



## **Students & Scholars Against Corporate Misbehaviour**

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## **Workers as Machines: Military Management in Foxconn**

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Chinese workers, including the 900,000-strong workforce at Foxconn production facilities, were chosen by the *Time Magazine* as Person of the Year 2009 for their contribution to the world's economic recovery.

*Source: Thomas Lee*

### **Introduction**

Foxconn Technology Group, a subsidiary of the Hon Hai Precision Industries Ltd., is the world's leading electronics manufacturer. It ranks 112th among Global Fortune 500 Companies. Currently, Foxconn has a workforce of 900,000 workers all over China. The corporation is going to expand the workforce to 1.3 million people by the end of 2011.<sup>1</sup> According to market research firm iSuppli Corp., in 2009, Foxconn took over 44% of the

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<sup>1</sup> Tim Culpan, 'Foxconn to Hire 400,000 China Workers within a Year', *Bloomberg*, 18 August 2010. <http://www.businessweek.com/news/2010-08-18/foxconn-to-hire-400-000-china-workers-within-a-year.html>.

global revenue of the entire electronics manufacturing and services industry. iSuppli estimates that Foxconn will gain half of the industry revenue by 2011.<sup>2</sup> Notwithstanding the fall of profit margins over the years, Foxconn's business has been growing. This implies that Foxconn will keep pressing down labour cost to maintain its competitiveness in the industry.

Civil society and media zoomed in on Foxconn recently not because of its prodigious workforce or its profits. Rather, it is the seventeen young workers who perished from suicides between January and August 2010 that forced the world to reflect on the plight of frontline workers at Foxconn and other factories. Profit maximisation is the ultimate corporate principle, under which workers' dignity and well-being are of no concern. Foxconn is not the only one to be blamed, but it is the most typical factory run by a management methodology that boosts productivity through the degradation of workers into dehumanized machines.

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#### **Suicides at Foxconn in China, January to August 2010**

	Sex	Age	Foxconn facility	Date of suicide	Remark
1 Rong Bo	M	19	Langfang	8 Jan	Jumping from the 8/F
2 Ma Xianqian	M	19	Guanlan	23 Jan	Falling from building
3 Li Hongliang	M	20s	Longhua	11 Mar	Jumping from the 5/F
4 Tian Yu #	F	17	Longhua	17 Mar	Jumping from the 4/F
5 Li Wei #	M	23	Langfang	23 Mar	Jumping from the 5/F
6 Liu Zhijun	M	23	Longhua	29 Mar	Jumping from the 14/F
7 Rao Shuqin #	F	18	Guanlan	6 Apr	Jumping from the 7/F
8 Ning (surname)	F	18	Guanlan	7 Apr	Jumping from building
9 Lu Xin	M	24	Longhua	6 May	Jumping from the 6/F
10 Zhu Chenming	F	24	Longhua	11 May	Jumping from the 9/F
11 Liang Chao	M	21	Longhua	14 May	Jumping from the 7/F
12 Nan Gang	M	21	Longhua	21 May	Jumping from the 4/F
13 Li Hai	M	19	Guanlan	25 May	Jumping from the 4/F
14 He (surname)	M	23	Longhua	26 May	Jumping from the 7/F
15 Chen Lin #	M	25	Longhua	27 May	Slitting his wrists after failing to jump
16 Liu (surname)	M	18	Nanhai	20 Jul	Falling from building
17 Liu Ming	F	23	Kunshan	4 Aug	Jumping from the 3/F

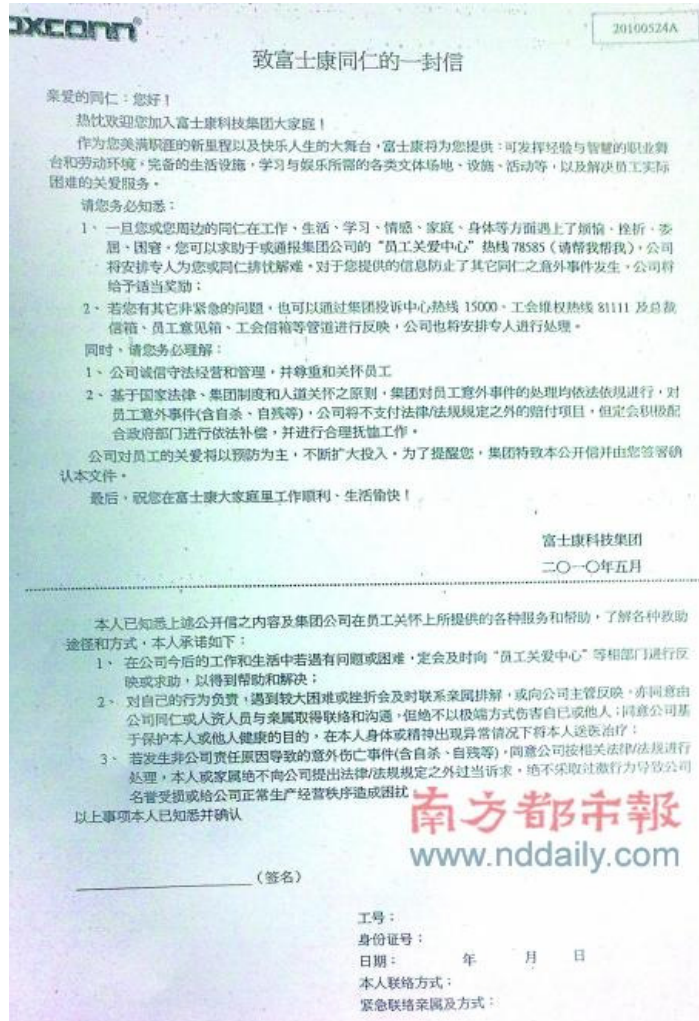
# Survived with injuries.

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<sup>2</sup> Thomas Dinges, "Foxconn Rides Partnership with Apple to Take 50 Percent of EMS Market in 2011", iSuppli, 27 July 2010. <http://www.isuppli.com/Teardowns-Manufacturing-and-Pricing/News/Pages/Foxconn-Rides-Partnership-with-Apple-to-Take-50-Percent-of-EMS-Market-in-2011.aspx>.

