



## Students & Scholars Against Corporate Misbehaviour

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# Apple fails in its responsibility to monitor suppliers

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SACOM's action at Occupy Central, Hong Kong which echoed the Occupy Wall Street movement in 2011.

### Executive Summary

In its code of conduct, Apple claims that it requires its suppliers to uphold its workers' basic human rights as understood by the international community, and to treat them with dignity and respect.<sup>1</sup> In contrast, our investigations demonstrate that Apple supplier factories are intensifying a military-style management of workers. Apples' products sales are high, with new models and devices every year. This means that its suppliers in turn depend on an extremely large and flexible workforce to meet Apple's demanding production orders on short notice. Therefore, to make sure workers meet the daily production targets, Apple suppliers resort to

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<sup>1</sup> Apple's Supplier Code of Conduct is available at [http://images.apple.com/supplierresponsibility/pdf/Apple\\_Supplier\\_Code\\_of\\_Conduct.pdf](http://images.apple.com/supplierresponsibility/pdf/Apple_Supplier_Code_of_Conduct.pdf)

inhumane labor practices, even to the extent of denying workers' basic human needs, such as allowing bathroom breaks, sufficient rest, and access to proper nutrition; these conditions partly contribute to the high labor turnover rate. Increasingly, Apple suppliers use student workers from vocational schools from all over China, under the guise of "student internships". These alarming findings prove that Apple suppliers are indeed sweatshops that exploit their workers.

The report outlines the serious violations of labor rights at Apple suppliers in China. From the interviews' findings, we have listed four main areas of concern:

1. At all the factories investigated, the majority of workers- nearly 80% - are precarious workers who are more vulnerable to labor rights violations.
2. There is a rise in using student interns. Apple suppliers collaborate with vocational training institutions which require students to join a supplementary workforce for the factories, depriving students' right to a quality education.
3. Excessive long working hours are observed in the suppliers' factories, especially during peak production seasons. Overtime work might take up to 4 hours a day, yielding work days as much as 14 hours and workers could only have 1-2 days off for the entire 3-month period. This means during this period work weeks of 70-100 were common, far in excess of that required by Chinese law (about 49 hours) or the standard set by Apple (typically 60 hours per week).
4. From our investigations, there are many instances of unpaid work, imposed through mechanisms such as cutting meal times, requiring workers to arrive to the factory before their official work hour for work meetings, making workers wait in long lines to swipe the time cards, and requiring workers to wear burdensome dust-free uniforms that are time consuming to put on and take off. The most severe complaint of the workers was in regard to unpaid overtime, as they are forced to stay in the factory's unit until they have met the high production quotas assigned.
5. The long working hours, unachievable production quotas, and alleged unpaid overtime work has driven workers from Apple suppliers and accelerated the turnover rate, which in turn, has compelled Apple suppliers to depend heavily on labor agencies to recruit an increasing number of dispatch workers (in one case, a labor agency recruited up to 1000 workers a day). In addition, dispatch labor is deprived of the benefits that regular, full-time workers are entitled to. Overall, labor conditions are deteriorating, both for regular workers and dispatch workers.
6. Apple suppliers employ chemicals in the production process that are potentially harmful to workers. The research found that workers are not informed of the potential harms, and there is inadequate protective equipment. Excessive noise, dust, and potent chemicals put workers' lives at risk. Our investigations show that the supplier Pegatron factory in Shanghai, one year after the explosion in December 2011, the case polishing unit has not improved the ventilation and the working environment remains very dusty.
7. There is an intensification of military- style management in Apple suppliers. They employ measures that deter workers from using toilets and cut meal times to coerce workers to meet high production quotas. Workers also suffer verbal abuse from frontline supervisors and are humiliated in front of other workers. Moreover, to discipline workers, there is a wide range of arbitrary punitive fines imposed on them. Workers are intimidated and told to keep silent, with threats that their wages will be cut. These various punitive measures have led to increasing antagonism toward shop floor supervisors. We found scarce evidence of

management's attempts to improve this situation; on the contrary, the influx of new workers and rapid turnover of the work force have exacerbated management-worker relations.



