

Introduction

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This book investigates restructuring in the electronics industry and in particular the impact of a ‘Chinese’ labour regime on work and employment practices in electronics assembly in Europe.¹ Electronics is an extremely dynamic sector, characterized by an ever-changing organizational structure, as well as cut-throat competition, particularly in manufacturing. Located primarily in East Asia, electronics assembly has become notorious for poor working conditions, low unionisation and authoritarian labour relations. However, hostile labour relations and top-down HR policies are not unique to East Asia. They have become associated with the way the sector is governed more broadly, with a number of Western companies also coming to rely on such practices.

Recent waves of restructuring have seen a number of electronics manufacturers assume new roles in global value chains, developing service and design functions. Multinationals with roots in East Asia, China and South Korea in particular have thus emerged in this sector. Some of them – Huawei being a case in point – have started to challenge lead firms such as Apple, managing to advance product development functions and to establish their own global brands. A number of these multinationals have located their production capacities in Europe. Central and eastern Europe in particular has become a base for greenfield investment in electronics assembly (see Sass 2015). This has raised concerns about the working conditions and labour relations in these plants. Are these companies recreating the authoritarian labour regimes and poor working conditions associated with electronics assembly in China and other developing countries? Have workers been able to establish effective institutions of collective representation in these firms?

1. The present volume emerged from the seminar ‘Forms of Labour in Europe and China. The Case of Foxconn’ held at the University of Padua in June 2014. The workshop brought together scholars, practitioners and activists to discuss the transnational politics of labour and workers’ struggles and featured most of the contributions contained in this book.

There is a surprising shortage of research into mainland Chinese multinational firms and the work and employment practices they export to their subsidiaries in Europe. Currently there are only a couple of examples of this strand of research. These are Burgoon and Raess's (2014) study of the implications of Chinese FDI for organized labour in Europe and Zhu and Wei's (2014) case study of a Chinese takeover of a motorcycle company in Italy. The majority of studies adopt an economic perspective and examine particular features of Chinese investment, such as location, motivation and modes of entry (Brennan 2010; Rios-Morales and Brennan 2010; Zhang, Yang and Van Den Bulcke 2012; Zhang, Duysters and Filipov 2012; Meunier 2014).

This book focuses in particular on Foxconn, the world's largest electronics manufacturing service provider. Foxconn is best known as the main assembler of Apple's iPhone and iPad and for the harsh working conditions in its mainland Chinese factories. These have come under close activist and scholarly scrutiny, which has brought to light the firm's militarized disciplinary regime, unhealthy and unsafe working conditions, worker suicides, excessive and unpaid overtime, forced student labour and crammed factory dormitories (Chan and Pun 2010; Pun and Chan 2012; Chan, Pun and Selden 2013). This despotic management model prompted scholars to identify Foxconn as the epitome of 'bloody Taylorism' (Lipietz 1987). Foxconn's manufacturing centre is in mainland China, where it employs around 1 million people in 32 factories. In addition, it has more than 200 subsidiaries around the world. However, despite Foxconn's expansion into East Asia, Latin America, Australia and Europe, there has been very little academic research on the firm's work regimes outside mainland China.

Foxconn has become an important employer also in Europe, establishing factories in Czechia, Slovakia, Hungary and Turkey. Foxconn's most important European site, Czechia, has become a hub for the export-oriented electronics industry. However, little is known about working conditions and employment relations in these factories. The aim of this book is to provide insight into Foxconn's assembly plants in central and eastern Europe and into the electronics industry more broadly. Foxconn is used as a case study to examine similarities and differences in work organisation and labour practices between its factories in mainland China and those in Europe. By comparing Foxconn assembly plants in Europe, this book makes visible the ways in which the social and institutional context, on one hand, and labour force composition, on the other, shape variations in work and employment relations across different countries.

This book asks questions about the labour regime that Foxconn has exported from mainland China to Europe and the factors influencing the adaptation of the firm's practices in different European countries. The objectives are, first, to investigate the export of work and employment practices from Foxconn's Chinese to its European subsidiaries and second, to examine whether and how work and employment relations established in mainland China have been adapted to the social actors and institutional context of the European host country.

