

Chapter 6

Electronic assembly in Hungary: how labour law fails to protect workers

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1. Introduction

This chapter provides an overview of labour practices at four foreign electronics multinationals operating in Hungary and analyses the role of the Hungarian state as legislator in protecting workers' rights in its FDI-dominated economy, in which the electronics sector is prominent. Hungary has embraced participation in the global electronics supply chain as a manufacturing location as a means to upgrade its own industry.

In the mid-1990s, a number of countries in the central and eastern European region emerged as new manufacturing hubs in the global electronics industry. Hungary was the first to open up its economy to FDI. With the establishment of free trade zones the country became especially attractive for large greenfield projects for assembling imported goods for export, using cheap local labour.¹ Hungary's efforts to become a manufacturing hub have resulted in investments by electronics companies that engage in mainly labour-intensive, low-skilled or semi-skilled manufacturing. They have attracted electronics manufacturing services companies, such as Foxconn, for whom costs, speed and flexibility represent a competitive edge. Keeping labour costs low is essential for these companies to improve their gross margins, which are low compared with those of brands, such as Apple and HP (Harris 2014). To retain these companies Hungary has to compete with other countries with labour-intensive electronics manufacturing, typically low-wage countries in Asia.

A number of workers' rights violations are systemic in these low-wage countries with labour intensive electronics manufacturing. For many years, SOMO (Centre for Research on Multinational Corporations) has been researching labour conditions in electronics factories in low-wage

1. See also Sass (2015).

countries, such as Malaysia, Mexico, Thailand, the Philippines, Indonesia and India, but primarily in China. This research is conducted together with local labour groups and trade unions. In all these countries the same problems occur. These systemic problems include wages that are too low to cover everyday needs, 12-hour shifts, mandatory overtime, unpaid overtime, obstruction of trade union rights, widespread use of agency labour, wage deductions, such as punitive fines, exposure to health and safety dangers, discrimination and harsh treatment by management.

This chapter analyses whether the systemic problems associated with the labour practices of global electronics manufacturing multinationals in low-wage countries are also found at those companies present in Hungary. It is also questioned whether the revision of Hungarian labour law in 2012 has been adequate to protect electronics workers against these systemic problems.

The underlying research for this analysis was conducted in 2011 and 2012 by the Hungarian consumer organization Association of Conscious Consumers (ACC) and SOMO.²

The chapter is structured as follows. First, the characteristics of the electronics sector in Hungary and the revised Hungarian labour law are presented. Thereafter, four Hungarian subsidiaries of foreign electronics manufacturing multinationals are introduced (Foxconn, Flextronics, Nokia and Samsung), followed by a description of labour conditions and labour relations at these companies.

2. The electronics sector in Hungary

According to the Hungarian Investment Promotion Agency, Hungary is the largest electronics producer in central and eastern Europe (CEE), providing 25 per cent of CEE output. Hungary is closely followed by the Czech Republic (23 per cent), Poland (17 per cent) and Slovakia with 12 per cent of CEE output in 2013. The electronics manufacturing sector represented 5.3 per cent of Hungary's GDP in 2011. Foreign ownership

2. This research and similar SOMO research on labour conditions are published under the banner of the makeITfair campaign. This awareness-raising campaign, that ran from 2007 until 2013, aimed to inform European consumers about the workers' rights violations in the supply chain of consumer electronics, with a special focus on ICT products, such as mobile phones, games consoles and computers.

of Hungarian firms is widespread; around 90 per cent of electronics industry production in Hungary derives from foreign multinational electronics corporations.³

In the economy of Hungary in general, FDI plays a crucial role. The stock of FDI in Hungary⁴ is the highest as a percentage of GDP in Central Europe. Since the transition from a socialist to a market economy in the 1990s, FDI has facilitated productivity growth, technological modernization, export capacity and job creation (Henger 2014). Most new job creation in 2014 by FDI flow was in services, followed by the automotive and electronics sectors.⁵

According to a brochure published by the Hungarian Investment and Trade Agency in 2012, the electronics sector employed 112,184 people, and included 8,300 enterprises, 170 of which are medium-sized or large companies. On average, 92 per cent of electronics production is destined for export.⁶ Companies with more than 250 employees dominate the Hungarian electronics sector. These include electronics manufacturing companies such as Foxconn (Taiwan), Jabil Circuit (US), Flextronics (Singapore/US), Sanmina-SCI (US), Zollner (Germany) and Videoton (Hungary). There are also global brand companies, such as General Electric, Samsung, Bosch, IBM, Electrolux, Alpine, National Instruments, Philips, Siemens, Clarion, Honeywell and Ericsson.⁷

The electronics sector has played a prominent role in Hungary's export-oriented development strategy. Participation in this industry was embraced as a means to modernize and upgrade the local industry. The idea was to start with low-wage export activities, which should eventually lead to more value-added production. Furthermore, access to new technology and knowledge spillovers to local firms would lead to economic upgrading and subsequently to social upgrading as the higher-value activities would require more skills and promise better working conditions. The question of whether Hungary has succeeded in this is

