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# TOY STORY

## Aim

- ◆ To raise issues of 'sustainable' development and ethical trade.

## Outcome

- ◆ Participants have a better understanding of the complexities of implementing an ethical trading policy.

## What you need

Photocopies of role play cards from **Actionpage: Toy story**.

## What you do

- ▷ Divide the participants into five groups.
- ▷ Explain that most of the branded toys we buy are made in Asia – Hasbro (Batman, Star Wars) and Mattel (Barbie, Disney) contract out manufacture of their designs to suppliers.
- ▷ In the role play, workers in Chinese toy factories are striking for better wages and working conditions. The groups will take the roles of: a US toy company – TopToys Inc, Chinese government representatives, factory owners who manufacture toys for TopToys, Chinese toy factory workers, and the International Foundation for Ethical Sourcing (IFES). Although TopToys Inc and IFES are fictional, the material is based on real case studies.
- ▷ Each group will spend 10-15 minutes preparing their case for a tribunal which will be mediated by the IFES. The aim of the role play is to resolve the dispute.
- ▷ Each group has about 3 minutes to present their demands. After each group has made their case, the mediators try to establish a dialogue and reach an agreement.
- ▷ If stalemate ensues, point out that an agreement is essential because strikes are spreading throughout China and threaten economic and political stability.

## Whole group discussion

- ▷ Remaining in role, each group describes how it felt to be in their position.
- ◆ What were the strengths and weaknesses in your case?
- ◆ What compromises could you make? (TopToys: pay more to suppliers, reduce profits, set up system of independent monitoring of Codes of Conduct; suppliers: comply with government labour laws and Codes; government: pass and enforce labour laws, accept independent trade unions; consumers: pay more)
- ◆ In real life would you have compromised?
- ◆ How much responsibility do you have for trying to resolve the situation?
- ▷ Because arguments can get quite heated it is important to de-role properly. Participants should throw off their role by saying "I am no longer a...", and move to a new seat.
- ◆ What were the main issues that emerged out of the role play?
- ◆ Who has more/less power? Why?
- ▷ Look at China's development dilemmas.
- ◆ What are China's main development needs? Make a list – modernise industry, job creation, meet basic needs.
- ◆ Should workers (or any other group) be expected to sacrifice their short-term needs for the long-term national good? Who should decide?
- ◆ Does this also apply to workers in Britain or Europe? Why/why not?
- ▷ Move on to issues of ethical consumerism and sustainable development.
- ◆ Are you concerned about the pay and working conditions of workers producing the goods you consume? Why/why not?
- ◆ What should be basic rights for workers in developing countries? Make a list.

- ◆ What is a fair wage? What standard of living should a worker in a developing country aspire to (education for children, healthcare, holidays, household goods etc)? Make a list.
- ◆ Are these rights and standards different for workers in Britain?
- ◆ How much extra would you be prepared to pay for your shoes/clothes/food, to ensure fair wages and working conditions for workers in developing countries?
- ◆ Who has greatest responsibility for ensuring a just and equitable distribution of the world's resources (international bodies, national governments, businesses, consumer groups, NGOs, individual consumers)?
- ◆ Should there be international regulations which force TNCs to respect workers' rights and environmental protection? How could these be enforced?
- ◆ Brainstorm: *How could you measure whether a business is socially, economically and environmentally responsible?* See *Ethical investor*, p88, for some possible criteria.

