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Monitoring Mattel: codes of conduct, workers and toys in southern China



ASIA MONITOR RESOURCE CENTER LTD.

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Introduction

The story is so well known by now that it hardly needs repeating. Of how in the last two decades or so a steady stream of companies following cost-minimisation strategies have quit highly regulated and waged environments for a parallel world epitomised by low wages and deregulated labour markets.¹ How protests over this transfer barely caused a ripple of concern, drowned by waves of euphoria over profits at the expense of humans, over globalisation at the expense of local communities, and over technological innovation at the expense of the environment. How capitalism organised itself more tightly while paradoxically at the same time dispersing. How transnational corporations (TNCs) generated flexible responses to labour and consumer markets and the processes of production. How marketing executives' fantasies about consumers numbering in their billions rode roughshod over concerns for human rights. And how human resource management (HRM) paved the way for institutional innovation and flexible employee relations.

For a while it looked like the move by TNCs into Asia and Latin America was going to pass by with scarcely a sideways glance at any regulatory framework whatsoever. In countries where the GDP per head per annum resembled average weekly or monthly wages in the US, ruling parties enticed foreign capital with assurances of compliant labour, low or no taxes, and wage caps. Export processing zones (EPZs) in low wage environments materialised faster than the shopping malls which sprang up to pander to the consuming desires of the so-called new rich. Local beneficiaries of the influx of foreign capital, this new elite sold off and leased out land, forests and rivers in the name of technology transfer, progress, and the inevitability of globalisation. In doing so they paid scant attention to labour or environmental law. They subdued or outlawed independent and effective trade unions, and shielded their industrial areas and EPZs from prying eyes. Big business which had for years bewailed the power of trade unions, complained about overtime rates, and belittled occupational health and safety standards as impediments to doing business could hardly believe their luck.

This state of affairs might have remained unchanged had it not been for widespread publicity campaigns which detailed conditions in which workers laboured to produce fashionable sports shoes and clothing. A trickle of stories documenting the harsher features of footwear and garment manufacturing in Asia and Latin America began to emerge during the 1980s. These stories described wages so low that workers could barely afford food at local rates, and working conditions so dangerous that debilitating injury and illness rates, and even deaths, defied the late twentieth century imagination. Concerned citizens began to question the morality of purchasing goods made under these circumstances.

At first the transnationals prevaricated. When confronted by information detailing entire monthly wage-rates that still fell short of the cost of the shoes or garments that workers toiled ten hours per day to produce, or factory conditions that led to disability and death, they denied all liability. Their stock reply was that the responsibility lay with the subcontractor.

By the mid- to late-90s such arguments were falling on increasingly deaf and militant ears. Workers, consumer groups, worker rights activists, trade unionists, journalists, a coalition of non government organisations (NGOs), and individuals mounted campaigns insisting that

¹ We make a distinction here between multinational corporations which follow a *cost-minimisation strategy* and those which follow a *market-building strategy*. For the former, the country in which they invest 'provides a place to conduct large-scale, low-tech, low-cost production of labour-intensive goods that can be exported to and sold in existing markets around the globe'. For the latter, the country in which they invest is perceived as a 'rapidly growing, potentially vast consumer and business market', and as such their business strategies are very different. For more on the distinction see, Michael A. Santoro, *Profits and Principles, Global Capitalism and Human Rights in China*, (Ithaca and London: Cornell University Press, 2000), pp. 16-32.

TNCs be held responsible for the conditions in which their goods were produced, and from which they profited. Backing up their calls with boycotts or threats of boycotts, and supported by a now interested mainstream media, a loose coalition of groups forced well known brands to think twice about their offshore manufacturing facilities. Shoppers began to wonder whether workers in some far off place were losing their health, limbs, or lives for the baby clothes, toys or sports shoes they purchased in local shopping malls.

For the brand names, this was an unwelcome and unforeseen development. Initially, some responded by ignoring the controversy. Gambling that only a handful of shoppers would be interested in factory conditions or boycotts, they banked on cheap price tags and an endless cycle of 'hot new' models or fashions to defuse the furore. However, companies whose advertising promoted a product as well as a lifestyle were very sensitive to consumer perceptions. It became clear to them that the horror stories surfacing in the media were in fact detrimental to their profit margins. However, for high-profile companies more was at stake than potentially declining sales, as important as that was. At risk was also a brand consciousness which had taken years and perhaps billions of dollars to build. Global giants like Nike and Levi-Strauss aren't simply selling, after all, shoes and jeans. They also sell a dream.

Perhaps due to the obvious gap between children's dreams and dangerous working conditions, one of the sectors most concerned about its image in the context of publicity campaigns in the media was the toy industry. It is not surprising to learn that some of the TNCs with manufacturing facilities in low wage countries to react most swiftly to negative publicity were drawn from that sector. Mattel, one of the largest toy companies in the world, was among them.

Mattel realised early on that their carefully honed and positive image was potentially at risk if consumer groups chose to investigate the environment from which Barbie and other toys emerged. Thus, in 1995 Mattel issued a directive to its subcontractors to abide by decent standards of safety in production and to provide a working environment consistent with the high standards the parent company expected. The company went further in 1997 when, in November, Mattel announced that its production facilities and contract manufacturers would be required to comply with Mattel's own global code of conduct. Called the Global Manufacturing Principles (GMP), the code was, in Mattel's words, 'the cornerstone of the company's ongoing commitment to responsible manufacturing practices around the world'.²

Mattel was not the only or the first company to implement a code of conduct for its subcontractors in countries with wage rates and manufacturing standards lower than at home. In the rush to appease consumer demands, a host of companies during the 1990s drew up codes of conduct or undertook SA 8000 audits of their facilities.³ This strategy has met with mixed success. This is partially due to suspicion on behalf of consumers and activists who believe codes and audits lack transparency. For example, even though many companies may publicise their codes of conduct, few have agreed to release the results of monitoring those codes. Similarly, SA 8000 audits are private matters between the consultants and their clients, and the results thus remain confidential. It is even more unclear how a plethora of company-specific codes are monitored internally.

From the beginning, however, Mattel chose a relatively transparent strategy, and to this end invited Professor S. Prakash Sethi of the Zicklin School of Business to organise an

² 'Mattel's corporate responsibility', <http://www.mattel.com/corporate/company/responsibility/> (accessed 15 June 2000).

³ An SA – Social Accountability – 8000 audit mimics quality control standards like ISO 9000 and so on. The standards have been set by CEPAA and are based on core International Labour Organisation conventions.

independent group capable of developing systems and procedures for implementing and monitoring compliance to the GMP. The independent monitoring group which resulted was the Mattel Independent Monitoring Council for Global Manufacturing Principles (MIMCO). In 1998 MIMCO published their first full audit, available for public scrutiny and with sections published on Mattel's official Web site. The report interested us a great deal, mainly because it contained an audit of a factory that AMRC researchers (or researchers from partner organisations) had visited on several occasions.

Our intense interest in the report should come as no surprise. Our organisation first talked to workers in enterprises manufacturing toys in the People's Republic of China in 1995,⁴ and among those with whom we talked were some who worked for a concern that produced toys solely for Mattel. What we found across the industry were conditions that put at risk a substantial numbers of workers. We found a sector characterised by low wages, long hours, and a disregard for health and safety issues. Along with our partners we continued talking to workers in the toy sector in an effort to build a picture of working conditions in a single industry. It was a difficult task, mainly due to the numbers involved. In 1996, we cited official figures that listed over 5,000 toy manufacturers in China, which accounted for a total workforce population of about 1.3 million. In Shenzhen alone, the region closest to Hong Kong and thus the easiest in which we could conduct research, there were 800 factories making toys. While the size and diversity of the sector makes research difficult, the lack of access to factories which are secured by high walls and security guards, and the ever present risk of attracting the attention of government security officials, add immeasurably to these obstacles. These problems are further compounded by the lack of publicly accessible documents listing the whereabouts of factories or their financial relationships with companies from abroad. Despite these difficulties we still conduct research on working conditions in the toy industry (as well as other sectors).

This paper, then, is the result of our longstanding interest in documenting working conditions in toy factories in China. On the one hand it is an assessment of an audit of a factory we know reasonably well; and thus an examination of the *MIMCO Report*.⁵ On the other hand, it address some of the wider issues regarding codes of conduct, using the audit on Mattel's plant as a starting point.

In our paper we are concerned to present a portrait of Mattel which includes more than its Chinese factories. We want to highlight the company's public and corporate image and compare it to the factories and conditions upon which its wealth is founded. We furnish descriptions of both worlds (corporate USA Mattel, and Guangdong province Mattel) to highlight the gap between Mattel's carefully formulated public persona and the distance between it and life on the factory floor for workers in China. First we begin by describing Mattel as it is presented in official texts (the official Mattel Web site and annual reports). This includes an exploration of Mattel's corporate reach in the toy sector, the importance it attaches to being perceived as a good employer and corporate citizen, and the GMP. Second, we take a close look at the *MIMCO Report*, comprising a description of the research methodology, its overall findings, and most importantly, its audit on the Chang'an plant (with which we are most familiar). Third, we present a portrait of factory life, including a survey of the town of Chang'an and the plant. In this section we look closely at the way in which order and discipline is maintained the factory, and the workday. Finally, we offer an assessment of codes of conduct as seen through Mattel's GMP.

⁴ The results of those initial interviews can be found in a report edited by Asia Monitor Resource Center for the Coalition for the Charter on the Safe Production of Toys, *Labour Rights Report on Hong Kong-Invested Toy Factories in China*, (Hong Kong: Asia Monitor Resource Center, 1996).

⁵ *Mattel Independent Monitoring Council for Global Manufacturing Principles: Audit Report 1999*.