The contributions show that in order to study the application and adaptation of multinationals' work and employment practices in Europe, analyses of internationalization (home and host country effects) must include also considerations of the ways in which the state, labour and trade unions shape firms' labour management. This book suggests further that work organisation and labour relations should be examined by paying attention to the particular nature of the electronics industry and especially the restructuring of supply chains and the role of brand-name companies in creating asymmetrical relations, imposing cost-cutting pressures and preventing labour organization and representation. Taken together, the chapters capture the overlapping influences of actors, sites and institutions, as well as the power relations between them as these inform the workings of multinationals across borders.

The volume is organized in three parts. First, we consider the dynamics of global production networks in the electronics industry and highlight the implications of the electronics industry's governance model. We also analyse the business strategy pursued by Foxconn across the world. Second, we present case studies of Foxconn's European production sites, analysing the role of local institutions and individual actors. Finally, we discuss the challenges involved in organizing workers and opportunities for improving working conditions in the electronics industry through labour representation.

1. The electronics industry and the changing organization of production

The continuous restructuring of global production networks is examined in detail by Peter Pawlicki, who argues that the hierarchical governance model of the electronics manufacturing service providers (EMS) and original design manufacturers (ODM) allow brand-name companies to

push cost pressures down the chain and ultimately to the weakest link, namely the workers. The basic organizational characteristic of electronics supply chains is the dis-integration of product development and product manufacturing. While lead firms – such as Apple, Cisco, Dell, HP, HTC, Lenovo, LG, Microsoft and Sony – are increasingly focusing on product development and marketing, contract manufacturing companies specialize in producing electronic devices in huge industrial complexes located predominantly in mainland China.

By outsourcing the highly commoditized process of manufacturing to their suppliers, such as Foxconn, lead firms can focus on the most lucrative parts in the production process, namely product innovation, branding and marketing. Given the low profit margins for electronics assembly, EMS providers such as Foxconn are, as shown in Gijsbert van Liemt's analysis of the Foxconn business model, gradually refining their design skills for a very narrow range of high-volume products so to move beyond simple assembly work and raise their profit margins. By building up and expanding its design capabilities, Foxconn is now increasingly able to offer design, development, test and marketization services, joining the Chinese companies that managed to upgrade their functions in the global production network and started to invest in both developing and developed markets.

The work organization and employment relations in Foxconn's Chinese operations are characterized by military discipline and ideology, task simplification and intensive work combining production and reproduction of labour power in huge industrial compounds. However, as argued by Chris Smith and Yu Zheng in their analysis of labour strategies in Chinese MNCs, Foxconn should not be taken to epitomise *the* Chinese model of employment relations. China, they argue, does not present a single integrated model in terms of development patterns, work organization and employment relations. Chinese firms with different ownership structures indicate persistent differences that in turn suggest that there is not a single dominant labour process model, except perhaps a management focus on tight cost control, competition and authoritarian control. As China lacks an integrated model to export, Smith and Zheng suggest, any assessment of the work organization and employment practices of Chinese firms needs to be careful not to confuse the application of practices by the new arrival with the utilization of practices already present within the host country.

2. Foxconn in Europe

Which work and employment practices are exported from mainland China to firms' European subsidiaries? Are these practices applied consistently across all of a firm's European subsidiaries or are there variations from one country to another? Do companies adapt their practices depending on the specificity of the national context and which factors influence this adaptation? What role is there for the trade unions and industrial relations institutions?