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3. Website of the Hungarian Investment Promotion Agency (HIPA), <http://hipa.hu/Content.aspx?ContentID=ab2f830e-4dba-4e3a-9b4a-a1b030b2a52a>
 4. EUR 80.6 billion at the end of 2013 (accumulative).
 5. HIPA website, <http://hipa.hu/en/Content.aspx?ContentID=55b9ce7c-a1ad-4797-a50b-035a7f3docea>
 6. 'Challenge the crisis by investing in the Hungarian electronics sector', Hungarian Investment and Trade Agency, 2012.
 7. HIPA website, <http://hipa.hu/Content.aspx?ContentID=ab2f830e-4dba-4e3a-9b4a-a1b030b2a52a>

addressed by Plank and Staritz (2013). Their analysis shows that the potential positive effects from the investment of foreign multinational electronics companies in Hungary have remained low and below expectations. To a certain extent, internal economic upgrading has taken place; more knowledge-intensive activities have been integrated in multinational electronics companies. This includes the transfer of some R&D-related activities by brand companies such as Nokia, Ericsson and Siemens and by electronics manufacturing companies such as Flextronics. However, the establishment of local electronics suppliers and new local electronics companies to absorb potential spillovers never took place. The globally organized production networks give no room for potential local suppliers, apart from some non-electronics supplies, such as packaging or catering.

The Hungarian electronics sector is thus still based on a significant amount of labour-intensive activities that require a limited number of skilled workers, while the majority of work can be done by un-/semi-skilled workers (Plank and Staritz 2013: 19). Furthermore, as a low-cost location Hungary faces stiff competition from other central and eastern European and Asian countries.

In the early years of the new millennium Hungary was perceived as a 'higher-cost' location within the wider central and eastern European low-cost region. The first relocation pressures were felt when IBM relocated its hard-disk-drive plant to China in 2002. Flextronics moved further east to Ukraine to assemble circuit boards for the Hungarian Nyiregyhaza plant. Similarly, TDK relocated a Hungarian plant to the Ukraine and Artesyn moved production to Romania. Philips replaced part of its Hungarian production capacity by subcontracting from firms based in Ukraine (Plank and Staritz 2013: 13). More recently, the Nokia plant in Komárom was closed down (July 2014). Microsoft, which has bought Nokia's handset business, decided to relocate production from Hungary, as well as from China and India, to Vietnam, which is the new growing low-cost production hub.⁸

8. <http://www.zdnet.com/article/microsoft-moves-nokia-manufacturing-from-china-to-vietnam>

3. The new labour law

The new Hungarian labour law, which came into effect on 1 July 2012, seems to be a retrograde step by the Hungarian government in the so-called ‘race to the bottom’. In this ‘race to the bottom’ governments deregulate the business environment and lower taxes in order to attract or retain FDI, resulting in lower wages, worse working conditions and less environmental protection.

This downward plunge is currently taking place between low-wage countries, such as Malaysia, Thailand, the Philippines, Indonesia, Vietnam, India and China, where manufacturing hubs for ICT production have emerged. These countries are competing in terms of wages, labour laws that facilitate flexibilization, and tax and trade incentives to attract foreign investment. Such practices do not necessarily favour the host country and certainly not its labour force. The ICT sector is a very competitive sector and the profit margins for manufacturing are small. The pressure to continually cut costs poses a challenge and one strategy is to play countries off against each other.

Whatever reasons Hungary may have had to reform the labour law (the record low FDI flow in 2009 and 2010,⁹ the crisis or the low employment rate), it was certainly not the only country to do so; several European national legislators have been making adjustments to labour laws to promote enterprise ‘flexibility’. This is justified by the European Commission with the argument that making labour markets more flexible is one of the best responses to the crisis (Clauwaert and Schömann 2012). Hungary’s reforms are certainly among the most drastic, with far-reaching consequences for workers.

Looking at developments in various European countries, four main areas of labour law changes have been identified by Clauwaert and Schömann; working time, atypical employment, redundancy rules and industrial relations structures (Clauwaert and Schömann 2012). Hungary has delivered more than its share in all these areas.

A key feature of the new labour law is that it allows collective agreements – or works council agreements where there are no unions – to regulate

9. <http://ieconomics.com/hungary-foreign-direct-investment>

work differently from what is stipulated by law. The new law allows employers to use such agreements to derogate from legal provisions for their own benefit, to 'enhance flexibility'. Many derogations of this kind concern working time. For example, by agreement the reference period for calculating working time can be extended to twelve months; the maximum number of overtime hours per year can be extended from 250 to 300; the scheduling of daily working time can be split up over the day into two periods; and the allocation of vacation time can be decided unilaterally by the employer. By agreement it can also be decided that wage supplements will be included in the basic wage (thereby lowering the basic wage) and it can be decided that employees have to provide a one-month basic wage guarantee to the employer when their job involves the handling of cash or valuables (Tóth 2012). It requires a strong trade union or works council to protect workers against such derogations from the law at employees' expense. Workers rights are also undermined by the new law's provision that works council agreements can take over the role of collective agreements when there is no union, while works councils are not given the same protection as trade unions or the same rights regarding wage bargaining, strikes and collective action. Besides that, SOMO has observed a strong management influence on works councils in earlier research in central and eastern Europe, resulting in 'yellow' works councils.¹⁰

Another feature of the new law is that risks have been shifted from the employer to the employee: for instance, in case of an unavoidable external event, such as a power cut, the employee is no longer entitled to receive the basic wage. At the same time, there is an increased compensatory burden on employees for causing harm to the employer: if an employee is deemed to have caused harm through negligence, then they are obliged to pay as much as four months' absence payment as compensation.