Mattel's corporate goals: dreams for global markets

Mattel exists in the minds of most people as the company that makes the toys about which little girls and boys still dream. This is small wonder, for it has been doing so now for over forty years. Mattel is a dream factory, from where the fantasies of millions of little girls have been sated on Christmas morning by the sight of Barbie under the tree.⁶ It gratifies the desires of little boys whose parents have purchased two billion Hot Wheels cars over the last three decades. As their advertising copy tells us, 'that makes Mattel the producer of more vehicles than Detroit's big three car manufacturers combined'.⁷ Barbie and the Hot Wheels toys are synonymous with Mattel, and are perhaps two of the most well known and long lived commodities in a market that moves notoriously fast from one hot item to the next. But Mattel's reach into the toy market is deeper than a few popular playthings.

During the 1980s, it produced Masters of the Universe which, with He-Man fronting a team of muscular saviours, even eclipsed Barbie sales for a short 12 months in 1985.⁸ A few years later Mattel joined forces with Disney in an agreement to produce infant and pre-school toys based on Mickey, Donald, Pluto, Goofy, and the rest of the gang. It was a successful partnership that led to greater things. During the nineties, Mattel began manufacturing toys based on Disney's popular animated movies. This includes toys derived from such classics as *Snow White* and *Pinocchio*, along with a contemporary crop of blockbusters which includes *Toy Story 2*, *Tarzan*, *A Bug's Life*, *Mulan*, *Beauty and the Beast*, *The Lion King*, and *Aladdin*. No end to the relationship appears in sight with the recent signing of a multi-year agreement which guarantees worldwide toy rights for all Disney television and film properties. This agreement also includes the rights to the much-loved Winnie the Pooh characters.

Lest it be accused by some of pandering to the lower instincts of children, we should note that Mattel has made a number of purchases giving them the rights to toys pitched at a more cerebral level. One such merger was with Fisher-Price in 1993. The number one brand in the infant and pre-school toy market, Fisher-Price is well known for its imaginative toys and innovative baby and toddler products. Such mergers are the backbone of Mattel expansion. Along with Fisher-Price, Mattel has purchased International Games, makers of UNO and Skip Bo, two of the world's most popular card games. In the early 90s, it bought Power Wheels, the leading name in ride-on vehicles. In 1994, Mattel acquired the board game Scrabble when it took over the British company J.W. Spear. In 1997, Mattel merged with Tyco Toys. This gave them the rights to Matchbox cars, View-Master, Magna Doodle, and the leading name in electric and radio-control racing, Tyco R/C. The merger also meant that Mattel acquired the primary toy license for *Sesame Street*. In 1998, Mattel acquired the Pleasant Company, the second largest girl's brand in the world (a market segment already dominated by Mattel).

Mattel has also entered into partnership with Intel to produce Smart Toys for use on personal computers. Further, the company has all 'the rights to characters for all programming on Nickelodeon, the US television network most watched by kids, and the license for Cabbage Patch Kids, the only enduring large doll in the history of the industry'.⁹ Branching out in 1999, Mattel was granted exclusive rights by Ferrari 'to produce toys, apparel and accessories, and adult collectible products, based upon the rich heritage of Ferrari vehicles and the extraordinary Ferrari race team'.¹⁰ This year, in 2000, Mattel won the licensing agreement for Harry Potter, which makes the company the worldwide licensee for the characters in the books and the upcoming Warner Brothers movie.

⁶ Mattel claim to have sold around a billion Barbie dolls in the four decades since its arrival on the toy market in 1959. See, 'About Mattel: Company history', <http://www.mattel.com/corporate/company/about/index.asp?section=history> (accessed 15 June 2000).

⁷ *Ibid.*

⁸ *Ibid.* All the information in the following paragraph is drawn from the same source.

⁹ *Ibid.*

¹⁰ *Ibid.*

With an annual revenue of US\$5.5 billion, Mattel makes it into the Fortune 500 year 2000 list at number 305, up 26 places from the previous year. The company has offices and facilities in 36 countries, markets its products in more than 150, and employs around 31,000 people.¹¹ If you work there, according to company literature, you'll be working in an enterprise that strives hard to 'provide a stimulating work environment that rewards achievement and recognises the importance of having fun while on the job'.¹² Mattel isn't the only one that thinks so. *Working Mother* magazine has named the company in its '100 Best Companies for Working Mothers' list seven years straight. *Latina Style* has named it one of 'Top 50 Companies for Hispanic Women' for two years in a row.¹³

The awards recognise the importance the company attaches to employee contentment. By any criteria the list of benefits are impressive.¹⁴ They include items such as comprehensive medical and dental coverage, where Mattel provides bi-annual physical examinations, prescription drugs, baby care, and a range of preventative oral treatment. The company offers life insurance and salary continuance, which covers insurance for business travel and restitution for lost pay due to short- and long-term disability. Mattel is justifiably proud of its work environment, which it promotes in company literature in the following manner:

At Mattel, we believe it is important to create a supportive environment that frees people up to do their best. That is why we are so intensely committed to work/life balance – and why we have one of the most progressive portfolios of programs and policies currently in place in the American business community.¹⁵

The company attracts employees with a range of inducements; Friday half-days (year-round), casual dress days (every day), 13 paid holidays per year, bonus days, vacations of up to five weeks after 20 years service, 16 hours of paid leave annually to participate in school-related activities, fitness centres at two office locations (Mattel headquarters in El Segundo, California, and at Fisher-Price in East Aurora, New York), adoption and fertility assistance, an employee stock purchase programme and a range of other generous and innovative programmes.

Over and above the provision of workplace conditions, Mattel co-ordinates volunteer programmes and administers a charitable foundation. As a manufacturer of predominantly children's products, Mattel has logically enough directed its philanthropic efforts towards children's causes. The Mattel Children's Foundation has, since the early 1990s, directed 'resources toward national Foundation-sponsored initiatives which creatively address relevant children's issues'.¹⁶ In 1998, that translated to \$4.2 million in grants invested in a range of children's causes, along with millions of dollars worth of Mattel toys.¹⁷ Its most ambitious project, however, has been the \$25 million grant to the University of California at Los Angeles (UCLA) to rebuild the earthquake-damaged children's hospital. Designed by I.M. Pei, the 102-bed facility is scheduled to open in 2004 under the new name, 'Mattel Children's Hospital at UCLA'.

¹¹ *Ibid.*

¹² See, 'Employment: Resume database', *ibid.*

¹³ *Ibid.*

¹⁴ All the data in the paragraph is drawn from, 'Employment: Employee benefits', *ibid.*

¹⁵ *Ibid.*

¹⁶ 'Mattel's children's foundation: Foundation history and background', http://www.mattel.com/corporate/company/mattel_foundation/description.asp?chapter=history (accessed 15 June 2000).

¹⁷ 'From the Chairman', Children's Foundation 1998 Annual Report, <http://www.mattel.com/childrensfoundation/> (accessed 5 July 2000).

Mattel also lays claim to being a good corporate citizen through its concern for the environment. For example, in 1999 Mattel estimated that an unspecified cleanup of a manufacturing site in the state of New York would cost the company \$1.425 million. In Beaverton, Oregon, Mattel 'self-reported' to the relevant authorities elevated levels of chemicals including trichloroethylene in drinking water at a company-leased manufacturing site. As a result the company 'implemented a community outreach program to employees, former employees and surrounding landowners'.¹⁸

The most important company initiative for us, however, is the creation and implementation of Mattel's GMP. According to Mattel, the GMP are 'some of the most detailed and comprehensive in the consumer products industry'.¹⁹ The standards address a range of issues, including 'on-the-job concerns such as factory lighting, air quality and care facilities, to acceptable parameters for dormitories and recommendations for recreational programs'.²⁰ The formulation of the standards is, however, only the first in a two-pronged approach. The other is the enforcement of the GMP. To this end the company has implemented a thorough auditing process to inspect all of 'the company's owned-and-operated facilities around the world, as well as those of all core contractors'.²¹ Mattel's threat to contractors who fail to work with Mattel to meet and maintain the GMP is the revoking of contracts. It is worth quoting extensively from Mattel's own literature on the GMP.

It is clear that in formulating the GMP Mattel takes seriously the notion of good corporate governance. But it also positions itself as an ethical employee, concerned with the 'safety and fair treatment of the men and women who manufacture our products'.²² The GMP are the result of a 'unique challenge' for a US-based TNC, where its 'standards must not only reflect [its] need to conduct all manufacturing in a responsible manner, but they must also respect the cultural, ethical and philosophical differences of the many countries in which [it] and [its] business partners operate'.²³ 'Compromise', company literature states, 'is not an option'.²⁴

The essence of company thinking revolves around the issues of safety and individual rights:

It is our sincere belief that operating within these principles not only benefits the men and women who manufacture our products, but ensures that our customers and consumers can continue to purchase our products with the confidence that they have been manufactured in an environment that emphasises both safety and respect for individual rights.²⁵

According to the *MIMCO Report* the GMP consists of more than 200 specific standards. These standards 'define the compliance parameters for each principle and cover all aspects of manufacturing operations; environment health and safety standards; worker hiring and training; working conditions; working hours; performance bonuses; wages and overtime; living conditions in the dormitories, and recreational facilities; and, non-job related skill enhancement programs'.²⁶ The list below consists of the eleven major principles and Mattel's guidelines in full.²⁷

¹⁸ *A Truly Great Company, with the Very Best People, A Compelling Underlying Strategy and Resources for Sustainable Development: Mattel, Inc. 1999 Annual Report*, p. 19. Both examples of environmental concern are drawn from the report. See p. 19.

¹⁹ <http://www.mattel.com/corporate/company/responsibility/> (accessed 15 June 2000).

²⁰ *Ibid.*

²¹ *Ibid.*

²² 'Responsibility', <http://www.mattel.com/corporate/company/responsibility/> (accessed 15 June 2000).

