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Making Toys is Not Child's Play

by Anne Moore Odell

A group of shareholders have come together to demand safer working conditions for workers along the toy supply chain.

SocialFunds.com -- The holidays are approaching and the toy-buying season is starting its annual frenzy. However, the large number of recalls by toymakers such as Mattel, RC2 and Toys R Us has highlighted consumers' worries that unsafe toys are making children sick. Yet little has been made of the dangers that the workers who make the toys face on a daily basis.

"While the health threats to consumers are important, we suspect there may be potentially far greater risks to supply chain workers who make the toys," said Conrad MacKerron, Director of the Corporate Social Responsibility Program at the [As You Sow Foundation](#). "The workers are likely to be subjected to large amounts of volatile and harmful airborne chemicals on a prolonged basis, many hours a day for weeks or months."

A large number of concerned shareholders have banded together to focus on the how well companies are monitoring the product safety of toys and the working conditions along the toy supply chain. Coordinated by the non-profit investor organization As You Sow, the shareholder effort is confronting publicly held toy companies and licensors.

The Interfaith Center on Corporate Responsibility ([ICCR](#)), a non-profit coalition of 275 faith-based institutional investors, and the Investor Environmental Health Network ([IEHN](#)), which represents over 20 investment organizations with \$22 billion in assets under management, are partners with As You Sow in the toy supply chain shareholder project.

"IEHN's corporate engagements have emphasized consumer exposures to chemicals, but we've worked on the assumption that if we can reduce use of chemicals downstream in supply chains, this will benefit occupationally exposed workers upstream," said Richard Liroff, Executive Director of IEHN. "As You Sow has worked on upstream supply chain

issues with the Interfaith Center on Corporate Responsibility in the past, and this collaboration adds an important chemical dimension to that work."

The first concern of this shareholder effort is to confirm if companies have in place occupational safety protocols in their supply chain facilities. These shareholders also want to make sure that companies have protections in place to prevent exposure of dangerous chemicals and other hazardous substances to employees.

Reverend David M. Schilling, Director of ICCR's Contract Supplier Working Group, explained that ICCR has been working on supply chain issues for years. However, the toy recalls have highlighted the need for companies to confront the hazardous working conditions of their entire supply chains, not only their more heavily monitored factories but the less monitored sub-contractors and sub-sub-contractors as well.

Often, Schilling told SocialFunds.com, the factories where toys are actually being put together have some safety precautions put in place. Yet the companies supplying the building materials of the toys have less to no oversight or monitoring of worker health and safety.

"Lost in the story of dangerous toys is the worker that is painting the toys. We need to look at health implications of a product from the consumer through the whole supply chain," said Schilling. "I've been in toy factories in Southern China where you come into a room where hundreds of workers are painting toys and there are serious fumes."

Besides providing workers better ventilation and masks, Schilling pointed out that hazardous materials, such as lead, need to be removed from products altogether.

This leads to second concern of the shareholder group: finding out if the manufacturers plan to stop the use of polyvinyl chloride (PVC) and phthalates in toys and children's products. PVC and phthalates are known human toxins and IEHN reports that young children are especially vulnerable to these chemicals.

Liroff told SocialFunds.com: "I'd like to see reduction of exposures to toxic chemicals made an integral part of U.S. and European companies' supply chain management efforts. It's widely known that local implementation of meaningful environmental protection is more the exception than the rule in China, so companies sourcing from there need to address this regulatory void."

The publicly traded companies that the group as focused on include Mattel (ticker: MAT), Hasbro (ticker: HAS), Jakks Pacific (ticker: JAKK), LeapFrog Enterprises (ticker: LF), RC2 Corp (ticker: RCRC), and Russ Berrie & Co., Inc. (ticker: RUS).

Yet the shareholders aren't only asking the toymakers themselves to clean up their supply chains. They are also asking publicly traded major toy licensors-some with annual licensing revenues in the billions of dollars-to make sure the companies manufacturing products with their trademarked characters on them to have worker safety

protocols.

The publicly traded licensors targeted by the coalition consist of TimeWarner (ticker: TWX), Viacom (ticker: VIA), Marvel Entertainment (ticker: MVL), NewsCorp. (ticker: NWS), General Electric (ticker: GE), and 4Kids entertainment (ticker: KDE).

MacKerron acknowledges that there are already laws written to protect the workers from occupational hazards in Chinese facilities. Most corporate codes of conduct also contain sections requiring protection of workers.

However, MacKerron told SocialFunds.com: "We think these sections may not be well enforced. We want suppliers to demonstrate to us evidence that local laws or the sections of their codes of conduct calling for worker safety are being enforced. There is so little disclosure by companies of such enforcement that there's no way for stakeholders to determine if workers are being protected."

As You Sow pointed out the work done by Walt Disney Company to accept responsibility for how licensees manufacture goods using their characters in supply chain factories. For example, Disney has committed significant resources to an International Labor Standards Group that does direct auditing and seeks to ensure that its licensees are doing sufficient labor rights factory auditing.

Unfortunately, shareholders and consumers have no guarantees whatsoever that toys they buy have been made in a safe environment. Liroff suggests an industry-by-industry certification scheme, in which companies within individual industries collaboratively agree on standards they expect to see enforced and implemented in the factories from which they source their goods. Companies would take collective action on enforcement of the standards, and report to shareholders and the public on the results.

The International Council of Toy Industries Care Process ([ICTI-CARE](#)) is the toy industry's effort to create and implement a code of conduct for its suppliers, starting with factories in China, Hong Kong and Macau where most toys are manufactured. The ICTI-Care website lists what toy brands and toy factories have passed through their program and have received the ICTI CARE Process Seal of Compliance.

"Sadly, consumers don't have sufficient assurance that the toys their kids are exposed to are safe. It's clear that government safety standards have lagged and the Consumer Product Safety Commission is a regulatory body with at least one and perhaps both of its hands tied behind its back," said Liroff. "

"To minimize hazards to their children, consumers should purchase preferentially from reputable companies known to have voluntarily eliminated known or suspected toxic chemicals from their products," he added.

The fallout from toxic toys and the manufacturer toy recalls has rippling effects for many involved, not just secret Santas. As worried parents throw out toys and avoid

brands this holiday season, shareholders are worried about how stocks will perform. Concerned stakeholders are looking past the store shelves and Christmas stockings to realize that for many workers, especially the sub-contractors who work outside of manufacturers' regulations, making toys is not a game, but rather, a poisonous position.