In response to the tragedies, Foxconn firstly invited monks to exorcise the evil spirit haunting the company. Then the CEO Terry Gou Tai Ming suggested that workers committed suicide in order to gain the huge amount of compensation offered by the company. He also attributed the suicides to workers' personal problems, like debts and relationship. In late May, in order to evade responsibility, Foxconn even asked workers to sign a document pledging not to commit suicide, which included a clause that their families would not seek extra compensation above that required by the law, and would not use any extreme actions to ruin the company's reputation.<sup>3</sup> There was also report that psychological questions were introduced as a new criterion in recruitment in Zhengzhou.<sup>4</sup> Furthermore, between May and September, the company launched a series of actions to rescue its reputation. For instance, they invited counsellors to the factory, established the Employee Care Centre and hotline, organized day trip for workers, held an anti-suicide rally and made wage increase announcement in high profile manner. It is evident that Foxconn pays no attention to the actual stress of workers from their management methodology.

There is a close relationship between low wage, excessive overtime work and harsh management. While campaigning for a humane management policy, Students & Scholars Against Corporate Misbehaviour (SACOM) looks forward to Foxconn's wage increase



The document which Foxconn workers were forced to sign, pledging not to commit suicide.

Source: Nanfang Metropolis Daily

<sup>3</sup> Fiona Tam and Danny Mok, "New Foxconn suicide after boss visits Shenzhen plant", *South China Morning Post*, 27 May 2010.

<sup>4</sup> "Foxconn's Recruitment in Zhengzhou Spurs Rising Salaries", *People's Daily*, 30 August 2010. <http://english.peopledaily.com.cn/90001/90778/90860/7122397.html>.



proposal, even though it is still below the living wage standard that we advocate. In June, Foxconn announced that the basic wage for frontline workers in Shenzhen will be increased to CNY 2000 with conditions. The management also promised that the wage increase will apply to all production facilities in China. However, Foxconn did not disclose details of the pay rise. At first, SACOM has high hope that the wage increase will allow workers to earn enough by working less hours so that they can enjoy the right to leisure and ease their work pressure. However outrageously, until the 11th October, Foxconn did not inform workers about the details. Workers were not informed about the wage increase. At the same time, there is no structural reform in the company's management methodology.

Other than Foxconn, electronic brands like Apple, Nokia, HP, Dell, Sony, Sony Ericsson, and Motorola, which have placed orders with Foxconn, also bear indispensable responsibility in the tragedies. All these brands are making huge profit at the cost of the workers. Likewise, we are consuming the blood and tears of the workers, a fact hidden from us by fancy advertisements.

This report aims to reveal the actual working and living conditions of workers at Foxconn to mobilise public support for their struggle against their plight. Instead of ineffectively pleading corporations to restrain themselves against labour rights violations, SACOM urges concerned organizations, consumers, investors, and the government to join the workers to pressure electronic factories to deliver decent working conditions in the electronic industry.



Footbridge outside southern gate of Longhua campus, Foxconn. One of the interview sites of SACOM investigations.

## Research Methodology

Alarmed by the phenomena of multiple suicides at Foxconn, SACOM conducted investigations at Foxconn production facilities from 22 May to 21 September 2010. About 100 workers were interviewed outside the factory compounds in Shenzhen, Guangdong Province and Hangzhou, Zhejiang Province. At the same time, researchers took jobs as undercover workers in Foxconn's production facilities in Shenzhen and Hangzhou in May and July respectively to make first-hand observations of the working conditions in the company. In this report we also refer to research

findings of a group of scholars and students from Mainland China, Taiwan and Hong Kong<sup>5</sup>, which cover some other production facilities in cities including Nanjing, Kunshan, Tianjin, Shanghai, Langfang, Wuhan and Taiyuan.

Bringing cameras or mobile phones onto the shop floor is strictly prohibited in Foxconn, and therefore, it is impossible for our researchers to take photos inside the factories. The photos inside the factory are contributed by a journalist, Thomas Lee.



Upper: entrance of Foxconn campus  
Lower: safety net inside Foxconn campus

Source: Thomas Lee

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<sup>5</sup> In summer, more than 60 teachers and students from 20 universities in Mainland, Taiwan and Hong Kong formed a team to conduct research on the working conditions at Foxconn's production facilities in 9 cities in China. Over 1700 Foxconn workers participated in a survey and 300 frontline workers, engineers and management staff were interviewed. The investigative report was released on 9 October 2010 and is available at <http://tech.163.com/10/1009/15/6IIHU0KT000915BD.html> (in Chinese).

## **Wages and Working Hour**

Having been named a “sweatshop” corporation, Foxconn rebukes by claiming that it has been in compliance with local laws. SACOM researchers found that Foxconn continued to violate the law in terms of overtime payment and working hour. Importantly, China is a fast-growing economy; minimum legal standards as a safety net cannot guarantee decent living conditions in the cities.

### Workers were not informed in wage increase plan

When the suicide cases reached a climax in May, Foxconn made wage increase announcements for twice. The first wage increase to CNY 1200 was launched in June. Soon after that, Foxconn claimed there will be a rise in basic wage to CNY 2000 for Shenzhen workers who pass an evaluation. The wage increase will be implemented in October. Nevertheless, until the mid of October, workers on the Longhua campus did not know about the details of the pay rise. There was no formal announcement from Foxconn. Workers who have been working at Foxconn for 3 months are eligible for evaluation. However, many workers with seniority have not participated in such tests. As such, workers may only know about the wage increase from their wage stub for October, which they will receive in November.

There are rumors among workers about who can benefit from the wage increase. For example: only those who have an outstanding performance; those who are in special departments, those who have worked in the factory for over 6 months; and those who have made a special contribution to the company. Some workers doubt that all the workers will have a pay rise to CNY 2000; they believe some may get CNY 1600, CNY 1800 or CNY 1940.

### Basic wage is just slightly more than minimum wage

From June 2010 onwards, frontline workers’ basic wage was raised from CNY 900 to 1200 per month in Shenzhen. Nevertheless, the so-called generous 30% pay rise only last for a month. In July, the local government raised the minimum wage to CNY 1100 per month. In other words, the basic wage of frontline workers at Foxconn is only CNY 100 more than the minimum wage.

The basic wage for Foxconn frontline workers in Hangzhou is CNY 150 more than the local minimum wage (at CNY 1250 per month). However, in other Foxconn production facilities, the basic wage is only slightly more than the minimum wage. For example, the basic wage in Foxconn Tianjin is only CNY 20 or 2% more than the local minimum wage (at CNY 940 per month).

