholder committee to oversee the process. However, it falls short of best practice established by the UN in its failure to provide workers with meaningful access to it.

Although the mechanism is now live, the only promotion of the code has been its publication, in English, on the LOCOG website. Unless workers are already aware that the mechanism exists, they are unlikely to find it, hidden away on the “sustainability” pages under a list of documents. Communication with licensees about the mechanism has been unclear and inadequate, and many have only recently realised that the complaints mechanism was supposed to be sent to factories. Even if this is clarified now, by the time it is sent to supplier factories, translated and circulated to workers, production may be coming to an end and the workers will no longer be covered by the mechanism.

None of the workers we spoke to had ever heard of the complaints mechanism and didn't have any idea what it was for. This is not surprising. For a complaints process to have impact on working conditions, the mechanism and its purpose needs to be fully explained to all of those who may wish to use it or who are being asked to participate in its promotion and implementation. It also needs to be translated into languages relevant to the workforce it aims to reach. LOCOG needed to engage local organisations that are in contact with workers and involve them in delivering training and support in using the mechanism. To date we understand that no complaint has so far been made to LOCOG in regard to working conditions. Given the findings of our research, it seems unlikely to be because there are no complaints to make.

#### 5. Oversight

The addition of the Commission for a Sustainable London 2012 to the 2012 family is to be welcomed. Throughout the period of the Games preparation, it has ensured that sustainability commitments have not been ignored as time and money pressure builds. Still, it remains unclear the extent to which CSL is really able to influence LOCOG's actions and whether its remit includes pushing the Olympic delivery bodies to go beyond their comfort zone in regard to sustainability.

In 2011 CSL produced a “snapshot” report of the procurement of merchandising. The report concluded that LOCOG needed to make greater efforts towards transparency and needed to do more to promote the complaints mechanism to those who might wish to use it. These conclusions reflect some of our

criticisms of LOCOG's efforts. However, the report itself gives little detail on what has really been achieved and the extent to which this has really made a difference to the women and men who are expected to benefit.

According to CSL the information for the report was gathered from a series of presentations by the London Organising Committee of the Olympic Games and Paralympic Games' (LOCOG) commercial and sustainability teams over the course of one day, with subsequent follow-up between the Commission and key individuals, as well as discussions with wider stakeholders. They also read a selection of supplier audit reports. CSL's methodology does not however include efforts to interview local groups where production is actually happening and does not appear to have included much consultation with either licensee holders or suppliers themselves.

An oversight body is clearly needed, but it needs to have the capacity and the remit to actually verify the claims being made by the Olympic bodies and the teeth to push through changes that are being resisted by the Olympic organisers.

#### 6. Legacy

LOCOG has always maintained that the temporary nature (it will cease existence within a year of the Games ending) restricts its ability to really make a difference in this area. Play Fair does recognise that a short-term organisation faces limitations in what it can do to challenge and improve on the endemic labour rights violations faced by workers in the promotional goods and sportswear industries, although we believe that LOCOG could and should have gone further in pushing best practice.

These limitations do point to the vital role of the IOC in taking more of a leadership role in promoting respect for workers' rights. Once LOCOG closes, if the information gathered and lessons learned from the London Olympics are not systematically passed on to the Rio Organising Committee (ROCOG), the Rio Games organisers may essentially start from scratch and will work to their own set of priorities and objectives. This won't necessarily include a strong commitment to sustainability. Even if it does, it will suffer the same limitations as LOCOG and may fail to develop the appropriate strategies prior to the point of greatest leverage. If the IOC took on developing standard practice that all organising committees needed to adhere to, it would provide a real incentive for suppliers to shape up and engage in a competition to raise the bar on workers' rights.



# Recommendations

The findings in this report are worrying – poverty pay, serious health and safety risks, union rights disregarded, lack of contracts, child labour, illegal fining and low wages. LOCOG's Sustainable Sourcing Code and the ETI Base Code on which it is based were found to be violated on every point. This cannot be easily explained away.

Yet these conditions are common in the sportswear, toy, and electronics goods supply chains. The working conditions we have highlighted in these factories producing Olympic branded goods are no different from those which prevail in the many thousands of workplaces scattered throughout China. This state of affairs is a call to action for Olympic procurement teams, and licensees, to ensure that the standards they endorse are implemented. This won't happen without work to ensure these standards are actively promoted and enforced.

The Olympic Games is both a symbolic and a practical opportunity to ensure that these global sporting Games live up to the ideals enshrined in the Olympic Charter and that people who enjoy the Games can be sure that the souvenirs and garments they wear are produced in factories where basic human dignity and labour rights are respected. Sporting bodies, such as the International Olympic Committee, through its sponsorship and licensing arrangements, and the industries that provide promotional goods, souvenirs, sportswear, athletic footwear and other sporting goods should take far greater responsibility for labour practices than they do now.