²³ *Ibid.*

²⁴ *Ibid.*

²⁵ *Ibid.*

²⁶ *MIMCO Report*, p. xiii.

²⁷ All principles and company guidelines are quoted in full. See, 'Responsibility'.

1. Wages and hours: All Mattel factories and vendors must set working hours, wages and overtime pay that are in compliance with governing laws. Workers must be paid at least the minimum legal wage or a wage that meets local industry standards, whichever is greater. While overtime is often necessary in consumer product production, Mattel factories and vendors must operate in a manner that limits overtime to a level that ensures humane, safe and productive working conditions. Overtime, if necessary, must be paid in accordance with local laws.

2. Child Labour: No one under the age of 16 or the local legal age limit (whichever is higher) may be allowed to work in a facility that produces products for Mattel.* Simply stated, Mattel creates products for children around the world – not jobs.

We encourage the creation of apprenticeship programs tied to formal education for young people as long as students will in no way be exploited or placed in situations that endanger their health or safety.

* As of April 1, 1997, those facilities that may currently and legally (according to local law) employ people between the ages of 14 and 16 may no longer hire anyone under the age of 16. However, to ensure that the well-being of current employees who are between the ages of 14 and 16 is not jeopardised in any way, we are asking that these employees be kept on the payroll, assigned work responsibilities and hours that are reasonable and acceptable for people of this age group and continue to be afforded all legally required benefits.

3. Forced Labour: Under no circumstances will Mattel, Inc. use forced or prison labor of any kind nor will we work with any manufacturer or supplier who does.

4. Discrimination: Discrimination of any kind is not tolerated by Mattel, Inc. It is our belief that individuals should be employed on the basis of their ability to do a job – not on the basis of individual characteristics or beliefs. We refuse to conduct business with any manufacturer or supplier who discriminates either in hiring or in employment practices.

5. Freedom of Association: Mattel is committed to abiding by all the laws and regulations of every country in which we operate. We recognise all employees' rights to choose (or not) to affiliate with legally sanctioned organisations or associations without unlawful interference.

6. Working Conditions: All Mattel, Inc. facilities and those of its business partners must provide a safe working environment for their employees. Facilities must engage in efforts including:

- Complying with or exceeding all applicable local laws regarding sanitation and risk protection and meeting or exceeding Mattel's own stringent standards.
- Maintaining proper lighting and ventilation.
- Keeping aisles and exits accessible at all times.
- Properly maintaining and servicing all machinery.
- Sensibly storing and responsibly disposing of hazardous materials.
- Having an appropriate emergency medical and evacuation response plan for its employees.
- Never using corporal punishment or any other form of physical or psychological coercion on any employee.
- Facilities that provide housing to their employees as a benefit of employment must ensure that such housing be kept clean and safe.

7. Legal and ethical business practices: Mattel will favour business partners who are committed to ethical standards that are compatible with our own. At a minimum, all Mattel business partners must comply with the local and national laws of the countries in which they operate. In addition, all of our business partners must respect the significance of all patents, trademarks and copyrights of our and other's products and support us in the protection of these valuable assets.

8 Product safety and product quality. All Mattel, Inc. business partners must share our commitment to product safety and quality and must adhere to those operational and workplace practices that are necessary to meet our stringent safety and quality standards.

9 Environment and customs: Mattel, Inc. will only work with those manufacturers or suppliers who comply with all applicable laws and regulations and share our commitment to the environment. Because of the global nature of our business and our history of leadership in this area, Mattel, Inc. insists that all of our business partners maintain a strict adherence to all local and international customs laws. Our business partners must comply with all import and export regulations.

10 Evaluating and monitoring: Mattel, Inc. is committed to ensuring that all facilities manufacturing our products meet or exceed our Global Manufacturing Principles and we will audit all facilities to ensure compliance. Consequently, we insist that all manufacturing facilities provide us with:

- Full access for on-site inspections by Mattel or parties designated by Mattel.
- Full access to those records that will enable us to determine compliance with our principles.
- An annual statement of compliance to our Global Manufacturing Principles signed by an officer of the manufacturer or manufacturing facility.
- Acceptance of and compliance to the Mattel Global Manufacturing Principles is part of every contract agreement signed with all of our manufacturing business partners.

11 Compliance: These principles are intended to create and encourage responsible manufacturing business practices around the world – not serve as a guideline for punishment. We expect all of our manufacturing business partners to meet these principles on an ongoing basis. At the same time, our current business partners can expect us to work with them to effect change if certain aspects of the principles are not being met. Future business partners will not be engaged unless they meet all of our manufacturing principles. If Mattel determines that any one of its manufacturing facilities or any vendor has violated these principles, we may either terminate our business relationship or require the facility to implement a corrective action plan. If corrective action is advised but not taken, Mattel will immediately terminate current production and suspend placement of future orders.

These principles form the basis on which the *MIMCO Report* audit is founded.

The *MIMCO Report*

Methodology

The *MIMCO Report* is a 180-page double-spaced document. The audit was conducted during 1999, and consisted of visiting one factory in Thailand, two factories each in Malaysia and Indonesia, and three plants in China.

The audit team was led by a panel of three. All are, as the report states, ‘widely recognized experts in international business, economic development, codes of conduct, corporate responsibility, and children’s and labor issues in foreign countries’.²⁸ Professor S. Prakash Sethi enjoys an international reputation as a pre-eminent researcher and scholar on international corporate codes of conduct. Paul F. McCleary is the President of ForCHILDREN, Inc., an international development agency based on the goals of the World Summit for Children. Murray L. Weidenbaum is an economist with experience in business, government and academia, was President Reagan’s first chairman of the Council of Economic Advisers, and a member of the President’s Economic Policy Advisory Board until 1989.

A number of individuals and professional organisations also assisted. The most notable of these were PricewaterhouseCoopers (PWC) – which was contracted by MIMCO to audit factory payrolls, and Verité – an NGO contracted to conduct worker interview audits.

The authors perceived Mattel’s implementation and monitoring of the GMP as ‘a part of its commitment to operate as a responsible company and a good corporate citizen’.²⁹ As evidence of this they provide three facts. 1. The MIMCO audit was not a one-time phenomenon, and would be undertaken regularly. 2. Mattel’s ‘strategic and primary suppliers would be audited by an independent outside group of respected and knowledgeable experts. This group would have complete access to all facilities, workers and supervisors, and payroll and financial records pertaining to the plants owned and operated by Mattel’.³⁰ 3. The monitoring team had ‘complete discretion in making its findings public’.³¹

As a foundation for the audit, MIMCO (with Mattel’s assistance) developed a set of standards to measure and evaluate compliance with the GMP. These standards were required to meet three criteria. 1. They had to be ‘quantifiable and objective’. That is, the standards had to be measurable to the extent that different auditors would ‘draw similar conclusions’.³² 2. The standards had to be ‘outcome-oriented’. The team believed that it was not enough to say that policies or procedures existed, but needed to show ‘bathrooms per 100 workers’ and so on. 3. The standards had to meet the legal criteria mandated by a country’s labour and environment laws’.³³ In meeting these criteria the team created over 200 specific standards which ‘define the compliance parameters for each principle and cover all aspects of manufacturing operations ... [and were completed] with the agreement of Mattel’s top management to these standards’.³⁴

The report is the result of the first stage of a much longer auditing process, which is scheduled to take place over three phases. The first phase (1999-2000) concentrates on Mattel-owned plants and those where Mattel controls 100 per cent of the output. Phase 2 (2000-2001) will concentrate on a sample of strategic partners and primary suppliers from which Mattel buys 70 per cent or more of the plant’s output. Phase 3 (2001-2002) will focus on a sample of second-tier plants from which Mattel buys between 40-70 per cent of the plant’s output.³⁵

All the audits followed a specific procedure containing four elements: management compliance reports; payroll and personnel files desk audits; systematic walk-through examination of the plant and dormitories; and one-on-one worker interviews.³⁶ The

²⁸ *MIMCO Report*, p. xi.

²⁹ *Ibid.*, p. x.

³⁰ *Ibid.*

³¹ *Ibid.*, p. xi.

³² *Ibid.*, p. xii.

³³ *Ibid.*

³⁴ *Ibid.*, p. xiii.

³⁵ *Ibid.*

³⁶ *Ibid.*

compliance reports were completed and furnished by factory management to MIMCO at least one week prior to the field audit. The walk-throughs included all areas of the factories (including living areas), and took between four to six hours followed by meetings with management to clarify any points. Payroll and desk audits examined wages and working hours. This phase of the audit also analyses personnel files including disciplinary action, worker training and injuries. Worker interviews were conducted through a questionnaire which contained over 100 questions and involved 'all aspects of their working and living conditions at the plant'.³⁷ It took eight to twelve people between two to three days to conduct the field audit.³⁸

Payroll data and personnel files were audited by a teams of three to four accountants from PWC who followed strict protocol and worked at all times under the direct supervision of a MIMCO council member and an academic advisor attached to the MIMCO team. Verité conducted the interviews in local languages and often reflected the demographic profile of the workers interviewed. All interviews were conducted in total privacy.³⁹

Findings

In general the audit found that 'Mattel plants and those of its strategic partners [such as the Chang'an factory], covered in this report, are in compliance with GMP provisions'.⁴⁰ In fact the authors go further and state that 'in many cases, they have exceeded both the country laws and current GMP standards'.⁴¹ There are areas of poor performance, and the report mentions them in detail in the appropriate chapters which cover each specific factory. (We will focus on the Chang'an plant in particular below). However, in general the authors believed that the 'plant management has responded positively to our recommendations and has initiated necessary corrective action'.⁴² The list below includes the major problems that the team identified.