### Basic wage is far below living wage

Foxconn management pointed out that one of the motivations for the wage increase was to combat the problem of high turnover rate of workers. In other words, the purpose is to stabilize the workforce. In late May, SACOM advocated that the basic wage (which was equivalent to the minimum wage) was insufficient for workers to maintain decent living conditions in Shenzhen. The monthly food consumption in Shenzhen is CNY 613. Taking an Engel's coefficient at 0.5, and a dependency ratio of 1.87 (an earner supports 1.87 family members on average), the monthly living wage should be CNY 2293.<sup>6</sup> Using the same formula, the living wage in other cities should be:

	Tianjin	Wuhan	Hangzhou	Kunshan
Food consumption per capita (CNY)	450.42	469.14	581.15	534.96
Monthly living wage (CNY)	1684.5	1754.4	2173.3	2000.5
Local minimum wage (CNY)	920	900	1100	960
Basic wage of a frontline worker at Foxconn (CNY)	940	950	1250	1110

Apparently, the basic wage of the frontline worker is not enough for workers to maintain decent living standards in the cities. In Hangzhou, the difference between basic wage and living wage is CNY 923. Also, basic wages in Tianjin, Wuhan and Kunshan lag far behind the living wage. It is extremely difficult for workers to live in an expensive city on a meagre wage.

### Excessive and involuntary overtime

In 2008, the monthly overtime working hours of Guanlan workers amounted to 120 hours during the peak production time,<sup>7</sup> and this serious problem has not been corrected. This is a rampant violation of the Labour Law, which provides that overtime work should not be more than 36 hours per month (article 41). An engineer at Integrated Digital Product Business Group (IDPBG) of Foxconn in Shenzhen, who joined the corporation last year recalled, "We produced the first generation iPad. We were busy throughout a 6-month period and had to work on Sundays. We only had a rest day every 13 days. And there was no overtime premium for weekends. Working for 12 hours a day really made me exhausted."

Excessive overtime is not unique in Shenzhen; it is the same for Foxconn workers in other parts of China. In Wuhan, a former worker of Foxconn, who left the factory 3 months ago

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<sup>6</sup> The formula for living wage according to Engel Law:

food expenditure ÷ percentage of income spent on food x dependency ratio

<sup>7</sup> SACOM research findings, quoted in *Playing with Labour Rights: Music Player and Game Console Manufacturing in China* (March 2009).

told researchers that “the overtime work in a month was 140 hours. We do not have a rest day at all.”

Despite fatigue, workers cannot reject overtime work, because Foxconn requires workers to sign a Voluntary Overtime Pledge. Since the basic wage is not enough for survival, workers have no choice but to earn their living from the overtime premium. Even in the midst of the series of suicides, excessive overtime remained prevalent. The working hour only diminished in May. Since then, workers have to work 10 hours a day and 6 days per week.

#### Deduction of overtime premium

Some workers in Hangzhou said that a “Comprehensive Calculation of Working Hours System” was adopted. The monthly regular working hour is 166.64. Working hours that exceed this are regarded as overtime work. Only 1.5 times of hourly wage is paid for the overtime work. In other words, there is no double time for overtime work during the weekends. In fact, a student worker at Foxconn argued, “perhaps Foxconn has gotten approval from the Labour Department. However, Labour Law limits the scope of application of the system. The nature of work on the production line is outside legal requirements.”

Workers at Taiyuan, Shanxi Province, stated that overtime work at Foxconn was paid in line with legal requirement. That means that 1.5 and 2 times the hourly wages are paid for overtime work on weekdays and weekends respectively. Yet, if the monthly overtime work is more than 80 hours, overtime work beyond 80 hours is not recognized. Workers have to work 10 hours a day and 6 days a week. If workers work for 22 weekdays (22 x 2 hours) and 4 weekend days (4 x 10 hours), the overtime will add up to 84 hours. Therefore, there will be 4 hours extra. Workers in Taiyuan reported there was a strike near the southern gate of Foxconn. Some workers deployed from Shenzhen to Taiyuan protested the deduction of overtime work. After negotiations, workers were paid their compensation, and the dispute was resolved.

Another worker in Hangzhou pointed out some of the working time is unpaid. “Even if we are late for a minute, it will be recorded on the timecard. My supervisor was late for 4 minutes. On the record, it showed that he was late for 12 minutes. Sometimes, we forget to punch the timecard, or there is an error in the timecard machine; we are given one chance. In case this happens again, then the overtime work is unpaid.” A worker from the quality assessment department explained that her department always has training from 18:00 to 21:00. However, only 1 out of 3 hours is recorded.

In addition, according to workers in Hangzhou, Wuhan and Taiyuan, the so-called “overtime control” only means incomplete records of overtime work. A Wuhan worker expressed that



the management made an order to prohibit workers from recording overtime. The following was the conversation between a researcher and a worker:

Researcher: Do you mean the supervisor states that overtime work is not recognized?

Worker: Sometimes...it is not recorded.

Researcher: Under what circumstances overtime work is not recognized?

Worker: If we finished work at 17:30 and continue to work until 18:00 or 18:30, the overtime shift is not counted. Some senior workers have to prepare the work for tomorrow, but that time is not counted either.

Researcher: How was the situation in the past?

Worker: Before the suicide tragedy, the system is fine. It is only now overtime work is not counted due to overtime control.

Researcher: Does it affect your salary?

Worker: a little bit.

#### Unpaid work assembly

Workers in Shenzhen have to arrive at the workplace 15-30 minutes earlier for assemblies every day. In Hangzhou, workers even have 2 assemblies before and after the work shift. Meetings are compulsory, but unpaid. In Kunshan, Jiangsu Province, there are also 2 assemblies a day which can last for an hour. Again, the meeting time is also unpaid. Indeed, the content of the meeting remains the same. The management evaluates the production target of the previous day, reminds workers of the tasks they need to pay special attention to, and discipline workers, etc. According to some interviewees in Shenzhen, they are warned not to talk to strangers, especially journalists.

Before starting to work, management will ask the workers, "how are you?" Workers must shout, "Good! Very good! Very, very good!" No matter workers like it or not, they can only follow the instructions from the management.

