

[DISNEY REPORT. Merton Company Limited: Conditions at the Dongguan factory that makes toys for McDonalds and Disney.](http://www.mertonco.com.hk/about.html)

Products: McDonalds, Disney, Hasbro, Mattel, Warner, Paramount , Franklin Mint and DC Comics  
Factory Location: Sang Yuan Industrial Area, Dongguan (see Appendix 1)

Number of Workers: 15,000

Male-Female Ratio: 1:2.5

Capital: Hong Kong

<http://www.mertonco.com.hk/about.html>

## Introduction

McDonald's and Disney are the most famous brand names in the world. The following reports are written by Li Qiang on their two-year investigation on one of the factories in which they have worked themselves. So far, no other reports can compare to this one in terms of its depth in covering factories of foreign investment in China . The time covered by this report is from December 1998 to June 2000. (China Labor Watch also has interviews with workers at Merton.)

In May 2001, workers of this factory informed Li Qiang by phone that the working and living conditions of the factory had had no change at all. Workers work 12.5 hours per day, spend 16.5 hours in the factory, and have to work all night during delivery rush.

There is no overtime pay. Workers are paid on product count. After all kinds of deductions, the average salary per hour is 13 cents.

Many workers have to work 120 days consecutively before getting one day off. Because of the heavy workload, more than 2, 000 workers quit every year. The factory fines workers on all kinds of excuses.

Workers have to work 70 days before getting the full pay for the first month. Normally 17 workers live in one dormitory room; during delivery rush, 20 workers live in a room; a lower berth is occupied by two persons. The factory supplies free meals, but it is not enough for some workers. Workers need to pay \$5 deposit before entering the factory. They can not get the last month pay and the deposit back if they quit.

In order to deal with the inspections by the authorities, the factory signs fake contracts with workers. But the contracts are kept by the factory, but not given to the workers.

The factory has a health office which can only treat small illness, and the expenses are deducted from workers' salaries. The factory uses various toxic materials. Many workers got their hands burned.

There are frequent inspections by the clients and local labor authorities, but the factory requires workers to lie.

Workers don't know if the factory has a union.

To fight for their rights, the workers have organized strikes, tried to form an independent union, and often confronted the factory. In one of such incidents, the local authority sent several hundred armed police to crack down, more than 50 workers were arrested.

Plant Layout  
Die Cast Department  
Raw hard parts

Department  
Raw soft parts

Colouring Department  
Sub-divided into three sections

- a: Spraying (2nd to 4th floors with 1500 workers)
- b: Painting (2nd and 3rd floors with 500 workers): following up on the spraying
- c: Printing (2nd floor with 400 workers): Paint-printing patterns onto the toys

Other departments include QC, surface polishing, assembling, sewing (stuffed toys), packaging.

Off the assembly line, there are the departments for making dies, repair and maintenance, accounting, purchasing, carpentry, engineering, warehouse storage, logistics, personnel, security, freight arrangement and custom declaration, etc.

#### Working Hours and Holidays

In the colouring section, the normal working hours are 7:30am-12noon, 1-6pm, and then 7:30-10:30pm (overtime work), adding up to 12.5 hours a day. Even though they work for 9.5 hours before dinner, but the extra 1.5 hours are not counted as overtime work; only the three-hour night shift is counted as overtime work.

Workers in the painting section have the longest working day: 7-11am ; 12noon-17pm, and then 18:30-23:30 (overtime), a total of 14 hours. Again, only the night shift is counted as overtime work. workers have one day off each month if there is no production deadline. Normally, they have to work overtime every night except Sundays. But there is some production deadline, they have to work overtime on Sundays as well and no holidays whatsoever, even on May Day (1999) which is a statutory holiday-not even the National Day on October 1 (1999).

Taken as a whole, in the second half of 1999, workers in the colouring department have taken the following rest days:

June: none

July: one day off due to electricity failure and repair

August: one day off

September: one day off for the Mid-Autumn Festival In calculating the wages in relations to the piece rate. It has to be noted that the stated piece rate is the wage rate for the whole team. That is to say, with a piece rate of Rmb18.5/100, and if there are 6 workers in the team, each will get Rmb3.1 for every 100 pieces the whole team completes. Therefore, the piece rate cannot tell directly how much a worker can get; we have to know the team size.

