Apple, Foxconn improve China plants, but more to do: audit

Clare Jim and Poornima Gupta, Reuters

(Reuters) - Apple Inc and Foxconn have improved working conditions at Chinese factories that make most of the world's iPads and iPhones, according to auditors the firms enlisted to monitor the process, but tough tasks lie ahead.

The Fair Labor Association said on Tuesday local laws require the companies -- which came under fire over conditions at the plants blamed for a series of suicides in 2010 -- to reduce hours by almost a third by 2013 for the hundreds of thousands working in Foxconn plants across southern China [1].

Foxconn said on Wednesday it would continue to cut overtime to less than nine hours a week from the current 20, even though that could raise labor costs while also making it difficult to attract workers.

"It is a challenge. When we reduce overtime it means we need to hire more people and implement more automation, more investment on robotic engineering. More workers also mean more dormitories and recreational facilities; it takes time," said Louis Woo, special assistant to the CEO of Foxconn.

"But I expect more loyalty from workers as a result, and then we can save more costs on recruitment and retainment," he told Reuters in an interview on Wednesday.

"Yield rates will also improve. Efficiency in terms of productivity, yield gain, retention and lower turnover rates should be able to improve next year."

Earlier this year, the FLA -- of which Apple is a member -- found multiple violations of labor law, including extreme hours, after launching one of the largest investigations ever conducted of an American company's operations outside the United States.

Apple, the world's most valuable company, and Foxconn -- the trading name of Taiwan's Hon Hai Precision Industry whose clients also include Dell Inc, Sony Corp and Hewlett-Packard Co -- agreed to slash overtime, improve safety, hire new workers and upgrade dormitories.

Woo said Foxconn not only wants to do "the right thing" for its one million employees, it also wants to serve as a model for other companies.

In a report tracking the progress of those commitments, the FLA said it had verified that agreed-upon changes had been instituted and that Apple was trying to hold its partner, the world's largest contract manufacturer, accountable.

Auret van Heerden, president and CEO of the FLA, said Foxconn faces a challenge from workers' expectations.

"A lot of workers have clearly come to Shenzhen to make as much money as they can in as short a period as they can, and overtime hours are very important in that calculation," he said.

"We are picking up concerns now on the microblogs about what's likely to happen as hours gets changed, and whether their incomes will be shaved as well."

Many people would leave Foxconn if there is no overtime, according to a post by "Shenzhen Mars" on China's Twitter-like Weibo.com message system.

Foxconn's Woo said the company has been constantly telling workers about the importance of the quality of life and health.

"This is the thing we need to continue to communicate with workers, especially young migrant workers, that anyone who works more than a certain number of hours will feel tired and not well. If we can improve the work environment and benefits, they can enjoy their life better."

At Foxconn's massive factory in Shenzhen's Longhua district, six workers interviewed by Reuters said overtime hours had been cut to between 48 to 60 hours per month, down from some 80 before.

Some said more workers were quitting Foxconn to seek better paid work elsewhere, with red posters plastered on walls everywhere calling for large-scale recruitment of replacements. Staff were getting text messages offering bonuses for referring friends or relatives to the factory.

"A lot of my friends have resigned," said a production line worker surnamed Li. "...From just my home town alone, there have been at least ten people who have left. On a basic level, most workers were able to withstand (the pressures) of the previous overtime system."

But not everyone was unhappy.

"There's been an improvement in the past six months... It's a bit more comfortable with shorter work days," said spiky-haired worker Liu Xiaoguan. But his take-home pay has dropped from around 3,700 yuan ($583) per month to 3,000 yuan.

"I hardly save anything," he said with a laugh. "I like spending too much."

PROTESTS

Global protests against Apple swelled after reports spread in 2010 about the suicides at Foxconn plants, blamed on harsh working conditions and alienation felt by migrant laborers, often from impoverished provinces, in a bustling metropolis

like Shenzhen, which is home to two of the three factories the FLA inspected.

Apple has tried to counter criticism that its profits are built on the backs of mistreated Chinese workers. The FLA's progress report comes a day after Apple's market value climbed past $623 billion, surpassing the record set by Microsoft Corp during the heyday of technology stocks in 1999.

The latest report card on Apple-Foxconn comes after first findings and a timeline for improvements were announced in March, though some industry observers said the original agreement was not entirely independent because of close ties between the FLA and corporate members.

Since that March audit, rights groups including China Labor Watch have conducted their own studies.

The group said in a statement on Wednesday that Foxconn workers were still unhappy and urged other Apple suppliers to be scrutinized as well.

"Workers have to complete the workload of 66 hours before within 60 hours now per week. As a result, the workers get lower wages but have to work much harder and they are not satisfied with the current situation," it said.

Apart from health and safety enhancements, Foxconn is offering up a few enhancements to employee morale. For instance, Van Heerden said it is increasingly giving workers a choice of accommodation, such as by providing an allowance for housing and food if the workers choose to live off-site.

Foreign companies have long grappled with working conditions in China, dubbed the world's factory because of its low wages and efficient coastal transport and shipping infrastructure. In the 1990s, investigations targeted shoe and apparel maker Nike Inc, which eventually agreed to institute changes.

(Additional reporting by James Pomfret in Shenzhen and Sabrina Mao in Beijing; Editing by Edwin Chan, Matthew Lewis and Nick Macfie)

Source URL (retrieved on *11/26/2014 - 6:40am*):
http://www.ecnmag.com/news/2012/08/apple-foxconn-improve-china-plants-more-do-audit?qt-video_of_the_day=0

Links:
[1] http://www.reuters.com/places/china