#### Frequent change of work shifts

There are day and night shift workers at Foxconn. Day shift is from 8:00 to 20:00, and night shift from 20:00 to 8:00 the next morning. However, a worker in Hangzhou explained, "the assignment of work shift is not regular. Sometimes, we work in day shift for 1-2 months and swap over to night shift for 1-2 weeks. Even worse, day and night shifts are sometimes changed 2 to 3 times a month. The change of shift is unbearable. It is difficult to adjust our body clock."

In sum, the rationale of minimum wage is to provide a reasonable remuneration for workers, especially for the protection of youth, women, and people with disabilities. This is the legal bottom line. In contrast, a living wage should enable workers to support a family and allow workers to have leisure time and a social life. Foxconn is a leading electronics company, there is no excuse for Foxconn to deny a higher basic wage for workers.

## **Management**

In order to maximize productivity, workers at Foxconn are made to work like machines. They have to work continuously for more than 10 hours a day. They cannot stop for a second. “I think we are even faster than machines,” a worker at the Longhua campus pointed out. To ensure productivity, a military-style management is applied on the shop floor.

The worker turnover rate at Foxconn is very high. Among 420,000 workers in Shenzhen, only 20,000 have seniority of 5 years. About half of the workforce, 220,000 workers, has only joined Foxconn for less than 6 months. The turnover rate is about 35% per year, according to Wang Tongxin, vice chairperson of the Shenzhen Federation of Trade Unions.<sup>8</sup> Likewise, in May 2010, Wan Hongfei, a senior manager at Foxconn, also highlighted that monthly turnover rate of ordinary workers in the factory amounts to 5%.<sup>9</sup> The high turnover rate is linked to job satisfaction, and management methodology is a crucial factor. Many workers cannot endure the harsh management and resign from work. For those who are staying, there is no way to alleviate work pressure. They can only get used to it.

The city union is usually silent on working conditions of the enterprise, but even Wang Tongxin has urged Foxconn to “adopt a more humane style of methodology”.<sup>10</sup> Such inhumane management methodologies are outlined below.

### Absolute obedience

“Outside the laboratory, there is no high-technology, only execution of discipline.” A famous quote from Terry Gou. This implies absolute obedience is a rule in Foxconn.

The culture of absolute obedience is imposed on workers starting from recruitment. Some applicants recall that they were badly treated in the recruitment centre near the Longhua campus. The instructors were arrogant and rude. A worker said, “We come to look for jobs, but the attitude of the instructors makes us feel as if we come to beg for their mercy.” A male

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<sup>8</sup> “Let Labourer Work with Dignity”, *Xinhua Net*, 6 June 2010. [http://big5.xinhuanet.com/gate/big5/news.xinhuanet.com/politics/2010-06/06/c\\_12188361.htm](http://big5.xinhuanet.com/gate/big5/news.xinhuanet.com/politics/2010-06/06/c_12188361.htm) (in Chinese).

<sup>9</sup> Hu Yanan, “Suicides at Foxconn Reveal Woes”, *China Daily Hong Kong Edition*, 26 May 2010.

<sup>10</sup> Ibid.

worker told SACOM researchers that he applied for a job at the Longhua campus in late May. He went to the recruitment centre at 8:30 and finished all the procedures at 23:30. The procedures include identity card and school certificate check, health examination, allocation of department and dormitory. Most of the time, he was waiting. Even worse, he was waiting under the sun. No seats are provided to the applicants. All of them have to line up with discipline. While waiting, applicants are not allowed to use their mobile phone. Otherwise, his/her mobile phone may be confiscated. Although it sounds unreasonable that applicants are exposed under the hot sun and cannot use their mobile phones, they cannot challenge the instructors.

After workers are recruited, they are deployed to orientation training. New workers are always reminded by the management that they should obey all the instructions of the superiors without question. A trainer at Wireless Business Group (WLBG) who was a former armed police officer stated that challenging authority of the management implies “going against all security officers in the Longhua [campus]”.

#### Work pressure from trap and production quota

When asking workers what needs to be improved at Foxconn, most responded that frontline management should be more civil. Many interviewees reported that production line leaders did not have any skill in management, and that they would only yell at workers if there was



Area outside the shop floor where workers change their uniform. “Love, Confidence, Determination” is printed on the wall.

Source: Thomas Lee

something wrong.

Workers have to repeat the same monotonous and tedious tasks every day. A female worker from the packing department at Hangzhou campus complained that she was totally exhausted after non-stop work. The production target is usually set at 5000 pieces per day. If there is an influx of orders, the target will be raised to 1000 pieces per hour. Production targets keeps soaring. Management always test the capacity of the workers. If workers can finish the quota, the target will be increased day by day until the capacity of the workers maximize. Besides production quotation, traps test caused tremendous pressure to the workers. Sometimes, management may set traps to test the vigilance of workers. Management may take away a component of a product. If the worker concerned cannot discover the flaw, he/she will be punished.<sup>11</sup>

#### Production bonus and competition

Production bonus is delivered twice a year, around Dragon Boat Festival and Lunar New Year. Workers at different departments and production lines will receive different amount of bonus. Workers report that there are grades for departments and production lines. Grades A, B, C, D and Distinction will be given to departments and production lines. As a result, workers have to compete with each other to get the bonus. Workers also disclosed that the production bonus would be deducted if workers have declined overtime work or taken sick leave.

Some workers at the Longhua campus doubt if there are objective criteria for the production bonus. “At the end of the day, it all depends on personal relationships with the management,” a male worker who produces Dell computers told a researcher.

#### Depressing environment

All workers have to be highly focused on their work. They are not allowed to talk, doze off, giggle, stretch their bodies or move around. These will lead to reproachment from the frontline management. “It is such a cold environment on the shop floor which makes me feel depressed. As a new comer, I have no one to talk to. If I continue to work at Foxconn, I may commit suicide too,” a young female worker who just resigned from Hangzhou Foxconn exclaimed.

Some of the workers have to stand during work. In Super Precision Mechanical Business Group (SHZBG) in Guanlan campus, workers in some of the departments have to stand all day long. Even worse, they have to stand like a soldier. For those workers who can sit, they

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<sup>11</sup> “Former Staff of Foxconn Disclose Management Methods: Trap Test Creates Fear”, *south.cn.com*, 13 May 2010. [http://news.southcn.com/d/2010-05/13/content\\_11871626.htm](http://news.southcn.com/d/2010-05/13/content_11871626.htm) (in Chinese).

must also sit in a straight line. “Our chairs must be placed within the ‘zebra line’”, a Foxconn worker in Hangzhou said.