Exterior of Wintek factory in Suzhou.

## Introduction

“Apple” has become a buzz word nowadays. It represents fashion, technology and perfection. The company's launch of any new iDevice becomes a top concern for its aficionados, as well as the talk of the town. If Apple, as its advertisement claims, has been micro-managing every aspect of its product, guaranteeing full satisfaction to its customers, this is contrary to the way that Apple monitors how its products are manufactured and made to service its customers. Our findings that Apple suppliers are abusive to their employees are readily found. As such, Apple's supplier code of conduct, which was developed in 2005, states its goal is to ensure "that working conditions in Apple's supply chain are safe, that workers are treated with respect and dignity, and that manufacturing processes are environmentally responsible." While this code was developed in response to maintaining Apple's clean brand image, it is not being upheld by Apple and its suppliers.

Apple joined the Fair Labor Association (FLA) in January 2012 to cope with another public image crisis, targeting the notorious Foxconn Corporation, a major Apple supplier, to undergo the FLA's factory inspections. In late March 2012 the FLA published a report documenting a substantive list of labor rights abuses at Foxconn. Students & Scholars Against Corporate Misbehaviour (SACOM) has been following up on this report's findings, and has continued to make further investigations, finding that labor rights violations remain the norm in Foxconn.

This report is an investigation of working conditions in non-Foxconn Apple suppliers. We interviewed 130 workers from 3 factories in 3 different locations in China in late 2012.

Brief descriptions of the Apple suppliers investigated:

	<b>Guangdong Province</b>	<b>Shanghai</b>	<b>Jiangsu Province</b>
Name	Cheng Uei Precision Industry Co. Ltd (Foxlink)	Riteng Computer Accessory (Pegatron)	United Win Technology (Wintek)
Site	Cheng Uei Industry District, Dongkeng Town, Dongguan, Guangdong Province, China	Songjiang Industrial Zone, Shanghai, China	Suzhou Industrial Zone, Jiangsu Province, China
Products:	usb cable for iPhone, connector and cable for X-box	case for iPad and iPad mini	touch pad for iPhone and Mac
Estimated workforce:	20,000	12,000	20,000
Investigation period:	early Dec 2012	mid October 2012 (a week before the launch of the iPad mini)	mid-October 2012 (after the release of the iPad mini)
No. of interviewees:	40	50	40

## Findings on working conditions

### 1. Mode of employment

The findings show that the basic mode of employment is comprised of regular workers, dispatch labour (temporary and long-term), and student interns. According to the interviewees, the majority of workers are dispatch workers, constituting as much as 80% of the total workforce. The contract and benefits for regular workers and dispatch workers differ in the following ways:

Regular workers:	Employment contract signed with factory, exclusively eligible for the annual bonus and production bonus. They can participate in the Social Insurance Scheme after 6-month probation, and the premium is about 11% of the total salary earned.
Dispatch long term workers:	Employment contract signed with labour agencies, stipulating work schedule, salary, and salary retrieval mode. Other details, such as overtime payment, job title etc are not specified. Have to pay a monthly CNY100 (USD\$16) fee to the labour agency for 6 months, a total of CNY600(USD\$96). After 6 months they can apply to become regular workers.

Dispatch temporary workers:	Employment contract with labour agencies. On average, they work in the factory for one or two weeks.
Student interns:	Recruited by their teachers, students come to factory as "interns". Their salaries are paid by the school, not the factory owner. . In order to "counsel" students who are not willing to continue working in the factory, several teachers are placed in the factory as "supervisors." In many cases, teachers threaten the students that their graduate certificates will be withheld if they stop working at the factory.

Our interviews found that except for regular workers, all other categories of workers would not be covered by mandatory social insurance scheme. New employees contracted by labour agencies are asked to sign an agreement to voluntarily forfeit receiving social insurance benefits.<sup>2</sup>

The process of ending one's employment at the factory is extremely troublesome. Workers suspect that it is to deter workers from leaving, and workers are regularly deprived of their last payment when they do leave. Worker from Wintek Corporation told us that, for regular workers, after receiving approval from their frontline supervisor, they must collect a form from the main office, which requires a signature from their frontline supervisor, unit supervisor, and department supervisor. Then, they need an endorsement from the factory clinic, security centre, and finally the general office once again. If they are despatch workers, the process is even more complicated, as they additionally must provide a resignation approval form from the sending agency's main office (not the agency's site-stationed office), which is usually located far away from the actual factory .

