

To: WRC Affiliate Universities and Colleges
From: Rola Abimourched and Ben Hensler
Date: November 26, 2024
Re: WRC Case Brief: South China Headwear Still in Violation of the Law and University Codes

This is an update of previous reporting by the WRC concerning ongoing violations of university labor standards at South China Headwear (Shenzhen) Co. Limited,¹ (“South China Headwear”) a factory in Longgang District, Shenzhen, People’s Republic of China, which employs about 400 workers. According to factory information provided to the WRC, South China Headwear is disclosed by the licensee, GenTeal, as a supplier of collegiate caps. However, when the WRC reached out to GenTeal with our findings, the licensee informed the WRC that, despite having listed the factory as a collegiate supplier, GenTeal has not recently used the factory as a supplier of either collegiate or non-collegiate goods.

The WRC conducted its investigation of the factory after being informed by the licensee, Vantage Apparel, that an audit conducted under the Sedex 4 program by the auditing company, LRQA, found that South China Headwear had remedied the violations the WRC had previously identified, including the factory’s previous failure to provide workers a weekly rest day.

To its credit, Vantage Apparel contacted the WRC before beginning to source collegiate apparel from this factory to inquire whether the WRC corroborated the findings of LRQA’s audit. As explained below, the WRC’s recent investigation found that, contrary to the LRQA audit report, South China Headwear continues to commit very serious labor rights violations—most notably its practices of making employees work seven days per week without a weekly day off, having them perform overtime at nearly three times the legal limit, and taking illegal deductions from workers’ wages. Therefore, collegiate apparel still cannot be produced in this factory without violating university codes of conduct. Vantage Apparel has indicated to the WRC that it will not be using South China Headwear as a supplier until these violations are corrected.

Original Findings of Violations of University Labor Standards and Failure to Take Corrective Actions

The WRC initially investigated² this factory in 2021 and identified serious violations of university labor standards, most of which the facility failed to adequately remedy, despite extensive engagement by the WRC. While, to workers’ benefit, the factory did agree to improve conditions in its employee dormitories and to correct its previous failure to enroll employees in China’s social security system,

¹ “Contact Us,” South China Headwear, accessed December 16, 2020, <http://www.scheadwear.com/contact.html>.

² Rola Abimourched, Ben Hensler, and Scott Nova, “WRC Assessment of Labor Rights Violations at South China Headwear (China),” Worker Rights Consortium, December 16, 2021, <https://www.workersrights.org/wp-content/uploads/2021/12/WRC-memo-re-South-China-Headwear.pdf>.

South China Headwear refused to remedy other serious violations of university standards in the following key areas:

- **Failure to provide a weekly day off and overtime hours at three times the legal limit.** The factory failed to provide workers with a weekly rest day, which meant that employees were often working seven days a week. Moreover, South China Headwear required workers to work total amounts of overtime that were two to three times the legal limit of 36 hours per month. On average, workers had been performing up to 113 hours of overtime per month prior to the Covid-19 pandemic and were working 75 hours of overtime per month after the start of the pandemic. The factory would not commit to ending these illegal practices.
- **Unlawful wage deductions.** The factory punitively and illegally deducted one month's salary from the final wages of workers who resigned before they completed one year of service at the factory. South China Headwear did not agree to provide back pay to or cease taking punitive wage deductions from workers who resigned before completing a year of service.

Given South China Headwear's unwillingness to correct these abuses, the WRC advised licensees at the time that collegiate goods could not be made in this factory without violating university labor standards.

2024 Update: Factory Still Denies Workers Weekly Day Off, Requires Excessive Overtime, Takes Illegal Wage Deductions

In fall 2024, the WRC conducted follow up research to determine if South China Headwear had corrected these violations. Through visual observation and worker interviews, the WRC found that South China Headwear still requires employees to work each month on at least two Sundays, which is supposed to be their designated weekly rest day. Workers told the WRC they are not provided with an alternative rest day when they work on these Sundays. Visual observation of workers entering and leaving the factory confirmed this worker testimony.

Article 38 of Chinese labor law stipulates employers must guarantee their employees at least one day off per week.³ University codes of conduct impose the same requirement.⁴ South China Headwear continues to violate Chinese labor law and university codes of conduct by failing to guarantee a weekly rest day to workers.

Chinese labor laws also limit overtime, generally, to 36 additional hours per month.⁵ Employees at South China Headwear told the WRC that, in addition to working two Sundays per month, they work 11 or 11.5 hours per day, Monday through Saturday. Therefore, workers are performing at least 94 hours of overtime per month, which is still nearly three times the legal limit.

³ Labour Law, Article 38, "The employing unit shall guarantee that its staff and workers have at least one day off in a week."

⁴ Collegiate Licensing Company. *Standard Retail Product License Agreement*. 2023. Article 14. Code of Conduct, ii., B. Working hours, "Except in extraordinary business circumstances, hourly and/or quota-based wage employees shall ... (ii) be entitled to at least one day off in every seven-day period."

⁵ Labour Law, Article 41.

Finally, the WRC also found that South China Headwear continues its practice of taking punitive deductions from the wages of employees who leave the factory before completing at least one year of service. Our investigation found that South China Headwear continues to illegally withhold workers' first month of salary until they have completed one year of service.

China's employment contract law allows workers to resign without penalty after giving 30 days' notice to their employer,⁶ and just three days' notice if the worker is still on probation.⁷ As a result, South China Headwear's withholding of one month's salary from workers who do not stay at the factory for a full year (even if they provide the legally required notice) represents an illegal misappropriation of workers' wages⁸ and a further serious violation of university labor standards.

It is notable that LRQA's audit failed to report the abuses of worker rights found by the WRC's investigation. These omissions underscore the ongoing lack of reliability of for-profit social auditors in identifying even very serious rights violations—such as a factory requiring workers to work seven days a week without a day off—since these audits are not independent but rather commissioned by the factory or buyer purchasing from the factory and rely on worker interviews conducted on the factory's premises and factory records that are frequently falsified. By comparison, the WRC's methodology—which involves conducting worker interviews away from the factory in locations where workers do not fear management's retaliation for sharing information about working conditions—captures serious labor rights violations that social audits fail to detect.

Conclusion: South China Headwear Is Still in Serious Violation of University Labor Standards

Under university codes of conduct, collegiate goods cannot be made in a factory that (1) does not provide workers with at least one guaranteed rest day per week, (2) requires them to perform overtime far above legal limits, and (3) openly and illegally denies workers their earned wages. Given South China Headwear's continued failure to correct these violations, the WRC reaffirms its previous finding that collegiate goods cannot be made at this factory without contravening university labor standards.

⁶ Labor Contract Law of the People's Republic of China, Order of the President of the People's Republic of China, No. 65. Adopted June 29, 2007. Articles 36 and 37, <https://natlex.ilo.org/dyn/natlex2/natlex2/files/download/76384/CHN76384%20Eng.pdf>.

⁷ Labor Contract Law of the People's Republic of China, Article 37.

⁸ Labour Law, Article 50, "The wages to be paid to labourers shall not be embezzled nor the payment thereof delayed without justification."