Foxconn claimed that workers have a 10-minute break every 2 hours. A female worker who examines the quality of iPhone cases in the Longhua plant says there is no break in her department at all. Many interviewees at the Longhua campus also revealed that there is no recess for workers. In some departments where workers can take a break, they are not allowed to rest if they cannot meet the production target. Some workers expressed that recess is merely a toilet break. A ten minute break is only enough to change into the uniform and go to the toilet. Afterwards, they have to be ready on production line again.

### Inhumane punishment

Most of the interviewees shared that managers yell at workers for minor mistakes or for being slow in production. Many of them just try to get used to reproaches from the management. Apart from being scolded, some other forms of punishment are used.

Sun Danyung, aged 25, an engineer at Foxconn, lost one of the 16 fourth generation iPhones in July 2009. After leaving an online message to his friends stating that the investigation over the incident was one of the most humiliating experiences in his life, he jumped from the 12th floor of his apartment building.<sup>12</sup> Sun also mentioned to his friends that Foxconn investigators were just like gangsters.<sup>13</sup> Likewise, 19-year-old Ma Xianqian, the first victim of alleged suicide cases in Foxconn’s production facilities in Shenzhen beginning 2010, was bullied before his death. He was forced to clean the shop floor and toilet as punishment, according to his elder sister.<sup>14</sup>

Workers who make a mistake or violate any factory rule, will receive demerits. More than that, the details of their cases will be posted on the notice board,” a male worker of the Longhua campus reported. Workers generally believe that demerits may lead to deduction of production bonus.

A male worker at the Hangzhou campus witnessed an incident in which his colleague was punished for forgetting to fix a screw in a mobile phone. The quality assessment staff found out the mistake. The worker concerned was blamed by the production line leader.

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<sup>12</sup> He Huifeng, “Payout Over Man’s iPhone Suicide”, *South China Morning Post*, 28 July 2009.

<sup>13</sup> Xie Peng and Zhai Qiaohong, “Killer Mobile: Foxconn vs University Graduate Sun Danyong”, *Nanfang Weekend*, 30 July 2009. <http://nf.nfdaily.cn/nanfangdaily/nfzm/200907300161.asp> (in Chinese).

<sup>14</sup> Fox Yi Hu, “Family Demands Truth Behind Teen’s Death”, *South China Morning Post*, 18 April 2010.



Additionally, he was asked to copy the quotations of Terry Gou 300 times. Public humiliation or confession in the public is another tactic to insult workers. Workers who made mistakes have to perform self-criticism in front of other colleagues after the work shift. This practice is similar to the degrading treatment during the Cultural Revolution.

*Some of the quotes of Terry Gou:*<sup>15</sup>

- A harsh environment is a good thing.
- Study your opponent.
- Hungry people have especially clear minds.
- My confidence comes from effort and experience. My confidence remains unshaken even if fortune turns bad as I trust my own ability.
- Devil is in the details.
- A successful person looks for method, a failure person look for excuse.

#### Harassment from security guards

Workers are afraid of security guards, some of them having encountered harassment from the security force, or heard from other colleagues that they were harassed. Based on the 1,736-questionnaire survey result, 28% of respondents reported having been insulted by management and security guards.<sup>16</sup> A worker in Kunshan saw another worker walking on a lawn. A security guard quickly came to that worker and hit him with an electrical baton. A few respondents in Shenzhen also witnessed physical harassment by security guards.<sup>17</sup> In May, it was reported that 2 workers in Beijing were beaten by over 10 security guards outside the southern gate of the plant. Regarding violence in the factory, family members of Ma Xiangqian demanded the truth of the tragedy, as wounds were found on Ma's body. His family suspected that Ma Xianqian was beaten to death.<sup>18</sup> Similarly, Liu Zhijun's family and friends also questioned that suicide was the actual cause of his death, as bruises were discovered on his body.<sup>19</sup>

“The authority of the security guards at Foxconn are like the police,” a worker of the Longhua campus reported. Workers also said that if they dial 110, the police hotline using telephones inside Foxconn, the call will be diverted to the security centre in the factory. Even worse, the “special status” of Foxconn deters police to “intervene” the affairs inside the company.

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<sup>15</sup> “The Tao of Gou”, *Bloomberg Businessweek*, 9 Sep 2010.

<http://images.businessweek.com/mz/10/38/1038foxconn65.pdf> ; Tsung's blog, available at [http://plog.longwin.com.tw/document-ebook/2007/04/15/foxconn\\_talk\\_2007](http://plog.longwin.com.tw/document-ebook/2007/04/15/foxconn_talk_2007) (in Chinese).

<sup>16</sup> *Joint Research Report by Universities in Mainland China, Taiwan and Hong Kong on Foxconn*, p.26.

<sup>17</sup> *Ibid.*, p.29.

<sup>18</sup> “Family Demands Truth Behind Teen's Death”.

<sup>19</sup> “Lives and Deaths of Foxconn Tragedy”, *Yazhou Zhoukan*, 25 July 2010. (in Chinese)

Tian Yu, a 17-year-old girl, survived with paralyzing body. Her father exclaimed, “there is a close relationship between Tian Yu’s suicide and the military-style management, the indifferent corporate culture, and the intense work pressure.” Tian’s father urged Foxconn to reform its management methodology.<sup>20</sup> SACOM demands Foxconn to review and rectify its harsh management methodology. Counselling or rallies cannot resolve the root problem.



Family members of Ma Xianqian demand justice for Ma.

Source: Jizhe.cc

## Health and Safety

Article 20 of the Law on the Prevention and Treatment of Occupational Diseases of China provides that “the employing work unit must adopt effective protective facilities against occupational diseases, and provide protective articles to the laborers for personal use against occupational diseases.” Furthermore, there should be training on occupational health and preventive measures provided to workers before they take up the post (article 31).

In the Wuhan industrial park, 3 workers from zone A were diagnosed with leukemia. One worker is anxious about the potential harm of the chemicals used, such as benzene. Hence, he resigned from Foxconn. The harm of benzene is mentioned by another female worker. Notwithstanding that there are masks provided to protect workers, a few workers suffered from excessive exposure to benzene.<sup>21</sup> Workers in other Foxconn’s production facilities also

<sup>20</sup> “Jumping Resulted in Paralysis, Father Sold All Livestock to Seek Help”, *Mingpao*, 19 September 2010 (in Chinese).