1. Indonesia:
 - i. Poor air quality, including lack of air conditioning;
 - ii. Short lunch breaks (30 minutes);
 - iii. Failure to compensate workers for breaks between normal and overtime work;
 - iv. Dormitories that sleep up to 32 workers.
2. China
 - i. Recruitment costs and security deposits as an excessive financial burden;
 - ii. Unsatisfactory record-keeping of incidents of accidents and injury;
 - iii. Lack of onsite medical facilities;
 - iv. Excessively complicated accounting procedures;
 - v. Perfunctory knowledge by workers of GMP;
 - vi. Minimal involvement of workers in issues that impact their working conditions and living environment;
 - vii. Poor air quality.
3. Malaysia:
 - i. 'Slightly higher incident rate of work-place injuries than the prevailing GMP standards';⁴³

³⁷ *Ibid.*, p. xiv.

³⁸ *Ibid.*, p. xv.

³⁹ *Ibid.*, pp. xv-xvi.

⁴⁰ *Ibid.*, p. xvi.

⁴¹ *Ibid.*

⁴² *Ibid.*

⁴³ *Ibid.*, p. xxxi.

- ii. Exclusion of allowances for calculating employee-employer contributions to the government-sponsored retirement fund.
4. Thailand
- i. Lack of air conditioning;
 - ii. Workers not sufficiently aware of some aspects of the GMP.

The report card is good, if not perfect. To the casual observer the list would hardly warrant calling for consumers to boycott Mattel products as a result of poor working conditions. Even in the case of China, which appears at first glance to be the poorest performer, the factory conditions appear to be fair. At worst, the factory management seems able to rectify the problems with little effort, although some significant amounts of money may be required. Nevertheless, overall the report paints a picture of relatively safe and comfortable workplaces. Knowing that the MIMCO team is following up this first audit lends credibility to the claim that Mattel is committed to the safety and individual rights of its workers in its overseas plants. A closer inspection of a report on a single plant will serve to demonstrate this.

MIMCO's report on the Chang'an (Meitai) plant

The *MIMCO Report* covers three Chinese plants for which Mattel accounts for 100 per cent of output. Of particular interest to us is the report on the Chang'an plant, mainly because we have talked to and interviewed workers there over a period of about five years. We were obviously keen to read the team's observations and compare them with our own. We were also eager to read about the physical environment and conditions inside the factory, as we had never been granted access. Before commenting on the factory audit, however, we want to convey the flavour of the report. Apart from some minor local variations, each factory audit adheres to strict conventions. A close look at the Chang'an audit reveals its parameters as well as the team's mode of operation.

The MIMCO team first visited the plant in 1998 and made 'preliminary recommendations regarding physical facilities, dormitories, safety procedures and other operational issues'.⁴⁴ From 8-10 March 1999 the MIMCO team conducted an official audit with the partial aim of assessing the plant management's implementation of the initial recommendations. The audit also contained general observations.

As with all other factory audits, the Chang'an audit provides information categorised under the following headings.⁴⁵

1. Worker profile
 - 5,000 workers (15 per cent non-manufacturing, 85 per cent manufacturing).
 - 87 per cent female, 85 per cent between 18-25.
 - 87 per cent first job at Chang'an, 81 per cent at Chang'an for less than three years.
 - 91 per cent less than nine years of schooling.
2. Patterns of recruitment and initial hiring experience.
 - All interviewed workers received written contact.
 - Terms of contract explained during orientation period.
 - 82 per cent recruited by friends, 15 per cent by recruiters.

⁴⁴ *Ibid.*, p. 58. The MIMCO team made preliminary visits to each factory during 1998. The official audits were all conducted during February to April 1999.

⁴⁵ The audits of the two Malaysian plants did not mention item 4, 'Recruitment and other costs borne by the workers'. It should also be noted that some of the subsections under each major category differed from plant to plant, as one would expect. For example, under 'Recruitment and other costs', the Chang'an audit mentions three items – transportation, recruitment, and security deposit; none of which are included in any other factory report.

- i. Orientation, initial job-related training and probationary period.
 - Chang'an has excellent orientation and initial job-related training systems.
 - Orientation covers work conditions, hours, wages, grievance procedures, canteen, dormitories, and environmental health and safety.⁴⁶
 - ii. Medical examinations.
 - 80 per cent of interviewed workers received medical exam at time of hiring.
 - 20 per cent were exempt due to proof of previous examination.
 - Plant has 'excellent on-site medical facilities that exceed GMP standards'.⁴⁷
 - iii. Pre-job and on-the-job training.
 - Most workers received 7-30 days pre-job training (operation and safety).
 - 92 per cent of workers advised how their performance would be rated.
 - iv. Employee compensation during the probationary period.
 - Probationary period ranged from less than one month to three months.
 - Workers paid minimum wage while on probation.
 - 73 per cent said they did not receive overtime for extra hours worked during probation.
 - Payroll data provided no indication whether workers paid for work in excess of 40 hours per week.
3. Awareness of the GMP.
- 'Workers exhibited a cursory knowledge of GMP and what it meant for them'.⁴⁸
 - 'Where workers were able to explain elements of the GMP, it was more what appeared to be memorisation of certain facts'.⁴⁹
4. Recruitment and other costs borne by the workers.
- i. Transportation.
 - 81 per cent reported paying transportation charges from hometowns to Chang'an.
 - Charges ranged from RMB 10-555.⁵⁰
 - 61 per cent of workers paid more than RMB 200.
 - ii. Recruitment.
 - Nearly 30 per cent of workers paid recruitment fee (ranging from RMB 20-300).
 - Of them, 63 per cent paid local government agency, 25 per cent to recruiter.
 - /Those who paid a recruiter had to make a monthly payment to said recruiter for duration of employment at factory.
 - Plant management pays US\$50 to a central recruiting agency to cover recruitment fees of newly hired workers.
 - iii. Security deposit.
 - Most workers say they must deposit cash with company when employed (ranging from RMB 30-90).
 - Deposits held by company until end of contract.
 - Payroll data indicates that workers in the sewing department had RMB 21 withheld from their wages to be refunded at the end of their contract. (This, the authors note, is a violation of Chinese labour law).
5. Working hours, wages, benefits and performance bonuses.

⁴⁶ This section contains two sentences which total 50 words, along with two tables enumerating the percentage of employees reporting topics covered during the orientation. See *MIMCO Report*, pp. 60-61.

⁴⁷ *Ibid.*, p. 62.

⁴⁸ *Ibid.*, p. 63.

⁴⁹ *Ibid.*

⁵⁰ The Chinese currency, the *Renminbi* – literally the people's currency was at the time of writing equivalent to US\$ 0.12.

- 'In analysing the hours and wages, MIMCO and its auditing partner, PricewaterhouseCoopers, experienced some difficulty in verifying certain elements of the pay structure. The accounting system used to determine wage hours, and overtime paid to direct workers at the Chang'an plant is unique to the region and difficult to understand by Western standards'.⁵¹
 - i. Understanding the pay-stubs.
 - 97 per cent of workers know their base wage.
 - 33 per cent could not explain regular or overtime hours worked, paid holiday overtime hours, or number of day off overtime hours.
 - All workers understood their payroll deductions for food, dormitory rent and other charges.
 - 98% per cent of workers said that such deductions were fair and reasonable
 - ii. Annual leave and maternity leave.
 - Workers aware of leave provisions in Chinese labour law.
 - Payroll data indicated that some workers were not given maternity or annual leave.
6. Workplace discipline of employees.
- There was 'widespread agreement among interviewed workers that the work environment was free of fear or abusive conduct on the part of supervisors'.⁵²
 - 95 per cent of workers say they are treated with respect by supervisors.
 - 91 per cent believed that when disciplined it was fair and proper.
 - 63 per cent of workers have been or know someone who has been disciplined.
 - Of the 63 per cent, the reasons for disciplinary action were.
 - 14 per cent for defective work.
 - 2 per cent for working slowly.
 - 62 per cent for failing to use safety equipment.
 - 8 per cent for failure to meet quotas.
 - 10 per cent for loss of safety equipment.
 - 21 per cent for tardiness.
7. Work environment of manufacturing operation and related facilities.
- The walk-through concluded that the plant was clean, safety striped, and that solvents and volatile material were stored in concrete rooms and grounded.
 - Substantial changes at great cost had been implemented in response to the 1998 visit.
 - Workers indicated high levels of satisfaction with the work environment.
 - In a 'small number of cases',⁵³ ventilation was incomplete and inadequately installed.
 - 'In a few instances', MIMCO detected the scent of chemicals in the air.⁵⁴
- i. Drinking water and personal hygiene facilities.
 - Substantial changes since 1998 visit.
 - Workers expressed high degree of satisfaction.
 - ii. Use of safety equipment.
 - 62 per cent said they use safety equipment regularly, 29 per cent did not.
 - iii. Food and lunch facilities.
 - Workers received daily one-hour lunch break (no other formal breaks).
 - iv. Dormitory facilities.
 - All workers live in dormitories within walking distance of plant.
 - 8-12 workers share a room, 'all within GMP standards'.⁵⁵

⁵¹ *Ibid.*, p. 66.

⁵² *Ibid.*, p. 68.

⁵³ *Ibid.*, p. 71.

⁵⁴ *Ibid.*

- Each worker has a bed and personal locker.
- v. Freedom of association and access to management.
 - 95 per cent of workers indicated that they were not represented by a union.
 - 0 per cent knew of workers against whom action was taken for union activity.
 - Workers were conscious of or reluctant to talk about unionisation.
 - 85 per cent stated that top managers at the plant had talked to them in the past year.
 - Workers encouraged to file complaints in director's mailbox.
- vi. Sports and recreational facilities.
 - Facilities include soccer, badminton, table tennis, gym equipment, TV/radio, basketball, and library.
 - 50 per cent spent less than three hours per week on sport and recreational activity.
 - 42 per cent spent between three to ten hours per week.
- vii. Non-job related skill enhancement programmes.
 - The plant provides few training programmes for its workers.
 - 69 per cent of workers indicated no knowledge of such programmes.
 - 76 per cent said they took part in no programmes.
 - Workers expressed interest in writing classes, remedial education, English, music, computers, and management training.

