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Foxconn looks to a robotic future

By Kathrin Hille in Beijing



Salaries for migrant workers, the mainstay of Foxconn's workforce in China, grew 30-40 per cent last year, says Dong Tao, chief regional economist at Credit Suisse

Foxconn, the world's largest contract electronics manufacturer by revenue, plans to have as many robots as workers in its China factories within three years, according to Terry Gou, chairman and chief executive.

Foxconn, China's biggest employer, produce Apple's iPad and other electronic gadgets. The group currently employs 1m workers but has just 10,000 robots on its production lines.

Mr Gou outlined the company's ambitious automation plans at a Foxconn gathering late last week in Shenzhen, a coastal manufacturing centre in southern China. According to people who attended the function, the chief executive said the group would have up to 300,000 robots next year and 1m by 2013, highlighting the drastic changes China-based manufacturers are making as competition for labour increases.

"This is part of a broad automation push among China-based manufacturers," said Alvin Kwok, head of hardware technology research at JPMorgan. "It signals that the cost of labour is no longer lower than the cost of capital."

Salaries for migrant workers, the mainstay of Foxconn's China workforce rose 30-40 per

cent last year and are expected to increase by another 20-30 per cent annually until at least 2013, according to Dong Tao, chief regional economist at Credit Suisse.

Last year, a series of worker suicides at Foxconn's Shenzhen factories preceded an outbreak of larger scale industrial unrest at Japanese automotive components factories across southern China. The Foxconn deaths were a tragic expression of young workers' frustration with chronically low wages, and also the often robotic nature of their work.

Foxconn declined to confirm the figures Mr Gou cited in his speech, but stressed it wants employees to move "higher up the value chain beyond basic manufacturing work".

Many local governments are hoping that Foxconn will create large-scale employment in their backyards, and the group is building several large new factories in inland cities where labour costs are lower.

Analysts, however, believe the group's automation plans were likely to be an important part of its inland expansion strategy. "Foxconn has been comparatively slow when it comes to automation," said Mr Kwok. "Automating an old factory is difficult because you then have to redesign the floor plan, so you want to introduce automation as part of a new plant."

In Chengdu, where one of the group's large new factories is located, government officials say Foxconn is expected to employ 100,000 workers by the end of the year and eventually reach a headcount of 300,000.

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