<sup>21</sup> *Joint Research Report by Universities in Mainland China, Taiwan and Hong Kong on Foxconn*, p.47.

suffer from the threat of occupational diseases. In Hangzhou, a worker on the SMT production line said that she had to use solder paste in her position. The smell of solder paste is strong and irritating. Moreover, she does not know about the potential harm of the chemical. It is evident that the training for workers on health and safety is inadequate.

Meanwhile, personal protective equipment not provided to workers. And health examination is denied. Ma Xianqian used to operate a drill in his department. No personal protective equipment like goggles and gloves were provided. As a result, his hands and the corners of his eyes were injured.<sup>22</sup> “My business unit is the toughest. The working environment is dusty and hot. Also, our job is difficult as it requires precision skills. There is no protective equipment for us. A surgical mask is given only upon request. As such, the turnover rate in our department is higher than others. When workers resign, Foxconn does not arrange a health examination for workers before they leave the post,” a worker from SHZBG’s Guanlan campus pointed out.

We find that health and safety problems have negative impact on the bonuses and career paths of frontline workers and middle management. Some managerial officers try to cover up the cases for their own sake. Workers are asked to take sick leave instead of medical leave despite the fact that there are work-related injuries with insurance implications. Victims even have to pay medical fees out of their own expenses sometimes.

## **Student Workers**

In a 7-storey hotel which is near the southern gate of the Guanlan campus, almost all the rooms were rented by vocational school teachers in late July. According to the receptionists of the hotel, the teachers just came to escort their students to work at Foxconn. The number of student workers is unknown. Some interviewees highlighted that the proportion of student workers was as high as one-third or even a half.

In June, Foxconn ceased to recruit new workers in Shenzhen. Instead, a high number of vacancies were filled by tens of thousands of student interns. It is believed that Foxconn alone cannot mobilize such a high number students. In late June, a news article stated that the provincial government in Henan has an influential role in the cooperation between the vocational schools and Foxconn. Around 100,000 students were deployed to work at Foxconn’s Shenzhen production facilities.<sup>23</sup> Furthermore, 119 vocational schools in

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<sup>22</sup> “Family Demands Truth Behind Teen’s Death”.

<sup>23</sup> Hu Yinan, “Students ‘forced’ to work at Foxconn”, *China Daily Hong Kong Edition*, 26 June 2010.

Chongqing also promised to send students to work in Foxconn. Students expressed that they must comply with the order from their schools or they will be dismissed.<sup>24</sup>

Research by scholars also finds that there is a high number of student interns in various Foxconn plants. In Kunshan, the Foxconn workforce is about 60,000. Among these, 10,000 workers are student interns. On the Longhua campus, student interns in some departments constitute up to 50% of the workforce. A worker at Computer Module Move & Service Group (CCMSG) disclosed that 700-1,000 out of 2600 workers in her department were student interns.

Internship is always a part of the curriculum of vocational school. To preclude exploitation of students, there are regulations to protect student interns. For instance, article 3 of the Regulation on the Management of Secondary Vocational School Student Placement requires placement as a part of the education for students in line with the curriculum and learning targets. Article 5 of the Regulation stipulates that working hours of interns should not exceed 8 hours a day. In reality, student interns at Foxconn are de facto workers on the production line. None of them can be exempted from overtime work. As they are de facto workers with intern status, they are not protected by the Labour Law and Labour Contract Law, with the provision that workers are entitled to contracts and social insurance.

More importantly, vocational school students are from a wide range of majors, nursery, locksmith, security guards and so on. In other words, the work at Foxconn is totally irreverent to their studies. Both Foxconn and the vocational schools are responsible for the abusive and excessive use of student interns.

## **Relocation Plans**

Currently, Foxconn has a huge workforce of 900,000 workers in China. In Shenzhen alone, there are 420,000 workers. In the aftermath of the series of suicides, Foxconn unveiled their expansion and relocation plan in July. The major incentive of the relocation is cost-cutting, which is a trend of shared by other manufactures in China. Over 100,000 workers in Longhua and Guanlan will be moved to the central and northern cities over these five years, according to Foxconn senior management. Vincent Tong, a spokesperson of Foxconn, states that production facilities for iPhones and iPads will remain in Shenzhen. Foxconn claims that the workforce will increase to 1.3 million when all other production facilities are in use by the end of 2011.

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<sup>24</sup> Hu Yinan and Wang Yu, "Foxconn Mulls Move Northward", *China Daily Hong Kong Edition*, 29 June 2010.

The relocation plan will affect tens of thousands workers. However, workers are not informed about the corporate decision. Some workers with family in Shenzhen are reluctant to move to other cities in central or northern China. Workers who want to move are uncertain about the wage level in other cities. In fact, workers do not have a choice at all. As of September, mass relocation in Longhua has not been observed. Nonetheless, some workers complained that their friends did not want to move with their business units, but could not find other positions in other departments. Hence, they have to resign from the factory.

## Food

Foxconn provides food allowance for workers. The rationale is to get them fed efficiently so that they can fully commit to work. Foxconn will not take care of food outside working hours.

In Shenzhen and Hangzhou, Foxconn provides a daily food allowance of CNY 11 per worker. The money is stored in the work card. Workers can use the allowance for breakfast, lunch, dinner and supper in the canteen. Workers have to work 6 days a week at Foxconn always. However, in both Shenzhen and Hangzhou, the food allowances cover only 21.75 days and 21.5 days respectively. In other words, the CNY 240 monthly food allowance only covers regular shifts on weekdays. In addition, consumption of food exceeding CNY 240 will be deducted from the worker's salary. In case workers do not eat in the canteen or have not used up the allowance, the balance will be cleared. Therefore, the food allowance is scanty.

## Accommodation



Wire net is also fixed in each balcony of dormitory building rented by Foxconn outside the Longhua campus.

dormitory room are usually from different departments, different province origins, and even different shifts. Their different backgrounds help to keep them isolated in the Foxconn

Like other factories, Foxconn offers accommodation for workers. Workers who have worked for 3 months and wanting to live outside campus can apply for housing subsidy. The housing subsidy is CNY 150 per month in Shenzhen.

