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Apple Opens Suppliers' Doors to Labor Group After Foxconn Worker Suicides

By Stanley James and Adam Satariano - Jan 13, 2012

[Apple Inc. \(AAPL\)](#) agreed to let outside monitors into factories of partners, such as [Foxconn Technology Group \(2317\)](#), and listed [suppliers](#) for the first time to counter criticism about conditions of workers making its gadgets.

The iPhone maker becomes the first technology company to join the [Fair Labor Association](#). The Washington-based FLA was set up in 1999 to monitor workplace environments globally in an initiative by former U.S. President [Bill Clinton](#), and its participants include [Nike Inc. \(NKE\)](#) and [Nestle SA. \(NESN\)](#) Apple also released its [annual suppliers' audit](#) yesterday.

Apple's affiliation with the FLA highlights the risk to multinational companies' brands due to difficulties in policing suppliers as they outsource manufacturing to cut costs. Nike became a founding member of the association after reports of low pay, abuses and poor conditions at sportswear factories in [Asia](#) sparked boycotts and protests in the 1990s.

"Most big corporations have their 'Nike moment' at some stage -- when they realize the difficulties of maintaining their standards, particularly in an increasingly global environment," FLA President Aurret van Heerden said. "The problem with the supply chain is that it's a moving target."

The move by Cupertino, California-based Apple will intensify scrutiny of its [suppliers](#), including Seoul-based [Samsung Electronics Co. \(005930\)](#) and Incheon, South Korea-based [Hynix Semiconductor Inc. \(000660\)](#) The FLA makes unannounced checks on about 5 percent of its members' supply chains each year, according to Van Heerden.

Underage Labor

Apple released a list of 156 companies that represent 97 percent of procurement costs, along with its annual report on factories where the iPhone, iPad and other products are made.

In the course of the 229 audits, Apple said it discovered several violations, including instances of underage labor at five facilities. Apple said it required the suppliers to support the young workers to return to school and to improve their management systems to add age-verification procedures. Apple also said it found instances of involuntary labor and stopped working with one of suppliers involved.

Apple also discovered at least 90 factories with records showing workers were exceeding its maximum of 60 hours a week and at least one day of rest per seven days of work. The company found violations of anti-discrimination rules for workers who were pregnant or had hepatitis B. Apple said it made the suppliers end the discriminatory screenings.

Van Heerden, of the FLA, said growing scrutiny of global companies by investors and consumers means they are more likely to insist suppliers introduce best practices in countries where governments are unable or unwilling to do so.

“If you’re a 16-year-old girl in a developing country, your best chance of enjoying proper rights is if you get to work at a multinational,” he said. “The power of their contract is more powerful than the power of law.”

Foxconn Scrutiny

Apple’s biggest supplier, [Taiwan’s Foxconn](#), has been a subject of scrutiny after at least 12 workers have committed suicide at its plants in China. Three died last year and more than 70 were hurt in blasts at two iPad facilities, one of which was also owned by Foxconn. In response to pressure from Apple and the media, Foxconn more than doubled wages in 2010 for some workers in China and employed counselors.

Apple will now subject itself and its suppliers to the FLA’s membership criteria, including submitting to audits and enforcing a code of conduct based on standards approved by the [United Nations’ International Labor Organization](#).

Taipei-based [Hon Hai Precision Industry Co. \(2317\)](#), Foxconn’s flagship listed unit, gets 22 percent of its revenue from Apple, data compiled by Bloomberg show. [Pegatron Corp. \(4938\)](#) earns 16 percent of sales from the U.S. company.

Hong Kong Demonstrations

Efforts to improve conditions have failed to appease some activists and labor groups. Demonstrators at the September opening of Apple’s flagship store in Hong Kong called on the company to protect workers’ rights. China Labor Watch last month said the explosion at Foxconn’s plant in May and another on Dec. 17 at a factory owned by Taipei-based Pegatron were caused by ignition of aluminum dust produced by polishing iPad cases.

Independent monitoring isn’t the panacea to problems in [China’s](#) factories, said [Geoffrey Crothall](#), communications director of workers-rights group China Labour Bulletin.

“The problem isn’t whether or not they do audits, but whether workers are treated in a reasonable manner,” he said. “What the workers need is an effective voice in the workplace.”

Brand Value

Apple is more vulnerable than most to damage to its reputation, according to an annual ranking compiled by [Interbrand](#). The brand was valued at \$33.5 billion last year, the eighth-highest in the world and up from 17th place in 2010, according to the index.

The company's affiliation to the FLA marks a further broadening of oversight for the agency. The association was formed in 1999, primarily by the apparel industry, after Clinton challenged companies and pressure groups to address rising complaints about standards at factories operating overseas, according to its website.

Beaverton, Oregon-based Nike, the world's largest sportswear maker, was a founding member. [Adidas Group \(ADS\)](#), [Hennes & Mauritz AB](#) and Juicy Couture owner [Liz Claiborne Inc. \(LIZ\)](#) are among 33 participating companies.

Basel, Switzerland-based Syngenta AG, the world's largest maker of agricultural chemicals, sought the FLA's help in 2004 to address concerns over child labor and working conditions on Indian cottonseed farms. Nestle, based in Vevey, [Switzerland](#), in November commissioned the agency to assess the use of child labor and conditions at West African producers of cocoa used in its products such as KitKat and Quality Street candies.

[Microsoft Corp. \(MSFT\)](#) said this week that a protest on Jan. 4 by 150 workers at a Foxconn factory in southern China wasn't related to working conditions and the majority of employees who took part had returned to work. Some had threatened to jump from the roof of a factory building, the [Daily Telegraph](#) reported, citing an unidentified person said to have participated in the action.

Forty-five of the 150 workers, who were protesting against a plan to transfer them to another business unit, resigned, according to a Foxconn statement.

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