October: one day off on National Day

November: none

December: none (from October 2 to December 31, workers have to work overtime on two Sundays)

And then, one day off on the New Year Day (2000). And 5 days' holidays during the Chinese New Year in February.

### Leave and Punishment

Management has put up a "leave" system in place of the legal entitlements to rest days. If there are no rest days in certain month, workers can apply for one-day leave (2 days for team leaders and above).

However, workers will not get paid on the day they leave, and worse still, their monthly bonus of RMB 25 will be cancelled (workers are paid Rmb 25 as "bonus" if they do not take any leave in a month). Even so, it is not easy to get approval from their supervisor.

Some workers cannot stand the workload, and can't wait for the approval-they simply don't go to work, and pay a fine of Rmb 25 plus having their "bonus" cancelled plus one day's wages taken off.

Moreover, those not working overtime are considered as absent from work, and will be fined Rm40 on each occasion. In December 1999, one women worker from the spraying department refused to work overtime and was finally counted as absent from work. In January 2000, another worker (Mr. X), also from the spraying department, did the same and received the same treatment. This is sort of the "normal" mode at this factory.

### Wages

Wages are paid on a monthly basis, but the wages of the first 40 days are held up as deposits. There is no Provision for resignation at the factory. If the workers find the workload unbearable and quit (or quitting for some other reasons), they cannot get back the 40 days' wages.

There are marked differences in piece-rate wages, ranging from Bmb1, 000 to Rmb300 a month. If the workers do not work enough (below Rmb300 a month), they will be fired. However, management has set a ceiling on the piece-rate wages at Rmb1200 a month. If a worker earn beyond the limit, management simply reduces the piece rate claiming that the piece rate is too high. In calculating the wages in relations to the piece rate, it has to be noted that the stated piece rate is the wage rate for the whole team. That is to say, with apiece rate of Rmb18.5/100, and if there are 6 workers in the team, each will get Rmb3.1 for every 100 pieces the whole team completes. Therefore, the piece rate cannot tell directly how much a worker can get; we have to know the team size.

In July 1999, workers in the spraying department were working on "Buzz Lightyear". The piece rate was Rmb27.5/100, but was reduced to Rmb24/100 when some wages went beyond the ceiling. In November and December 1999, the piece rate was reduced from Rmb11.2/100 to Rmb7.8/100 in November, and Rmb7.3/100. workers in the spraying department had to work an average total of 387.5 hours in December. The Mr. X mentioned before got Rmb548 in the end (Rmb11.5 per hour).

Other piece rates in the spraying department are: Rmb197/100 and Rmb15/100, Rmb14.5/100, Rmb17/100. For these batches, 12 workers form a team. The piece rate for Disney's is Rmb18.5/100, and there are 6 workers in a team.

See Appendix 3 for the wage patterns for one team in the month of January 2000.

#### Deductions

Various expenses are deducted from their monthly wages. These include living expenses (Rmb55), water and electricity bills (Rmb26), miscellaneous fees (Rmb24) (nobody has any idea what "miscellaneous" fees mean, and from March 1999, the fees are scaled up to Rmb30 a month).

Even when a worker is absent from work and will not be issued any meal coupon, the living expenses will still be deducted.

How much does Mr.A get?

Mr. A started working at Merton at March 1999. On September 15, he got his first pay of 6 days' wages (Rmb90). Rmb15 was deducted as living expenses. This means that his take-home wages were Rmb75.

His wages for November were Rmb472. After deducting the living expenses on food and lodging (Rmb24), he took home Bmb367.