### Isolation in dormitory

Workers in the same



environment, perhaps, as a way to keep them more vulnerable, less capable of mutual help, and less likely to organize themselves. Roommates are like strangers to each other. Social isolation in Foxconn is regarded as one of the causes of the suicides. Instead of building a friendly environment for workers, a prison-like safety mesh is installed in every dormitory building in Shenzhen, Hangzhou, and other facilities to prevent workers from jumping.

#### “Generous service” which caused troubles

In the past, workers are not allowed to wash their clothes themselves. The trade union collected and washed all the clothes. It sounded like a generous service for workers. Yet, workers were discontent with this policy. “Four of my pants were damaged!” a female worker exclaimed sadly over her damaged clothes. Workers comment that the motive of the policy is to divert their energy from miscellaneous daily tasks, like washing clothes, so that they can work more.

#### Harsh management extends to living place

There are 7 dormitory buildings on the Foxconn Hangzhou campus. Each of the buildings has 6 storeys and 30 rooms on each floor. Ten workers share a room. Dormitory gates close at 23:30, and lights are switched off at 00:00. Workers have to take turns to clean the public area of the dormitory. If workers violate the dormitory rules, such as blow-drying their hair inside dormitory rooms and returning to the dormitory after 23:30, their names will be documented and they will be made to clean the dormitory as “volunteers”. Furthermore, workers have to confess every breach of dormitory rules. On the confession letter, the name, worker I.D. number, worker card with photo will be shown. It states: “It is my fault. I will never blow my hair inside my room. I have done something wrong. I will never do it again.” The insulting punishment is extended from shop floor to the dormitory. It is not difficult to imagine the physical, social and psychological pressure workers need to endure when such treatment extends even to outside the workplace. In their isolated and highly disciplined work and dormitory environment, Foxconn workers really have no breathing space whatsoever.

### **Trade Union and Grievance Mechanism**

As the largest Taiwanese corporation in China, Foxconn Technology Group Union was formed in 2006 after rounds of negotiation with the Shenzhen Federation of Trade Unions. On 25 March 2007, the Federation of Foxconn Technology Group Unions was established. In August 2010, SACOM met the vice president of Foxconn union Chen Hongfang and the Foxconn Group Media Office Director Liu Kun. Chen stated that there were 4 layers of unions at Foxconn, including the federation of unions and the union for each business unit. In Shenzhen, all 30 production plants have established trade unions, which cover all the workers. In the past 3 years, over 250,000 workers, or about 54% of the workforce, were members. The

trade union seems to be successful in terms of membership. However, SACOM's investigation finds out that workers have no confidence that the trade union will carry out its mandate.

#### Workers do not know about the existence of unions

Half of the 100 interviewees do not know about what trade union is. Many of them do not know about the existence of trade union. Even worse, some workers believe incorrectly that the human resources department which provides training for workers is the trade union. One union leader at Longhua campus stated, "all the Foxconn workers are union member, but they do not have membership cards." The absence of an effective union means the popularity of trade union among workers is low. Moreover, among those workers who know about the trade union, the overwhelming majority stated that they would not make contact with the union. They do not trust that the union will defend the rights of workers. They will not seek help from the union if there is labour dispute.

#### Credibility in question

The Shenzhen Federation of Trade Union set up a union at Foxconn in 2006. In March 2007, Foxconn's public affairs manager, Chen Peng, was 'elected' the chairperson of the union.<sup>25</sup> No wonder workers have a negative impression about the union. Naturally, they do not believe that this union can represent them and commit to protecting the rights of frontline workers. Regardless of the discrepancies between impression and reality, a union which cannot win the trust of workers cannot serve its members properly, pure and simple.

#### No commitment in resolving labour dispute

A worker at the Guanlan campus pinpointed that she did not enjoy welfare from the union. "The union does promotion for the company and organize some charity events, for example, fund-raising for the earthquake victims." Another worker criticized that the "trade union is merely a decoration. It organised activities like day trip, entertaining performances, basketball tournaments, and partner matching parties." These can alleviate the pressure of workers to some extent, however, "we are exhausted from work, and have no interest in those events."

According to the Foxconn union, there are 249 committee members of the union, who are paid staff, of which 22 are full time workers. Full time union workers can facilitate the effective operation of the union. In reality, workers do not have confidence in the union. Outside the Longhua factory compound, an interviewee said, "I went to work on Saturday morning and passed by the union office. When I looked into the office, I found that there were

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<sup>25</sup> Jonathan Yeung, "Foxconn Holds First Union mMeeting", *China Daily*, 29 March 2007. [http://www.chinadaily.com.cn/china/2007-03/29/content\\_838931.htm](http://www.chinadaily.com.cn/china/2007-03/29/content_838931.htm).

some young girls inside and all the others were senior management officers. Apparently, it was a venue for the management to chat with young beautiful girls....There is nothing in it for us.” He further commented on the union hotline, “I dialled once, there was no response at all, although the union workers have practically nothing to do. The union should be a bridge between the workers and the management. However, it usually acts in favour of the management. The union workers tend to please the management in order to secure their career paths.”

#### Unions feature with recreational activities

A worker at the Guanlan campus pinpointed that she did not enjoy welfare from the union. “The union does promotion for the company and organize some charity events, for example, fund-raising for the earthquake victims.” Another worker criticized that the “trade union is merely a decoration. It organized activities like day trip, entertaining performances, basketball tournaments, and partner matching parties.” These can alleviate the pressure of workers, however, “we are exhausted from work, and have no interest in those events.” A staff from the human resources department also complained about the increased workload of her department. “There are often different kinds of events. Every time, it caused lots of trouble. Each department has to commit 10% of workforce to attend these events. At the same time, the production line has to maintain the production target. We have to make announcement and bring them to the events. These make us weary. We dislike the trade union, as there is no overtime premium for these mass mobilisations.”

Some workers do not expect the union to help them in defending their rights. They only want to join union activities, but this is not easy. “Sometimes there is an announcement from the department. Then, we may be able to join. Foxconn is a huge factory. It does not allow us to attend union activities any time we want. Unless there is an announcement, and we are invited, we cannot join the activity of the union.”

