

SUICIDES AT FOXCONN

Foxconn Technology Group is a subsidiary of Taiwan's Hon Hai Precision Industry Company (reputed to be the world's largest "contract manufacturer"). Even as a subsidiary, Foxconn's numbers are impressive— the company employs about 800,000 people, half of whom work in a huge industrial park in Shenzhen, China, called Foxconn City. With 15 separate multistory buildings, each dedicated to individual customers such as Apple, Dell, Nintendo, and Hewlett- Packard, Foxconn's promotional material proudly states that the company pays minimum wage (900 Yuan, or \$ 130 a month), offers free food and lodging, and extensive recreational facilities to its employees— on the face of it, not your stereotypical "sweatshop" environment.

However, in the first half of 2010, a total of 12 Foxconn employees found the working conditions so oppressive that they elected to kill themselves by jumping from the roofs of those 15- story buildings. According to reports, 2 other employees were seriously injured in suicide attempts, and another 20 were saved before completing their planned attempt. The sudden spate of suicides drew unwelcome attention to the true state of the working conditions in factories that visitors have described as grim." Labor activists report annual turnover of 40 percent or more as employees leave rather than face dangerously fast assembly lines, " military- style drills, verbal abuse by superiors . . . as well as occasionally being pressured to work as many as 13 consecutive days to complete a big customer order— even when it means sleeping on the factory floor."

Consider the case of 19- year- old Ma Xiangqian, a former migrant worker who leapt to his death on January 23, 2010. His family revealed that he hated his job at Foxconn: "11- hour overnight shifts, seven days a week, forging plastic and metal into electronic parts amid fumes and dust." In the month before he died, Ma worked 286 hours, including 112 overtime hours, 3 times the legal limit.

The negative publicity was swift and targeted. Apple's international release of its iPad in Hong Kong was marred by the ritual burning of pictures of iPhones and calls for a global boycott of all Apple products. The negative press prompted an equally swift response from Foxconn customers seeking to distance themselves from the story. Apple, Dell, and HP all announced investigations of the working conditions at Foxconn's plants, with the implied threat of contract termination.

Foxconn's response was to surround the buildings with nets to prevent any further suicide attempts, to hire counselors for employees experiencing stress from the working conditions, and to assign workers to 50- person groups so that they can keep an eye on each other for signs of emotional stress. The company also announced two separate pay increases more than doubling worker pay to 2,000 Yuan a month (although workers must pass a three- month review to qualify for the second pay increase). In addition, a series of "motivational rallies," entitled "Treasure Your Life, Love Your Family, Care for Each Other to Build a Wonderful Future," were scheduled for all Foxconn facilities.

While the immediate response was targeted directly at the media criticism, there are concerns about the longer- term consequences for Foxconn and its customers. Hon Hai's reputation and dominance have been built on top quality with wafer- thin margins— margins that may prove to be too thin to absorb a 100 percent increase in labor costs. As for its customers, they may have given implied threats of contract termination, but with Hon Hai as the world leader, there are limited options for alternative suppliers.

Apple asked the Fair Labor Association (FLA), a nongovernment organization, to conduct an extensive audit of Foxconn's operations. The FLA teams visited Foxconn factories in Shenzhen and Chengdu, and surveyed some 35,000 workers at three facilities that assembled Apple products, including iPhones and iPads. The audit report was released on March 29, 2012, and found that during the preceding 12 months, workers typically exceeded the 60 hours of work per week stipulated in Apple's agreement with Foxconn. In addition, the report found that many workers also exceeded China's legal limit of 36 hours of overtime per month. In conclusion, the FLA found that conditions were "no worse than any other factory in China."

Please address these questions in your analysis:

1. Will Foxconn's response be sufficient to stop any future suicide attempts? Why or why not?
2. If the company has operated on "wafer-thin margins," how should it deal with the increased labor cost?
3. Would you describe Foxconn's response as an example of proactive or reactive ethics? Why?
4. If Apple is making a public commitment to addressing working conditions at Foxconn factories, should "no worse than any other factory in China" be an acceptable benchmark? Why or why not?