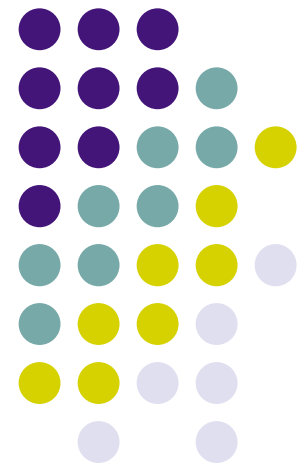


# Behind the Scene of Apple: Workers on the production line of Foxconn

Students & Scholars Against  
Corporate Misbehaviour

Chan Sze Wan, Debby

11 April 2012



# About SACOM

- established in June 2005
- monitor working conditions at brands' suppliers in China
- aim to link international consumer campaign with labour movement in China
- comprised of university students, scholars and activists

A protest outside an Apple authorized store in Hong Kong (May 2011)



# Investigations

- Investigations at the brands' supplier like Foxconn, Flextronics, Wintek and Celestica
- Research methodology: off-site interview
- Recent reports on electronics industry:
  - *Workers as Machines: Military Management in Foxconn* (October 2010)
  - *More Workers are Poisoned by Apple* (October 2010)
  - *Game Console and Music Player Production in China* (with makeITfair, February 2011)
  - *Foxconn and Apple Fail to Fulfill Promises: Predicaments of Workers after the Suicides* (May 2011)
  - *iSlave behind the iPhone* (September 2011)
- Video: *The Truth of the Apple iPad Behind Foxconn's Lies* (June 2011)



## **Foxconn (Hon Hai Precision Industries Ltd)**

- **CEO: Terry Gou Tai Ming**
- **Founded in 1974 in Taiwan**
- **Set up first factory in China in 1988**
- **The world's largest IT manufacturer**
- **Ranks 60th among Global Fortune 500 Companies (2011)**
- **Workforce: 1.2 million (2011)**
- **Clients: Apple, Nokia, HP, Dell, Sony, Microsoft, Motorola, etc.**





- Estimated workforce in China: 1 million (2011)
- Shenzhen, Chengdu and Zhengzhou are the major production sites for Apple products

Source: Caixin



# Series of suicides put Foxconn under the spotlight



- At least 18 suicide attempts of Foxconn workers in 2010
- 14 workers died and 4 survived
- Those who died were young workers between 17 and 25 years old.



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## May 24: Foxconn grapples with wave of worker suicides

May 23 2010 Foxconn, the world's largest contract electronics manufacturer, is reeling from a wave of worker suicides at its main factory complex in Shenzhen, China. Kathrin Hille, Beijing correspondent, lifts the veil of secrecy at Foxconn to take a rare look inside the factory city to look at living conditions and understand what may be driving the workers to desperation. (4m 58sec)

### Related Links:

- Apple and Dell investigate Foxconn plant

### Credits:

Produced and edited by Edward Chang

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While Apple has risen to become the world's largest technology firm, Foxconn, the maker of almost all of its devices, appears to have broken under the pressure of keeping up with new orders.

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# Foxconn's Response

- Terry Gou apologized and promised to prevent the tragedies
- management attributed suicides to personal issues, e.g. romantic troubles, family problems and loneliness



Source: Xinhua / Chen Yehua





- No-suicide pact
- Cancellation of humanitarian aid to victim's family
- Care centre
- Workers' hotline
- Safety mesh
- Wage increase
- Overtime work control
- Cease recruiting new workers
- Psychological test for new workers

Prior to June 2010:

Monthly basic salary: CNY 900 (USD 143)

Monthly overtime work: 100-120 hours

In June 2010:

Foxconn raised the salary of production workers to CNY 1200 (USD 190).

Control monthly overtime to 80 hours.

Safety mesh and wire net are installed in all buildings of Foxconn in Shenzhen, inside and outside the campus.