The list is extensive, and was followed – as is the case for each factory report – by a final section entitled ‘Overall observations and general recommendations’. Here, the MIMCO team commended management for its response in meeting the challenges presented by the introduction of the GMP. It pointed to significant improvements at substantial cost which they believed had ‘contributed to an enhanced working and living environment’ for workers.⁵⁶ However, there were eight areas in which the MIMCO team felt plant management should work to rectify as soon as is practical.

1. Working hours, and payment of wages for regular and overtime working hours.

Due to MIMCO being unable to complete its audit due to difficulty interpreting payroll data, the Chang’an plant is in the process of redesigning its payroll records.

2. Initial cost burden on workers for recruitment, transportation from home, and security deposits.

The report states that the MIMCO team has ‘addressed the fact that a large number of workers were subjected to recruitment fees, transportation charges from home, and security deposits’.⁵⁷ It is unclear from reading the report what this means, except for a belief that these costs were a burden on workers. The management has promised to explore options of reducing this burden. On the final matter of security deposits, Mattel’s Hong Kong office is investigating with the promise that these and similar charges are eliminated.

3. Physical facilities.

As indicated above, the team was generally impressed with the physical environment. The only criticisms regarded ventilation, with the recommendation that air quality measurements be taken monthly rather than annually, and the supervision and use of safety equipment, with the suggestion that management explore the idea of short classes at regular intervals in the use of such equipment.

⁵⁵ *Ibid.*, p. 73.

⁵⁶ *Ibid.*, p. 75.

⁵⁷ *Ibid.*, p. 76.

4. Speed of manufacturing operations.

The MIMCO team concluded that the speed of work on the assembly lines at the Chang'an plant was 'intense when compared with Mattel plants in other countries'.⁵⁸ As a result, work 'can be exhausting when performed continuously over long periods of time'.⁵⁹ MIMCO's explanation for the speed is twofold. It is either due to the Hong Kong office having control over production rates and process design rather than plant-based engineers, or a result of a particular system of calculating processing fees. According to MIMCO, Chang'an management asserts that the speed conforms to internationally acceptable standards, and is a source of pride for both the factory and Mattel (which uses the factory as a benchmark for other facilities around the world). The MIMCO team recommended that 'Mattel and its China partner undertake a joint review of their procedures for establishing production rates and processing fees with the goal to lower their adverse impact on the workers'.⁶⁰

5. Awareness of the GMP.

In light of the perfunctory knowledge of the GMP exhibited by most workers, the MIMCO team has called for management to go beyond simply disseminating information to workers. It requests that the Chang'an plant implement a strategy that raises awareness of Mattel's commitment for the fair treatment of the workers in all facets of their work and living environment.

6. Worker orientation and training.

The report states that the plant has an 'admirable record of worker orientation and pre-job and on-the-job training for its employees'.⁶¹

7. Employee access to management.

This was an area of concern for the MIMCO team. Workers appeared to have no 'formal or systematic means of consulting with the plant management'.⁶² In fact, during the interviews, workers indicated that 'they were reluctant to speak to management on issues pertaining to their work and living conditions, or even to admit the need for such discussions'.⁶³ MIMCO argues that workers need to feel that they are part of the company, and thus require open lines of communication with senior management. Chang'an management disagreed, however, and suggested the reason for worker reluctance to turn to management with their grievances was due to a 'strong cultural adherence to Confucianism'.⁶⁴ The MIMCO team was not entirely convinced, and has pressed for more effort in furthering channels of communication.

8. Training and skill enhancement in non-job related programmes.

With a small number of training programmes on offer, MIMCO has recommended that management undertake three systematic studies.

- i. Assess where workers are most likely to find employment within two to five years should they leave the factory.
- ii. Create training programmes for employees, and offer incentives for them to participate.
- iii. Assess the cost of training programmes so as to measure the Chang'an plant's contribution to human capital.

⁵⁸ *Ibid.*, p. 78.

⁵⁹ *Ibid.*

⁶⁰ *Ibid.*, p. 79.

⁶¹ *Ibid.*, p. 80.

⁶² *Ibid.*

⁶³ *Ibid.*

⁶⁴ *Ibid.*, p. 81.

In conclusion, the report is by no means a publicity nightmare for Mattel. On the contrary, on its basis the company has much of which it can be proud. As is the case with the other factories audited, the *MIMCO Report* portrays a company hard at work seeking to rectify problems of omission (ventilation, pay stubs, awareness of the GMP, safety training, skills enhancement and so on). In the event of what we might call institutional problems – that is procedures which are systemic such as those unearthed in the area of recruitment – the Chang’an plant and Mattel are presented as being committed to resolving even these. In the context of the report Mattel appears to live up to its espoused corporate goals.

From the AMRC’s perspective the report provides us with valuable data. Given our inability to review private company documents, interview management, and assess the work environment first hand, reports like this are important sources of information. Despite providing a great deal of information, we believe that the *MIMCO Report* also omits a great deal. We are not suggesting that such omissions are the result of anything other than lack of time, personnel, and the constraints of the audit’s parameters. But there are nonetheless areas we think are poorly represented. In the following sections we want to highlight a number of these exclusions, and in so doing demonstrate some of the weak points of codes and their monitoring.

Working in Mattel’s Number Two Toy Factory at Chang’an

Mattel’s brief to the MIMCO team did not request that it present a picture of factory life. Nor is there any reason why it should. Nevertheless, one aspect of the audit we find lacking is its inability to convey to readers what it might mean to work in the factory under inspection. The audit amassed a great deal of quantitative data, but almost no qualitative details. What, for instance, does it mean for a worker to live in Chang’an? How does Chang’an appear to her, especially if she originates from the interior or north? How does a predominantly young and female workforce perceive working in a factory? What is the state of the physical environment of the factory, apart from the technical matters raised in the report? What are the feelings of workers living away from home, many of them young and with no experience working elsewhere? What do workers think about their jobs?

The *MIMCO Report* doesn’t answer these questions, and in all honestly neither do we. Access to workers for the time required to gain their full trust is not possible over occasional interviews conducted in haste during lunch or dinner breaks. As much as we talk to workers and try to build up a picture of factory life, circumstances prevent all but brief and superficial contact. However, in the following section we want to begin to paint a portrait of life in the Number Two Toy Factory in the hope of adding flesh to the MIMCO team’s bare bones.

Chang’an

Chang’an is a small town set back a way from the southeast bank of the mouth of the Pearl River. By Chinese standards its population verges on the insignificant, but its lack of size is more than compensated by its strategic location. Straddling the intersection of the Guangshen Expressway and Interstate 107 it is a mere 28 kilometres to Shenzhen’s Huangtian airport and 76 kilometres in the other direction to Guangzhou. Both routes accommodate free flow of traffic on well sealed surfaces, and enable the rapid transportation by truck of products to and from efficient air and sea ports in Shenzhen, Guangzhou, and Hong Kong.

Chang’an town boasts an administrative area of 83 square kilometres and is populated by barely 33,000 inhabitants. However, this figure is inflated more than tenfold by a floating population of migrant workers hailing from other provinces who number around 350,000. These workers constitute the bulk of the workforce in the factories which have sprung up in the township during the last decade or more. Since the mid to late 80s over 1,570 enterprises with foreign investment have made the town their home. The town boasts three industrial zones, with the electronics industry constituting the largest sector. Along with Mattel, Chang’an is also home to plants manufacturing for foreign and local concerns such as

Japanese giants TDK and ALPS, local company Nintaus Electronics (Guangdong Jinzheng Digital Group), and the Hong Kong Overseas Group. The town hosts an international-standard communication network, and four power stations and sub stations to supply electricity. It has ten cinemas, five hotels with a rating above three stars, fourteen schools, hospitals, sports centres, a wide range of shopping facilities, a number of multi-story office blocks, and a 24-hour golf course. During the course of the past decade more than ten honorary titles have been bestowed upon the town, including a ranking in the top 100 best investment environments in China.⁶⁵

Overall the town centre has a 'new' or 'modern' feel, with wide, paved roads, a central business district of tall concrete and glass buildings, and red-tiled town houses designed in a contemporary style. Yet for all the office blocks, five-star hotels and modern amenities, Chang'an is an industrial city whose heartbeat is its migrant workforce. Evidence of this can be glimpsed on the Chang'an Police Station's notice board.

Posted there are regulations directly pertaining to Chinese citizens seeking to stay for more than three days in Chang'an. If migrants wish to stay in Chang'an for longer than a month – that is, they wish to work there – they must apply for a temporary residence permit (TRP). Applicants must furnish to the police: their ID card (along with a copy); proof of one's previous work unit; family planning certificate or single status certificate; a completed TRP form; and three photographs of applicant. Various fees are payable depending on the applicant's status, but for migrants the relevant charges relate to those payable by enterprises. This is due to the fact that state-owned enterprises, collectives, and private companies must pay the following amounts: RMB 1,000 per year if employing 100 workers or less; RMB 2,000 per year for employing 101-200 workers [and so on]. The regulations clearly state that enterprises shall not require workers to reimburse the company for this outlay, but many do. On top of this there are management fees for migrant workers which in Chang'an are RMB 60 per year.

These regulations and fees ensure a steady income for Chang'an township and enable the security bureau to effectively monitor the movements of migrants into and out of the city.

