



Tech companies use materials mined illegally by children in Africa

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Illegal child labor runs rampant at mines in the Republic of Congo, where a key ingredient used in rechargeable batteries is often found in popular electronics made by Apple Inc., Microsoft Corp., HP Inc. and Samsung Electronics, according to a recent report by Amnesty International.

The allegations are just the latest to showcase unfair labor practices in the sprawling supply chains of technology companies. Previous accusations have run the gamut from excessive overtime to unhealthy working conditions and unfair wages that have led to health problems and riots, even deaths.

There have been “marginal improvements” in these companies’ supply chains in recent years, said Eli Friedman, an advisor on Apple’s AAPL, -0.59% [Academic Advisory Board](#) on ethical working conditions for supply chain employees before resigning last summer. However, tech giants can and should do more to protect laborers in their web of suppliers, manufacturers and assemblers, he contended.

“They are the most valuable companies in world,” said Friedman, a professor of international and comparative labor at Cornell University. “They have the capacity to do better.”

Friedman admits, though, that the situation is complicated. Many tech companies’ supply chains are multi-layered and complex. The child labor being reported at mines operated by CDM and Huayou Cobalt, for example, are three to four times removed from the contractors with whom Apple works directly. The problems are multifaceted as well, with many adult laborers blaming broader systematic issues, such as a lack of other jobs and high school fees, as reasons why their children often accompany them to work. Despite less-than-ideal conditions, laborers are sometimes glad for the work. And in China, some have complained about reduced overtime hours, Friedman said.

Samsung SDI, which provides lithium-ion batteries to Samsung 005930, -0.51% [and Apple](#), said in an email to MarketWatch that it does not directly transact with CDM and Huayou Cobalt, and has programs in place to diagnose and improve these types of issues across its supply chain.

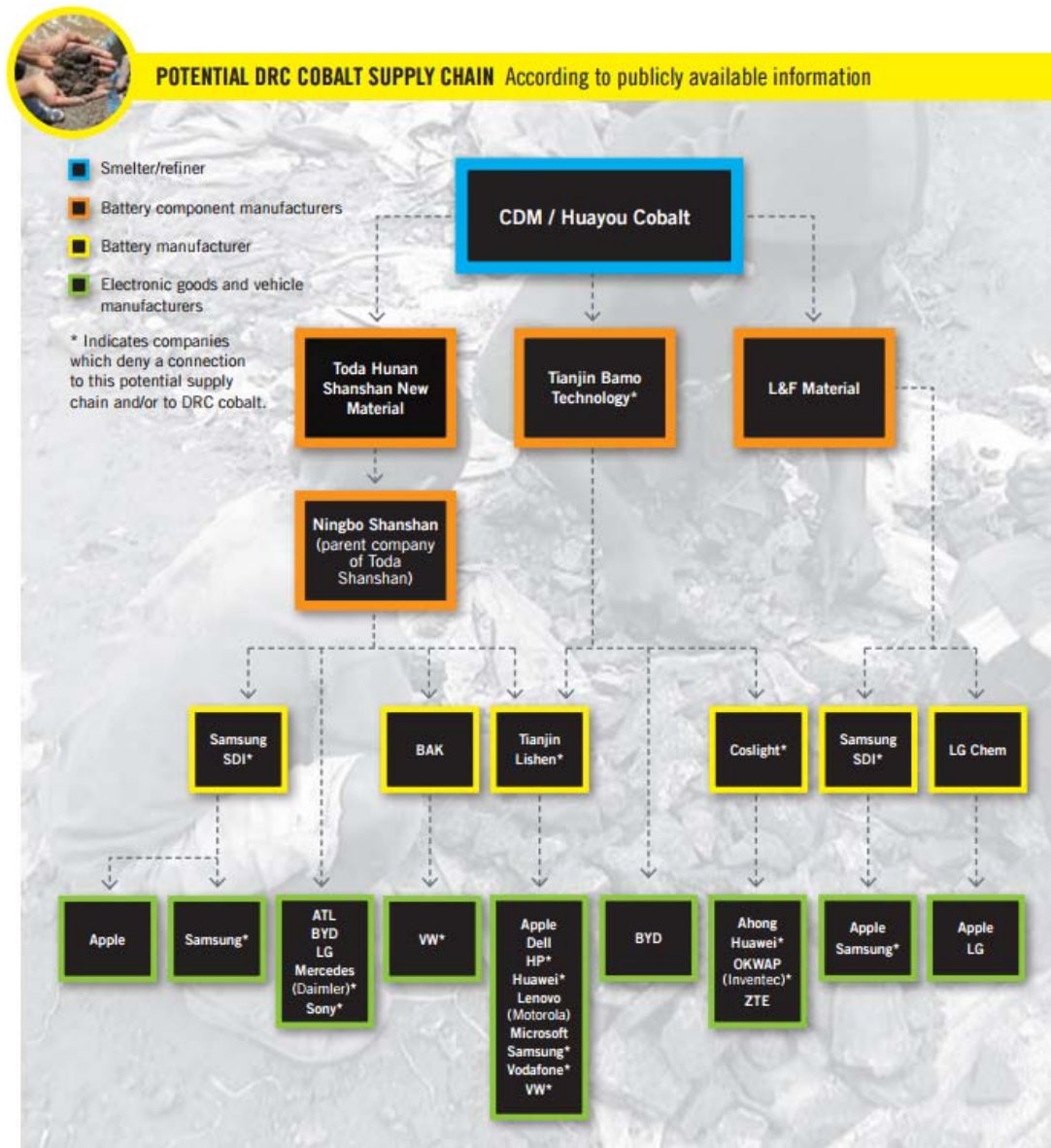
Apple said underage labor is “never tolerated” in its supply chain and is often at the mercy of rigorous audits and preventative measures, but that problems can’t be fully solved without broad cooperation.