# Apple Defended Foxconn

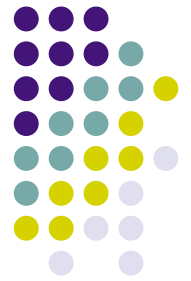
You go in this place  
[Foxconn] and it's a factory  
but, my gosh, they've got  
restaurants and movie  
theatres and hospitals and  
swimming pools. For a  
factory, it's pretty nice.

Source: BBC





# Case Study: Foxconn in Chengdu



## Basic facts:

- 2 campuses: (1) southern plant: Chengdu High-Tech Comprehensive Bonded Zone; and; (2) northern plant: Chengdu Import/Export Processing Zone
- Estimated workforce: 100,000 (as of November 2011)
- Product: iPad
- Operation since October 2010





## Working Conditions: Wages

- Change of wage structure at Foxconn

	Feb 2011	Mar 2011	Mar 2012
Monthly basic salary	950 (USD 146)	1300 (USD 206)	1550 (USD 246)
Food allowance	240 (USD 37)	-	-
Housing allowance	110 (USD 17)	-	-
Total	1300 (USD 206)	1300 (USD 206)	1550 (USD 246)

**Food price increased by 13% in 2011.**

Source: Chengdu Daily, [http://www.cdrb.com.cn/html/2012-01/13/content\\_1479731.htm](http://www.cdrb.com.cn/html/2012-01/13/content_1479731.htm).



- Overall salary of workers is about CNY 2000-2500 (USD 317-396) per month.
- Workers have to pay CNY 110/mth (USD 17) for dormitory.
- And have to pay CNY 300-400 (USD 48-63) per month for buying food in the canteen.
- The wage level is the same or even less before the pay rise.





## Working hours

- Excessive & forced overtime: 80-100 hours (legal limit for OT work: 36 hours per month)
- 10 hours a day; 6-day workweek
- Punishment imposed if workers decline OT
- Unpaid work assembly

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标准薪资	正常工作时间工资	1300.00 元	补项1/补项2		0.00 元	0.00 元	减项3		元
考核薪资	考核岗位津贴	0.00 元	补项3/补项4		0.00 元	0.00 元	社保代缴款		元
职务津贴/地区津贴		0.00 元	奖金1/奖金2		0.00 元	0.00 元	住房公积金代缴款		元
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平时加班时数/工资		38.00 小时	迟到早退时数/减项		0.00 小时	0.00 元	奖金税		元
周六日加班时数/工资		50.00 小时	应发总额		507.87 元		实发奖金		元

This pay slip showed total overtime work of a worker in March 2011 was 98 hours.



Foxconn has promised to reduce overtime work to 36 hours per month by 2011. Apparently, it is an empty promise.

	Mar 2011	Feb 2012
Regular working hours per month	174 hours	174 hours
Working hour	10 hours	10 hours
Weekday per week	6-7 days	5-6 days
Overtime per month	80-100 hours	40-60 hours

## A typical day for Foxconn workers



06:45	Wake up
07:15	Queue up for bus
07:40	Arrive at Foxconn (breakfast and punch work card)
08:10	Work assembly
08:30	Work shift begins
11:20	Lunch
12:20	Work shift resumes
17:20	Dinner
18:20	Overtime shift begins
20:20	Work shift ends
21:00	Arrive at dormitory





Many workers share the same feeling: "life in Foxconn is work, eat and sleep."

Source: SOMO



## Management

- “Military training” for most of the new workers
- Depressing working environment
- Demanding production target
- Inhumane punishment, e.g. writing confession letter
- Scolding workers is a norm





## Work pressure and humiliation are norms

### Workers' experiences in other Foxconn's plants

- Xiao Dong in Longhua campus did not go to work on Saturday without permission from the supervisor. She was punished to write confession letter. In addition, she had to load 3000 boxes per day as the price of “work stoppage”.
- Mr. Liu from Zhengzhou campus was sent to Longhua for “training”. In the first 2 weeks, he undergone “military training” with dozens of others. They had to stand under the hot sun for hours and deprived of water.
- A group of female workers in Zhengzhou campus told all the workers on the production line had to copy the quotations of the CEO for 2 hours after work because there were many defective products found.