## Key ideas

- ◆ Many TNCs are locating their manufacturing in countries of the South because wages are lower, unions are weak, and environmental standards are low and not strictly enforced.
- ◆ China has adopted a 'neo-liberal' strategy to modernise its economy – opening itself up to global market forces. This is the model that bodies such as the International Monetary Fund and World Bank advocate for developing countries to eliminate poverty.
- ◆ China has achieved spectacular rates of growth due to high foreign investment attracted by cheap labour. It needs to maintain this growth in order to satisfy peoples' raised expectations and create jobs for the hundreds of millions of rural unemployed and workers who will be made redundant when State-Owned Enterprises are privatised.
- ◆ Workers pay the price of poor working conditions and little job security (cf Victorian Britain). Today, similar issues face workers in Britain who are told they must be 'flexible' and "not price themselves out of the market." Many home or sweat shop workers are highly exploited.
- ◆ Economic development based on low wage, low skill manufacturing is unstable because TNCs are prepared to transfer operations to lower-cost countries.
- ◆ 'Sustainable development' must safeguard workers' rights, protect the environment and improve development indicators for the whole community (eg infant mortality, literacy).
- ◆ Consumer pressure groups have mounted international campaigns to safeguard workers' rights. Famous brands have publicised Codes of Conduct, but supply chains are complex because work is often subcontracted out – compliance is impossible to guarantee. Independent monitoring is essential to ensure that Codes are more than PR and marketing.
- ◆ In the 'Foundation model' trade unions, NGOs and (federations of) companies form a Foundation and agree on the contents of a Code. Companies who sign the Code are monitored by the Foundation using unannounced spot checks, confidential interviews with workers, and a complaints procedure.
- ◆ The 'Accounting model' differs in that a company adopts its own Code and hires an independent agency, accredited by trade unions and NGOs, to monitor its operations.
- ◆ Independent trade unions in developing countries are essential to ensure that workers' rights are applied on a day-to-day basis, and to provide training to monitoring agencies. These are not allowed by many TNCs in their overseas operations, nor in many countries, including China. Labour leaders have often been sacked, harassed or killed during their attempts to establish trade unions.

## Follow-up

- ◆ The activity *Ethical investor* provides an opportunity to research into the operations of some well known companies. **Appendix 10: Fair & ethical trade** and **Appendix 11: Triple bottom line** provide background on attempts at more responsible corporate behaviour.
- ◆ The China Labour Bulletin ([www.china-labour.org.hk/](http://www.china-labour.org.hk/)) has information from the Chinese independent trade union movement. Human Rights for Workers ([www.senser.com/](http://www.senser.com/)) and the Clean Clothes Campaign ([www.cleanclothes.org/](http://www.cleanclothes.org/)) websites have information on workers' rights in the garment and toy industries.

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# Actionpage: Toy story role cards

## TopToys Inc (USA)

You are a group of senior TopToys executives. TopToys is one of the world's leading toy producers (leading products: Cinderonnie and King Zilla). You have bought the rights to toys associated with TV and film characters. To maintain your profit margin and keep shareholders happy you contract out your manufacturing to companies in Asia where labour costs are lower.

In the 1960s many of these suppliers had their factories in Hong Kong, Korea and Taiwan. In the late 1980s as production costs increased, particularly wages, these suppliers restructured their operations, and moved to neighbouring, lower-cost countries – China, Thailand, Indonesia, Philippines.

You also cut your warehouse storage costs by placing orders 'just-in-time', just before stocks run out. Initially you only place small orders for new toys. Then, if you have a best-seller, you expect huge orders to be met to tight deadlines. There is intense competition for your contracts from suppliers during the international toy fairs. Suppliers agree to make your toy designs under licence, to your specifications and deadlines. They are responsible for organising all aspects of manufacturing.

Recently, international campaigners have drawn attention to poor working conditions in many Chinese factories. They claim that the young, poorly educated and mainly female workforce is forced to work overtime, and is controlled by large fines if they are late for work. Safety measures for use of hazardous chemicals are ignored, and fatalities and injuries are common. Campaigners have called for TNCs like TopToys to share responsibility for ensuring workers' safety and working conditions. In 1993 serious fires at the Kader toy factory in Thailand (188 killed, 500 disabled) and Zhili toy factory in China (87 killed, 46 injured) increased pressure. In 1996 the International Council of Toy Industries adopted a Code of Conduct for its members. Your suppliers must now agree to:

- ◆ not used forced or underage workers
- ◆ comply with local health and safety laws and provide adequate emergency exits and training for employees
- ◆ provide well-ventilated and well-lit facilities
- ◆ comply with local legislation regarding employment standards, wages and benefits, particularly overtime and temporary employment.

