

# China, Apple and the labour process

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July 19, 2012 — Reports From the Economic Front, posted at *Links International Journal of Socialist Renewal* with the author's permission — Contemporary capitalism, driven by the competitive pursuit of private profit, tends to produce a stream of innovative goods and services. Of course this drive for private profit generally ensures that these goods and services will be the ones that are most likely to satisfy the desires of those with the greatest purchasing power. Less appreciated is the fact that this pursuit of private profit also tends to promote production processes that are based on exploitative work conditions. A case in point: Apple products.

Much has been written about Apple's international production system, in which components produced in Japan, South Korea, Germany and the United States are sent to China, where a Taiwanese company, Foxconn, employs hundreds of thousands of Chinese workers to assemble them into final products like the iPad and iPhone.

Much has also been written about the brutal labour regime employed by Foxconn. What follows are some extracts from a recently published study [1] by Pun Ngai and Jenny Chan on work conditions at Foxconn [2].

*Beginning of extract:* "While getting ready to start work on the production line, management will ask the workers: "How are you?" (你好). Workers must respond by shouting in unison, "Good! Very good! Very, very good!" (好, 很好, 非常好). This militaristic drilling is said to train workers as disciplined laborers. Production quotas and quality standards are passed through channels down to the frontline workers at the lowest level of the pyramid.

Workers recalled how they were punished when they talked on the line, failed to keep up with the high speed of work, and made mistakes in work procedures. Several women workers attaching speakers to MP3-format digital audio players said,

*"After work, all of us—more than a hundred persons—are made to stay behind. This happens whenever a worker is punished. A girl is forced to stand at attention and read aloud a statement of self-criticism. She must be loud enough to be heard. Our line leader would ask if the worker at the far end of the workshop could hear clearly the mistake she made. Oftentimes girls feel they are losing face. It's very embarrassing. Her tears drop. Her voice becomes very small. . . . Then the line leader shouts: "If one worker loses only one minute [by failing to keep up with the work pace], then, how much more time will be wasted by a hundred people?" . . . ."*

Factory-floor managers and supervisors often give lectures to production workers at the beginning and the end of the work day. After working a long shift of a standard 12 hours (of which four hours are illegally imposed, forced overtime), workers still have to stand, for often 15 minutes to half an hour, and listen to speeches, although the content of such meetings remains the same: the management evaluates the production target of the previous shift, reminds workers of the tasks they need to pay special attention to, and reiterates work rules and regulations. Workers know too well that branded electronic products are expensive and there is no margin for mistakes. Several workers at a mobile phone assembly workshop commented,

*"We get yelled at all the time. It's very tough around here. We're trapped in a "concentration camp" (集中营) of labor discipline—Foxconn manages us through the principle of "obedience, obedience, and absolute obedience!" (绝对服从, 绝对服从, 绝对服从). Must we sacrifice our dignity as people for production efficiency? . . . ."*

Foxconn likes to point out that workers have signed written "agreements" for overtime. This agreement is meaningless since workers enjoy no effective protection from being fired for refusing overtime. While the mandatory overtime work in China stipulated by the Labor Law is 36 hours per month, most of the Foxconn workers usually have 80 hours of overtime work each month. In our interviews, workers described "exhaustion to the point of tears." In our summer 2010 questionnaire survey, more than 80 percent of the 1,736 respondents had "four days of rest or less in a month" during the peak seasons. Our findings are highly consistent with that of the 5,044-person survey conducted by the Shenzhen Human Resources and Social Security Bureau in the same period: 72.5 percent of the Shenzhen Foxconn workforce put up with excessively long working hours to earn extra income [3]. . . .

Workers said that after the basic wage was increased to 1,200 yuan in June 2010, a clear increase in production was scheduled and production intensity increased. A group of young workers at the Shenzhen Guanlan factory responsible for processing cell phone casings said, "Production output was set at 5,120 pieces per day in the past, but it has been raised by 20 percent to 6,400 pieces per day in recent months. We're completely exhausted."

The biggest Longhua factory could produce as many as 137,000 iPhones in a 24-hour day, or more than 90 a minute, as of September 2010 [4]. Management used stop-watches and computerized industrial engineering devices to test the capacity of the workers and if workers being tested were able to meet the quota, the target would be increased day by day until the capacity of the workers reached the maximum. Another group of workers at the Kunshan factory commented, "We can't stop work for a minute. We're even faster than machines." A young woman worker added, "Wearing gloves would eat into efficiency, we have a huge workload every day and wearing gloves would influence efficiency. During really busy times, I don't even have time to go to the bathroom or eat."