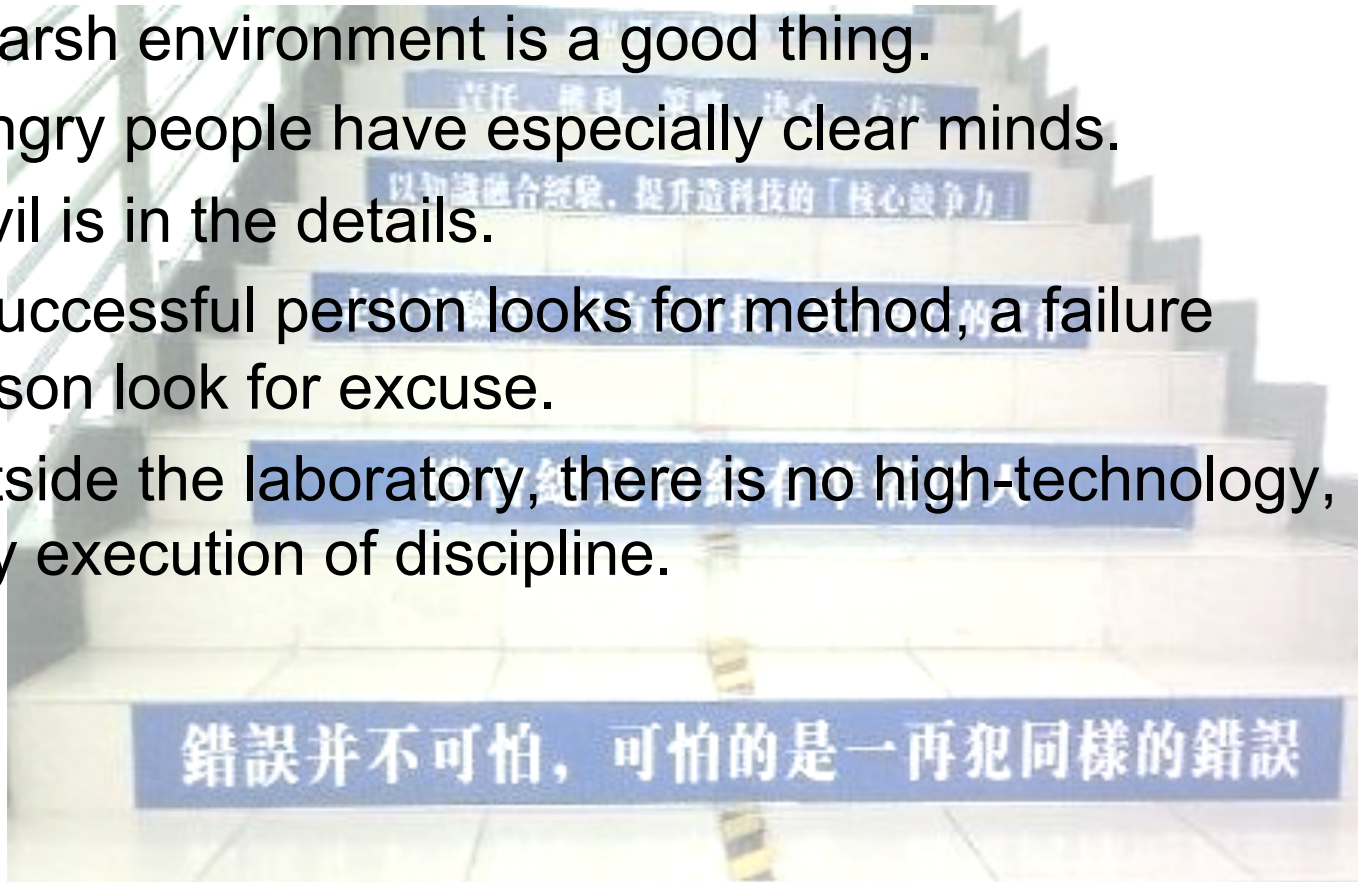




## Foxconn CEO Terry Gou's quotations

Terry Gou's quotations are his wisdom and philosophy of work

- A harsh environment is a good thing.
- Hungry people have especially clear minds.
- Devil is in the details.
- A successful person looks for method, a failure person look for excuse.
- Outside the laboratory, there is no high-technology, only execution of discipline.





