



## **ICTI CARE response to China Labor Watch Report: Investigation of worker strike at Jet Fair Industrial Limited (Jingyu Toy Products)**

### **Introduction**

As the leading standards setting organization and ethical manufacturing certification program for the global toy industry supply chain, the ICTI CARE Foundation (ICTI CARE) sees the fair and humane treatment of factory workers as a top priority.

ICTI CARE recently became aware of a report published by China Labor Watch (CLW) accusing Jet Fair Industrial Limited (Jingyu Toy Products) - an ICTI CARE Program (ICP) certified toy manufacturer – of various issues relating to poor labor standards.

ICTI CARE is committed to working with a broad range of stakeholders as part of our work to protect labor standards in global supply chains. Where allegations are made against ICP certified manufacturers we have robust procedures in place to follow up and investigate.

This report details the findings of our own investigation into CLW’s accusations of unfair labor practices at Jet Fair Industrial Limited.

Where appropriate, recommendations for next steps are included.

### **Investigation**

CLW issued a report [‘Follow-up Investigation of Worker Strike at Jingyu Toy Products’](#) on 21 July 2015, related to a strike which took place at Jet Fair Industrial Ltd (named: Jingyu Toy Products in the report) in Shenzhen, China.

Having reviewed the CLW report we have identified seven allegations made against Jet Fair Industrial Ltd. ICTI CARE has made repeated attempts to contact CLW to seek further clarification on various aspects of the allegations contained within their report. They have not provided any opportunity to discuss this report or the allegations it contains.

Subsequent to the publication of CLW report, we immediately began our own comprehensive investigation into each of these allegations, including an unannounced visit to the factory.

Our investigation team comprised of senior ICTI CARE staff members and also brands who are participants in the ICP program, whom we invited along to observe the investigation to ensure it was fair, rigorous and transparent.

During our investigation we conducted a detailed review of relevant policies and documentation both onsite and offsite (e.g. payroll, employment contracts, etc.), reviewed CCTV footage, undertook worker interviews, and met with factory management. We also reviewed data to check to see for any previous non-compliances of relevance to the allegations at the factory.

ICP’s Code of Conduct requires all ICP participants comply fully with local laws and regulations in relation to working hours and social insurance payments. At the same time, existing industry practice and experience on the ground tells us that complying with these regulations can pose challenges to factories. Where ICP certified factories are found to be in breach of regulations on



working hours and social insurance we may therefore not necessarily terminate certification immediately, but instead will give the factory time to improve.

The table below outlines the key stages of our investigation.

Action	Involved Parties
1. Review CLW report to understand specific allegations, seeking clarification where necessary	ICTI CARE, ICP Brands
2. Examine previous ICP audit reports and corrective action plans, checking to see if any non-compliances of relevance to the accusations have been raised previously	ICTI CARE, Auditors, ICP Brands
3. Conduct investigatory audit/factory visit with ICTI CARE in-house specialists: <ul style="list-style-type: none"> <li>- review documentation (e.g. payroll, employment contract, social insurance records)</li> <li>- conduct worker interviews (workers selected at random, interviews conducted anonymously)</li> <li>- unannounced and announced site visits around site</li> <li>- meet with factory management</li> </ul>	ICTI CARE, ICP Brands, Factory Management, Factory Workers
4. Review audit findings compare with the allegations	ICTI CARE

**Findings**

**Allegation 1 – Gender Discrimination:**

*“People were applying for jobs at the plant, though the factory was only hiring woman”*

ICTI CARE undertook a thorough review of the factory’s human resources records and hiring procedure. We did not identify any hiring restrictions based on gender, and we noted that the current workforce consist of 68% female and 32% male. Worker interviews also confirmed that employees are not aware of any discrimination on recruitment based on gender.

**Allegation 2 – Working Hours**

*“The normal daily shift—calculated as normal working hours—is only 6 hours and 40 minutes long rather than 8 hours. In this way, a number of working hours paid at the normal workweek rate are shifted onto Saturdays, thereby allowing the company to avoid paying workers hours of weekend overtime pay each week.”*



A review of factory documentation showed that this factory works in a 6-workdays system, with workers working 6.67 hours per day from Monday to Saturday. Hours worked beyond 6.67 are paid as overtime. As indicated in CLW's report, this is dissimilar to the normal 5-workdays practice (8 hours per day). Whilst this factory's policy on weekly working hours differs from the 5 day working week norm, the precise legal position in relation to its approach is unclear. This makes it difficult to assess whether or not this factory is breaching local regulations on working hours / overtime.

We therefore checked to ensure that workers are receiving full and accurate payment for their work (at both normal & overtime rates) and also to ensure they are receiving the sufficient rest periods to which they are entitled to under these two practices.

ICTI CARE suggests management explain and clarify the 6-workdays practice with its employees to avoid misunderstanding and to ensure that workers understand their entitlements.