Foxconn claimed that production workers who stand during work are given a ten-minute break every two hours but our interviewees said that "there is no recess at all," especially when the shipment is tight. In some departments where workers nominally can take a break, they are not allowed to rest if they fail to meet the hourly production target. Working overtime through the night in the electroplating, stamp-pressing, metal-processing, paint-spraying, polishing, and surface-finishing units is the toughest, according to workers interviewed." *End of extract*

Of course, Foxconn's brutal production process owes much to Apple's demands. Apple has ultimate responsibility for and control over the entire production process and it continues to subcontract with Foxconn because the company has proven its ability to ensure maximum output for minimum cost. John Smith, in another recently published article [5], highlights the nature of the relationship between Foxconn and Apple as follows:

*"Meanwhile, in what one study called a "paradox of assembler misery and brand wealth," [Foxconn] profits and share price have been caught in the pincers of rising Chinese wages, conceded in the face of mounting worker militancy, and increasingly onerous contractual requirements, as the growing sophistication of Apple's (and other firms') products increase the time required for assembly. While Apple's share price has risen more than tenfold since 2005, between October 2006 and January 2011 [Foxconn's] share price slumped by nearly 80 percent. The Financial Times reported in August 2011 that "costs per employee [are] up by exactly one-third, year-on-year, to just under \$2,900. The total staff bill was \$272 million: almost double gross profit . . . rising wages on*

*the mainland helped to drive the consolidated operating margin of the world's largest contract manufacturer of electronic devices . . . from 4-5 percent 10 years ago to a 1-2 percent range now."*

While hundreds of thousands of Chinese workers carry the burden of direct assembly under the direction of Foxconn, Apple itself employs tens of thousands of US workers to directly sell its final products in the United States. Although conditions differ greatly in the two countries, and the two workforces have vastly different responsibilities, there are noticeable similarities between the conditions faced by both groups of workers—in particular, their relatively low wages, their long work hours and the intensity of their work. A *New York Times* story captures the situation well in its article titled: "Apple's Retail Army, Long on Loyalty but Short on Pay." [6] What follows are some extracts from the article:

*Beginning of extract:* "About 30,000 of the 43,000 Apple employees in this country work in Apple Stores, as members of the service economy, and many of them earn about \$25,000 a year. They work inside the world's fastest growing industry, for the most valuable company, run by one of the country's most richly compensated chief executives, Tim Cook. Last year, he received stock grants, which vest over a 10-year period, that at today's share price would be worth more than \$570 million. . . .

Managers often tell new workers that they hope to get six years of service, former employees say. "That was what we heard all the time," says Shane Garcia, a former Apple Store manager in Chicago. "Six years." But the average tenure is two and a half years, says a person familiar with the company's retention numbers, and as foot traffic has increased, turnover rates in many stores have increased, too. Internal surveys at stores have also found surprising dissatisfaction levels, particularly among technicians, or "geniuses" in Apple's parlance, who work at what is called the Genius Bar. Apple declined requests for interviews for this article. Instead, the company issued a statement:

*"Thousands of incredibly talented professionals work behind the Genius Bar and deliver the best customer service in the world. The annual retention rate for Geniuses is almost 90%, which is unheard-of in the retail industry, and shows how passionate they are about their customers and their careers at Apple."*

That 90 percent figure sounds accurate to Mr. Garcia, who quit last July after four years with the company, overwhelmed by the work and unable to mollify employees and customers alike. Plenty of technicians do, in fact, like their jobs, which vary around the country, and which pay in the range of \$40,000 a year in the Chicago area. Many technicians, though, wanted to leave but were unable to find equivalent work, according to Mr. Garcia and other former managers, in part because of the weak economy. . . .

Kelly Jackson, who was a technician at an Apple Store in Chicago, was thrilled when she was hired two years ago. But she said she was even happier when she quit a year later, having found the work too relentless and the satisfactions too elusive.

"When somebody left, you'd be really excited for them," says Ms. Jackson, who now works at Groupon. "It was sort of like, 'Congratulations. You've done what everyone here wants to do.'" . . .

Arthur Zarate, who joined Apple in 2004 and later worked as a technician at the store in Mission Viejo, Calif., says his training left him with a sense of ownership and pride. For a while, he loved the job, in large part because it delivered the simple and gratifying sense that he was helping people. There were time constraints on technicians — 20 minutes per customer — but because the store was rarely swamped, he usually had more time than that.

"My customers knew me by name," he said. "That was a big deal."

He had already begun to sour on the job when in 2007, he said, his store began an attendance system whereby employees accumulated a point for every day they did not come to work; anyone with four points in a 90-day period was at risk of termination.