**Production in China has been severely affected by strikes for improved conditions for workers which have been well publicised in the media. You want to resolve the dispute and have been called to a meeting with Chinese government officials, a federation of Hong Kong-based factory owners who make your products, worker representatives, and members of the International Foundation for Ethical Sourcing (IFES) who will mediate the dispute.**

## Chinese government

You are senior officials in the Labour Ministry. The Chinese government is trying to modernise its economy. Since 1978 China has achieved annual rates of growth averaging over 10% and living standards have improved significantly. However, an estimated 25% of the population still live below the poverty line. A key element in the government's development strategy is to attract foreign investment in export industries. This will:

- ◆ create jobs to absorb the hundreds of millions of rural unemployed, and workers who will be made redundant when inefficient State-Owned Enterprises (SOEs) are privatised or declared bankrupt (the toy industry employs about 1.3m workers)
- ◆ bring up-to-date technology and expertise to the country so it can compete with the USA, EU and Japan
- ◆ increase foreign exchange earnings to pay for infrastructure projects (road, rail, telecommunications, irrigation) and imports of high tech machinery required by a modern economy.

Foreign investment is highly mobile and will seek out areas of lowest production costs. Many TNCs moved their manufacturing to China because costs in Korea, Hong Kong and Taiwan had increased. China has to compete with other low-cost countries in Asia – Thailand, Indonesia and the Philippines. Some investors have already moved their production from the higher-costs coastal areas of China to poorer inland provinces.

To meet your development targets you need to maintain high rates of growth and control inflation. You are concerned that demands for higher wages will frighten away foreign investment, and have responded to attempts by anti-social elements to set up independent trade unions by sending leaders to labour camps. The recent history of China has shown that instability is disastrous for the whole country – 10m died during the power struggles of the Cultural Revolution (1966-69). Unemployment is a growing problem and could lead to unrest in the cities.

There has been criticism from international organisations that working conditions in many Foreign Invested Enterprises are poor. Accusations include:

- ◆ poorly ventilated and badly lit factories
- ◆ lack of safety equipment and training for workers using hazardous chemicals leading to long-term disability
- ◆ compulsory overtime and wages below legal minimum.

You believe the government-controlled All China Federation of Trade Unions, and the new Labour Laws are enough to protect workers' rights. Provisions include:

- ◆ 44 hr working week, with at least one day off a week; extra hours counted as overtime
- ◆ minimum wage set by provincial government (Shenzhen: £29/month – 1995)
- ◆ no compulsory overtime; overtime should be agreed with workers in advance; pay at least 1.5 times regular wages; under no circumstances more than 3 hrs/day or 36 hrs/month
- ◆ provision of child care, social security benefits, medical insurance and bereavement leave, maternity leave.

It is necessary for workers to make sacrifices now, for the national good. Countries such as Japan and USA went through a period of hardship in their industrialisation process. In time, the whole economy will be transformed and China will make the transition from low-wage manufacturing to high technology, high value-added industries.

**You are very concerned by strikes in toy factories, and are worried that they may spread to other industries. You want to resolve the dispute and have been called to a meeting with a US toy company, TopToys Inc, a federation of factory owners who manufacture for TopToys, worker representatives, and members of the International Foundation for Ethical Sourcing (IFES) who will mediate the dispute.**

## Factory owners

You are senior executives from Hong Kong-based toy manufacturing companies. You have developed the technology to produce high quality moulded metal and plastics used in the toy industry. Your research and development facilities have enabled you to produce all kinds of electronic toys, including remote controlled cars, TV games and musical instruments.

In the 1960s, US and EU-based transnational corporations (TNCs) moved their manufacturing to low-cost countries such as Hong Kong, Taiwan and Korea. At the international toy exhibitions you compete with other producers for contracts to make toys with trademarks associated with famous TV shows or films. The TNCs provide designs, specifications and delivery deadlines. In the late 1980s, as production costs in Hong Kong rose, you relocated much of your manufacturing to the Pearl River delta, where the Chinese government offered incentives, such as low taxes, to foreign investment, and labour was cheap. In 1994 toy exports from Hong Kong to the USA valued US\$4.5bn (51% of total exports), and US\$2.5bn to the EU (28% of total exports).

