

International Business

CHINA

LONG, HARD DAYS— AT PENNIES AN HOUR

Chinese teenagers are toiling in the foreign-owned sweatshops of the special economic zones

Hunched over a school desk, Hong Biu Yun is clearly exhausted as she sticks Mickey Mouse heads onto motorized toys at a factory in Shekou, China. One of 12,000 mainland Chinese employed by Hong Kong's largest toymaker, Kader Enterprises Ltd., Hong typically works 14 hours a day, seven days a week to rush out toys for American kids.

Recently her hours grew even more oppressive: To meet the holiday demand for Ghostbusters, Big Hauler trains, and Mickey Mouse dolls, the girls at the Kader plant were ordered to put in one or two 24-hour shifts, with only two meal breaks each month.

Hong looks about 12 years old but claims in a frightened whisper that she's 17. That's the minimum legal working age in Shekou, the best-managed of four special economic zones set up by China to attract foreign investment. The zones offer tax incentives and an ample supply of cheap labor. But to the dismay of Chinese Communist leaders, they have spawned twin horrors associated with old-style capitalism—child labor and illegal working hours.

FULL BEDS. Today dozens of lawbreaking factories can be found in the four economic zones, on their fringes, and spreading farther into the mainland. Chinese investigators recently discovered children as young as 10 making toys, electronic gear, garments, and artificial flowers. They work up to 14 and 15 hours a day at salaries ranging from \$10 to \$31 a month. Often workers sleep two to three in a bed in dormitories.

The rise in illegal working conditions is mainly a result of Hong Kong's mounting labor shortage and stricter labor laws in Hong Kong itself. Some Hong Kong manufacturers also say that American buyers caused a toy crunch by ordering late because they feared a bad Christmas season. The U.S. companies are now applying enormous pressure to get the toys out on time, says Andy Lee, a Kader manager in Hong Kong.

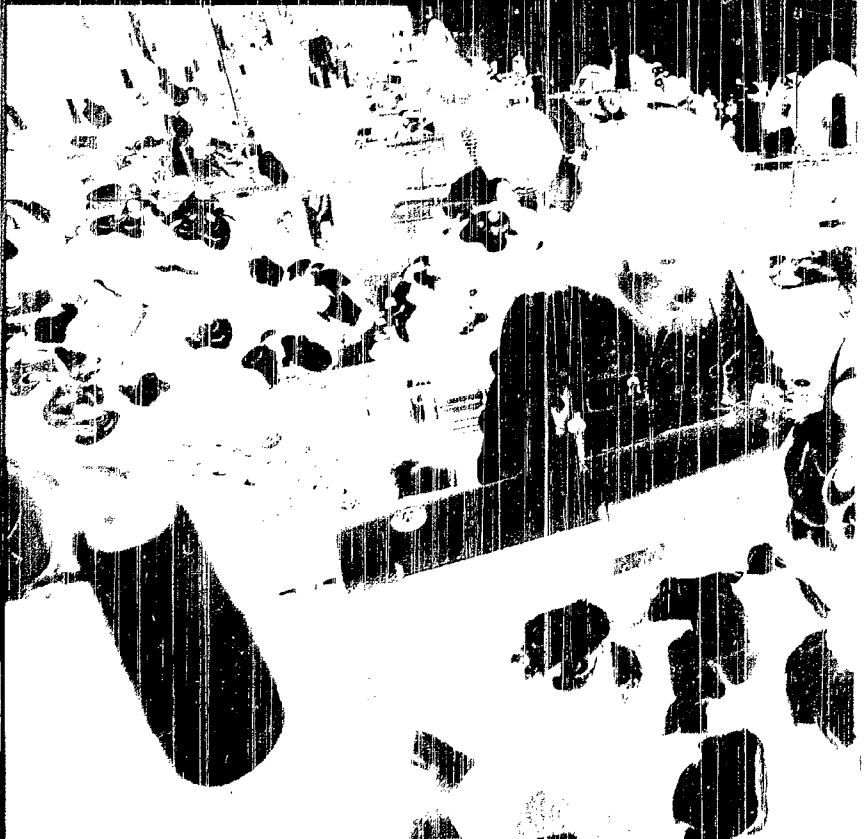
Chinese law officially bans hiring youths under 17 or making people work

more than eight hours a day, six days a week. But the law is hard to enforce because economic reformers promoting foreign investment are pitted against those representing Chinese labor unions. Now, the economic reformers are being blamed for importing social ills.

Hong Kong has added to the problem. It already has a labor shortage, and it forbids youths under 15 from working. Women are not allowed to work more than 10 hours a day, including overtime. So Shekou, just 50 minutes by hydrofoil from Hong Kong, looks inviting. "We can work these girls all day and all night, while in Hong Kong it would be

impossible," says a Kader executive on the Shekou shop floor. "We couldn't get this kind of labor, even if we were willing to meet Hong Kong wage levels."