Some changes have resulted in less employment protection as the new law allows for dismissal even during sick leave. The period of probation has been increased to three months, too (Tóth 2012).

The higher flexibility offered by the new law and the diminishing rights of employees and trade unions make it possible to reduce labour costs. Some unions have reported that if an employer exercised all the options

10. Research for the union federation FNV in Romania, 2011.

offered by the new labour code to cut wages and flexibilize work arrangements, it could save 30 per cent on its total wage bill. The way to go about this is to conclude a works agreement with a works council that includes all possible derogations on flexibilization and cost-cutting (Tóth 2012: 9).

One result of the new labour law is that establishing a works council cannot no longer be seen unequivocally as a positive development. For example, it may be an employer-friendly works council whose sole purpose is to deviate from the law on working time and wages. It may be intended to keep out trade unions with bargaining power. Apart from the possibility of shifting union prerogatives to works councils, some trade union rights are diminished. For example, the legal protection against termination of employment is no longer provided for all trade union officials, but only for a minimum of two and a maximum of six, depending on the workforce (Gyulavári and Hős 2012).

4. Four Hungarian subsidiaries of foreign electronics manufacturing multinationals

The four companies are Foxconn (Székesfehérvár), Nokia (Komárom), Samsung Hungary (Jászfényszaru) and Flextronics International (Budapest, Tab and Zalaegerszeg). After introducing the companies, the research results on working conditions are presented.

The research data on all four companies were obtained through interviews with factory workers, trade union and management representatives during the period September–December 2011. Experts in labour relations and the Hungarian electronics sector were also consulted. The research was conducted by the Hungarian Association of Conscious Consumers (ACC), the Centre for Research on Multinational Corporations (SOMO) and the Hungarian Social Research Institute (TÁRKI).¹¹ The interviews with factory workers, trade union representatives and experts were coordinated and conducted by TÁRKI; SOMO and ACC participated in part of the interviews. SOMO was responsible for the management interviews.¹²

11. The field research was coordinated by Olívia Béládi from TÁRKI.

12. SOMO researchers were Irene Schipper and Kristóf Rác; Zsófia Perényi participated in the research for ACC.

The workers' interviews were conducted outside the factory premises in an informal setting, allowing workers to feel safe to speak openly about their working conditions. The interviews were carried out individually and, in some cases, in focus groups consisting of two to five people. Interviews were voice recorded, with four exceptions. The method of 'snowball sampling' was chosen to select workers: each interviewee was asked to suggest other potential interviewees and to help the research team in approaching them (contacts, references). In Jászfényszaru, which is a village, the researchers went from door to door to find interviewees, who were guaranteed anonymity. The number of interviews with factory workers at the four companies is distributed as follows: 19 interviews at Nokia Komárom, 22 at Samsung Jászfényszaru, 20 at Foxconn Székesfehérvár and 23 at Flextronics Zalaegerszeg.

4.1 Foxconn

At the time of SOMO's research in Hungary in 2012, Foxconn had two subsidiaries in Hungary (see Figure 1):

- PCE Paragon Solutions Kft ('PCE'), a 100 per cent owned subsidiary of Hon Hai (Foxconn), Taiwan;
- FIH Europe Kft. ('FIH'), a 100 per cent owned subsidiary of Foxconn International Holdings, Ltd, based in Hong Kong.

FIH was the principal supplier of Nokia's mobile phone assembling factory in Komárom. PCE manufactured at two Hungarian sites: Komárom, where it leased a building from FIH for the assembly of GSM network devices, and Székesfehérvár, where the company assembled servers and laptops for IBM and Acer. The revenues of all three sites together amount to over 1 billion USD per year, which is around 1 per cent of Foxconn's global revenue.¹³