In order to address these questions the contributors in the second section examine the European operations of Foxconn in Czechia, Turkey and Hungary. Foxconn's strategy of expansion in Czechia is analysed by Marek Čaněk. Czechia has developed into an important hub for export-oriented electronics assembly and represents Foxconn's most important European site. Foxconn has two factories in the country: one in Pardubice (brownfield) and the other in nearby Kutná Hora (greenfield), where it employs about 6,200 workers, either directly or indirectly. Foxconn's labour strategy relies on segmenting the internal workforce into direct and indirect workers employed by temporary work agencies (TWA) and subcontractors. Both the direct and the indirect workforce face high levels of flexibility that is enabled partly by the Czech Labour Code (provisions on TWAs) and partly by an apparent lack of enforcement (the use of subcontractors). Čaněk shows that Foxconn has adapted its management practices to the local context; in particular the firm has hired, directly or indirectly, a multinational workforce comprising Slovak, Bulgarian, Romanian, Mongolian, Polish, Vietnamese and Ukrainian workers. This adaptation was driven by the opposition of the existing trade union and the local Czech workers to the new labour regime (just-in-time production, 12-hour shifts and an hour-bank system, culture of military discipline and dormitories) introduced by Foxconn.

Čaněk's discussion of Foxconn's plants in Czechia highlights the role of the state in creating advantageous conditions for capital's accumulation and expansion. This topic is taken up by Devi Sacchetto and Rutvica Andrijašević in their chapter on Foxconn's operations in Turkey where the firm has been able to implement a flexible working pattern, weaken the trade unions and undercut workers' opposition due to business-friendly labour laws approved by successive governments in the past thirty years. Located within the European Free Zone (EFZ) in western Turkey close to the city of Çorlu, Foxconn has benefitted from various tax

breaks, including complete exemption from VAT and from taxes on profits and wages, and customs duties free export to the EU. As another means of driving down labour costs, Foxconn has made use of two government-run programmes to recruit workers. The first provides internships for high school students and the second, funded by the government through local employment centres, involves apprenticeships geared towards unemployed people. The current Turkish Labour Act also allows Foxconn to average out an individual's working hours over a two-month period (hour-bank system), enabling the firm to avoid paying for overtime. Finally, a stringent legal environment for trade union activity has permitted Foxconn to pressurise its workers to give up their union membership.

The role of the state in failing to protect workers in the FDI-dominated economy is further explored in Irene Schipper's comparison of four electronics plants in Hungary (Foxconn, Flextronics, Nokia and Samsung). Schipper analyses the working conditions, wages, health and safety and workers' representation, demonstrating the ways in which changes to Hungarian labour law introduced in 2012 have facilitated greater working time flexibility, higher employment flexibility, cost cutting measures related to wages, the shifting of risks from the employers to workers and the corrosion of trade union rights. Schipper concludes therefore that rather than protecting the workforce from poor labour practices these legislative changes enhance workers' vulnerability and legalize labour exploitation.

These three country cases show the importance of the social and institutional context in the host country for the ways in which Foxconn has adapted its work and employment strategies in its European subsidiaries. By taking labour as a dynamic actor rather than a static input into production, the contributors illustrate a global process of differentiation. Czech, Turkish and Hungarian factories present some analogies with, as well as a number of differences from Chinese plants. In the case of Czechia we may note how the use of dormitories, as in China, is fundamental to the management of just-in-time production process. In the Turkish factory, the use of student interns and apprenticeships funded by the government is very similar to that of Chinese factories that rely heavily on student labour. Finally, the Hungarian case highlights how the state and its labour regulations enable Foxconn to achieve extremely high levels of labour flexibility.

At the same time, we may note strong differences between Chinese and European factories. The most important is that of the hour-bank system in its European plants allows Foxconn to obtain flexible use of labour to meet the needs of just-in-time production. Furthermore, temporary work agencies in Czechia and Hungary play a key role in managing and stratifying the labour force. Contrasting the idea of a global homogenization of production, the European case studies show the importance of distinctive national contexts. At the same time, by making clear the similarities between plants in China and Europe, the contributions suggest the importance of paying attention to the systemic practices of capital. What is needed therefore is, first, a more detailed analysis of why TNCs apply some but not other practices and second, greater differentiation between practices stemming from MNCs' headquarters, local actors within the subsidiary and those imposed by the global supply chain.

3. What room for labour representation?

The difficult situation of workers in the sector begs important questions: how much room is there for labour organizing and what would be effective ways of facilitating worker voice in this sector? The contributors to the third section of the book all attempt to address these questions from different viewpoints.