Because competition for franchises is very strong, the TNCs can force low prices. Profit margins are very tight. This means that you pay wages that are less than the legal minimum (£29/month in Shenzhen). Many of your operations involve hazardous chemicals such as solvents and glue which can cause skin and respiratory diseases and long term disability. However, cost cutting means that you do not always provide safety equipment, proper ventilation and good lighting.

TNCs also cut their own warehouse storage costs by placing orders 'just-in-time', just before stocks run out, and only place small orders for new toys. Then, if they have a best-seller, they expect huge orders to be met to tight deadlines. This means you have to have a flexible production schedule. You are forced to make overtime compulsory to meet deadlines and employ workers on short term contracts. To help with flexibility and reduce your costs, you subcontract much of the work to smaller Township and Village Enterprises who are responsible for their own production arrangements.

Most of the workers in the toy industry are young, poorly educated migrant women from the rural areas. They are not aware of their rights and are easier to control because they are afraid of losing their jobs. You ensure good discipline by making workers pay a deposit of a month's pay which is only returned if they leave under favourable circumstances. You run the factories like a prison camp – workers are fined if they do not attend compulsory exercises before work, and if they talk during work. There is no shortage of labour – thousands of young people are flocking to the cities in search of work.

These practices are illegal under China's Labour Laws, but inspections are rare and Labour Bureau officials ignore complaints or can be bribed. Only 10% of workers in Foreign Invested Enterprises are members of the government-controlled trade unions. Any attempt to form independent unions are dealt with harshly – offenders are beaten up by security guards and/or dismissed. Even so, the number of strikes and go-slows are increasing.

Following pressure from international campaign groups, most TNCs have adopted a Code of Conduct on wages and working conditions with which their suppliers must comply. However, there is no system of independent monitoring – you usually know when inspections are due and do not allow inspectors to talk to workers.

**Your production in China has been severely affected by strikes. You want to resolve the dispute and have been called to a meeting with Chinese government officials, the US toy company, TopToys Inc, worker representatives, and members of the International Foundation for Ethical Sourcing (IFES) who will mediate the dispute.**

## Toy factory workers

You are a group of women workers employed in a Hong Kong-owned factory in the Special Economic Zone of Shenzhen, making toys for the US and European market. 90% of factory workers are women aged 19-25. You work 12 hours a day, 6 days a week, with forced overtime when factory deadlines are near. On average, with overtime, you earn £28/month. The management are secretive about how your wages and deductions are calculated. After deductions for food and accommodation you can save enough to send home to your families. Most of you come from poor rural areas inland, where there are few job opportunities. You share a cramped dormitory with 30 other women, which is above the workshop and warehouse. You are concerned because there have been many fatalities from fires in this type of 3-in-1 factory.

The factory is dark, noisy, dusty and dangerous – the machines are not maintained and you were never properly trained in using them. Many of your friends have been injured, some have lost fingers and hands. The poor working conditions mean chest infections and eye strain is normal. In hot weather the fumes from the glue can be overpowering. You are not allowed time off if you are ill, and pregnant women are sacked. Some of the factory supervisors are cruel, violent and swear at you. Sexual harassment is common.

There is a government-controlled union but it does nothing to improve your conditions. If you complain you are beaten by security guards or sacked. Sometimes inspectors come, but the owners make you clean the factory beforehand and tell you to wear clean clothes. The inspectors never speak to the workers and don't check the machinery. You have decided to follow factory workers elsewhere in China and strike to improve pay and conditions. Although you are afraid of losing your job, you hope that if the strikers remain determined you will force concessions from the owners. You know the factory owners sell the toys to TopToys Inc, an American company which makes huge profits. In Europe and America you have heard that some of the toys sell for more than you earn in a month.