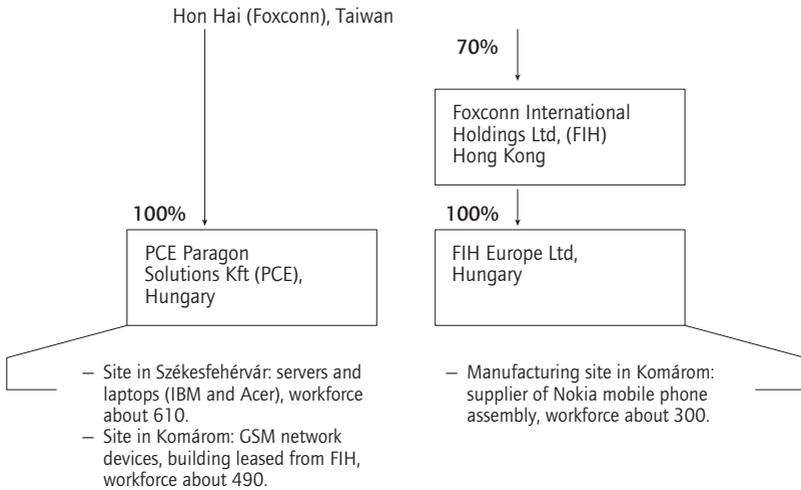
SOMO's research in 2012 concerned PCE in Székesfehérvár. Employees of this factory either lived in Székesfehérvár or commuted from neighbouring villages within a vicinity of around 40 km from the factory. At the time of the research Foxconn had around 1,400 employees in

13. Global revenue of Hon Hai Precision Industry Co. Ltd (doing business as Foxconn) was 102 billion USD in 2011. Hon Hai Precision profile on Forbes.com, <http://www.forbes.com/companies/hon-hai-precision/> (12 September 2012).

Hungary, of whom 300 worked at FIH in Komárom, 490 at the PCE plant in Komárom and 610 at the PCE plant in Székesfehérvár. Of the 1,100 PCE employees, 700 were permanent employees.

Foxconn's Székesfehérvár plant is almost exclusively supplied by Asian suppliers. (The motherboards, video cards, processors, cooling fans, power supplies and hard drives all come from Asia.) Locally purchased material amounts to around 2 per cent of all supplies and consists mainly of packaging material.

Figure 1 Hungarian subsidiaries of Hon Hai (Foxconn), 2012



Source: ACC and SOMO, 'The Flex Syndrome', 2012

On 15 August 2014, PCE Paragon Solutions closed its site in Székesfehérvár and relocated production to the PCE site in Komárom. The Komárom production is housed in a company-owned building (in Székesfehérvár they operated in a leased building). With the merger of the two sites, the workforce has doubled to 800 people in the Komárom factory. Almost 200 new employees were recruited, according to managing director Peter Talos,¹⁴ mostly former employees of Nokia.¹⁵

14. News Bites, 26 September 2014, 'Foxconn expands in Komárom (Hungary)'.

15. DmEurope, 17 November 2014, 'Majority of laid off Nokia plant staff in Hungary find jobs'.

4.2 Nokia Komárom

Nokia began its operations in Hungary in 2000. At the time of the research, the Komárom plant was still producing. It was one of Nokia's nine assembly plants for the assembly of mobile phones.

Production at the Komárom plant took place in 'production islands' instead of on a regular production line. Within such an island, employees can shift the type of work they wish to do among one another.

Employee numbers at the Komárom plant fluctuated over the years. In 2000, the company started with 800 employees, which rose to 5,000 by 2008. At the time of research in 2011, the plant employed around 4,000 people, of whom 3,000 were employed directly in production work. In March 2012, the company announced the dismissal of more than half its employee base in Komárom. During 2012, a total of 2,300 workers were laid off, as production work shifted to Asia. In July 2014 the factory closed.

Of the four companies discussed in this chapter, Nokia is the only company that employed a significant number of migrant workers. Around 40 per cent of the workforce was Slovakian, Komárom being located near the Slovakian border. Of the four companies researched, Nokia workers had to travel the furthest distances to their workplace (a 100–120 km radius).

4.3 Samsung Hungary

Samsung Electronics Co. Ltd (Korea) began its operations in Hungary in 1989. Samsung Hungary Ltd is the fifth largest exporter in the country, with a revenue of around 4 billion USD in 2010. The company has four plants in Hungary: in Szigetszentmiklós, Göd, Tatabánya and Jászfényszaru. The research of makeITfair was focused on the latter plant, which is Samsung's largest.

Samsung also has a production facility in Transylvania (Romania), mostly manufacturing computer monitors and Blue Ray players and a Slovakian subsidiary producing LCD panels. All the Samsung plants in central and eastern Europe produce principally for the European market.

The Jászfényszaru plant is mainly involved in assembling LCD televisions – more than 10 million are produced here every year, equal to around

46,000 television sets daily. A total of 60 per cent of the components are sourced from abroad; this is done by the international purchasing department of Samsung.

At the time of the research, the Jászfényszaru plant employed 2,142 people: 1,470 were contracted by Samsung and 672 employed were through agencies. Of the 1,470 workers, 1,100 were directly engaged in the production process, including line workers (also called operators) and logistics employees; 370 employees were indirect, working in HR, finance and as office staff. The 672 agency workers were mainly line workers. The gender ratio is approximately 50/50. The plant does not employ migrant workers. Most of the workers live in the 20 to 30 villages and towns within 80 kilometres of the plant. Samsung has free transportation to and from the factory. Most residents of Jászfényszaru commute by bike.

