

McLaughlin, C., & Bridgman, T. (2013). 'Apple and the human costs of production'

Apple and the Human Costs of Production

Apple is the world's most valuable company. Based on market capitalisation value, it was worth over US\$539 billion in early 2012, which makes it worth more than Google and Microsoft combined¹. At the start of 2013, its shares were trading around US\$500 per share, having started 2012 at \$424. In February 2012 it reported a quarterly profit of \$13.06 billion on sales of \$46.3 billion, which according to the *New York Times* was "one of the most lucrative quarters of any corporation in history"². Its products are ubiquitous – the iPhone, the iPad, the iPod – symbols of coolness and chic. Many of its customers see these products as not just electronic gadgets, but as extensions of their personalities. When new models of the iPhone and iPad are released there are queues outside Apple stores in cities all over the globe. And yet, despite this remarkable success, Apple has been in the news lately for all the wrong reasons, its brand tarnished by growing criticisms over inhumane working conditions in the factories in China that make these products. As one commentator noted, Apple has been criticised for "building a consumer electronics powerhouse on the backs of exploited workers"³. Among the accusations levelled at Apple's supply chain factories are long hours and excessive overtime (12-16 hour shifts, 6-7 days a week), low pay, unpaid overtime, discrimination, a highly stressful work pace, humiliating treatment of workers by management, toilet restrictions, mandatory pregnancy testing, crowded dormitories, use of child labour, and poor health and safety standards. Some workers complain of standing for such long periods that their legs swell, others report that their hands shake uncontrollably as a result of the continuous repetitive tasks they are required to perform with few breaks, and many say they are publicly humiliated if they talk during a shift. Many of these conditions are infringements of Chinese labour laws, but they are not strictly enforced by the authorities⁴.

Much of the criticism has been focused at Foxconn, a Taiwanese company that employs more than one million workers in its Chinese factories, manufacturing products for Apple and other leading electronic brands, including Microsoft, Dell, Hewlett-Packard, Lenovo, Motorola, Nokia and Sony. Most of its factory employees are *nongmin gong*, migrant workers from impoverished parts of China, who are housed in Foxconn dormitories close to the factory⁵. The sites are massive complexes; one site employs 220,000 workers and houses about 70,000 in rooms with up to 8 bunk beds. Foxconn first came to international prominence in 2010, when reports emerged about 14 Foxconn employees who had committed suicide by jumping off the factory buildings. Foxconn management responded by installing safety nets, hiring counsellors at some of the plants and increasing wages. In early 2012, 150 workers threatened

¹ Gustin, S. (2012) 'Apple now worth more than Microsoft, Google combined', *Time: Business and Money*, 10 February. <http://business.time.com/2012/02/10/apple-now-worth-more-than-microsoft-google-combined/>

² Duhigg, C. and Barboza, D. (2012) 'In China, human costs are built into an iPad', *New York Times*, 25 January. http://www.nytimes.com/2012/01/26/business/economy-apples-ipad-and-the-human-costs-for-workers-in-china.html?pagewanted=all&_r=0

³ Foley, S. (2012) 'Apple admits it has a human rights problem', *Independent*, 14 February.

<http://www.independent.co.uk/news/world/asia/apple-admits-it-has-a-human-rights-problem-6898617.html>

⁴ Duhigg, C. and Barboza, D. supra note 2; Foley, S. supra note 3; Garside, J. (2012) 'Apples Chinese factories to be audited after violation of working conditions', *The Guardian*, 24 January.

<http://www.guardian.co.uk/technology/2012/jan/24/apple-factories-china-independent-audit> ;

⁵ Zhang, L. (2012) China's Foxconn workers: from suicide threats to a trade union? *The Guardian*, 16 January. <http://www.guardian.co.uk/commentisfree/2012/jan/16/foxconn-suicide-china-society>

mass suicide in protest at their working conditions⁶. In September this year riots involving up to 2,000 employees broke out at the Taiyuan factory where 79,000 people are employed. Windows were smashed, vehicles set alight and about 40 staff were taken to hospital after thousands of armed police were called in to restore order. Media reports suggest the riots started when a security guard assaulted an employee. The reports linked the riots to deep dissatisfaction about the working conditions at the factory, where overtime is “practically compulsory”, and to the militaristic style of control. One employee stated: “We are constantly insulted by the leaders of our work units, and we are always being shouted at. The security guards are constantly abusing us”⁷. In several other Foxconn plants there have also been reports of strikes by workers related to work stress and poor treatment.

