



By: Tomorrow's Affairs Staff

Apple's plans uncertain due to worker protests in China



The largest manufacturer of Apple phones is desperately spending a lot of money, and it appears that it is also asking for help from the local authorities in Zhengzhou, China, in order to normalise production by the end of November. Output has been severely disrupted due to worker dissatisfaction and protests. Taiwan's Foxconn, the biggest contract assembler of smartphones and other electronics, is struggling to fill orders for the iPhone 14 after thousands of employees walked out of the factory in the central city of Zhengzhou last month following complaints about unsafe working conditions.

Employees are leaving a vast Foxconn iPhone factory over working conditions and Covid restrictions, relieved to be taking pay-offs home after angry protests at the Taiwanese tech giant's plant. Workers are leaving the plant in the wake of bloody clashes with police, in which more than a dozen protesters were hurt, furious about Foxconn's failure to deliver promised bonuses, employees told AFP. Their contracts suddenly changed and everyone was unhappy, and previous incidents at Foxconn caused a universal loss of trust, so protests took place, one female worker who wished to remain anonymous told AFP.

The protests in Zhengzhou come as the ruling Communist Party faces rising frustration about restrictions in areas across China that have closed shops and offices and confined millions of people to their homes. The ruling Communist Party is trying to contain the latest wave of outbreaks without shutting down factories and the rest of its economy as it did in early 2020. Its tactics include "closed-loop management," under which workers live in their factories with no outside contact.

Foxconn, whose headquarters are in New Taipei City, Taiwan, said that its contractual obligation about payments "has always been fulfilled." The company denied what it said were comments online that employees with the virus lived in dormitories at the Zhengzhou factory. It said facilities were disinfected and passed government checks before employees moved in. Foxconn offered up to 10,000 yuan (\$1,400) to newly hired employees who wanted

to quit and return home, the finance news outlet Cailianshe reported, citing unidentified recruiting agents.

A source familiar with the situation in Zhengzhou said production at the plant was unaffected by the worker unrest and output remained "normal".

Reuters earlier reported that iPhone output at the factory could slump by as much as 30% in November, and that Foxconn aimed to resume full production there by the second half of the month. Apple Inc. (AAPL.O) has warned it expects lower shipments of premium iPhone 14 models than previously anticipated.

With the unrest, it's certain that Apple's contractor can't resume normal production by the month-end

While the latest unrest has added "uncertainties" to the target, the source said the company was still working hard to reach it, adding that "only a portion" of new recruits took part in the unrest.

A second source familiar with the matter, however, said Foxconn was unlikely to hit the target, pointing to disruptions caused by the unrest, impacting particularly on new recruits who were hired to bridge the gap in the workforce. "Originally, we were trying to see if the new recruits could go online by the end of November. But with the unrest, it's certain that we can't resume normal production by the month-end."

Foxconn accounts for 70% of iPhone shipments globally. It makes most of the phones at the Zhengzhou plant, although has other smaller production sites in India and southern China. Shares of Foxconn have slipped 2% since the unrest emerged in late October. The disruptions may shift some iPhone sales into the March quarter from the key holiday quarter, D.A. Davidson analyst Thomas Forte said. Wedbush Securities analyst Daniel Ives said he expected the shutdowns to cost Apple about \$1 billion a week in lost

iPhone sales. In the holiday quarter last year, Apple reported iPhone sales worth nearly \$6 billion per week.