4.4 Flextronics International

The Singapore-based electronics manufacturer Flextronics moved part of its operations to Hungary in 1998. In 2012, Flextronics was the largest electronics manufacturing services provider in Hungary. Hungary is the company's most important European construction hub, in which 10 per cent of its global production takes place. Over the years, Flextronics has taken over production plants from several national and international electronics companies, including Hajdú, Solectron and Neutronics.

Flextronics has a wide and diverse range of activities in Hungary, including the assembly of mobile phones, computers, printers, copy machines, car electronics, washing machines, television control panels and motherboards and other surface-mount technology (SMT) panels. The logistics services include warehousing and after-market services, including spare parts management and product repair.

Currently, the company has operations located in Budapest, Pécs and Tab and two industrial parks in Sárvár and Zalaegerszeg. The company's biggest site is Zalaegerszeg, where assembly is done for several computer brands, including Lenovo, HP, NEC and Data Domain, and several brands in the automotive industry. At the time of the research, the factory's main client was Research In Motion (RIM), for which Flextronics Zalaegerszeg was assembling BlackBerry smartphones. Flextronics employs around 12,000 people, making it one of the biggest

employers in the electronics sector in Hungary. The workforce has been growing since Flextronics established its operations in Hungary, making current employee numbers the highest ever. Most of the employees – around 8,000 – work at the Zalaegerszeg site (which was also the focus of the research). At the time of research, the gender ratio was around 60 per cent male and 40 per cent female. The factory employs temporary workers – usually hired through an employment agency – as well as permanent ones.

Flextronics is one of the main employers in Zala county. Flextronics Zalaegerszeg also hires its employees from remote parts of the country, including Baranya county in the south and Borsod county in eastern Hungary. Even ethnic Hungarians living on the other side of the border in Romania (Transylvania) are recruited.

4.5 Working hours and overtime

Hungarian legislation allows companies to use the so-called time-bank system: within this system working hours and overtime are not counted within one working day, but are calculated as an average over a longer time period. With the time-bank system, the employer has more flexibility in assigning working days, distributing overtime work and thus compensating for overtime hours within a specific time period. The time-bank system was a serious issue for the interviewed workers of all four companies, mainly because the system frustrates the payment of overtime at overtime rates (see Table 1). Only when the average is more than 8 hours per day and more than 48 hours per week will overtime be paid. A long reference period works out negatively for workers.

Nokia had the harshest reference period, covering six months. Samsung had a four-month reference period, Flextronics three months and Foxconn one month. These reference periods are much longer than laid down in ILO Convention No. 1, Art. 2c, which states that a 12-hour shift is permissible only if the average number of hours over a period of *three weeks or less* does not exceed eight hours per day and 48 hours per week. Hungary's new labour law allows the extension of the reference period up to 12 months if this is agreed in a collective agreement or works council agreement.

Table 1 Working hours, shifts and breaks at the four companies featured in the research

	Foxconn	Flextronics	Nokia	Samsung
Time-bank system by company	Monthly work schedule	3-month period	2011: 3 months 2012: 6 months	4-month period
Shift model	Two 8-hour shifts; from 06.00 to 14.00 and from 14.00 to 22.00	Two 8-hours shifts: from 06.00 to 14.00 and from 14.00 to 22.00. In peak season: three 8-hour shifts or four-shift model operating 24-hours per day ^b	Two 12-hour shifts; from 06.00 to 18.00 and from 18.00 to 06.00	Unit V1: one 8-hour shift in the morning Unit V2: two 12-hour shifts, in day and night shifts
Division of shifts	Predominantly on weekdays, 5 days a week	Two 8-hours shifts 5 days a week on weekdays. The three 8-hour shift is from Monday to Saturday	A pattern can be: 3 day shifts, 3 days off, 3 day shifts, 3 days off, 3 night shifts, 3 days off, etc. ^a	Unit V2: 3 day shifts 3 days off, 3 night shifts, 3 days off
Breaks	2 x 20 minutes	1 x 20 minutes 1 x 10 minutes	2 x 20 minutes 4 x 10 minutes (80 in total)	V1: 1 x 20 minutes 2 x 10 minutes V2: 3 x 20 minutes

Notes:

^a The shifts are organized in four patterns (A-B-C-D).

^b At the time of the research, the facility used the four-shift model with four 8-hour shifts.

Until June 2011, the employees worked 12 hours per day.

Source: own research

In theory, the system allows workers to work longer than 60 hours per week (this is used as a maximum in various standards and codes of conduct),¹⁶ but in practice, no working week of 60 hours or more was found at any of the companies featured in the research.

Twelve-hour shifts – one of the major issues in this industry – were found at two of the researched companies: Nokia and Samsung were both running two 12-hour shifts, day and night. Flextronics had 12-hour shifts until June 2011, while Foxconn had two 8-hour shifts.