## 2. Wages, subsidies and working hours

### 1. Foxlink

The minimum wage in Dongguan city is CNY 1000 (USD\$160) a month and Foxlink offers a basic salary of CNY1300 (USD\$208), plus a housing and food allowance at CNY500 (USD\$80) per month. However, the total income a worker can earn depends on the amount of overtime work they perform. It ranges from CNY2000-5000 (USD\$321- 802) a month.

Workers are on a 10-hour shift every day, either day or night shifts, which changes monthly. Overtime work is very common and might take up to 4 hours a day. During the peak production seasons (September to November), workers are allowed only 1-2 days off for an almost 3-month time frame. The scheduled lunch time is supposed to be 1 hour, but in many cases, workers take turns for lunch, with half of the workers keeping the production line going and the other half taking a quick lunch and returning to work. Workers complained that it is very exhausting, as the factory always has a deficiency of workers. Moreover, to get the work started on time, workers have to arrive to the factory at least 10 minutes earlier than the contract stipulates for a daily work meeting, and also to wait in line to swipe their time cards.

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<sup>2</sup> The Social Insurance Law in China states that workers are expected to receive benefits like pensions, medical insurance, unemployment insurance, work-related injury insurance and housing fund under this scheme.

Workers complained they are forced to take unpaid overtime work if they cannot complete the daily assigned production target of the day. They must stay in the factory until they have met the target.

## 2. Pegatron

Pegatron follows the monthly minimum wage in Shanghai, which is CNY 1450 (USD\$233). Regular workers and dispatch long-term workers are paid the same base salary. Workers earn more by performing overtime work. There is a peak season and a high peak season at Pegatron. During the peak season, the overall salary is about CNY 2600-2800 (USD\$410-460) a month. In the high peak season (last few months before year ends), workers can earn CNY 3000-4000 (USD\$480-640) a month.

Regular workers are often not paid on time. The pay day is supposed to be the 15<sup>th</sup> of each month, but workers typically get their wages calculated until the 25<sup>th</sup> of last month, meaning that their wages are withheld for 20 days of wages. Dispatch workers, both long-term and temporary, can only get their wages 5 days after regular workers, 20<sup>th</sup> of the month.

Student workers can only receive CNY 85 (USD\$13) a day, which includes the overtime premium, all of which is paid via their schools. Meanwhile, students also are required to pay their tuition fee. SACOM interviewed a student worker from Sichuan Province who polishes iPads. He said:

*“The production target is 5000 pieces per day. I am really exhausted. Like all the other workers, we have compulsory overtime work every day. The working environment is dusty and noisy. I want to go back to the school, but my teacher said we will not receive our graduation certificates if we leave.”*

In the peak season, the overtime is about 80 hours a month, while in the high peak season, the overtime is 150-200 hours a month, 4-5 times the 36-hour legal limit.

In the peak season, workers have 10-hour shifts a day, 6 days a week. The day shift begins at 8:00am and ends at 8:00pm, with 2 meal breaks in between. In the high peak season, workers usually have an 11-hour work shift. The meal break is limited to 30 minutes only. Sometimes, workers even have up to 4-6 overtime hours a day.

For Pegatron workers, they have to arrive on the shop floor 20 minutes in advance for the daily work meeting, and not to be late for work, workers have to arrive in the factory 40 minutes before the work shift begins to pass several security gates to the factory.

Pegatron claims to give a 10-minute ergonomic break for workers for every 2-hour of work. Not a single interviewee confirmed they received these breaks during the work shift.