The Olympic committees and the licensees that win their contracts must take responsibility for ensuring that working conditions are fair. Action needs to come from the top, with a clear indication from the IOC that workers are not to be abused in the race to make goods for the Games. National Organising Committees also have an influential role to play in standing behind internationally-recognised labour standards and human rights and building these into contractual agreements. Licensees too must work with their supplier factories to monitor and implement programmes to improve rights and conditions in all their suppliers. This is not a tick box game, but one that takes long-term commitment and perseverance – traits which any athlete will know are what make for success.

## Play Fair calls on the following organisations to:

### International Olympic Committee:

- Publicly acknowledge the need to end the exploitation and abuse of workers involved in the sportswear, athletic footwear and promotional goods industries.
- Include the principle of respect for workers' rights in the Olympic Charter and IOC Code of Ethics.
- Make the ratification and application of international labour standards an important consideration in host country selection.
- Oblige National Organising Committees to require internationally-recognised labour standards are upheld

by any companies providing goods and services to the Games.

- Facilitate sharing of learning on sustainability and ethics between National Organising Committees so that best practice is built from Games to Games.
- Oversee a complaints mechanism that can be used by any workers and their trade unions involved in the provision of goods and services to any Olympic Games.

### National Organising Committees of the Olympic Games (including LOCOG)

- Ensure contracts with licensees and sponsors of the Games include legal obligations to meet internationally-recognised labour standards and take proactive steps to monitor and remediate violations of these.
- Publicly disclose the location of sites producing goods for the Olympic Games, and ensure that the requirement to publicly disclose all production sites is built into contracts with licensees.
- Work with licensees to investigate and remediate the violations uncovered in production settings. Publicly report on progress.
- Ensure that information in regard to sourcing codes and complaints mechanisms are translated into local languages, and information on their meaning and use is accessible.
- Work with trade unions and local labour rights groups to provide training and awareness of codes of conduct and complaints mechanisms in all factories associated with Olympic production.

### Olympic Licensees

- Make a public commitment to respect internationally-recognised labour standards for all workers in their supply chains.
- Include in their contracts with suppliers a requirement to comply with internationally-recognised labour standards.
- Work with their suppliers and trade unions to ensure implementation of internationally-recognised labour standards and to resolve any violations.
- Commit to ensuring that all workers making their products are paid a living wage.
- Support the creation of a positive climate where workers are free to organise and join trade unions.
- Eliminate the use of short-term contracts and provide job security.
- Build long-term relationships with supplier factories.

## What Should Happen Next?

As a result of this report, LOCOG should ensure that the violations raised are investigated, and findings immediately and appropriately rectified. Work to improve conditions in these facilities should include collaborative efforts made to involve local workers' rights groups and Play Fair campaign representatives. The IOC and future organising committees should also make sure that all future audits of facilities producing Olympic-branded goods are carried out in a manner that is likely to reveal the true situation on the factory floor – unannounced, and including interviews with workers off-site where they feel able to disclose information. Strategies must

also be developed that go beyond auditing and start addressing the root causes of workers' rights violations. All of these actions must be reported on publicly.

Finally, the IOC must accept responsibility for ensuring labour standards are respected wherever workers are employed in production and services for the Olympic Games. The IOC has now included labour rights in the selection criteria for future Olympics host cities. This is a positive step, but labour rights concerns in already-selected host cities must also be addressed, and a more comprehensive approach for ensuring respect for human rights and labour standards across the Olympic family must be developed.