Since May, the Chinese press has documented numerous horror stories. In the largest special economic zone, Shenzhen, mainland investigators dismissed almost 500 workers who were under age 16 in 22 factories. In July officials found that more than 40 out of 200 businesses were employing girls as young as 10 for 14-hour days at \$21 a month. Officials also discovered that 13-year-olds recruited by free-lance agents from China's poorest province, nearby Guangxi, were working



in electronics and garment factories. And in August, Beijing's national radio broadcast a lengthy expose of working conditions in Shenzhen after journalists found 12-year-olds sleeping two and three to a bed in a dormitory and working 15-hour days for only \$10 a month, about half an adult's wages.

TOY TRAIN. By these standards, Kader's toy plant provides main and Chinese workers with acceptable conditions. At the Shekou factory, the 2,600 employees, women mostly from 17 to 25 years old, sleep six to a room in their own beds in a company dormitory. They eat two regular meals a day and earn \$31 a month in local currency plus 12c an hour in overtime. China's per capita income runs about \$25 a month. In the well-lit factory, the workers make Teddy Ruxpin bears and Mickey and Minnie Mouse dolls for Worlds of Wonder, Ghostbusters for Kenner, now part of Tonka Corp., and the Big Hauler toy train for Bachmann Industries. Toys from past seasons are displayed on factory shelves: Coleco's Rambo, Mattel's Rainbow Brite dolls, and Hasbro's Visionaries.

To some young women, long hours in the factory are an improvement over the harsh life on a Chinese farm. Indeed, Hong, who looks too frail for backbreaking farm labor, says a "Dr. Chen" in her

village recruited her from the farm to work at Kader. Still, as the workers stop to eat a lunch of rice and meat or vegetables, they nod off on the assembly line, sandwiched in their seats between sewing machines and packing boxes.

For overtime work including the 24-hour marathon shifts, Kader pays its workers in Hong Kong dollars, which is hard currency in China. That's a powerful incentive. But if workers refuse overtime anyway, they can be blacklisted from getting extra hours in the future.

Such tactics are illegal under China's provincial labor law, and Kader's chairman, Dennis Ting, says he wasn't aware that mandatory overtime and 24-hour shifts were the rule at his plant. "There shouldn't be compulsory overtime. I intend to make changes if that's the case," he says. But his plant manager, Ho See Ho, says U.S. buyers know about the harsh conditions "because they've monitored our production during these 24-hour shifts." Chinese unions have also complained, he says, but "I disregard them."

Most of Kader's U.S. customers reached for comment said they weren't aware of the situation. Because Kader is a subcontractor, "you don't have much to say," says John A. McCarthy, operations vicepresident at Worlds of Wonder

Inc. in San Francisco. "If you get into the middle of their business, they're offended." A spokesman for Walt Disney Co. says Kader isn't on its approved list of subcontractors, although it does make Disney products for Worlds of Wonder. Coleco Industries Inc., Mattel Inc., and Hasbro Inc. could not confirm details of toy production at Kader.

Other U.S. executives say they thought conditions at the plant were good. The Chinese employees are "bright and happy and productive," says Richard Maddox, senior vice-president for sales at Bachmann Industries Inc., a Kader subsidiary in Philadelphia. "I never gave it the slightest thought that they were overworked," he explains. "We would be shocked if the allegations made against Kader are true," says an official at Tonka, which uses Kader, among others, to make Ghostbusters. "If they are true, we will take immediate action to change these practices," he adds. But Jeanne Ming-Owens, a Hong Kong-based executive with the American toy vendor Applause Inc., says U.S. companies "may not know that pregnant women are fainting on the shop floor, but they are applying tremendous pressure to get these orders filled."

STRIKES. Chinese authorities have stepped up pressure on Kader to reduce its long hours, but the company is resisting. "We told them, this is the toy biz. If you don't allow us to do things our way, we'll close down our Chinese factories and move to Thailand," says Andy Lee, the Hong Kong manager.

What may slow the practice faster than Chinese bureaucrats is growing labor unrest within China. Although China's constitution was amended in 1982 to ban strikes, Shekou alone had 21 work stoppages and strikes in 1986 and 1987, according to reports in the Chinese newspaper *Youth Daily News*. This year, according to reports, 30 women went on strike when a pregnant worker in a Hong Kong-owned toy factory fainted from exhaustion. Chinese officials say that up to 70% of the worker unrest results from management's violations of contracts and labor regulations.

For now, Chinese workers can only hope their managers will follow the example of a Guangdong factory foreman recently pressed to fill an order for 9 million California Raisins toys from Hardee's Food Systems Inc. At first the factory geared up for 48 straight hours of production to beat a deadline for heavy air-freight costs. But then the foreman balked. The Hong Kong trading company that placed the order—Smile Industries—picked up the added costs. Other toy buyers may be asked to do the same.

By Dinah Lee in Guangdong Province, with Rose Brady in New York, and bureau reports.



Major American toymakers are partly to blame for the conditions as the pressure to fill Christmas orders builds up

STITCHING MICKEY: CHRISTMAS MEANS SOME 24-HOUR SHIFTS FOR THESE WOMEN