In 2010 reports emerged about employee exposure to toxic chemicals in the manufacture of iPhone screens. An article in the *New York Times* claimed that more than 100 employees at Wintek, another Apple supplier, had been affected by n-hexane, which can cause nerve damage and paralysis. In 2011, two explosions at separate factories making iPads caused by aluminium dust, which is highly combustible, resulted in four fatalities and injury to 77 employees. Research conducted by a labour rights group at one of these factories (a Foxconn factory in Chengdu) had warned Apple about the hazardous conditions, but they claimed Apple never responded to their report⁸.

While Foxconn manufactures for a range of leading western MNCs, Apple has been the focus of critics’ attention because it is the largest player. Labour rights NGOs argue that Apple is best placed to bring about an improvement in working conditions in factories run by Foxconn and other large supply chain manufacturers. Critics say that if Apple wanted to improve working conditions it could do so easily, but at a cost to its profits and to the speed of delivery of new products. This is evidenced by the fact that supplier contracts are rarely cancelled for breaches of the code of conduct, despite the fact that Apple’s own audits have shown that more than half of all suppliers frequently breach some element of the code. Former Apple executives quoted in a *New York Times* article agree. One said: “we’ve known about labour issues in some factories for four years, and they’re still going on. Why? Because the system works for us. Suppliers would change everything tomorrow if Apple told them they didn’t have another choice. If half of iPhones were malfunctioning, do you think Apple would let it go on for four years”. Another noted that “noncompliance is tolerated, as long as the suppliers promise to try harder next time. If we meant business, core violations would disappear”⁹.

According to the critics, part of the reason companies like Foxconn push their workers so hard and ignore elements of the code of conduct is that the profit margins Apple allows them to make are very tight. Suppliers are required to provide the cost of every input and from this Apple then determines how much it will pay. The only way they can increase their margins is to cut corners and increase the speed of production by making the workers work longer hours and at a faster pace. As one former Apple executive pointed out: “you can set all the rules you want, but they’re meaningless if you don’t give suppliers enough profit to treat workers well. If you squeeze margins, you’re forcing them to cut safety”¹⁰. Additionally, the speed

⁶ Moore, M. (2012) 'Mass suicide' protest at Apple manufacturer Foxconn factory', *The Telegraph*

⁷ Coonan, C. 'High stress, high security: the price of an iPhone made in China' *Irish Times*, 29 September. <http://www.irishtimes.com/newspaper/weekend/2012/0929/1224324587453.html>

⁸ Duhigg, C. and Barboza, D. supra note 2.

⁹ Duhigg, C. and Barboza, D. supra note 2.

¹⁰ Duhigg, C. and Barboza, D. supra note 2.

and flexibility offered by the Foxconn production model, where large numbers of employees live on site and work long hours, enables Apple to bring out upgraded models on a regular basis and to meet Western consumer demand. One example of this is cited by a former Apple executive. He notes how Apple had redesigned the screen on an earlier model of the iPhone a few weeks before the device was due for release. The new components arrived at the Chinese factory around midnight and 8,000 workers living in the factory dormitories were woken up to start fitting the new glass screens¹¹.

As Scott Nova, executive director at the Worker Rights Consortium notes, if Apple rigorously enforced standards in its supply chain, costs would increase, delivery times would lengthen, Apple would have insufficient stock to meet its pre-announced release dates, and ultimately profits would decrease. The working conditions in Apple's supply chain, he argues, "illustrate one of the defining dynamics of contemporary capitalism: abusive labour conditions in the overseas factories of US corporations are not... a problem to be solved; they are a highly prized driver of profitability.... These corporations maintain a production model that routinely exploits the very labour abuses they claim to abhor"¹².

Apple claims it is responding to the criticisms about working conditions among its suppliers. It points to its 'Apple Supplier Code of Conduct' covering a range of labour and human rights issues. Apple's social responsibility website says: "Apple does not tolerate involuntary labour, underage labour, excessive work hours, or discrimination". Since 2007 it has been conducting a "rigorous, Apple-led auditing program" to ensure that suppliers uphold the Code. Where breaches are found, Apple requires the supplier to rectify the problem, or risk having the contract terminated. It argues that its own in-house audits show that progress has been made to improve adherence levels with the code of conduct¹³.