His take-home wages for October were Bmb385 after deducting all these expenses from a total of Rmb409. His hourly wages was Bmb1.1 based on the following calculation:

#### Daily working Hours

Number of Days

Total working Hours

12.5hours (weekdays)

25

312.5

9.5hours (Sundays)

4

38

Total working Hours in October = 350.5

Average hourly wages=Bmb385 ÷ 350.5=Rmb1.1

#### Accommodation and Daily Life

##### Dormitories:

There are dormitories, each with 7 floors and 20 rooms on each floor. The rooms measure 20 sq.m in size, housing at least 17 workers in one room, crammed onto 7 steel double-bunkers (starting with 6 double-bunkers but squeezes one more when they recruit more workers). In some rooms, they simply put two workers on the lower bunk.

## Shower Rooms:

There are 4 shower rooms on each floor, which can accommodate 50 persons.

## Toilets:

Two squatting-style toilets on each floor, each with 12 fixtures.

In winter, they have enough hot water for shower. Normally workers finish their work at 22:30pm but for those who are off shift at 23:30pm or later, they can't take a shower any more as there is no more hot water.

## Meals

Four meals a day:

### Breakfast

Buns, fried flour stick and Chinese vermicelli ON OFFER but workers can only take one with one coupon;

The buns are too small, leaving many workers still hungry

### Lunch and dinner

Three dishes (one meat and two vegetable dishes; even with the meat, it is simply bones with thin slices of flesh attached);

Workers are left hungry

### Supper

Small bowl of Chinese vermicelli

## Management

Workers have to pay a deposit of 40 yuan (Bmb) upon recruitment. They are loosely fined, or even fired, for various "misconduct." If they are fired can't take back the deposits, and some are even fined couple of hundred yuan. Actually, workers are hired and fired according to the production season.

The workers sign a contract with the boss, but only the boss has the copy. They don't even know what is in the contract; they are only asked to put their signature. Some who have read it reveal that the contract mentions nothing about their pay and other protection (of the legal rights entitled to workers); it is all about factory rules and discipline. The workers think that this is just some gesture to get around the local labor department. The labor department is well a ware of what the contract is all about, but they just don't bother.

There are detailed guidelines on fines:

Carton boxes not properly stacked

10yuan

Covering the trousers with paper (to keep them clear of paint)

20yuan

Not wearing mask during company inspection  
20yuan

Taking the toys out of the factory  
50yuan

### Health, Safety and Welfare

There is a shabby clinic. The workers can go there for treatment but the medical expenses are deducted from their wages. They are not on any medical insurance policy nor pension scheme. They have to wear factory uniform and pay out of their own pockets (25yuan for the summer uniform and 50yuan for the winter uniform). The workers will be fined if they lose the uniform, and money will be deducted if they don't return the uniform when they quit.

Workers at the spraying department complain among themselves that the fume is too strong, and that they are never explained the safety hazards with paints. They are sure they will have some kind of chronic diseases-there is some kind of abnormal yellowish colour in their urine. Moreover, the factory does not provide any gloves, and their hands are "burned" (corroded) by the thinner. The factory does not provide masks either, and it doesn't care whether workers wear any masks at all. But during inspection by the labor department or the customer, everyone has to put on one; otherwise they will be fined.

### Visitors and Inspection

The factory cheats on their accounts. Every month, they prepare two wage bills: one is genuine with real working days and wages, and signed by the worker; another one is faked, setting the number of working days at 26 days and there is a mark up of 200yuan for the wages. This set is signed by someone else. Most of the workers are not aware of such a practice.

To help the factory get around the inspection, the workers are asked to clean up the shops instead of working, and they have to buy their own masks. They will be fined if they don't wear it during inspection. The workers complain among themselves that this kind of brief, casual inspection bring them extra burden; at the same time, it simply cannot help them understand the real situations.

In March 2000, there was one such inspection by a big client: McDonald's. In addition to forcing the workers to do the clean-up and buy their own masks, management also warned the workers not to talk "nonsense." To ensure a clear passageway for the visitors, the workers were not allowed to stand around the factory gate after work. A couple of them were beaten up by the security guard for doing so.

On May13, 2000, the factory was expecting some important visitors who would talk with the workers about their working conditions. To tackle this problem, the workers were asked to memorise the modal answers which are basically copied from the labor law. The workers had to give an answer which they knew had nothing to do with their real working conditions. What is more ridiculous is that management would give mock tests to the workers and they would be fined if they could not give the correct answers. The rule was that if they failed for the third time, they would be fired.

