



## Bloomberg: Foxconn Hires Outside Managers for China Dormitories

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(Updates with company comment from second paragraph.)

By Mark Lee

June 25 (Bloomberg) -- Foxconn Technology Group agreed to hire outside managers to take over the running of employee dormitories in the southern Chinese city of Shenzhen, where at least 10 of its workers committed suicide this year.

The contract maker of Apple Inc.'s iPhone signed a memorandum of understanding with two China-based property management firms to run 153 dormitories housing the Taiwanese manufacturer's employees in Shenzhen, according to an e-mailed statement from the company today.

Foxconn said it will hire counselors and double pay in Shenzhen, where it employs almost 450,000 people, after the suicides prompted Apple and other clients including Dell Inc. to probe work conditions at the world's biggest contract electronics maker. The hiring of the property firms marks a shift to a "more open" style of management, the Taiwanese company said.

"Providing employees with basic necessities including a safe and convenient place to live at the work-site might have been sufficient in the past, but this arrangement no longer satisfies the needs of the young migrant workers of today," Foxconn Vice President Terry Cheng said in the statement.

Flagship unit Hon Hai Precision Industry Co.'s shares fell 1.6 percent to NT\$120.5 in Taipei today, extending the decline this year to 20 percent. That compares with the 8.7 percent drop in the city's benchmark Taix index in the same period.

### Salary Increase

Foxconn signed agreements with Shenzhen CPM Property Management Co. and Kaiyuan Property Management to hand over running of the employee residences, in a ceremony today attended by officials including Li Yi Kang, deputy secretary at the Shenzhen municipal government, it said in the statement.

Of the 153 dormitories, 33 were built by Foxconn and the others are leased by the company.

Base salaries at Hon Hai's Shenzhen factories will rise to 2,000 yuan (\$294) a month in October from 900 yuan in May, the company said this month. The increase prompted analysts at brokerages such as Macquarie Group Ltd. and Daiwa Securities Group Inc. to cut their investment ratings on Hon Hai.

The deaths at Foxconn have prompted New York-based China Labor Watch to say the Taiwanese company is a "sweatshop" that doesn't pay employees enough, so they have to work overtime.

Apple Chief Executive Officer Steve Jobs said this month the suicides were "very troubling" and that his company was "all over" Hon Hai to resolve the issue. Both Jobs and Foxconn Chairman Terry Gou have said Foxconn isn't a "sweatshop."

Hewlett-Packard Co. and Dell, the two biggest U.S. computer makers, have said they've begun examining Foxconn's working conditions.

The suicides were probably caused by personal problems and exacerbated by compensation packages offered to the families of victims, Gou said this month.

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