

## *Global Issues*

### *FLA Investigation of Foxconn in China*

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Around 100 years ago Henry Ford and others were pioneering the moving assembly line. In so doing they brought about one of the most decisive shifts in the history of work by separating conception from execution. Things were no longer made by skilled craftspeople that conceived and executed the product. Instead the production process was fragmented and each worker performed only one repetitive function, disconnected from either conception or completion. This eroded the self-realization and self-valorization that should accompany productive labour and produced a raft of consequences that human resource management has been trying to ameliorate ever since.

Workers were understandably rather unwilling to work on this new moving assembly line and so Henry Ford doubled the hourly wage and cut the length of the working day. This helped to recruit and retain workers. Ford's bold initiative was condemned by many commentators but it reset the terms and conditions for labour and turned out to be more of an investment than a cost because it attracted the best, most skilled workers and so reduced his turnover and training costs. Ford also saw rising wages as a benefit because it turned his workers into consumers who would one day buy his cars. Now, a century later, Foxconn may well emulate Ford by setting new terms and conditions and fundamentally shift the Chinese labour market.

The Fair Labor Association (FLA) is a collaborative effort of socially responsible companies, colleges and universities, and civil society organizations that grew out of a White House Task Force established by President Clinton in 1996. The FLA conducts due diligence on global supply chains through independent workplace assessments and promotes accountability and transparency on the part of multinational companies and their suppliers. Companies that affiliate with the FLA agree to implement the FLA monitoring methodology through internal assessments of the employment relationship at supplier facilities, and in addition have to provide the FLA with their list of suppliers and allow it to conduct independent assessments of a sample of those facilities. Affiliated companies also undertake to remedy any issues identified in internal or external assessments.

In February 2012, Apple, Inc. requested the FLA to conduct a special investigation of worker rights and working conditions at Foxconn. We selected three Foxconn factories in China producing for Apple, two located in Shenzhen and one in Chengdu. The investigation<sup>1</sup> consisted of two complementary probes: Sustainable Compliance Assessments of the employment relationship and a worker satisfaction survey of a representative sample of workers using the FLA Sustainable Compliance Perceptions (SCOPE) methodology. The FLA's SCOPE Workers' Surveys are standardized,

quantitative questionnaires which are completed anonymously by a randomly selected, representative sample of workers. The SCOPE Job Satisfaction Survey gathers workers' opinions on factors influencing job satisfaction, such as: working hours; wages and benefits; health and safety; working environment and the atmosphere within the factory; supervisors' and management's attitude and communication; professional development and advancement opportunities; perception of work performance; and physical impact of working at the factory. In addition to the Workers' Surveys, focus group discussions with workers and in-depth interviews with workers and supervisors were conducted to obtain qualitative data to complement the quantitative results. The total number of workers at the factories was 288,800. Sample stratification and random sampling were conducted based on the characteristics of the workforce at the three locations and the survey was implemented in all three locations simultaneously over the period from 13 February to 3 March 2011. The number of valid surveys from all three factories was 35,166, and the results have a confidence rate of 99 percent.

The FLA investigators arrived at over 50 findings relating to benchmarks of the FLA Workplace Code of Conduct and Chinese labour law. In particular they concluded that the factories were working beyond legal and code limits on hours of work, not recording and paying unscheduled overtime correctly, allowing interns to work overtime against Chinese regulations and during peak periods workers worked more than seven days in a row without a rest day. In addition the investigators recorded many health and safety issues and found that although there is a trade union with a collective bargaining agreement it does not measure up to international or national standards.

The union situation at Foxconn is particularly interesting. There are four levels of trade union organization at Foxconn in Shenzhen:

- **15,810 Trade Union Line Units.** There may be one or more Trade Union Unit in each production line. The leader of the trade union line unit is nominated by the Business Unit union, and voted by related Line Union members (about 25 members in each unit).
- **84 Business Unit Unions.** The Business Unit Union committee, including chairman and vice chairman, are elected by the BU union representatives. The BU union representative may or may not be the same as the Business Group Union Representatives. The BU nominates the candidates to become representatives and they are voted within their department (departments vary in size from 9 workers to 386 workers).
- **13 Business Group Unions.** The Business Group Union committee, including chairman and vice chairman, are elected by the BG union representatives. The BG union representative may or may not be the same as the Group Union Representatives. BG union representatives come from different Business Units (BUs).

- **One Group Union.** Representatives are from different Business Groups (BGs) in Shenzhen factories. The BU nominates the candidates for representatives, who are voted within their departments and their names submitted to each BG.

There are 188 representatives on the main union committee. Of these 54 are operators and multi-skilled workers, 29 are line leaders/supervisors and the 105 remaining are engineer or staff level. In Chengdu, there are 3,258 Trade Union Line Units feeding into a main union committee of 108 representatives. Of the 108 representatives, 55 representatives are operators/multi-skilled workers, 19 representatives are line leaders/supervisors and the rest are engineering or management level staff. As provided for in the Trade Union Act Foxconn pays 2 percent of the total wage bill to the local city union that then returns 50 percent of that fee to the Foxconn union. Workers are not required to pay dues.

The Foxconn union does hold elections but the candidates are often management-nominated. This is a fairly common situation in Chinese factories where unions are present but it does not meet the requirements of the Trade Union Law and the Regulations on Collective Bargaining. The Shenzhen Municipal Implementing Regulations for the *Trade Union Law of the People's Republic of China* specify that the Chair, Deputy Chair and committee members should be democratically nominated and elected by union members and that top management and their relatives should not hold union office. Local unions should organize and hold workers' assembly or congress meetings and supervise the implementation of resolutions adopted; conduct collective bargaining and supervise the performance of collective contracts; represent union members in consultations with the employer on all matters that affect the interests of workers; and assist in mediation and labour disputes. The union should also ensure that workers are made aware of labor laws and regulations. The Foxconn union does publish booklets explaining its role and activities but these have not succeeded in raising workers awareness or participation rates and a large majority of workers surveyed were unaware of the activities of the union or the existence of a collective bargaining agreement. The relatively high rate of worker turnover obviously makes awareness and participation a moving target, but top-down communication systems are limited in any circumstance and the union needs to develop new systems for the holding of proper elections and for securing the participation of workers in union structures.

As a result of the FLA investigation Foxconn has agreed to reduce hours of work from their present level of 60 per week to Chinese legal limits that allow effectively for 49 hours per week. This is a dramatic cut and one that very few companies have managed to achieve. Foxconn management is well aware of the fact that overtime hours are paid at a premium and that reducing those would drive workers to other factories so they have also committed to maintaining present rates of pay. Foxconn has also undertaken to ensure that union elections and activities be free of management interference and that they conform to the provisions of the Trade Union Law. If Foxconn achieves these very ambitious objectives they will indeed challenge prevailing labour market practice in China where wage and hour regulations are routinely breached. Like Ford, Foxconn may attract the best workers away from other factories struggling to fill posts in an already tight labour market. It will be fascinating to see how the rest of the electronics sector

responds. Do they compete with Apple and Foxconn in a race to the top, or do they try to undermine them by offering workers even more overtime hours? The Chinese labour authorities have a key role to play here. Will they support Foxconn, the largest private employer in the country by strengthening enforcement of the labour laws? And how will the All China Federation of Trade Unions respond? Will they pitch-in and support a more active role for the Foxconn unions? Finally how will we, the international consumers of Apple and other electronic products react? We have a critical role to play in supporting Chinese workers by demanding that our favorite brands operate ethical supply chains.

## NOTES

1. <http://www.fairlabor.org/report/foxconn-investigation-report>.

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