The breaks – on average, 40 minutes for an 8-hour shift – were also an issue for some workers; for example, they complained that, after queuing up for security checks, the break times are too short for eating or even

16. See, for example, the EICC Code of Conduct.

going to the toilet. This was especially the case at Flextronics, which also had the shortest break times of all the researched companies: 30 minutes in total for an 8-hour shift.

At Foxconn the workers indicated that the breaks are usually enough, but some reported that occasionally the factory floor management shortens their breaks to 10 or 15 minutes in order to increase production numbers. This was not disputed by the management, who simply pointed out that, according to labour law, workers are entitled to *one* 20-minute break when the working time exceeds six hours, so even when the second break is shortened, the workers still receive more break time than they are strictly entitled to under the law.

Management and workers differ on the use and functioning of the time-bank system: while company management stresses that the time-bank system is advantageous for workers because it protects them from dismissal during off-peak seasons, workers only experience the fact that hours that used to be paid at an overtime rate are not paid as such anymore.

4.6 Wages

The most commonly heard complaints from Foxconn Székesfehérvár workers concerned low wages: 'I think in [Székes]Fehérvár Foxconn is the company which pays you the least. Also, our benefits are low.' Foxconn management, however, while admitting that the lowest skilled and least experienced operators have a below average income compared with the market rate, they claim that as soon as unskilled workers move up in the grade table and become more experienced, their income increases to around the median of the relevant market.

Table 2 is based on workers' interviews. It should be noted that it does not provide a complete picture: for example, various additional benefits are not included because they vary too much per company (for example, Nokia employees get benefits worth about 225,000 HUF per year and Flextronics provides a 15,000 HUF monthly housing allowance). However, the table gives an impression of the basic wages (as take-home payments) and the common allowances.

Table 2 shows that the workers were right that Foxconn has the lowest starting wages for operators; Nokia offers the highest, with Samsung and

Table 2 Net wages and benefits per month based on workers interviews in last quarter of 2011

Wages and benefits	Foxconn		Flextronics	
	HUF	EUR	HUF	EUR
Net basic wage per month operators	60,000–90,000 ^a	€ 231–283	80,000–100,000	€ 318–355
Technicians	100,000–120,000	€ 355–425	100,000–153,000 ^b	€ 355–542 ^b
Shop floor bonus	6,000 per month	€ 21 per month	5 per cent ^c	
Shift allowances	15 per cent afternoon shift 30 per cent night shift		n.a.	
Meal vouchers per month	8,000	€ 28	10,000	€ 35
Wages and benefits	Nokia		Samsung	
	HUF	EUR	HUF	EUR
Net basic wage per month operators	85,000–115,000	€ 301–408	85,000–90,000 ^d	€ 301–319 ^d
Technicians	n.a.		150,000	€ 532
Shop floor bonus	Yearly bonus of 2–8 per cent ^c		10,000 cash and an LCD TV worth 135,000 per year	€ 35 cash and an LCD TV worth €477 per year
Shift allowances	15 per cent day shift 25 per cent afternoon shift 40 per cent night shift		n.a.	
Meal vouchers per month	5,000 per month + 855 per day	€ 18 per month + € 3 per day	6,000	€ 21

Notes:

^a Starting wage without experience between 60,000–80,000 HUF and with experience basic wage is between 75,000–90,000 HUF.

^b Including line leaders and debuggers.

^c The percentage depends on overall company performance.

^d Wages at Samsung are composed of 75 per cent basic wage and 25 per cent bonus. There is a performance bonus that depends on the employee's production performance and the attendance bonus, which is paid for every day that the worker is present.

^e The 5 per cent bonus is given based on performance and economic climate.

Exchange rate: 1 HUF = 0.00354562 EUR, 1 EUR = 282.038 HUF (28 October 2012).

Source: own research

Flextronics in-between. The latter three companies provide an income for their operators equivalent to the living wage¹⁷ of 83,941 HUF (294 EUR) or slightly higher. The exception is Foxconn, where operators with limited or no experience earn below the living wage level. It has to be noted that this living wage level (294 EUR) is calculated for a one-person household. However, according to the calculations of the Hungarian statistical office, the living wage of a four-person household (two adults and two children) is 243,429 HUF (853 EUR).¹⁸ Operators with the highest incomes from the four researched companies are not able to earn enough for families with two children or more, even if both parents are working.

For all four companies, the net basic wages for unskilled workers are lower than the average net monthly earnings of a manual worker in the manufacturing sector in Hungary (381 EUR).¹⁹

4.7 Health and safety

At Samsung and Nokia, where 12-hour shifts were used, employees had difficulties standing for the whole of their shift. The most common problems are dizziness, back-aches, tiredness and problems related to rhythm changes between day and night shifts. Nokia had started to offer workers the possibility of sitting when desired and offered the longest break times of the companies featured in this research. A few months prior to the research, the 12-hour shifts at Flextronics were changed to 8-hour shifts. At the time of the 12-hour shifts, the ambulance from the local hospital came several times a week to the Flextronics factory to pick up workers who had become unwell; fainting, suffering from symptoms of fatigue, high blood pressure and stress (this was called the 'Flex syndrome' by the workers). This was an extreme situation of a kind that SOMO had not encountered before. This situation shows that working conditions were too demanding at this factory and that health and safety procedures were sub-optimal. Causes of workers becoming unwell include the severe work pressure, long shifts and short breaks, in which,