## 3. Wintek

The factory recruits fewer regular workers, and instead many dispatch long-term and temporary workers who are contracted through labour agencies and workers referral markets. Male workers who are referred to the factory as temporary dispatch workers must pay a CNY 50 (USD\$8) agency fee, and CNY 100 (USD\$16) for dispatch long term workers. In the peak recruitment period, the factory recruits up to 1000 workers a day, and the absolute majority of the workforce is constituted of temporary workers. At the same time, many workers, after working for a few days or less than a month, feel the workload is too heavy and want to quit. The demand for labour force flexibility and the harshness of working conditions are two main factors that accelerate the high workforce turnover rate.

The basic salary for regular workers is CNY1400 (USD\$225), and the amount they can receive depends on overtime pay in different seasons. In the peak season, with different production bonus, workers can earn around CNY4000 (USD\$640). However, they are required to pay a monthly dormitory fee of CNY80 (USD\$12) for first year and CNY40 (USD\$6) for second year (from the third year on, the fee is waived). They also must to pay for their own utilities, including power and water.

The factory has an 8-hour day or night shift, and workers alternate every month. Normally, the overtime work adds another 2 hours daily in the peak seasons. To prepare entering into the dust-free shop floor, workers must arrive earlier than stipulated in their contract to take all the steps required wearing the dust-free uniform, gather for a 10 - minute daily work meeting, then, they must line up in long queue to swipe their time card to start production; only then do they start earning wages. As such, workers are deprived pay for a significant amount of time at work. Likewise, because it is time consuming to put on and off the dust-free uniform, workers' mealtimes are also cut down. If workers cannot fulfil the production target of the day, they are not allowed to take meals and are forced to complete the production quota first.



Bulletin board displays job advertisements at a labor agency in Suzhou.

### 3. Occupational health and safety

#### 1. Foxlink

The information we received from interviews is very limited, implying that workers do not have a clear understanding of how to protect their health in their work environment. In one case, a 22-year-old female worker from Hunan suffered from “otitis media” a hearing problem after operating a machine of noisy sound for a long period of time. The worker's request for a medical check-up was also delayed by her supervisor who refused to grant her a leave permit application on a weekday.

## 2. Pegatron

After an explosion triggered by aluminium dust at Foxconn's polishing department in May 2011, a similar tragedy happened at Pegatron in December of the same year. The explosion resulted in 61 injuries. Among the victims were many who suffered skin burns and even disfigurement, while some suffering bone fractures.<sup>3</sup>

In the aftermath of the explosion, the iPhone polishing unit of Pegatron is still filled with dust. The ventilation is poor and the masks have been ineffective in protecting workers. The dust can penetrate the mask and goes into their noses and mouths. The faces of workers are covered with dust because of the dusty working environment.

Industrial alcohol, used as "cutting fluids," is also commonly used on shop floors. Workers are not provided with any masks. The machine operators and workers complain of the strong irritating chemical smell and they are equipped only with disposable masks, not masks for industrial protection purpose. .

Pegatron also adopted the standing-operation, requiring workers to stand for long periods of time and causes fatigue.

## 3. Wintek

Workers from Wintek reflected more on the problem of work safety. Most of the work involves using strong industrial alcohol and glue. When they enter the factories, there is no health and safety training. An interviewee told us that she always felt dizzy after work. She heard that someone even fainted, which they believe this relates to the long hours of wearing the dust-free uniform.

On 30 September 2012, a sizeable fire broke out at the third floor of the factory and the whole floor was burned. The reason for this outbreak according to the factory is still unclear, but most of the workers believe it is due to old and broken wires. The management said no one was injured, but after this accident, many workers left the factory.

## 4. Worker - Management Relations

### 1. Foxlink

The common complaint from workers was that they are very much stressed and exhausted by the long working hours and demanding production quotas.

On the shop floor, the frontline supervisors are verbally abusive to the workers. Besides, many workers find it difficult to get permission to use the toilet. There is only one "off-duty permit" per production line. The security guard monitoring the exit of the shop floor does not allow workers to go to the toilet if they do not retrieve the "permit."