Wolfgang Müller considers the specific features of the electronics sector and examines how much room there is for better pay and working conditions. He suggests that, given the complexity of the electronics sector's global production networks, any initiatives and organizing geared towards improving pay and working conditions should focus not on one assembler only but rather on the whole of electronics supply chain with the aim of changing the distribution of profits in it. The mark-up model used in the sector leads to the paradox that, while actual labour costs in production are almost insignificant, any increase in labour costs is translated into a much higher increase in the mark-up and final price. This leads to the perverse consequence that with a – for the sake of argument – 100 per cent pay rise, the factory price will rise by just 2 euros, from 100 to 102 euros, while the retail price rises from 500 to 545 euros. From the increase of 45 euros only 2 euros go to the workers, while 43 euros go to the OEMs, the distributors, retailers and VAT. What is needed to enforce bigger changes in the EMS sector is a coordinated effort between local union initiatives, international solidarity organizations and NGOs.

The difficulty of opening up spaces for labour representation within the electronics sectors is also illustrated by Vera Trappmann in her study of conflicts around labour representation in the European subsidiaries of a US brand-name MNC, one of the biggest players in the electronics sector and a key Foxconn client. She illustrates the repeating pattern across European subsidiaries of the MNC which more or less systematically tried to destabilize and destroy labour's voice both at the national level via union substitution measures and at the transnational level by suppression of the European Work Council (EWC). The MNC denied the EWC's rights to information and consultation, prevented other forms of labour organization at the national and transnational level and used restructuring to cut labour standards and to get rid of its cost-intensive and unionized workforce. Trappmann's chapter testifies to the difficulty unions face in attempting to alter leading brand-name companies' employment practices in the electronics sector. What options are there for workers' resistance and what forms of struggle can be developed in such tightly-controlled and highly-competitive supply chains?

Two next chapters tackle this questions directly, one looking at labour protests in Poland and the other at China. Małgorzata Maciejewska illustrates labour conflicts at several electronics plants in Poland located within a special economic zone. Following the initial successful unionisation and a strike aimed at improving working conditions, contracts and wages, electronic assembly plants owned by Chinese, Taiwanese and Korean companies enforced large-scale dismissals and criminalized the strikers and the union. Besides being reported to the local police for alleged criminal activity, the union was also asked to pay 22,500 euros to cover company losses caused by the strike. As a further anti-union practice, the companies have pursued union substitution measures by forming a committee of office workers willing to collaborate with the management, which in turn silenced the previous demands of production workers.

Maciejewska suggests that the union's bargaining position was too weak for two main reasons: first, flexible production fragments the workforce and introduces temporary employment that gives upper hand to the employer, and second, special economic zones completely detach workers from their social surroundings and thus weaken any support workers might receive from local communities. The analysis also highlights the weakness of industrial relations institutions in Poland and the lack of

support from the state for effective social dialogue that could underpin decent working conditions.

While strikes in the electronics assembly industry in Europe are few and far between, the situation is quite the opposite in mainland China where workers' collective actions have steadily intensified since the mid-1990s (Friedman 2014). These actions include legal action, such as suing subcontractors or companies, collective actions such as sit-ins and strikes, and even suicides. The major force behind these actions are migrant workers from the countryside who are becoming pro-active in voicing their dissatisfaction and in defending their rights. According to official statistics, between 1993 and 2005 the number of mass protests increased from 10,000 to 87,000 and the number of participants from 730,000 to more than 3 million (Pun 2016: 136).