However, following continued negative publicity and an online petition signed by more than 250,000 people in early 2012, requesting Apple ensure 'ethical, fair and safe' working conditions, the company agreed to allow the Fair Labor Association (FLA) to conduct independent audits of its supply chain factories in China, which it carried out in February 2012¹⁴. The FLA subsequently announced that it reached agreement with Foxconn to reduce hours, increase pay and improve employee representation. Since then, further audits by the FLA report significant improvements in these areas and the *New York Times*, which had been highly critical about the working conditions at Foxconn in early 2012 in several in-depth exposes, acknowledges that progress has been made in reducing hours and increasing wages, while also noting that there are still major issues of concern. They also point out that Apple has trebled its CSR staff and opened up dialogue with NGOs that it had previously ignored¹⁵.

Other labour watch groups, however, remain sceptical about the accuracy and impact of these audits. While there has undoubtedly been some increase in wages following the international

¹¹ Duhigg, C and Bradsher, K. (2012) 'How the U.S. lost out on iPhone work' *New York Times*, 21 January.

http://www.nytimes.com/2012/01/22/business/apple-america-and-a-squeezed-middle-class.html?pagewanted=all&_r=0&pagewanted=print

¹² Nova, S. (2012) 'iPad, iPhones, iPocrisy', *Counterpunch*, 3-5 February.

<http://www.counterpunch.org/2012/02/03/ipads-iphones-ipocrisy/>

¹³ Apple (2012) *Apple Supplier Responsibility: 2012 Progress Report*.

¹⁴ Arthur, C. (2012) 'Apple supplier audit begins with Foxconn plant', *The Guardian*, 13 February.

<http://www.guardian.co.uk/technology/2012/02/13/apple-supplier-audit-foxconn>

¹⁵ Bradsher, K. And Duhigg, C. (2012) 'Signs of changes taking hold in electronics factories in China'. *New York Times*, 26 December. <http://www.nytimes.com/2012/12/27/business/signs-of-changes-taking-hold-in-electronics-factories-in-china.html?pagewanted=all>

publicity, critics argue that these increases just reflect inflationary wage trends in China combined with an increasing shortage of workers prepared to work in these conditions, but that there has been little improvement in working conditions. Nova and Shapiro were highly critical of the FLA report claiming it gives Foxconn credit for incomplete reforms, noting that conditions in some factories that have been audited have subsequently shown to have deteriorated during the production of the iPhone 5, and continuing media reports showing underage labour and forced overtime¹⁶.

Fan Yuan, a China Labour Watch activist was highly critical of the need to even conduct audits: “We already know what the conditions are like in factories.... What Apple needs to do right now is to take action to solve the problem. [FLA audits are] about Apple getting publicity and rebuilding its positive image”¹⁷. Similarly, three labour rights organisations, Good Electronics, Make IT Fair and the International Metalworkers’ Federation, wrote a combined open letter to Apple shareholders accusing Apple of engaging in a public relations exercise in signing up to the FLA audits. The letter claimed that for independent audits to be effective they must be unannounced, whereas in Foxconn’s case they were pre-arranged, enabling management to “take measures to hide abuses”. They asked shareholders to join them in “calling on Apple to do the right thing”, by “ensuring fair prices and well-planned lead times, allowing workers to work normal hours and earn a living wage” and by encouraging worker representation by independent trade unions¹⁸.

Trade unions do exist in China but most are ‘official’ unions of the state and are generally weak when it comes to promoting workers’ rights. Some Foxconn workers have demanded they be allowed to form local independent unions. However, they are unlikely to receive much support from Foxconn given that one of the reasons it relocated its manufacturing base from Taiwan to China was to avoid strong trade unions. Nor will they receive support from government officials who do not wish to upset large multinational investors like Foxconn. This is also the reason why existing Chinese labour laws around hours of work and other issues are not enforced by local authorities¹⁹.

Despite all the negative publicity over the last few years, consumers have kept buying new Apple products. As an Apple executive, interviewed for the *New York Times* articles in early 2012, pointed out, “right now, customers care more about a new iPhone than working conditions in China”²⁰. However, much has changed during 2012. The negative publicity has undoubtedly forced Apple to take CSR more seriously.

¹⁶ Nova, S. and Shapiro, I. (2012) ‘Polishing Apple: Fair Labour Association gives Foxconn and Apple undue credit for labor rights progress’, EPI Briefing Paper 352, 8 November.

¹⁷ Foley, S. supra note 3.

¹⁸ Good Electronics, makeITfair and International Metalworkers’ Federation (2012) ‘Open letter to the Shareholders of Apple’, 23 February.

http://www.imfmetal.org/files/12022316042610005/Open_Letter_to_Apple_shareholders_23feb2012.pdf

¹⁹ Coonan, C. (2012) supra note 7.

²⁰ Duhigg, C. and Barboza, D. supra note 2.