- 1 <http://www.independent.co.uk/news/business/analysis-and-features/going-for-gold-the-2012-olympic-merchandisers-2233453.html>
- 2 London 2012 Sustainability Report: A blueprint for change, April 2011
- 3 Fundamental principles, Olympic Charter (2011), p10. [www.olympic.org/Documents/olympic\\_charter\\_en.pdf](http://www.olympic.org/Documents/olympic_charter_en.pdf)
- 4 <http://www.london2012.com/about-us/the-people-delivering-the-games/the-london-organising-committee/>
- 5 For a full list of demands see [http://www.Play Fair2012.org.uk/what-we-want/from-the-ioc/](http://www.PlayFair2012.org.uk/what-we-want/from-the-ioc/)
- 6 See [http://www.playfair2008.org/index3233.html?option=com\\_content&task=view&id=123&Itemid=43](http://www.playfair2008.org/index3233.html?option=com_content&task=view&id=123&Itemid=43)
- 7 [http://www.ilo.org/global/about-the-ilo/press-and-media-centre/news/WCMS\\_007993/lang-en/index.htm](http://www.ilo.org/global/about-the-ilo/press-and-media-centre/news/WCMS_007993/lang-en/index.htm)
- 8 <http://www.london2012.com/documents/sustainability/london-2012-sustainability-report-a-blueprint-for-change.pdf>
- 9 <http://www.cslondon.org>
- 10 London Olympic Bid and WWF, "Towards a One Planet Olympics" (2005) p5
- 11 London Organising Committee is responsible for delivering the Games. The Olympic Delivery Authority is responsible for staging and infrastructure. Sustainability commitments apply to both.
- 12 <http://www.cslondon.org/about/>
- 13 LOCOG "Blueprint for Change," Sustainability Report, (2011) p61
- 14 LOCOG "Blueprint for Change," Sustainability Report, (2011) p59
- 15 See <http://www.ethicaltrade.org/eti-base-code>
- 16 LOCOG, Sustainability Report, (Summer 2011) P6
- 17 <http://www.google.com/hostednews/afp/article/ALeqM5hs6lMonB70QER8hngleFPHLXwnyA?docId=CNG.9cac656ee218c88029a4490458898142.391>
- 18 <http://www.google.com/hostednews/afp/article/ALeqM5hs6lMonB70QER8hngleFPHLXwnyA?docId=CNG.9cac656ee218c88029a4490458898142.391>
- 19 Labour Behind the Label, Briefing on the Chinese garment industry, February 2007
- 20 Article 11, China Trade Union Law, quoted in ITUC report to WTO General Council, May 2010
- 21 ITUC, Internationally Recognised Core Labour Standards in the People's Republic of China, Report to WTO General Council Review, May 2010 p3
- 22 A living wage is defined as a wage which is sufficient to provide for the basic needs of workers and allow for a discretionary income.
- 23 Fair Wear Foundation Study on Wages in China (2010) p7
- 24 Fair Wear Foundation Study on Wages in China (2010) p1
- 25 Article 50 PRC Labour Law (1994)
- 26 Article 38 PRC Labour Law (1994)
- 27 Article 41 PRC Labour Law (1994)
- 28 Article 44 PRC Labour Law (1994)
- 29 ITUC, Internationally Recognised Core Labour Standards in the People's Republic of China, Report to WTO General Council Review, May 2010 p4
- 30 Article 16, PRC Labour Contract Law (2008)
- 31 ITUC, Internationally Recognised Core Labour Standards in the People's Republic of China, Report to WTO General Council Review, May 2010 (p8)
- 32 ITUC, Internationally Recognised Core Labour Standards in the People's Republic of China, Report to WTO General Council Review, May 2010 (p8)
- 33 ITUC, Internationally Recognised Core Labour Standards in the People's Republic of China, Report to WTO General Council Review, May 2010 (p10)
- 34 [http://www.insidethegames.biz/index.php?option=com\\_content&view=article&id=6276:exclusive-london-2012-defends-award-of-multi-million-pound-contract-to-china&catid=81:archive-news&Itemid=1](http://www.insidethegames.biz/index.php?option=com_content&view=article&id=6276:exclusive-london-2012-defends-award-of-multi-million-pound-contract-to-china&catid=81:archive-news&Itemid=1)
- 35 <http://www.the2012londonolympics.com/forum/business-london-2012-olympics/11008-london-2012-defends-award-multi-million-pound-contract-china-print.html>
- 36 <http://www.greenwisebusiness.co.uk/news/london-2012-smes-help-deliver-sustainability-goals-1879.aspx>
- 37 <http://www.greenwisebusiness.co.uk/news/london-2012-smes-help-deliver-sustainability-goals-1879.aspx>
- 38 <http://www.icti-care.org/foundation.html>
- 39 The ILO Forced Labour Convention (No.29) defines forced or bonded labour as 'all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily'.
- 40 Blueprint for change report: p66
- 41 [http://csr.hasbro.com/downloads/Hasbro\\_factories.pdf](http://csr.hasbro.com/downloads/Hasbro_factories.pdf)
- 42 <http://www.shropshirestar.com/business/shropshire-business/2010/08/17/shropshires-2012-olympic-games-toymaker-signs-deal/>
- 43 <http://www.ethicaltrade.org/news-and-events/blog/stuart-bell/what-next-for-audit>

# Research Methodology

The research data was collected through a combination of undercover studies carried out by researchers who worked in each factory during the research period and off-site interviews with workers after hours.

**Factory A** was identified as an Olympic production site through publicly available information stating that Honav had been granted the licence for 2012 badge production. The factory is one of Honav's main suppliers, specialises in this kind of badge production. This was confirmed through research at the factory site earlier in 2011. **Factory B** was identified through the list provided by Golden Bear (see "licensees").

Play Fair researchers worked in both factories for up to two months during the period of LOCOG production and observed and documented working conditions at each. Further research was undertaken through off-site interviews with workers.

This methodology presented a number of challenges. Both factories are located outside the main industrial areas, with little community outside. This meant that strangers were easily identified. Even inside the factory, workers are warned against speaking to new workers or workers that are unknown to them or to management.

Workers themselves have very limited free time and mostly stay within the factory compound. In both factories workers had been warned off from speaking to outsiders, and researchers felt many had been coached to answer any questions that may be asked of them. These factors made getting accurate information difficult, particularly from female workers, and the findings here might not be comprehensive in regard to labour rights breaches. However, researchers were able to interview a total of seventy workers across the two sites as part of the off-site interviews.



[www.play-fair.org](http://www.play-fair.org)



[www.playfair2012.org.uk](http://www.playfair2012.org.uk)