### The Official Trade Union

One worker from this factory complained to the Dongguan City Federation of Trade Unions about

the working and living conditions at the factory. He also asked them about the procedures of setting up a trade union. The union official was surprised that no unions had been set up in a factory of such scale (over 10,000 workers). The union official then went on to say that this was the usual practice in the area. The official then asked him not to make any move, forget about setting up a trade union, and waited until they were done with their investigation. The last thing the union official told him was to go back and work hard, with a warning-beware, factory bosses will take revenge on workers with this kind of thinking (of setting up trade unions).

### Workers' Struggle and Repression

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### The June strike

Workers at this factory are not given any wage packets. Their wages are written on a piece of paper which is then posted on the wall. On May 15, 1999, the day the wages were issued, many workers realized that they only got 100-odd yuan. They were infuriated as they had worked overtime for the whole month and only ended up with 100-odd yuan. The strike was first staged by a couple of women workers from Sichuan joined in. Very soon, all the workers put down their tools. It did not take long before the glass windows and doors at the factory were all smashed, and some of the facilities destroyed. The boss reported to the Dongguan City public Security Bureau, which sent 200-odd armed policemen and riot police. About 50 workers were arrested, and real soon, the police put things under control. After the strike, more than 100 workers were fired without getting their last month's wages.

Workers at the factory are still highly unhappy with the factory, but the repression has kept them from staging another strike. The factory is also on alert, sacking anybody who appears to be "leading" something.

But this does not silence the workers for good.

In April 2000, one of the teams complained with management about wage reduction. Management decided to reduce the piece rate for (made for Borger King, see sample) from Rmb5/100 because it found their wages "too high." One of the team could not take it and tried to negotiate with management, but they were all fired, including the team leader who has worked there since 1993.

On May 26, 2000, several departments including the sewing department went on strike as they had not been paid since March. Dozens of workers were snatched away by the factory's security guards (no updates on them).

### Excerpts from the Diary of a Worker at Merton

About the worker: Male, 23, from Henan Province, has been working at Merton for 11 months.

January 27, 2000, Thursday

Sunny

Working hours : 7:30am-noon, 1-6pm. Overtime 7:30-10:30pm (a total of 12.5 hours)

Meals: Breakfast: a bowl of Chinese vermicelli. Lunch: cabbage, tulip and liver. Dinner: cabbage, sausage. Supper: Chinese vermicelli.

The food is usually cool and the portion too small. We have more new recruits these days, and we have a long queue for the meals.

Working conditions: We are now working on [omitted]. There are 12 of us in one spraying group. We finish 20 plates today, each plate with 100 pieces. The piece rate is Rmb19.7 per100. It is really tiring working like this. The fume and paint particles are irritating. I really want to take a day off, but I can't.

Incident 1: The supervisor, [omitted], asked us to sign for faked wage bills, and we didn't sign for our own bill; we were asked to sign with different names on several bills. Many of us are not aware of the faked bills. They are made for inspection by the labor department. The wages are usually Rmb100-200 higher than what we really get. And it is recorded that we have days off every Sunday. This is all made up.

Incident 2: Worker, Ms. A, wanted to spend the Chinese New Year with her family and wanted take some days off, but the foreman didn't let her go. She started to Quarrel with the security guard, hoping that she would be fired for that. However, she was fined Rmb50 instead. The Chinese New Year is drawing near. Many of us have applied for leave or quit, but none got it.

Incident 3: One customer (buyer) came for inspection today. We were suddenly asked to clean up the place. Whenever the buyers visit the factory, factory management gets very busy, hoping that nothing goes wrong. Once they are gone, Management simply doesn't give a damn.

January 30, 2000, Sunday

Sunny.

Working hours: 7:30am-noon, 1-6 pm. No overtime (a total of 9.5 hours).

Meals: Breakfast: Chinese vermicelli. Lunch: cabbage, tulip, fish. Dinner: cabbage, tulip, ribs. Supper: none.

Working conditions: We finished 18 plates, 100 pieced in one plate. They were mostly returned for re-spraying.