It is against this backdrop that Jenny Chan, Ngai Pun and Mark Selden discuss labour protests at Foxconn plants in mainland China. Besides the stoppages, sit-ins, demonstrations and even riots that occur regularly at Foxconn's plants, particularly noteworthy industrial action took place on 23 September 2002 at Foxconn's Taiyuan factory in Shanxi province, where a riot by tens of thousands of workers caused the shutdown of entire production lines and the manufacturing of the iPhone 5. Workers' leaders demanded that both the union and the company act more responsibly towards the workers. As Chan, Pun and Selden note, in response to mounting worker strikes and other forms of action, and hoping to restore 'social harmony', Chinese leaders adopted two strategies. The first is to settle labour disputes and 'buy stability' by brokering cash settlements to resolve immediate grievances. In 2013, China spent as much as 769.1 billion yuan (about 105 billion euros) on 'stability maintenance', which exceeded the total annual military budget. The second strategy is to mediate labour disputes through the local unions and government officials to restore 'social stability'. For Chinese workers whose right to strike was removed in 1982, the importance of collective action lies in the possibility to establish worker-driven unions and/or autonomous workers' organisations that would guarantee fair elections and collective bargaining.

4. A way forward?

The chapters featured in this book demonstrate the practical and theoretical relevance of adopting an integrated framework for understanding the workings of contemporary electronics industry, as well as for developing initiatives that would provide workers with greater protection. Such an integrated framework is attentive to the dynamics and power relations within global electronics production (brand-name company and its relations with suppliers), the relevance of national institutions for a firm's internationalization practices, the composition of the workforce and the role of the state in facilitating capital's expansion and in formalizing capitalist–labour relations.

While this integrated framework might seem quite ambitious, in the Afterword to this book Ferruccio Gambino argues that even such a framework is still insufficient. His bold and powerful intervention, written in a reflective style that sets it apart from other contributions in this book, suggests that a broader outlook on labour relations in the electronics industry is needed in order to achieve social and political change. He believes that the cornerstone of the contemporary process of accumulation is the drive to extract as much labour-power as possible from living human beings, in parallel with the maximum extraction of the riches of the natural world, regardless of present and future devastation. The immediate consequence of such a drive is an increase in the speed of production, an upsurge in work hazards and heightened aggression against nature.

In order to understand the global expansion of production, Gambino contends that there is a need to pay attention to three interrelated areas: technological development, working conditions and the extractive industries. By considering these three areas together it is possible to observe the speeding up of industrial production, as well as acceleration in the rhythms of life. This does not entail simply that workers work longer hours and do more overtime but also that spheres of production and reproduction are now merged together. Workers increasingly live at work, either in large-scale dormitories as in Foxconn plants in mainland China, or in smaller-scale residences in Europe, in order to be always ready to work. Moreover, as family life and children are prohibited in the dormitories, the merging of production and reproduction remove workers from any form of home life and from a possible form of generative community. This interlocking of production and reproduction processes

is crucial, Gambino suggests, because it enables new modalities of worker exploitation by extending employers' control beyond the workplace.

As several chapters demonstrate, the electronics sector is characterized also in Europe by the proliferation of anti-union practices and the destruction of effective labour voice. The efforts to institute transnational labour representation have been mired in difficulties. There is a need to address weak industrial relations institutions in central and eastern Europe, where much of electronics production is located. Labour inspectorates should actively enforce the labour code and the principle of equal conditions for all workers. Effective strategies must also focus on covering the entire value chain rather than individual companies. The institute of end-user liability would help authorities and trade unions in addressing working conditions of migrant and agency workers that are often left without effective representation.

The discussion of the interlocking nature of the productive and reproductive spheres offers a possible way forward in that it draws attention to two aspects that are key for trade unions' organizing strategies. First, they show the importance of considering the dynamic composition of the workforce, in particular workers' nationality, gender, class, age and citizenship status. These social factors, often used by the employers to achieve differentiation and segmentation in the workplace, could be used by the trade unions to identify the needs and priorities of different groups of workers and consequently to develop more inclusive unionisation strategies.

Second, the merging of the productive and reproductive spheres suggests the necessity for trade unions to extend their activities beyond the workplace. A stronger national unions' position would be achieved by extending activities into dormitories and local communities so not to leave the organisation of migrant labour completely in the hands of agencies. Taken together, these two approaches could lead to a broadening of the trade unions' membership base and the establishment of new social and political ties with workers' communities. This would offer opportunities for mobilization both within and across national borders.

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Part 1

Electronics industry and the changing organization of production