**You are determined to improve your pay and conditions. You have no faith in the corrupt government trade union and would like to form an independent union. You have been called to a meeting with Chinese government officials, the US toy company, TopToys Inc, worker representatives, and members of the International Foundation for Ethical Sourcing (IFES) who will mediate the dispute.**

## International Foundation for Ethical Sourcing (IFES)

You are members of an international organisation which works with trade unions, non-governmental organisations (NGOs) and businesses to develop effective Codes of Conduct which will guarantee workers' rights in developing countries where transnational corporations (TNCs) operate. You have been invited to a special meeting of representatives from the toy manufacturing industry. It has been decided that you should act as mediators in a dispute between striking toy factory workers in China, and Hong Kong-based factory owners operating in China, who manufacture toys for TopToys Inc (a US toy company with top selling names such as Cinderonnie and King Zilla). Chinese government representatives will be present at the talks.

TNCs like TopToys contract out the manufacture of their toy designs under licence to companies in Mexico, Brazil and Asia (China, Thailand, Malaysia, Philippines, Indonesia, Vietnam) where labour costs are low. The TNCs also cut their warehouse storage costs by placing orders 'just-in-time', just before stocks run out. They place small orders for new toys, and then, if they have a hit, will expect huge orders to be met to tight deadlines. There is intense competition for contracts, and suppliers are forced to undercut their rivals by offering low prices and faster delivery times. To meet these promises the contractors cut costs by paying workers lower wages, force them to work overtime to meet deadlines and spend little on health and safety.

On paper China has strong Labour Laws, including:

- ◆ 44hr working week, with at least one day off a week; extra hours counted as overtime
- ◆ minimum wage set by provincial government (Shenzhen: £29/month – 1995)
- ◆ no compulsory overtime; should be agreed with workers in advance; pay at least 1.5 times regular wages; under no circumstances more than 3 hrs/day or 36 hrs/month
- ◆ provision of child care, social security benefits, medical insurance and bereavement leave, maternity leave.

But these are not effectively enforced. Only 10% of workers in Foreign Invested Enterprises belong to the state-controlled trade union, which rarely confronts management to uphold workers' rights. Officials are often bribed. As a result there is a steady increase in the number of unofficial strikes, stoppages and go-slows. Attempts to set up independent unions have led to the imprisonment of leaders in labour camps.

In 1993, a fire in the Zhili toy factory in Shenzhen Special Economic Zone, killed 87 and injured 46. This increased pressure on TNCs to share responsibility for guaranteeing the safety and working conditions of the workers who make their products. The Toy Manufacturers of Europe and International Council of Toy Industries have adopted Codes of Conduct for their members. Unfortunately, the Codes do not provide for independent monitoring of conditions in toy factories.

Reports by the Asia Monitor Resource Centre suggest that these laws are ignored. In Shenzhen more than 50% of Township and Village Enterprises use toxic substances and have workers operating in dangerous conditions. 3-in-1 factories, which combine workshops, warehouse and dormitories in one building, are banned, but are still a common method of production. Codes are not implemented because workers are unaware of their rights and are afraid of losing their jobs. Suppliers often subcontract work out to other factories which makes monitoring difficult.

You know the Chinese government is trying to modernise its economy. Since 1978 it has achieved annual rates of growth averaging over 10% and living standards have improved. However, inequality is increasing and an estimated 25% of the population still live below the poverty line. A key element in its strategy is to attract foreign investment in export industries. This will:

- ◆ create jobs to absorb the hundreds of millions of rural unemployed and workers who will be made redundant when inefficient State-Owned Enterprises (SOEs) are privatised or declared bankrupt
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▷ **Your task is to:**

- 1 find out why the workers are striking**
- 2 discover who is responsible for the problems**
- 3 suggest how the crisis can be resolved, taking into account China's present development needs.**

▷ **Prepare by thinking what questions you can ask to uncover the whole picture and proposals which will satisfy all parties involved.**