The Foxconn Employment System

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Background

- ETUI volume on electronics, employment relations, trade unions between Europe and China
- Co-edited with Rutvica Andrijasevic (Uni Bristol) and Devi Sacchetto (Uni Bologna)
- Restructuring, working conditions, and employment relations in electronics assembly from the European perspective
- Including also case studies of Foxconn in China, Czechia, Hungary, and Turkey
Questions/motivations

- Contract manufacturing/EMS: strong cost and flexibility pressures worldwide -> what extent of employment relations standardization/integration in the leading EMS provider?
- Can Foxconn replicate ‘Chinese practices’ in Europe? (Foxconn TWN-owned, global presence, but employment CN focus, emblematic of a coercive labour relations model)
- An insight into HR strategy of a major ‘emerging MNC’ (Foxconn largest contract manufacturing specialist)
- Workplace bargaining in integrated value chains: ‘interdependent power’ (Piven 2014, Silver 2003) vs. ‘double mobility’ (Altreiter/Fibich/Flecker, 2015)
- Role of institutions in shaping outcomes
<table>
<thead>
<tr>
<th>Company</th>
<th>Nationality</th>
<th>2013 Revenues (US$M)</th>
<th>Employees worldwide, app. (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foxconn</td>
<td>Taiwan</td>
<td>115,697</td>
<td>1,230</td>
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<tr>
<td>Pegatron</td>
<td>Taiwan</td>
<td>31,439</td>
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<tr>
<td>Quanta</td>
<td>Taiwan</td>
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<tr>
<td>Flextronics</td>
<td>US (Singapore)</td>
<td>24,680</td>
<td>150</td>
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<td>Compal</td>
<td>Taiwan</td>
<td>20,944</td>
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<td>Wistron</td>
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<td>Jabil Circuit</td>
<td>US</td>
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<td>Inventec</td>
<td>Taiwan</td>
<td>15,265</td>
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<td>TPV</td>
<td>China</td>
<td>11,973</td>
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<tr>
<td>Celestica</td>
<td>Canada</td>
<td>5,796</td>
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</tbody>
</table>

Employment A China-focused global company

Worldwide employment: China, Czechia, Slovakia, Turkey, Russia, India, Malaysia, India, Mexico, Brasil
Business environment and Foxconn’s business strategy

- Volatility and network fragmentation/specialization and centralization/re-integration characterizes electronics (Pawlicki, 2015, forthcoming)
- Lead firms still able to put pressure and shift costs on a small number of contract manufacturers (EMS) -> EMS under intense cost and flexibility pressures
- Foxconn’s rapid rise in the aftermath of the New Economy crisis, the company pioneered the integrated manufacturing model, integration + scale allowed cost cuts, components source of profit margins
- Eastern Europe emerged as a major assembly location in Europe (Sass, 2015, forthcoming)
Top 10 contract manufacturing companies, gross profit margins (in %), 2009-2012

Source: SEC Filings, Company Annual Reports, in Pawlicki, 2015, forthcoming
Employment relations and HR policies in China, Longua ‘Campus’ in Shenzhen (400,000 workers in 2010)

- Young migrant labour force + ‘internship’ programmes, a ‘dormitory regime’, 30% workforce turnover
- Intensive work on the assembly line, military discipline and ideology, simplification of tasks, extensive overtime (60-130 h/month to improve take-home pay), sleep deprivation
- Disciplinary techniques include public shaming in case of slow pace (worker find it embarrassing)
- Trade union established after pressure by local authorities, but controlled by management, 93% unionization, largest in the world
- Reaction to 2010 suicides: counselors, care centre (‘supervision centre’), hotline (‘management hotline’), leisure-time activities, no reports of addressing work intensity
- A forced transfer policy, loss of health and pension insurance, self-organized industrial action -> state-mediated workplace dispute resolution mechanisms (discretionary)

Source: Chan/Pun/Selden, 2015, forthcoming
Czechia (Pardubice, Kutná Hora, from 2000, 3600 core workers in 2008)

- Assemblies a range of products for various customers
- Workforce 60% foreign, 30-50% ‘service suppliers’ (import through labour market intermediaries, LMI’s), circumventing agency work directive (pay and working conditions worse for agency), 30% turnover
- Flexible work time (flexikonto) for core, units: 11.5h shifts, weekend work, previously compulsory overtime; agency remuneration per hour
- Intensive work, complains of sleep deprivation, monitored by labour inspectorate*
- Some core workers sent to Longua for training, shocked
- A dormitory regime for migrants, organized by LMI’s
  - Separated by nationality, gender, age
  - No private space, children families not allowed
  - Strict rules
- Trade unions recognized after media coverage, core workforce only (10%)
  - Non conflictual*, key focus role assistance in individual grievances, leisure-time activities, wage increases seen as main benefit of CA (wages on the regional average), no success in changing flexibility policies apart from capping max work time (163h/m))
Hungary (PCE in Székesfehérvár, other sites exist)

- HU Labour code extremely flexible and a lack of legal benefits from CB
- 8 hour shifts, no weekend work, flexikonto with a relatively short reference period, no health and safety problems reported (common in Flextronics), overtime voluntary
- Low wages by HU standards in electronics (basic lower than minimum wage)
- 15-35% temporary workers, but can shift to permanent jobs
- No apparent interest among workers in establishing a trade union
Turkey (Çorlu, 450 workers, from 2010)

- The familiar system of intensive work on the assembly line
- 10-12 hours shifts
- Wages just over the minimum level (300-350 eur)
- Flexibility: Compulsory overtime, changes of shifts, flexikonto with last minute changes of schedule (2 hour notice), apprenticeship and seasonal worker schemes
- No migrants (some Bulgarian Turks)
- Employee turnover 20-30%
- Labour law makes it difficult for unions to operate and bargain; Foxconn made union members resign to be able to join the workforce
- Training in Pardubice (CZ)

Source: Sacchetto/Andrijasevic, 2015, forthcoming
Conclusion: Convergence towards Chinese capitalism with a human face?

- Able to create flexible systems including long hours and low pay, but not the military discipline and excessive overtime as known from Foxconn plants in CN and Mexico
  - Labour code (curbs excessive overtime, flexikonto)
  - Labour force dualization (agency work)
  - Will accept unions when they have to, but not a threat
  - Similar pay incentives (20% bonus), pay varies, but not that far from Shenzhen
- Domestic institutions a weak impact: labour code some protection in CZ; (weak) industrial-relations systems less relevant
- Role of the state important (labour code, minimum wage, incentives), but differences seems less relevant for Foxconn’s business strategy
- Audits by clients everywhere, flexikonto in CZ and HU against CSR guidelines
- A prospect of convergence in the sector as cost pressures in CN and labour regulations improves?