17. 'Létminimum, 2011' [Subsistence minimum], Hungarian Central Statistical Office, June 2012, <http://www.ksh.hu/docs/hun/xftp/idoszaki/letmin/letmin11.pdf>, (14/11/2012)

18. 'Létminimum, 2011', Hungarian Central Statistical Office, June 2012, <http://www.ksh.hu/docs/hun/xftp/idoszaki/letmin/letmin11.pdf>, (14/11/2012)

19. 'Average net monthly earnings of manual workers in the national economy (2008-) NACE Rev. 2', Hungarian Central Statistical Office, http://www.ksh.hu/docs/eng/xstadat/xstadat_annual/i_qli032.html (14/11/2012)

as already mentioned, workers cannot rest and eat properly. Since the introduction of the 8-hour shifts, however, the situation has improved and interviewees mentioned that the ambulance visits only rarely occur.

The harsh treatment by middle management was of specific concern at Flextronics. Workers complained (also in internet blogs) about shouting, the use of inappropriate language and threats of dismissal and disciplinary warnings. At Samsung there were also complaints about the strict work discipline and the fact that talking was not allowed during production work.

4.8 Temporary workers

On average, at the four researched companies, the minimum level of temporary workers was around 15 per cent (see Table 3). During peak season, this percentage could rise to 50 or even 60 per cent. Foxconn had the lowest rates of temporary workers in peak season and Samsung the highest. During an EICC stakeholder meeting in Mexico – at which SOMO, as well as Samsung, Flextronics and Foxconn were present – one of the recommendations formulated by companies and stakeholders was that companies should agree on an acceptable maximum percentage of temporary workforces; a maximum of 30 per cent during peak season was suggested.²⁰ A workforce consisting of 50 per cent temporary agency workers or even more is undesirable and excessive. In general, agency work is precarious work: it is non-standard employment that is paid less, is less secure and offers less protection. Excessive use of agency labour erodes the labour conditions of many workers.

Some differences have been reported for the companies in this research in terms of wages and benefits. Because agency workers at Foxconn do not work full time (70 per cent), they receive a wage that is on average 10,000 HUF less than that of their permanent colleagues. Also, the monthly meal vouchers – which amount to 8,000 HUF a month for permanent workers – tend to be less for temporary employees (4,000–6,000 HUF). Furthermore, agency workers spend a proportionally higher

20. Agency labour was discussed during the EICC stakeholder meeting in Guadalajara, Mexico in April 2010 (see also the briefing paper ‘Temporary agency work in the electronics sector’, SOMO, 2012, p. 6, <http://makeitfair.org/en/the-facts/reports/temporary-agency-work-in-the-electronics-sector>).

Table 3 Employment rates of temporary workers at the four companies

	Foxconn	Flextronics	Nokia	Samsung
Use of temporary workers in September 2011	25%	30%	15%	30%
Ratio of temporary workers ^a	15%-35%	Tries not to exceed 50% ^b	15%-50%	15%-60%

Notes:

^a The ratio (percentage of temporary and permanent workers at the site) can fluctuate substantially between low and high production seasons.

^b According to VASAS (Hungarian Metalworkers' Federation) the number of temporary workers often exceeds the number of permanent workers at the Zalaegerszeg site.

Source: own research

amount of their wages on transport if they work only part-time (70 per cent) at Foxconn, which most of them do.

At Flextronics, there was a difference in meal vouchers (agency workers get 5,000 HUF worth of meal vouchers per month, while their permanent colleagues get around 10,000 HUF), but only in the first year of employment. At Nokia and Foxconn, the wages of agency workers became equal to those of permanent employees after a year of employment; this was mandatory under the legislation at the time of the research. On 1 December 2011, EU legislation²¹ came into force making it mandatory for both the hiring company and the agency to provide the same level of allowances – including meal allowances – from the beginning of the employment period, not only after a year.

At all companies, temporary agency workers do have a chance of getting a permanent contract. At Nokia and Flextronics (the two companies with a trade union), it was possible in theory for temporary agency workers to join the trade union, but in practice hardly any temporary worker is unionized.

The biggest issue for temporary agency workers at all factories is their job insecurity. When there is enough work, agency workers are summoned. However, in times of lesser demand, or when orders are cancelled, it is the agency workers who are the first to get the message to stay at home. One can argue that this kind of job insecurity is inherent to the nature of agency employment and that job security is not the responsibility of the

21. EU Directive 2008/104/EC on Temporary Agency Work.

hiring company. However, it is the responsibility of a company to endeavour to provide stable employment for its employees²² and not to make excessive use of temporary agency labour.