### **Allegation 3 – Working Hours**

*"Factory made workers toil until 2 in the morning and then expected to come to work later in the morning for the day shift."*

The factory acknowledged that the strike days affected rates of productivity. Therefore, they asked workers if they would be willing to work additional overtime after the strike on the 16<sup>th</sup> July. Having conducted worker interviews and reviewed documentation we found that sixty-two workers accepted and worked till 2am on the 17<sup>th</sup> July. Of these, sixty rested until 6pm (17<sup>th</sup> July) which allowed for a 14 hours' rest period between these two shifts. However, two workers resumed work at 8:00am without 10 hours' rest, this is seen as non-compliance in ICP's requirement.

ICTI CARE recommends that factory management ensures at least 10 hours of rest between shifts for all workers in future. This is a requirement of the ICP.

### **Allegation 4 – Wages and Benefits**

*"Jingyu is preparing to relocate the factory and workers demanded severance pay."*

A new factory within the same city is under development but is awaiting governmental certifications. The factory does not yet have a solid date and plan for the relocation. However, the factory has not communicated with workers about its relocation plans. Informal information on the proposed relocation has spread informally amongst factory workers, but factory management did not take action to clarify plans until the strike happened. At the time of the strike the factory posted an official notification detailing its plans.

As the relocation has not yet started, severance pay is not an issue at this moment. Laws and regulations do not require a factory to make severance payments when they relocate within the same city.

ICTI CARE recommends that factory management should 1) better communicate details of the relocation plan with employees ahead of time, 2) be more transparent about the status of relocation plans, and 3) invite officials on-site, or provide details of the ICTI CARE worker helpline number, to answer worker's questions and to respond to their enquiries concerning entitlements around relocation.



**Allegation 5 – Wages and Benefits**

*“New workers at Jingyu receive social insurance, but according to interviewees, the monthly individual insurance payment is 160 RMB (\$26), which may indicate underpayment of insurance. Some veteran workers are still owed arrears from the company for past unpaid insurance contributions.*

ICTI CARE reviewed on-site documentation which showed that all workers (2,878 individuals) in the factory are covered by work-injury insurance. This meets ICP requirements. As for the rest of social insurance payments, evidence suggests that the factory has fulfilled local social insurance requirements.

To provide additional protection for workers ICTI CARE recommends that the factory increases its social insurance contributions yearly.

**Allegation 6 – Strike**

*“Striking workers were violently suppressed.”*

Worker interviews and meetings with management suggest that no factory personnel (e.g. staff, management or security guards) were involved in physical contact with striking workers during 13-18 July. CCTV footage showed striking workers interfering with operations in the factory workshop, and public security forces started to arrest them on 16<sup>th</sup> July. Those who refused to get in the police car were seen being dragged and/or restrained by public security.

ICTI CARE encourages workers and management to maintain constructive dialogue to resolve problems. We advise workers to go through legal channels and official departments to strive for their rights and benefits. The ICTI CARE workers’ helpline provides information, guidance and support on these issues.

**Allegation 7 – Strike**

*“Jingyu security guards said that workers who had participated in the strike were subsequently prevented from entering the factory premises.”*

According to CCTV footage and worker interviews, in the first three days of strike, those that went on strike had access to the factory compound. They could swipe cards for attendance and accessed some factory workshops. On the 16<sup>th</sup> July, once the public security forces had arrested them, these workers then resigned. From this point onwards these workers were not allowed to access factory premises. Whilst we were unable to contact the striking workers to confirm whether or not they were asked to resign, we aren’t aware of any subsequent disputes over forced resignations. We are also confident that striking workers received their final payments.



### Conclusion

ICTI CARE has carefully reviewed all allegations stated in the CLW report through immediate on-site and off-site investigations.

Many of the issues above relate to misunderstandings amongst workers regarding their own entitlements. Since no effective communication channels existed to mediate these concerns or to answer questions internally, misunderstanding led to dissatisfaction and a strike amongst workers. Scope therefore exists for the factory to significantly improve its communication with employees. Additionally, workers need to be better supported and better informed regarding their rights and benefits. The factory should also ensure it provides adequate rest periods between shifts for all employees.

ICTI CARE sees strong, two-way worker-management dialogue as a crucial element of responsible business practice. We offer best practice guidance and provide a toll-free workers' helpline for both management and workers to seek support on this topic. The ICTI CARE Workers' Helpline also provides guidance and support for factory workers.

The protection of workers in global supply chains is a mutual objective which requires collaboration amongst multiple stakeholders. ICTI CARE is keen to engage with external stakeholders, including China Labor Watch, to improve conditions for workers in the toy industry in China and beyond.

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ICTI CARE Process is the leading model of effective ethical manufacturing program in worldwide toy industry supply chain, for more information please visit <http://www.icti-care.org>