The Mattel plant

Around 6,000 migrants have found their way to Mattel's plant. According to a booklet published by Guangdong province, the Chang'an plant was a joint-venture between US and Hong Kong Mattel in collaboration with Chang'an Town. It began accepting material for processing in 1986 with just 76 workers.⁶⁶ Now, with a workforce of over 6,000 the factory produces 120,000 Barbie dolls per day and has an 'annual processing income' of almost \$7.7 million. In 1994 the plant earned its ISO9002 certification. The Guangdong provincial government has since conferred on the factory 'The Top Ten Advanced Enterprises Earning More Than US\$ 1 Million Through Export' award. Amongst Mattel's more than 70 enterprises in 12 countries the plant won acclaim as a 'World Quality Manufacturer'. Adopting production techniques from Toyota, in particular Just In Time strategies, the plant has been able to maintain zero stock thus lowering production costs and increasing production efficiency. Official literature also states that the factory aims for 'excellent quality, high efficiency, and multiple production functions at full capacity'.⁶⁷ It adds that the company has adopted a management system that ensures clear responsibility for all operations under a 'scientific paradigm' which reduces human error. Thus, at present the factory has been able to reduce waste to 0.47 per cent, significantly less than the US -industry standard of two per cent.

⁶⁵ Other awards cover hygiene, greenery, and advanced social and public security.

⁶⁶ The information in this paragraph is taken from, Guangdong Foreign Economic and Trade Committee (eds.), *50 Years of Guangdong Foreign Trade*, (Guangzhou: Guangdong Economic Publishing Agency, 1999), p. 409.

⁶⁷ Ibid.

The Real Code of Conduct

Official government literature paints a picture of an efficient and profitable factory. The factory's own publication for employees does likewise.⁶⁸ Handed out to all new workers, this 90 page booklet covers every aspect of factory life. Eleven chapters cover everything a new recruit might need to know: from the Mattel factory's geographical position and historical development, to terms of recruitment, factory rules, and discipline. The full coverage of the booklet is as follows:

Chapter 1: A brief introduction to Mattel

Section 1: Forward

Section 2: The Mattel factory's geographical position

Section 3: The factory's historical development and current status

Section 4: The factory hierarchy

Section 5: Building a business culture

A brief introduction to welfare facilities

Chapter 2: Factory discipline and regulations

Section 1: Factory rules

Section 2: Employee dormitory system

Section 3: Canteen regulations

Section 4: Mattel's high quality policy

Section 5: Wages and hours

Chapter 3: Six management systems

Section 1: The production line system

Section 2: The quality system

Section 3: The safety in production system

Section 4: The warehouse system

Section 5: The clean workshop system

Section 6: The personnel management system

Chapter 4: Seize opportunities, treasure your chance at employment, and try hard to advance yourself.

Section 1: Analyse your current circumstances

Section 2: Tips on adapting to your new life in Guangdong

Section 3: Earning money and becoming a good citizen

Section 4: Pay attention to etiquette and courtesy, and strengthen good relations

Chapter 5: The rights and affairs of the enterprise and workers.

Section 1: The rights of the enterprise

Section 2: The obligations of the enterprise

Section 3: Workers' rights

Section 4: Workers' obligations

Chapter 6: Human resource management regulations

Chapter 7: Essential characteristics of management personnel

Chapter 8: Safeguard public order and traffic safety

Chapter 9: Recruitment terms and related matters

Chapter 10: The duties of management personnel

Chapter 11: The procedures and contents of training procedures for new workers

By any standards, this is a staggering amount of material for workers to digest and consider. This is not the place to go into an elaborate analysis of the contents, but a brief look at some of the more important sections is illustrative of a point we want to make. That is, the code by which workers at the plant live their lives is less likely to be informed by Mattel's global manufacturing principles or corporate code of conduct, but rather by the rules, regulations and philosophy of life to be found in the factory handbook.

⁶⁸ *Dongguan Chang'an Meitai wanju erchang: jianjie, 1999* [Mattel's Number 2 Toy Factory at Chang'an, Dongguan: A Brief Introduction, 1999], (np: np, 1999).

Keeping order at the Chang'an plant: From the introductory remarks by the factory's director onwards, the handbook welcomes new workers into an ordered and clearly demarcated world. In Chapter 1.4, via a listing that might be described as neo-Confucian, new factory workers are left with no doubt about the factory hierarchy and their place in it. Under a subsection entitled 'Administrative hierarchy', factory personnel and departments are ranked in descending order as follows: director, deputy director, accounts/cashier, senior administrative management, area manager, chairman, deputy chairman, foreman, workers.⁶⁹ The ranking is nothing unusual. However, the codification of such internal divisions is, and sets the tone for several other areas of factory life.

This is most evident in the chapter dealing specifically with factory rules and discipline; the core of the de facto code of conduct that determines their daily routine. There are 26 rules alone for workers to remember with regard to the factory in general, 19 specifically related to the dormitory, and nine for the canteen. General rules for the factory are wide ranging (these regulations do not include specific safety rules, which are covered in a later chapter). The most general, and rather grandiose to those unfamiliar with China but perfectly consistent with the recent past and other sections of the handbook, is Rule One. This states, in its entirety, that all staff shall:

Uphold the legal rights and interests of factory personnel, establish and uphold the socialist market economy's enterprise system, promote economic growth and social progress, and on the basis of national laws and regulations formulate one's own rules.⁷⁰

This goes beyond the most comprehensive of Mattel's GMP, and establishes that workers have commitments to the company, the state, the economy, and the success of all three. Other rules are more mundane but nevertheless as thorough.

Rule Three covers a wide range of issues:

Anyone who applies to work in the plant must provide authentic and valid documents. If documents are falsified, you will be held fully responsible. In the case of serious infractions, guilty persons will be handed to the local public security bureau. A worker's probation period is for three months. If during this period, the management ascertains that communication with any worker is impossible, or determines that the workers has a physical problem, or that the employee is not suited to the work assigned, the plant has the right to propose that worker's dismissal.⁷¹

Workers who do not have 'authentic and valid' documents can easily procure false ones. Touts openly hand out name cards in the streets of Shenzhen and nearby industrial towns claiming to offer all types of certificates, degrees, licences and official papers.⁷² Whether factory management can differentiate between authentic and false papers is not known. What we do know is that workers must hand over documents that are essential for work and residence throughout China. Possession of these papers give factories an extraordinary amount of power over people's lives, for by withholding them workers can effectively be held captive.

Of equal concern are the sentences regarding probation. It is noteworthy that management has the right to dismiss a worker should they find it impossible to communicate with her – that is, is inability to follow commands issued in Mandarin Chinese – or discovers the employee has

⁶⁹ *Mattel's Number 2 Toy Factory at Chang'an*, p. 3.

⁷⁰ *Ibid.*, p. 7.

⁷¹ *Ibid.*

⁷² See Appendix 1 for copies of some of the cards we have collected during our research.

a physical disability which prevents them from carrying out tasks. It would seem unlikely that workers who can't speak Mandarin Chinese would be employed in the first instance, but to then include a rule allowing the dismissal of such employees suggests that the list of rules here may be as much about intimidation as they are in setting guidelines for workers.

Rule Seven sets very strict guidelines for worker behaviour. In full it states:

During work hours the following behaviour is prohibited: leaving one's work station to meet with friends and visitors; reading magazines and books; eating, laughing and shouting; leaving one's work station without permission; or preventing others from carrying out their work.⁷³

Rule Ten outlines further punishment for getting it wrong on the production line.

Workers in this plant bear the responsibility to manufacture products according to the plant's quality control system in order to ensure the quality of the products. If employees do not produce according to these requirements, and as a result, the products are not up to standard, they will be punished according to the degree of damages inflicted.⁷⁴

Together, these two rules curtail and manage worker behaviour within strict boundaries. Behaviour on the factory floor is easily observed given the confined spaces in which people work – often on long production lines. Holding workers responsible and punishing them for failing to produce articles of sufficiently high quality is the direct inversion of most modern management practices. Workers are not rewarded for work that excels Mattel's quality control, but punished for falling short. As indicated by the constraints put on workers' lives by Rule Seven, we know that life on the factory line is not pleasant. To magnify these conditions by stating that toys failing to meet criteria determined in El Segundo offers further evidence of Mattel's inability to embrace Chinese workers within the Mattel ethic as outlined in the first section of this paper.

Like Mattel in the United States, management at the Chang'an plant prides itself on its relations with employees. Rule Twelve, for instance, states that:

Any employee who experiences problems or difficulties with their work *or in their life* should report to the supervisor [foreman] immediately for assistance.⁷⁵

The belief in supervisors to deal with workers' work problems may be well placed, but problematic in many plants where workers complain of verbal abuse by supervisors. More problematic may be the conviction that line supervisors are not only the best people to deal with the difficulties workers face in their lives, but that they are the only people the regulations suggest are valid sources of assistance. Workers are thus not simply constrained by a large number of very specific rules and regulations, but restricted by a hierarchy of command that takes even the resolution of workers' problems out of their own hands.

The restrictions on workers are not limited to their work environment: there are also clear rules to follow regarding resignation. Rules Twenty Two and Twenty Three (Clause 2) are good examples of this. The former states:

⁷³ *Mattel's Number 2 Toy Factory at Chang'an*, p. 7.

⁷⁴ *Ibid.*

⁷⁵ *Ibid.*, p. 8. Our italics.

If you have entered the plant through proper procedures and been allocated a work position and subsequently wish to resign, then the management retains the right to withhold monies paid.⁷⁶

The latter rule seems tautological at best:

Workers can resign if the following circumstances arise in the plant: ...
b. The plant withholds wages for two months.