4.9 Worker representation

Under Hungarian labour law, a works council has to be elected at companies or independent company sites with more than 50 employees. In Hungary, the majority of companies with more than 250 employees are compliant. As indicated in Table 4, Foxconn was the only company in the research which was non-compliant; at Foxconn Székesfehérvár there was no trade union or works council. The main reason given was that workers have not called for the formation of such a representative body. This is confirmed by the workers' interviews; there have been no serious attempts in the past to form or join a trade union or works council. The main reasons given by the interviewed workers is the lack of interest and an overall feeling of aversion and pessimism towards the idea that the formation of a trade union could contribute to any change in their working conditions.

Table 4 Worker representation at the companies featured in the research

	Foxconn	Flextronics	Nokia	Samsung
Trade union at work place level	No	Yes	Yes	No
Works council	No	Yes	Yes	Yes

Source: own research

In Hungary, representation through works councils goes hand in hand with a union presence at a company. Companies with a works council but without a trade union are almost non-existent; 70 per cent of the works councils are either entirely or overwhelmingly made up of trade unionists. Samsung is one of the exceptions: they have an elected works council but no trade union. This substantiates Samsung's strong anti-union image worldwide and puts the failed attempt to set up a union in Hungary in context.

²². The right to job security, ILO Tripartite Basic Principle, Art. 25.

With the assistance of VASAS Metal Workers' Federation, there has been an attempt to create a trade union at Samsung. However, the company management was against the idea and the temporary workers who were involved in the attempt could not stay. Permanent employees did not have an active role in the attempt. Almost all employees interviewed for this research knew about the attempt to set up a trade union:

They wanted to form a trade union, but it was suppressed, it didn't happen. They were told that it cannot be done, that it's forbidden. Management told us to forget about it. No one was allowed to sign up as a member. [Local] company management wasn't OK with the thought of a trade union, neither were the Koreans. In Korea there are no trade unions.²³

In the management interview with Samsung it was said that there had been no serious attempt to form a trade union. According to the management, this is due to Hungarians' discontent and bad experience with unionism during Hungary's Communist era, when trade unions were the 'transmission belt' of the Communist Party. At Samsung, workers and management clearly have different views on the functioning of the works council: while management sees it as a successful mechanism for solving complaints, the workers say that the council's real function is simply to channel information from the management to the workers.

At both Nokia and Flextronics, the union presence indeed goes hand in hand with the presence of a works council. Both companies have a collective agreement. Flextronics inherited the union from its predecessor. Around 8 per cent of Flextronics' total Hungarian employee base is unionized. At the Zalaegerszeg site, this percentage is around 30 per cent. At Nokia Komárom, 34 per cent of the workforce is unionized. Both sites are well above the 10–15 per cent national average.

5. Conclusions

Going back to the research question, if the working conditions typical of global electronics manufacturing multinationals, wherever they operate, can also be found in Hungary, it can be confirmed that the researched companies are no exception on many issues.

23. Samsung repair technician, November 2011.

The research detected very low wages; lower than the average manufacturing wage in Hungary. Even operators from the four researched companies with the highest incomes are not able to earn enough for their families, even if both parents are working. The lowest wages were paid by Foxconn, the only company in the research without a trade union or a works council.

Overtime payments can be avoided by means of the time-bank system. Two of the companies had 12-hour shifts and the health and safety issues identified are particularly related to these 12-hour shifts and short break times. In peak season the companies make use of a high percentage of temporary agency workers (50 to 60 per cent of the workforce). At two of the companies mature industrial relations are lacking or even suppressed. At one company, workers mentioned harsh treatment by management.

Some issues which are often found in Asian production facilities, but which were not detected in Hungary, are gender discrimination, excessive overtime work, punitive fines or wage deductions for mistakes made by operators, the use of hazardous chemicals or abusive student labour.

The answer to the other question – Has the revision of Hungarian labour law in 2012 been adequate to protect electronics workers against the systemic problems in the electronics industry? – is ‘no’, on the contrary. The main changes in Hungarian labour law focus on facilitating higher working time flexibility, higher employment flexibility, cost cutting measures related to wages, the shifting of cost risks from the employers to workers and the corroding of trade union rights. These law changes rather legalize the typical poor labour practices than protect workers from it.

It is worth noting that in all the management interviews it was said that the company has no difficulties complying with the company code of conduct (for three of the researched companies this is the EICC code) because the Hungarian laws ‘are stricter because they are in line with EU laws’. In other words, they are suggesting that Hungary is not a risk country for labour rights violations because it is an EU country. This is clearly a misperception of the current labour laws; Hungary has introduced some exceptional provisions to facilitate a far-reaching flexibilization of labour at the expense of internationally recognized workers’ rights. Making use of these provisions as a manufacturing

company can lead to the violation of ILO standards, especially those related to working hours and overtime payments and the right to collective bargaining. Although the companies featured in the research are all acting in accordance with Hungarian labour law, one might ask whether a company is acting with social responsibility when it exercises the options made available by current Hungarian legislation. After all, the industry's CSR code (the EICC code) encourages members to go *beyond* mere legal compliance, drawing upon internationally recognized standards when these offer more protection.

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