"It was a perfectly good idea, but the thing that was terrible is that it didn't matter why you couldn't come to work," Mr. Zarate said. "Even if you had a doctor document some medical condition, if you didn't come to work, you got a point." . . .

To meet the growing demand for the technicians, several former employees said their stores imposed new rules limiting on-the-spot repairs to 15 minutes for a computer-related problem, and 10 minutes for Apple's assortment of devices. If a solution took longer to find, which it frequently did, a pileup ensued and a scrum of customers would hover. It wasn't unusual for a genius to help three customers at once.

Because of the constant backlog, technicians often worked nonstop through their shift, instead of taking two allotted 15-minute breaks. In 2009, Matthew Bainer, a lawyer, filed a class action alleging that Apple was breaking California labor laws.

"State law mandates two 10-minute breaks a day," Mr. Bainer said. "But geniuses had these lengthy queues of customers that made it all but impossible for them to stop even for a few minutes."

The lawsuit was denied class certification in June of last year. Mr. Bainer pursued the matter in separate lawsuits and achieved what he described as "very favorable settlements" for 10 plaintiffs.

Not long after the class-action lawsuit was filed, a technician named Kevin Timmer who worked at the Woodland Mall store in Grand Rapids, Mich., noticed an added step when he logged onto a computer to punch out of work.

"This window popped up and it said something like, 'By clicking this box I acknowledge that I received all my breaks,'" Mr. Timmer recalled. "The rumor was that was because some guy in California had sued."

Mr. Timmer said he and other technicians in the store clicked the box even when they didn't take any breaks. It wasn't because management insisted they stick around. It was that any down time would slam already overburdened colleagues with even more work.

"We were all in the trenches together," he said. "Nobody wanted to leave."

With time limits, several former employees said, came another change at their stores. Technicians had always been able to spend a few hours of their shift in the repair room, providing a little away-from-customers time. In many stores, that ended. Walk-in demand for tech help was so great that when the bar was open, management at these stores decreed, it was to be staffed by any technician in the building. Repairs that could not be done at the bar would wait. As a result, the late shift in the repair room at these stores ended not at 10 p.m., but at midnight. . .

In recent years, the level of unhappiness at some stores was captured by an employee satisfaction survey known in the company as NetPromoter for Our People. It's a variation of a questionnaire that Apple has long given to customers, and the key question asks employees to rate, on a scale of one to 10, "How likely are you to recommend working at your Apple Retail Store to an interested friend or family member?" Anyone who offers a nine or 10 is considered a "promoter." Anyone who offers a seven or below is considered a "detractor."

Kevin Timmer said the internal survey results last year at the Grand Rapids store were loaded with

fives and sixes.

"We discussed it in a monthly meeting and our manager had tears in her eyes," Mr. Timmer recalled. "She said something about how humbling these results were, that they want to fix any problems, that her door is always open, and so on."

Similar figures were found in Chicago.

"By then," Mr. Garcia said, "it wasn't a surprise to upper management because it was clear that many geniuses wanted to leave. There was a ceiling. It wasn't a glass ceiling because everyone could see it."

Mr. Garcia would eventually quit Apple, and walk away from a job that paid a little more than \$40,000 a year, when stress-related health issues sidelined him long enough to put his job at risk. He had no doubts that the company would easily find a replacement. "*End of extract:*"

While Apple is no doubt a trend setter, it is far from unique. Most of our leading firms continue to rely on harsh labour conditions and appear determined to maintain them. And while many recent technological innovations do enrich our lives, we should not forget that different social relations of ownership and production would likely produce different innovations, including ones that might well add far more to our quality of life and collective human development than the ones currently celebrated.

## **Martin Hart-Landsberg**

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### **P.S.**

\* <http://links.org.au/node/2958>

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### **Footnotes**

[1] <http://mcx.sagepub.com/content/current>

[2] "Global Capital, the State, and Chinese Workers: The Foxconn Experience", *Modern China*, 38:4, pp. 383-410

[3] *Diyi caijing ribao*, June 17, 2010

[4] Bloomberg Businessweek, Dec. 9, 2010

[5] "The GDP Illusion: Value Added versus Value Capture", *Monthly Review*, 64:3, pp. 86-102,

<http://monthlyreview.org/2012/07/01/the-gdp-illusion>

[6] [http://www.nytimes.com/2012/06/24/business/apple-store-workers-loyal-but-short-on-pay.html?\\_r=2&emc=eta1&pagewanted=all](http://www.nytimes.com/2012/06/24/business/apple-store-workers-loyal-but-short-on-pay.html?_r=2&emc=eta1&pagewanted=all)