“We know from experience that we can’t do this alone, and there are no quick fixes to the complex challenges in a global supply chain,” Apple said in a letter to Amnesty, viewed by MarketWatch.

While Amnesty International said Microsoft MSFT, -0.21% [cited “complexity and resources required”](#) for why it does not follow the regulating group OECD’s guidance on cobalt sourcing, the company in an email to MarketWatch said it is engaged with support organization Pact on a pilot program to eradicate child labor in the Katanga region of the Congo related to cobalt mining.

Amnesty alleges that children as young as seven have worked in the mines.

HP HPO, -1.94% [, Dell and Sony Corporation SNE, -1.93% \[were also named in the report, but have not responded to MarketWatch for comment.\]\(#\)](#)



Amnesty's report of child labor in African mines is not a revelation in a conflict-strewn region rich in rare minerals, such as cobalt and diamonds. Congo accounts for half of the world's production of cobalt, an ingredient in rechargeable batteries used to power popular consumer technology products, such as smartphones and electric cars. And Amnesty isn't the first to look into this issue.

Friedman said conditions have improved at Apple tier-one supplier Foxconn Technology Co.'s 2354, +1.97% plants after a series of suicides in 2010 prompted Apple to clamp down on labor practices there. But it is common practice for companies to switch to new places, such as Vietnam and India, to find cheaper labor.

Apple suppliers Fo
Their shares have declined in recen

TW:2354
TW:4938
-20%0%20%40%-40%60%

Last year, China Labor Watch said Apple shifted production to another assembly plant in China operated by Pegatron Corp. 4938, +2.60%, with cheaper labor, after production costs at Foxconn increased. In 2014, Samsung committed to investing \$3 billion to build up production capacity in Vietnam in a cost-saving move. Assemblers Pegatron and Foxconn have suffered steep share-price decreases in the last year, partially in reflection.

"If they can get to a place where there's another country that can produce the same quality and quantity for less, they're going to move," Friedman said.

Republican presidential candidate Donald Trump didn't help the situation this week, offering empty promises in a campaign speech that if elected he would force Apple to move its massive manufacturing footprint to the U.S. Doing that at the scale of Foxconn, which employs hundreds of thousands of people and still sometimes struggles to keep up with demand, would prove hugely challenging from a logistical and financial standpoint, not to mention it would likely lead to higher prices for devices and weigh down profit margins, which could negatively impact stock prices.

Tech companies reliant on co
Microsoft, Apple, HP, Samsung, Sony use t

US:MSFT

US:AAPL

US:HPQ

KR:005930

JP:6758

0%-75%-50%-25%25%50%

Apple currently employs just 76,000 people in the U.S., as it relies heavily on third-party international manufacturers to build all but one of its products — the Mac Pro, built in Austin, Texas. In fiscal 2015, Apple sold 155 million iPhones alone.

The U.S. altogether lacks the cheap and skilled labor necessary to keep up with such manufacturing demand, according to Apple Chief Executive Tim Cook. Last month in a "60 Minutes" interview, Cook blamed a shortage of tool and die makers in the U.S. for its dependency on Chinese manufacturers.

Compounding the issue is the fact that consumers tend to buy new technologies without questioning how they are made, said Mark Dummett, a business and human rights researcher at Amnesty International. But he places a vast majority of the blame on the companies themselves.

"It is high time the big brands took some responsibility for the mining of the raw materials that make their lucrative products," he said.

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