## Insulting words from frontline management

- “The pigs can only give birth to the brainless.”
- “Why are you so stupid? Do you deliberately cause trouble to me? If you make the same mistake, you can get out from here immediately!”
- “If you cannot get used to this little hardship, you can get out immediately. Foxconn has plenty of workers.”
- “If you were smart, you would get a job in the office. Yet, you are dull so you have to work on the production line!”

# Occupational Health and Safety

- No pre-post training on occupational safety.
- Workers do not know what chemicals are in use.
- Workers regularly exposed to aluminum dust
- Inadequate personal protective equipment
- No on-post health examination and after workers leave the post

A worker from the polishing department has just taken off his gloves. However, his hands are still covered by dust.

## Cases

- Explosion in Foxconn plant in Chengdu (killed 4 workers, injured 18)
- SACOM issued a report on 6 May 2011 and documented the problems of aluminium dust.
- 2 days before the explosion, Foxconn denied there were problems on work safety in a statement.

The forehead of the worker is covered by aluminium dust.

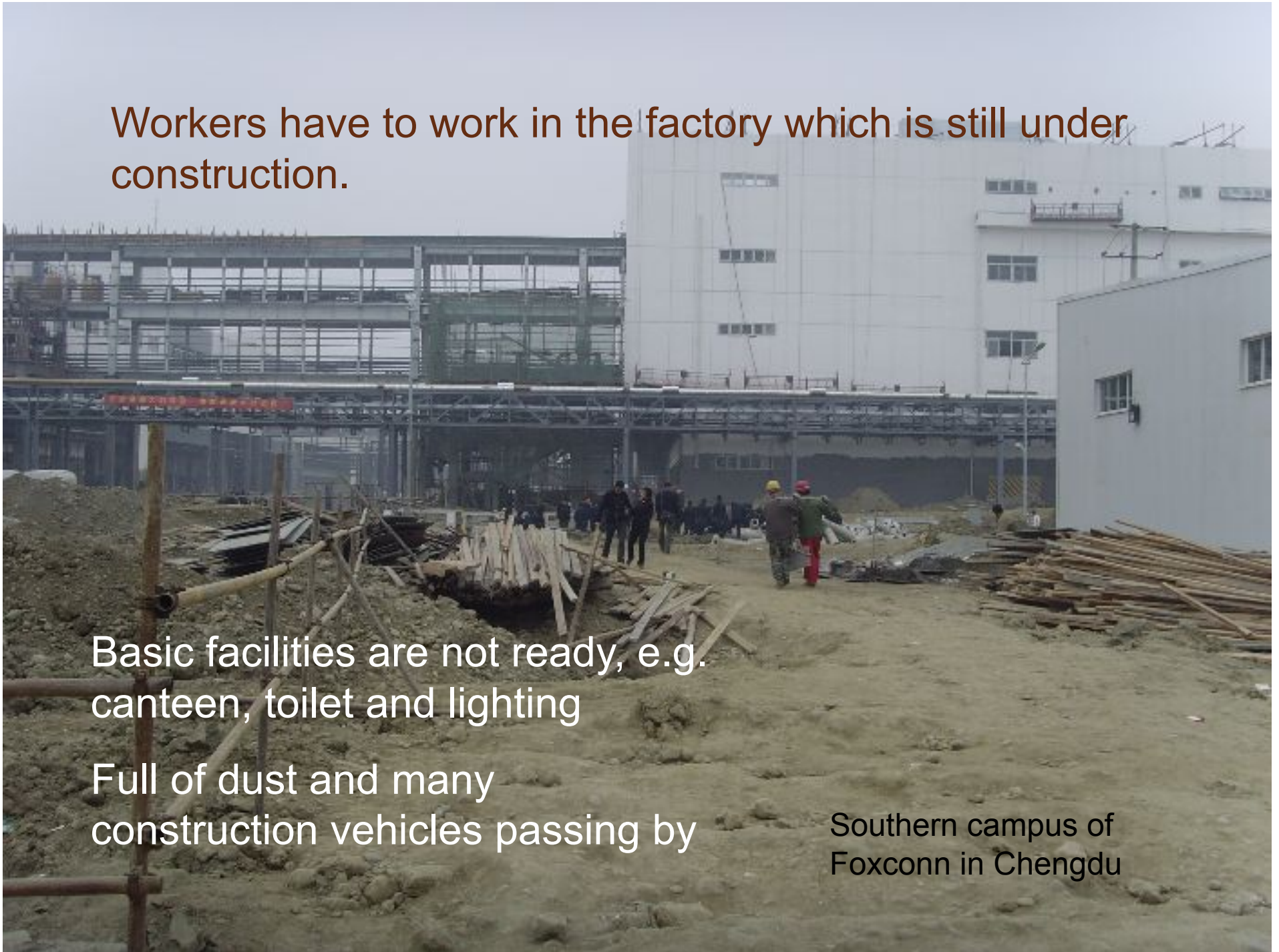


Workers have to work in the factory which is still under construction.

Basic facilities are not ready, e.g. canteen, toilet and lighting

Full of dust and many construction vehicles passing by

Southern campus of Foxconn in Chengdu





## Student Workers

- Non-compliance of the Regulation on the Management of Secondary Vocational School Student Placement
- So-called internship is irrelevant with the students' studies
- De facto workers rather than “interns”
- Some cases of forced internship were found

Arrival of student workers

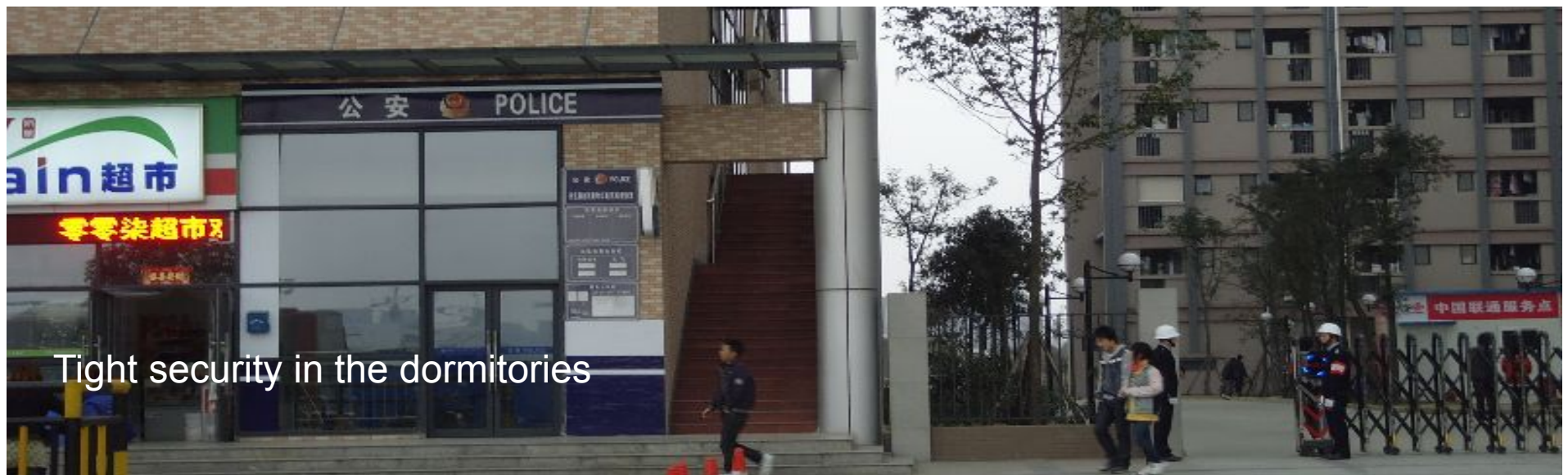






## Food, dormitory and transportation

- Bad food, workers usually buy food from vendors
- Dormitory in remote area; 20-30 min. away from factory
- Limited bus services
- Harsh management methodology extends to dormitory, e.g. electrical appliances like hair dryer is prohibited



# Trade Union



- Workers do not trust the union.
- Workers do not know how the union was formed nor its function.
- Union resembles the PR department of Foxconn

Anti-suicide rally at  
Foxconn in June 2010.