Foxlink imposes punitive fine system on workers, For example, a worker will be given "major demerit" and charged CNY300 (USD\$48) if they smoke in the toilet, while they will be given a "minor demerit" for making mistake on the production line and fined CNY100 (USD\$16).

In our interview, we came across a case of a worker called He Cheng who jumped from the factory building in late September. The victim's cousin told us that he had been working 14-15

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<sup>3</sup> SACOM issued a statement on working conditions at Pegatron, *iPad Mini-mizes Labour Rights*, on 23 October 2012. The statement is available at <http://sacom.hk/archives/966>.

hours a day in the factory before committing suicide and was not allowed to take any sick leave.<sup>4</sup>

Like other factories, there is only very low quality food provided in the factories canteens. In September 2012, workers suffered from food-poisoning for dining in the canteen. Outraged by the poor quality of food and worried that the incident would be happened again, workers protested in the canteen on 13 January 2013.

## 2. Pegatron

To discipline workers, Pegatron imposes punitive fine on workers. There are three levels of punishment: minor demerit, major demerit and dismissal. Workers will be fined CNY50 (USD\$8) and CNY100 (USD\$16) for the offences which also accrue a minor demerit and a major demerit, respectively. If a worker changes beds with another worker without permission, a minor demerit will be given. And if a worker uses the company's computer without permission, they will be given a major demerit. Lending the time card to others will lead to dismissal.

Some frontline supervisors are verbally abusive to the production workers. If the workers cannot meet the production quotas, some supervisors threaten to delay or shorten their meal break.

As at other factories, workers have to acquire an "off-duty permit" for a toilet break.

Workers pay CNY80 (USD\$12) a month for the dormitory housing. In addition, workers have to pay CNY30 (USD\$5) for the laundry service. The factory also charges workers for electricity, which is based on consumption. In the summer, workers have to pay CNY70 (USD\$11) a month for air-conditioning.

## 3. Wintek

The most commonly complaint from workers is the harsh treatment by management, which is unbearable for many. The factory imposes many penalties for minor "wrongdoings," such as forgetting to swipe the time card when on and off duty and for not wearing the dust-free uniform correctly, a fine of CNY10-15 each time (USD\$1.6-2.4). Major mistakes like damaging products accrue a fine of CNY90-180 (USD\$14-28). In addition, to tighten control and speed up the work pace, even for minor mistakes, the frontline supervisors will scold and shout at workers publicly, demeaning them in front of other workers. Frontline supervisors will not only verbally abuse workers, but they will also impose penalties such as mopping the floor for 2 hours and assign more demanding work quotas.

Management harshness is also reflected in deterring workers to go to the toilet. Workers need to find other workers to temporary occupy their task in order to get an approval of going to toilet. Additionally, putting on and off the dust-free uniform is troublesome, so workers will less frequently use the toilets.

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<sup>4</sup> More details of this case can found at the following media reports:

<http://www.macworld.com/article/2011731/apple-supplier-refutes-claim-of-suicide-at-china-factory.html>

[http://articles.washingtonpost.com/2012-10-11/business/35498395\\_1\\_apple-supplier-foxconn-plant-terry-gou](http://articles.washingtonpost.com/2012-10-11/business/35498395_1_apple-supplier-foxconn-plant-terry-gou)

## **Conclusion**

The rampant labor rights violations at Foxlink, Pegatron and Wintek are rooted in the rush purchasing practices and failure of effective monitoring by Apple. The excessive overtime, the use of dispatch labor and harsh management practices are the results, directly and indirectly, of the short delivery time demanded by Apple before it launches new products. Furthermore, all the three factories have longstanding business relationships with Apple. The problems reveal that Apple does not care about the systematic violations at its suppliers. Repeatedly, SACOM demands Apple strictly enforce the standards promised in its Supplier Code of Conduct, namely that its suppliers:

1. Facilitate the formation of genuine trade unions through democratic elections;
2. Provide a living wage to all workers to enables them to support themselves and their families;
3. Review management methods and ensure workers are treated with respect and dignity;
4. Conduct labor rights training for all workers, including training on occupational health and safety; and
5. Compensate victims for the non-compliance of the Apple code of conduct.

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