Incident 1: I didn't go to work today. I was really very tired; I wanted to take a rest. I have tried to apply for leave but was rejected. I had no other choice. We are fined Rmb2.5 for one Day's absence; our monthly bonus of Rmb25 will be cancelled and one day's wages taken off. All these add up to Rmb70-80. We cannot get the meal coupon, but we still have to pay for our living expenses. Sundays are the statutory holidays, and we will be fined if we don't.

February 15, 2000, Tuesday



Sunny

Working hours: 7:30am-noon, 1-6 pm, 7:30-10:30pm (a total of 12.5 hours)

Meals: Breakfast: Chinese vermicelli. Lunch: ribs, cabbage. Dinner: sausage, congee.

Working conditions: We finished 29 plates today.

Incident 1: Tonight, we were suddenly asked to clean up the place again. All the trays used to carry the sprayed toys have to be cleaned as well. Probably some customers are coming. It's like this whenever we have customers coming for inspection. I heard that our factory has very good. I really hope that they can come and have a good look. I think if they find out what the factory really is, they will be ashamed of it.

Appendix 3: Daily wages of a spraying Team at Merton in January 2000

(projected wages based on the amount of work completed)

Product: Disney

Piece Rate: Rmb18.5 per 100 pieces

Team Size: 6 workers in a team

Date

Quantity Colored (pieces x plates)

Total Quantity (a)

Quantity for Re-spraying (b)

Quantity Counted for Daily Wages (c=a-b)

Wages for Each Worker (Rmb)

Working Hours

1

holiday

2

12×40

480

80

400

12.3

9.5

3

12×55

660

126

534

16.5

12.5

4  
12×50  
600  
70  
530  
16.3  
12.5

5  
12×70  
840  
120  
720  
22.2  
12.5

6  
12×75  
900  
134  
766  
23.6  
12.5

7  
12×90  
1080  
210  
870  
26.8  
12.5

8  
12×100  
1200  
290  
910  
28.1  
12.5

9  
12×95  
1140  
230  
910  
28.1  
9.5

Note: Unsatisfactory products are returned for re-spraying, and are not counted in the calculation of daily wages

(continue overleaf)

(continued from previous page)

Product: Adit China (see sample)

Piece Rate : Rmb19.7per100 pieces

Team size: 12 workers in a team

Date

Quantity colored (pieces x plates)

Total Quantity (a)

Quantity for Re-spraying (b)

Quantity Counted for Daily Wages (c=a-b)

Wages for Each Worker (Rmb)

Working Hours

10

N/A

N/A

N/A

N/A

N/A

N/A

11

100×8

800

210

590

9.7

12.5

12

100×12

1200

300

900

14.8

12.5

13

100×15

1500

420

1080

17.7

12.5

14

100×16

1600

450

1150  
18.9  
12.5

15  
100×18  
1800  
510  
1290  
21.2  
12.5

16  
100×13  
1300  
320  
980  
16.1  
12.5

17  
100×19  
1900  
650  
1250  
20.5  
12.5

18  
100×19  
1900  
670  
1230  
20.2  
12.5

19  
100×19  
1900  
670  
1230  
20.2  
12.5

20  
100×20  
2000  
710  
1290  
21.2  
12.5

21  
100×18  
1800  
520  
1280  
21.0  
12.5

22  
100×19  
1900  
580  
1230  
21.7  
12.5

23  
100×15  
1500  
420  
1080  
17.7  
9.5

24  
100×18  
1800  
480  
1320  
21.7  
12.5

25  
100×21  
2100  
650  
1450  
23.8  
12.5

26  
100×20  
2000  
540  
1460  
24.0  
12.5

27  
100×23  
2300  
670

1630  
26.8  
12.5

28  
100×22  
2200  
760  
1440  
23.6  
12.5

29  
100×25  
2500  
890  
1610  
26.4  
12.5

30  
100×19  
1900  
700  
1200  
19.7  
9.5

31  
100×27  
2700  
920  
1780  
29.2  
12.5

Total Wages : 609.9 (no overtime pay)

Total Working Hours : 350.5