Source: AP / Kin Cheung

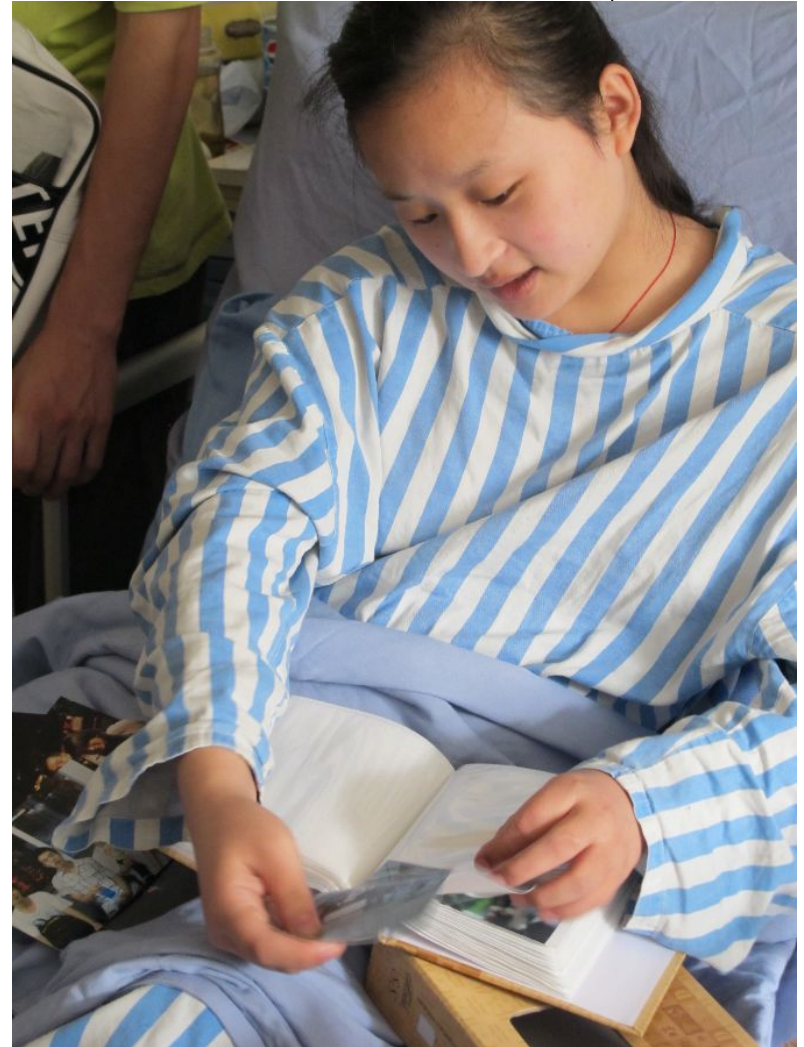




# Story of Tian Yu – a survivor of an suicide attempt



- A 17-year-old when she jumped from the dormitory building
- survived with a paralysed body
- as a new worker, she was always blamed
- could not receive her salary in the first month
- Her father exclaimed, “there is a close relationship between Tian Yu’s suicide and the military-style management, the indifferent corporate culture, and the intense work pressure.”



# Is Foxconn the only one to be blamed?



- Apple and other buyers have representatives at Foxconn
- Have obligations to comply with their code of conducts and local labour laws
- Apple and other brands get the lion's share of profits





## Profit distribution between Apple and Foxconn

The manufacturing cost for an iPhone and an iPad is 1% and 1.6% of the selling price respectively.