Fees and wages are the subjects of several other chapters. In the chapter entitled 'Recruitment terms and related matters', workers are informed of the fees which will be deducted from their wages. For instance, every worker must pay:

- RMB 4 per month for the electricity and water they use in their dormitory;
- RMB 5 for their factory ID card;
- The cost price of the handbook (that is, *Mattel's Number 2 Toy Factory at Chang'an*);
- A deposit for equipment provided by the management; and
- RMB 2 per month for the medical fund.⁷⁷

Wages, hours, benefits, overtime compensation, and performance bonuses are all laid out in the handbook. However, the calculations are often so complex as to be incomprehensible to all but those in the company's accounting section. The *MIMCO Report* made a point of criticising this complexity, stating that 'the accounting system used to determine wage hours, and overtime paid to direct workers at the Chang'an plant is unique to the region and difficult to understand by Western standards'.⁷⁸ We argue that it is difficult to understand by any standard. For example, the difficulty of determining wages for a worker on probation in the sewing section is clear in the following calculation:

$$\frac{(\text{hours} \times \text{unit price} \times \text{output})}{\text{-----}} \times \text{individual points} + \text{training allowance} + \text{OT} + \text{night meal subsidy}.$$

(Points for workers present)⁷⁹

After probation the formula is similar, except that workers no longer receive a training allowance (instead they receive an amount related to years of service), on top of earning a full attendance bonus. It is small wonder auditors found the system complicated, and neither should we be surprised that workers do not understand what their basic wages are, nor indeed their overtime pay.

For over ninety pages the handbook provides advice, rulings, and technical information to workers. In comparison to Mattel's code of conduct this book is significantly more detailed and important. Workers must be aware of the contents of this book, for without a thorough understanding of how to act within the factory grounds they risk punishment or sacking. Working at Chang'an is dictated by the rules and regulations in the handbook, which are influenced little by the code emanating from California.

Working at Chang'an. Most workers in the Chang'an plant are young women, and they originate mainly from Sichuan, Henan, Hunan, Hubei, Guizhou and Jiangxi. They number

⁷⁶ *Ibid.*

⁷⁷ *Ibid.*, p. 48.

⁷⁸ *MIMCO Report*, p. 66.

⁷⁹ How management allocates or awards points is unclear, both with regard to the production line as a whole (points for workers present), or for individuals. A separate formula for overtime (OT) can be found elsewhere in the handbook. For this formula, and others, see *Mattel's Number 2 Toy Factory at Chang'an*, p. 80.

more than 6,000 (recent fieldwork suggests that at peak times the workforce swells to nearer 8,000), and work in a space of approximately 22,000 m². They are housed in dormitories that account for a similar space, around 21,000 m².⁸⁰ To put this in perspective, employees work in a space approximately 150 metres long and 150 metres wide, or an area around about the same size as an Olympic-size athletic stadium.

The working week is a long and tiring one for most workers. There are two shifts, six days per week. The day shift starts at 07.00, takes a one-hour lunch break at 11.30, and finishes at 18.00. The night shift starts at 19.00, breaks for an hour at 23.30, and finishes at 06.00. The ten-hour workday consists of a basic eight hours, plus two hours overtime. Saturday is paid as overtime, and Sunday is a rest day. Workers clearly demarcate between a peak season of March to October, and a low season (comparatively) from November to March.

Plant management provides a range of health and safety systems and personal protection. Areas like the spraying section, where fumes are hazardous, are ventilated (with air conditioning) and the factory supplies the workers with gloves. There are two fire drills per year.

Depending on length of service and position, workers receive somewhere between RMB 400 to 800 per month. Workers are paid by a confusing mix of piece rates, regular pay and overtime. It is difficult to determine the means by which the final rates are fixed. For instance, wages for workers in the sewing section take into account the total amount of material supplied, the total pieces produced, the number of workers involved, and the hours worked. Workers are thus required to fill quotas despite the evidence of clearly defined shifts. Monthly wages may be further complicated by the inclusion of 'night shift allowances' (RMB 1), 'high temperature allowances' (up to RMB 60 per month), and other allowances and bonuses.

Workers are provided with meal tickets for three meals per day. Meals are thus free, in the sense that money is not deducted directly from workers' wages. Employees who choose to eat in the canteen can choose from four dishes per meal. If workers choose to eat outside they receive an allowance of RMB 150 per month. This amount will not adequately cover meals purchased in small eateries outside the factory gates. In fact, it would not cover the cost of eating noon and evening meals five days per week at even the cheapest stall nearby. Nevertheless, workers do eat out for reasons associated with the quality and variety of canteen food.

Workers may also choose to live outside the factory, but most are unable to afford to do so. Instead they sleep in double bunks, eight to twelve in small dormitory rooms. Rooms are approximately 30 m², or about half the size of a squash court. Those who live in the dormitories and return to their quarters after 23.00 are required to report to security guards to gain entry. At all other times workers returning to their rooms must hold up their factory identity cards to security guards for identification. Outsiders wanting to visit Mattel employees can ask for them at the entrance, but are not allowed into the buildings.

However, even when workers leave the dormitory there is little for them to do in Chang'an. The only real option for them is to spend their free time taking advantage of facilities provided by the factory. These include a library, cinema, TV room, recreation centre (including a fitness room), and an open-air dance hall.

Since first conducting research in Chang'an in 1995 we have seen improvements at the Mattel factory. And our latest research shows evidence of small changes for the better. The *MIMCO Report* outlines some of those improvements, and there is no reason to expect that the

⁸⁰ See, *ibid.*, p. 2.

company will renege on making the changes foreshadowed therein. Yet there are troubling aspects to Mattel's presence in Chang'an, and it is to these we now wish to turn.

Mattel's Code of Conduct: An assessment

We began the previous section by suggesting that the *MIMCO Report* did not present a portrait of factory life. This observation is part of a wider concern that we have with codes of conduct: the lack of voice given workers. Thus we begin our assessment with this point, follow it with comments regarding transparency, and conclude with the issue of fair wages and conditions. The final point brings us back full circle to the point at which we began: the gap between corporate USA and the Chinese factory floor.

Where are the workers?

We were continually struck by the invisibility of workers in the entire code of conduct process. They fail to feature at every step, from formulation, through implementation and publication. Despite claims from TNCs that workers matter, they do not seem to play a role worthy of their status – as the lifeblood of manufacturing.

For both Mattel and MIMCO, Chinese workers are nowhere to be seen; they are excised completely from official texts. Where they do make an appearance it is as an object of concern, not as living, breathing people. There is no single moment in any official text relating to Mattel where a worker's voice is heard. Workers are interviewed, but then disappear in sentences in which they are 'reported' as saying, or 'were able to say', or 'claimed' that something happened. Their lives fade away into a vast array of tables, graphs, charts and percentage points. This is not a trivial point, and we believe it is linked to a deeper issue.

The issue is not an easy one to resolve, and goes to the heart of all research whether it is conducted by audit teams, academics, or NGOs. The issue is the tendency of experts – often outsiders – to speak for those they research. People, Chinese workers in this case, are surveyed, probed and examined. They are questioned in detail, but their responses seem to mark the end of their role in the process. We suggest that a more inclusive approach to research, information gathering and auditing may move us beyond a paternal strategy that in effect silences workers. Our major concern is with the way we regard those with whom we talk and seek to represent. Or to put it another way, are we going to allow Chinese workers to speak their concerns? And more importantly, are we prepared to listen?

One of the ways we might achieve this is to move beyond a process where workers function as passive recipients of data, or as passive providers of information. At present, for instance, employees at the Chang'an plant are educated about the GMP and given protective clothing not so much for their own safety, but so that 'customers and consumers can continue to purchase ... products with the confidence that they have been manufactured in an environment that emphasises both safety and respect for individual rights'.⁸¹ For Mattel to make a difference in the workplace, we all may need to move beyond telling stories in traditional ways. Workers may not only need to be involved in the process of designing the audit process, but also to be included in the analysis and publication process.

Consider the entire process. At some stage in the early 1990s Mattel chose to implement a code of conduct – which was designed to improve workers' conditions. Yet the impetus was not worker concerns for their own safety, but rather the concerns of customers and the company's market share. These concerns are reflected by the *MIMCO Report's* observation that,

⁸¹ 'Responsibility', <http://www.mattel.com/corporate/company/responsibility/> (accessed 15 June 2000).

Mattel created a task force of 50 managers and technical experts from within the company to work with MIMCO and its own team of academic experts in developing a series of standards that would be used to measure and evaluate compliance'.⁸²

Mattel management agreed to the standards by which the GMP would be measured. Yet there is no mention here or in company literature that workers were ever consulted in this process.

Mattel has, as promised, made public the findings of the audit. This makes the company one of very few willing to share something more than the most superficial of audit results. Yet once again the workers fail to figure. The report is published on a Web site in English only. Chinese workers, whose lives are quantified in the report, have no way of accessing the site, either technically or linguistically. Including workers in the process may require consultation at every stage, along with a commitment by Mattel to publish some of the findings in Chinese so that workers may read and comprehend representations of themselves in print.

Finally, making Chinese workers invisible, or silencing them, is part of a process which fails to include workers in the very monitoring of their factory. We see a direct link between the ways of representing workers that silences them, and the lack of worker involvement in the monitoring process. To represent workers' lives more fully, we suggest that Mattel not only give workers a voice in the stories written about them, but a part in the process of designing and implementing safety programmes.

Monitoring factories is obviously a technical procedure, and the process requires persons with expertise in chemicals, sophisticated machinery, electrical circuits, ventilation systems and so on. Nevertheless, workers themselves seem to be in a unique position to offer detailed and localised information about the factory. To include them in the monitoring process would not only yield results from the perspective of inclusion, but also in relation to safety and health.

We think oversights regarding representation (of workers' lives in stories, and of workers in the entire codes of conduct process) can be easily rectified. The first step is for Mattel to actively engage workers in every step of the process, from developing the GMP through the auditing of the factories to the final publication of results. The second step, having made the decision to involve them, is to educate workers (or their representatives from the factory floor) so that they can take an active and meaningful role in the monitoring operations. This will require significant will on the part of Mattel's management due to the perceived stumbling blocks to undertaking such a programme. One perceived difficulty will be proceeding with any scheme that resembles the formation of trade unions in China. However, Mattel has been creative enough to attain an annual turnover of \$5.5 billion by selling small toys, and thus the implementation of education and training programmes in the area of occupational health and safety would seem trivial in comparison.