#### A grievance system which intensifies pressure of worker

Apart from the union, Foxconn has also set up an Employee Care Centre and a hotline, #78585, to deal with worker grievances and to ease their pressure. Nevertheless, a worker who had called the worker hotline complained that his case was diverted to the management. “My supervisor told me that I had sought help from the hotline, so he did not need to handle my case,” a worker in Longhua told the researcher. He was disappointed at how his call was handled in the process. Afterwards, he felt embarrassed when meeting his supervisor, whom he complained about. Consequently, his supervisor intended to transfer him to another department, where the working conditions are bad. He pointed out that the complainant must use one’s real name when calling the hotline, and the case would be reported to the

management. This short-circuiting of the complaint process cannot help workers resolve their problems but in fact intensify their pressures at work.

## Code of Conduct

Foxconn is a supplier to various electronic brands, including Apple, Nokia, HP, Dell, Sony, Sony Ericsson, and Motorola. Most of the brands have adopted a code of conduct to ensure decent working conditions at its suppliers. Moreover, Foxconn is a member of the Electronic Industry Citizenship Coalition (EICC) and is bound by the EICC code. However, in reality, none of the interviewees is aware of the existence of the code of conduct.

In particular, most of the workers in the Guanlan campus expressed that they produce for Apple. Only a few interviewees claim to know about the code of conduct. However, when researchers inquire about the content of the code, workers point to the operational rules and work safety measures in the shop floor. Apparently, there is a strong need to educate workers about their entitlements by offering labour rights training.

In the Apple Supplier Code of Conduct, it states that workers will not be harassed, that working hours will be in compliance with local law, and that overtime work should be on voluntary basis. Disappointingly, these are merely promises on paper.



SACOM and other labour organizations in Hong Kong staged a protest outside the shareholder meeting of Foxconn on 8 June 2010.

## Conclusion

In the past few years, sweatshops are characterized by massive labour law violations such as underpayment, no social insurance, and high levels of industrial injuries. Recently, more

electronics enterprises are beginning to fulfill basic legal requirements. To make up the “loss”, management everywhere have developed different tactics to boost productivity in the factory. Workers are ordered to stand during the work shift, tasks are broken down into more precise and tedious steps, production targets keeps surging, and workers have to compete with each other for production bonuses, etc. In this sense, workers are treated inhumanely like machines. Worker degradation did not stop. It merely return in more insidious forms.

Apparently, the predicament of workers cannot be addressed by labour laws in China alone. In order to strive for humane and decent working conditions, there must be a genuine and effective trade union to fight for the interest of workers. Labour rights training should be a basis for workers to learn about their entitlements and motivate them to join and participate in the union.

An equally important factor that can improve the working conditions of workers is to pressure the electronic brands that get the lion’s share of profits to rectify their purchasing model. According to market research firm iSuppli, the part-and-component cost of a 16Gbyte version iPhone 4 is US\$187.5,<sup>26</sup> less than one-third of the selling price of US\$599. It is estimated that Apple commands gross margins in the range of 50 percent on the iPhone, compared to 20 percent to 40 percent for competitor products.<sup>27</sup> Meanwhile, the production cost for iPod nano is only US\$1.37, 0.9% of the selling price of the US\$149 model.<sup>28</sup> It is expected that the cost of labour is even less. Researchers expect other brands to have similar practices to suppress unit price. Therefore, Apple and other brands must raise the unit price of their orders to allow manufacturers to survive while providing a living wage for the workers who produce their electronics products.

Foxconn has mobilized a lot of resources to address the tragedy of worker suicides. Unfortunately, it has not committed to structural reform. Based on the above research findings, SACOM has a list of demands for Foxconn and its buyers including Apple, Nokia, HP, Dell, Sony, Sony Ericsson, and Motorola:

1. Foxconn must honor its promised wage increase and offer basic wage at CNY 2000 to all workers in China;

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<sup>26</sup> Kevin Keller. 28 June 2010. iPhone 4 carries bill of materials of US\$187.51. iSuppli. <http://www.isuppli.com/Teardowns-Manufacturing-and-Pricing/News/Pages/iPhone-4-Carries-Bill-of-Materials-of-187-51-According-to-iSuppli.aspx>.

<sup>27</sup> Steven Mather. 28 June 2010. Apple rides high-margin hardware to competitive supremacy. iSuppli. <http://www.isuppli.com/Mobile-and-Wireless-Communications/News/Pages/Apple-Rides-High-Margin-Hardware-to-Competitive-Supremacy.aspx>.

<sup>28</sup> Andrew Rassweiler, “iSuppli Estimates New iPod nano Bill of Materials at \$43.73”, iSuppli Market Intelligence, 27 September 2010. [http://www.isuppli.com/Teardowns-Manufacturing-and-Pricing/News/Pages/iSuppli-Estimates-New-iPod-nano-Bill-of-Materials-at-\\$43-73.aspx](http://www.isuppli.com/Teardowns-Manufacturing-and-Pricing/News/Pages/iSuppli-Estimates-New-iPod-nano-Bill-of-Materials-at-$43-73.aspx).



2. Foxconn should consult workers on relocation plans to make the process transparent;
3. Foxconn should end the abusive use of student workers;
4. Apple and other electronics brands should reform their purchasing model. The brands should raise their unit price to ensure that workers have a living wage;
5. Apple and other buyers of Foxconn should deliver codes of conducts to all workers and ensure that they can understand their rights;
6. Brands should work with Foxconn to conduct labour rights training for workers with monitoring from labour nongovernmental organizations (NGOs);
7. Foxconn should work with the existing trade union to launch democratic elections in accordance with the Trade Union Law in China;
8. Foxconn should provide more supportive services to workers;
9. An investigation on work pressure of workers and working conditions, including management methodology should be conducted by Foxconn and independent scholars;
10. Apple should enter dialogue with labour NGOs on the working conditions and long term improvement.

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### **About SACOM**

Students & Scholars Against Corporate Misbehaviour (SACOM) is a Hong Kong-based non-profit organization founded in June 2005, aims to bring concerned students, scholars, labor activists, and consumers together to monitor corporate behaviour and to advocate for workers' rights. SACOM originated from a student movement devoted to improving the working conditions of cleaners and security officers under various universities' outsourcing policies. The movement created an opportunity for students to engage in activism surrounding local and international labour issues.

SACOM is a core member of GoodElectronics, a global network on human rights and sustainable production in the electronics industry. For details about SACOM research reports and campaign activities, please visit our website at [www.sacom.hk](http://www.sacom.hk).