### Breakdown of the iPhone 4

- Selling price at USD 600
- Materials: USD 187.51
- Miscellaneous: USD 45.95
- Assembly: USD 6.54
- Profit: USD 360

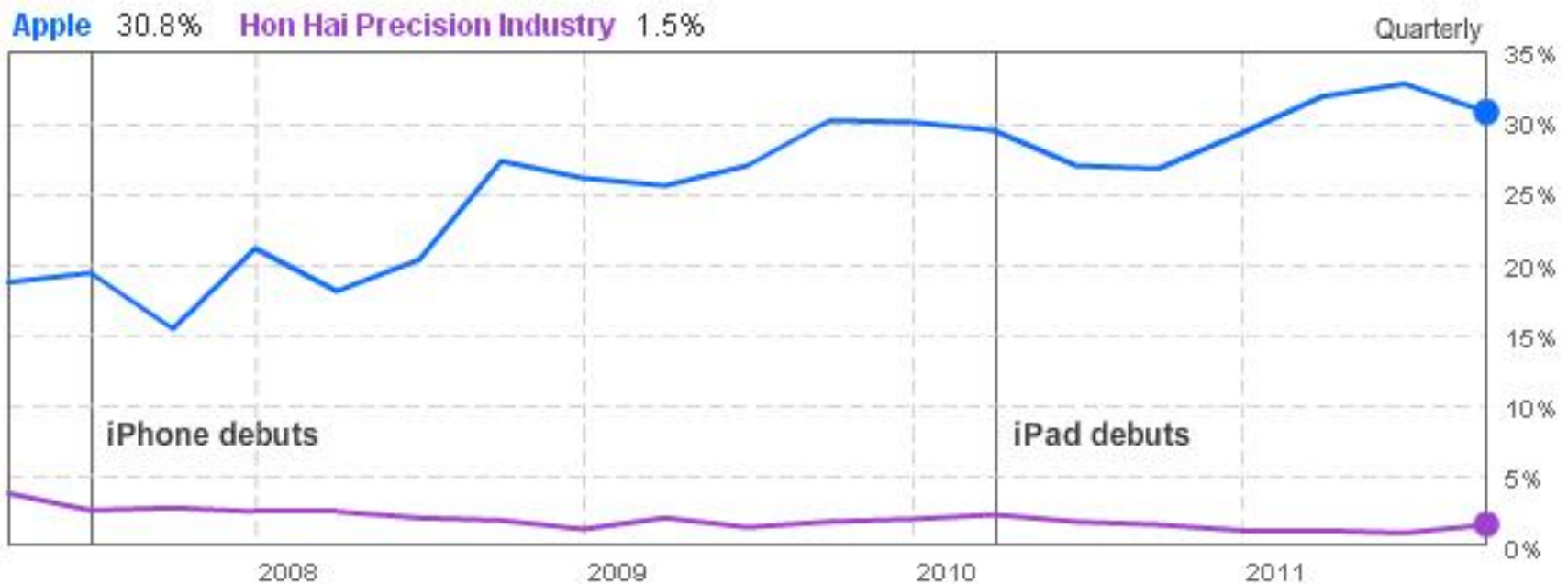
Manufacturing cost of the iPhone 4S is USD 8.

Manufacturing cost of the new iPad is USD 10.

Source: iSuppli; New York Times



## PROFIT MARGINS



Apple has the capacity to increase the unit price to provide a living wage for workers.





# Can FLA be a solution?

- FLA report points out the labour rights violations at Foxconn
  - underpayment, excessive overtime, negligence in work safety and company-controlled union
- Downplays the issues of harsh management and forced internship
- Avoids highlighting the role of Apple
- Cannot enforce the recommendations



# **Demands from SACOM**

- Reviewing management methodology.
- Providing a living wage for workers: brands, including Apple, have to raise the unit price when placing orders.
- Ending the abusive use of student workers.
- Collaborating with experts to prevent occupational diseases and ensure work safety.
- Providing compensation for workers for the breach of code of conduct.
- Reforming trade unions.

**Thank you!**