If Mattel were able to fully include workers in the process outlined above, then they could create a code of conduct truly understood by workers. This in turn would begin to narrow the gap between what Mattel does for its employees in the United States and what it does (or fails to do) for its employees in China. The possibilities of inclusion are limitless.

Transparency of the audit

The representation of workers and workers' representation is a key issue, but so too is transparency. There are two issues we want to discuss: first is the question of announced versus unannounced audits; and second is the issue of confidentiality.

⁸² S. Prakesh Sethi, Murray L. Weidenbaum, and Paul F. McCleary, 'A case study of independent monitoring of U.S. overseas production: Mattel independent monitoring council for global manufacturing principles (MIMCO)-audit report 1999', in *Global Focus*, vol. 12, no. 1, 2000, p138.

As we mentioned earlier, all audits carried out during 1999 by the MIMCO team were announced beforehand, and came after initial audits were completed about 12 months prior to the formal inspection. There were no surprise visits. Whilst we understand that some visits must be announced, we believe that unannounced visits are important and should be a non-negotiable part of any programme of inspections and audits.

Garret Brown, an Industrial Hygienist with the Department of Industrial Relations for the State of California, and a veteran of over 500 factory inspections, believes that unannounced visits are critical in ensuring that inspectors are able 'to observe (as best as can be done) normal working conditions in the workplace'.⁸³ As part of a team responsible for ensuring that factory managers comply with Californian labour and occupational health and safety standards, Brown notes that under both state and federal US law, it is 'illegal [for inspectors] to give employers prior notice of inspections'. It is 'critical' he says, that the first visit be unannounced. Subsequent visits are arranged in advance, but the first visit is always a surprise. This is, Brown says, to prevent employers from being able to prepare for the visit by 'shutting down hazardous operations, slowing production from normal rates, cleaning up plants, and rehearsing supervisors and employees on how to answer inspectors' questions'. He is adamant that a 'fundamental principle of effective Health and Safety enforcement in the US and Canada is unannounced visits'. He thinks it should be a part of providing effective enforcement in China too.

If Brown is right, then we are surprised and troubled that factory inspections conducted by MIMCO are never unannounced. Compliance with Chinese labour law and Mattel's own GMP may well be strengthened under a regime of surprise visits. We are not questioning the ability of the MIMCO team to conduct thorough audits. On the contrary, we have copies of their audit tools and can state without fear of contradiction that they are very thorough. Rather our concern is that factory managers have time under the current methods of inspection to cover up breaches of the GMP and Chinese labour law.

The second point regarding transparency is the issue of confidentiality. Mattel has made much of its willingness to allow MIMCO to publish the findings of its audit. To this end the company has published the code of conduct on its Web site, posted the executive summary of the *MIMCO Report*, and made copies of the full report freely available. However, there is still a way to go before the process is fully transparent.

The area that confuses us the most is with regard to the GMP standards. For instance, the *MIMCO Report* mentions on several occasions that GMP standards are met or exceeded. For example, in the executive summary the authors state that with regard to compliance with GMP standards, Mattel factories have 'exceeded both the country laws and current GMP standards'.⁸⁴ In the section on the Chang'an plant, the report states that dormitory facilities are 'within GMP standards'.⁸⁵ That facilities are within the standards is a common refrain, but we can find no information on what those standards are. We are uncertain that the standards are adequate, and until we see the standards published (either on the Mattel Web site or elsewhere) we will remain sceptical. Furthermore, in keeping with the former section, we believe that workers themselves should be part of the team that sets the standards. Otherwise, claims that eight to twelve workers sharing a room are within GMP standards will continue to invite incredulity.

The obvious lack of transparency in the GMP standards is also evident with regard to the audit tools. As mentioned above, we have seen the audit tools, and they are very thorough. However, the tools are not for public consumption, and we are only in possession of them due

⁸³ Garret Brown, personal E-mail to Stephen Frost, 31 July 2000.

⁸⁴ *MIMCO Report*, p. xvi..

⁸⁵ *Ibid.*, p. 73.

to a promise we made – and which we will honour – not to make them public. Professor Sethi has requested this of us due to a desire by the team to prevent the tools falling into the hands of commercial auditing firms who would be able to make free use of them. He feels, perhaps rightly, that such companies should not have free access to tools that required a great deal of time and effort to create. However, we believe that too much of the process is still hidden from the public gaze. Our suggestion is that greater transparency, including the full disclosure of the audit tools, would lead to greater public trust in the findings and claims.

Finally, we want to draw attention to the interview process and the material gathered. First, we agree with many others who claim that formal interviews conducted with workers in factories are problematic. We do not know if workers feel free to answer questions honestly, due to a lack of knowledge about the reasons for being interviewed and the uses to which such information may be put (see previous section), but also out of fear. Workers in Chinese factories have no reason to believe that such information would not be used against them in some way, and may be therefore unwilling to express opinions. That the interviews are conducted in the factory with obvious consent from management does not suggest to workers that they are the place to air their problems.

Second, despite the issues mentioned above, we believe that the transparency of the auditing process would be enhanced by the public's greater access to the raw data collected. This issue is clearly linked to our concerns regarding representation outlined in the previous section. The inclusion of workers in the entire auditing process would have positive effects on transparency in general, but would enable people to more fully comprehend the concerns that workers have.

Fair wages and conditions

We mentioned above that GMP standards are used as the benchmark by which to ascertain whether facilities are acceptable. Besides the issues we raised with regard to a lack of transparency, we have broader concerns about wages and conditions. These concerns broadly focus on the issue of what constitutes fairness.

As with other issues discussed in this paper, there is no easy resolution to questions of fairness. However, we believe that Mattel's corporate image (as outlined in the first section of this paper) provides some pointers to the way ahead. The gap between the understanding of fair wages and conditions for Mattel employees in the US and those working in factories which produce goods for Mattel is obvious. Any discussion of fairness would involve closing that gap, and testing the narrowing of it not by using an unseen benchmark (the GMP standard), but by measuring it item by item.

At present Mattel offers a range of conditions for its employees which are not available to factory workers in plants contracted to produce Mattel toys. Chinese factory workers do not receive Friday half-days, nor 16 hours of paid annual leave to participate in school-related activities. There is no fertility assistance or employee stock purchase programmes. Mattel does not extend its Foundation's work to factory workers in Asia; there are no Foundation-sponsored grants to creatively address children's issues in China. The 'work/life balance' about which the company is proud does not translate to its factory workers in Guangdong. To provide some perspective, the \$4.2 million Mattel donated to children's causes in 1998 is equal to the salaries for the entire factory staff (of 6,000) at Chang'an plant for over seven months (based on the top end of the salary range of RMB 800 per month⁸⁶).

⁸⁶ This is not realistic, as most workers earn well below that figure, but for the sake of the argument we have used the most conservative amount to demonstrate the point. \$4.2 million would more likely cover the annual wages bill for workers at Chang'an.

What constitutes fair wages and conditions is open to interpretation. However, in relation to the conditions enjoyed by Mattel employees, factory workers in Mattel's plants lag a long way behind. That Mattel employees enjoy their benefits as a result of the work done in factories such as the one in Chang'an should not be overlooked. Whether the distance between Chang'an workers and Mattel employees at El Segundo headquarters is right or wrong is not the issue. The issue is to acknowledge that there is a price to pay for good employee benefits at Mattel USA, and to be clear on whether the price is worth it. Or to put it more simply: knowing the price that Chinese workers pay, are Mattel employees and consumers of Mattel products willing to continue with the current relationship between themselves and those workers?

Conclusion

Mattel's move to China (and other parts of Asia) was prompted by the lure of cheap labour. As a result, consumers are able to purchase toys at a fraction of the cost were they made in higher wage environments. This has been good for both consumers and TNCs; lower prices for consumers and (in theory) growing markets and profits for TNCs. However, during the past decade or so a growing number of consumers have questioned the price paid by maintaining a relationship that is detrimental to those who produce the goods we buy and use. Some TNCs like Mattel have reacted by implementing codes of conduct. Fewer have engaged in public audits.

To its credit, Mattel has sought to publicise its monitoring. However, as we argue here, there is still a way to go for us to be convinced that workers' interests are taken seriously in the process. Evidence suggests that Mattel's code of conduct at the Chang'an plant is secondary to a more comprehensive and complicated handbook. The rules and regulations contained therein are more likely to constitute the real code for workers. In the light of such evidence it seems apparent to us that Mattel's GMP, whilst resulting in some much needed changes on the factory floor, is secondary to workers' lives.

This being the case, we suggest to Mattel that they embrace workers in the entire process of implementing a code of conduct. We would like to see this include the development of the code, its implementation, and the publication of the results. Such a strategy would have follow on effects in other areas, including transparency and fairness. It would also allow us to bridge the chasm separating El Segundo, California, and Chang'an, Guangdong.

Appendix 1: Business cards for companies selling false certificates.⁸⁷

We have collected the business cards reproduced here from touts in the streets of Chang'an, Shenzhen and Longgang. The cards were offered openly to all passersby.

We have not translated the cards in full because many of the certificates they offer are not relevant to young female migrant workers (such as Hong Kong identity cards, Bachelor of Arts degrees, and passports). However there are services provided that might be useful for some workers.

On the reverse of each card is the claim that the company can provide the customer with the following credentials (or papers and certificates):

marriage certificate; divorce certificate; household registration card (*hukou*); technical secondary school certificate; identity card; and birth certificate.

Card 1: Global Document Company Ltd.

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Card 2: Southeast Asia Document Company Ltd.

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Card 3: Hong Kong China Document Company Ltd.

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⁸⁷ Individual's names and telephone numbers have been deleted.