

The performance of the foxconn business commerce essay



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Foxconn Technology Group, a subsidiary of the Hon Hai Precision Industries Ltd. and is one of the world's largest electronics manufacturers. It ranks 112th among Global Fortune 500 Companies. Currently, Foxconn has a workforce of 900, 000 workers all over China. The company plans to expand its workforce to 1. 3 million people by the end of 2011 (Culpan, 2010). It manufactures hardware for a prominent list of clients, including Apple, HP, Dell, Nokia and Nintendo. Despite the fall of profit margins over past few years, Foxconn's business has been growing. This implies that Foxconn will keep lowering labor costs to maintain its dominance in the industry.

The recent uproar in media about Foxconn has not been because of its huge workforce or its profits. Rather, it is the 17 young Foxconn employees who committed suicides between January and August 2010 that has brought into light the dilemma of frontline employees at Foxconn and other such factories. The suicide rate for China stands at 12 for every 100, 000 people per year. With a workforce of 420, 000 and 13 suicides this year, the suicide rate at Foxconn is approximately one-quarter the national average (Mimi, 2009). This paper will elaborate on what the media have reported and relate the data to employment relations.

Wages and Working Hours

Foxconn claims that it is compliant with local laws. But, research studies conducted by SACOM (Students & Scholars Against Corporate Misbehavior) have found that Foxconn has been a regular violator of labor laws. Many hidden facts relating to employment relations are discussed below.

Workers were kept uninformed about wage increase plan

When the suicide cases reached a climax in May, Foxconn apparently increased wages twice, but there was no formal announcement. Also, details about the conditions under which workers can benefit from this pay rise, like seniority or type of contract were not discussed.

Basic wage is just slightly more than minimum wage and far below living wage

The basic wage of frontline workers at Foxconn is only CNY 100 more than the minimum wage (SACOM, 2010). According to Foxconn management, the purpose of the wage increase plan was to “ stabilize the workforce”. But the fact is that the basic wage was insufficient for workers to maintain decent living standards in Shenzhen. Also, basic wages in Tianjin, Wuhan and Kunshan lag far behind the standard wage, which makes it extremely difficult for workers to live in such expensive cities on such small incomes.

Excessive overtime

Marxism came into existence through Marx's observation a known writer and theorist who opposed capitalism while capitalism was in its infancy, his theory was named the Marxist theory. To Marx employment relation was a major way of understanding capitalism. He was like an opposition force for the employers, he disputed the divisions that were created in the industrial society through competition between the two classes (employers and the employees). He was of the idea that since employees had to do meaningless jobs it created low esteem, morale and low motivation amongst the employees. His approach created the thought that conflict will persist in the employment relations and no solution will be able to resolve it completely,

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and the only basic changes in the economy, such as overthrowing capitalism, will help in creating a socialist economy, however, China is already a socialist economy and state.

One could argue that because China is a communist state, it operates on socialist values and employs Marxist philosophies in order to improve the wellbeing of the Chinese people. However, from the Foxconn example, we can see that this was not the case and this raises the question of if the Marxist theory really has any relevance in improving self esteem, when Foxconn has violated several Labor Laws . In any working environment, overtime work should not be more than 36 hours per month (article 41) (SACOM, 2010). For example, engineers at Integrated Digital Product Business Group (IDPBG) of Foxconn in Shenzhen, who were involved in production of the first generation iPad, worked whole weeks, including Sundays and had only one rest day every 13 days plus they did not even receive any overtime premium for weekends. There are other departments where workers work overtime for about 140 hours a month and have no day off at all.

Deduction of overtime premium

According to workers at Foxconn, calculation of working hours is incorrect. Foxconn uses Comprehensive Calculation of Working Hours System, which does not recognize monthly overtime beyond 80 hours (quote) and hence, workers are not paid for those hours. Also, workers complained that the newly introduced “ overtime control” is actually misleading in the sense that overtime does take place, but it is not recorded or paid as such.

Apart from all this Foxconn employees are made to attend morning assemblies, end-of-work-shift assemblies and weekly meetings during which the management talks about expected deliverables, work targets and discipline, but they do not receive compensation for the time spent in these compulsory meetings that may consume up to one hour a day. Time spent in training is not fully paid either. As a result, workers do not earn more than before the June 2010 wage increase.

Management

A close analysis of the management practices and workers' criticisms about the management at Foxconn is indicative of the fact that a military-style, punishment focused working management followed at the company for its workers is another factor that might have contributed to suicides at Foxconn.

A culture of obedience is forced on workers from the first day of their employment. They are badly treated during recruitment procedures; they are not allowed to questions during their orientation trainings; they are punished for all kinds of ' misconduct', ranging from as big as not meeting their daily deliverables to as minute as taking too much time in bathroom.

Reward system

Workers are deprived of production bonus, which is given twice a year, if they have declined overtime work or taken sick leave. It seems that there are no set terms for a bonus; it is exclusively at the discretion of the management.

All these factors reflect the authoritative nature of Foxconn's management. Foxconn's military-style corporate philosophy is also reflected in one of the sayings of Foxconn's billionaire CEO Terry Guo " democracy is the most inefficient thing" in the world (Chang, 2010). This explains why Foxconn regime excludes any say by workers and why it is so anti-democratic.

Trade Unions

Theories kept evolving as the size and scope of businesses expanded, taking into consideration technology and the nature of work of the employees. One of the theories that came about was the pluralist theory, which acknowledged the complex situations such as conflict of interest between the management and the employees. It suggested that these kinds of complex situations could only be resolved through the involvement of government. However, because China is a communist state, trade unions struggle to exist and therefore pluralism cannot and wont be adopted.

Investigations at Foxconn reveal that workers have no confidence that the state-run trade unions will defend their rights for very obvious reasons. First, these unions are usually silent on working conditions of the company. Instead, at the company's morale-boosting rallies, the union officials glorify Guo's image and Foxconn's corporate image by displaying portraits of Guo and singing his praises. Second, these trade unions consist of few young members and majorly of senior management officers. Apparently, the union members tend to please the management in order to secure their jobs. Last, the trade union committee is not democratically elected. This is indicative of the political power exercised by Foxconn and its higher management.

Health and Safety

Most of the workers are not aware of the damaging effects of chemicals they use and of the precautionary measures they must follow before working with dangerous materials on the factory floor. Many of them suffer from threat of occupational diseases. Under the increased pressure, 12.7 percent of workers experienced fainting spells, 24.1 percent of female workers had irregularities in their menstrual cycle and 47.9 percent of workers complained of mental stress. This clearly shows the lack of training for workers on occupational health and safety. Moreover, denying protective equipments and health examinations to workers shows management's informed negligence in following safety standards for workers.

Relocation Plans

Currently, Foxconn has a huge workforce of around 420,000 in Shenzhen plant alone. In the result of series of suicides, Foxconn announced its plan of relocating its production to central, western, and northern China, where labor is plentiful and official minimum wages are lower than in other areas. Workers were again uninformed of the details but anyway, they had no choice but either relocate or resign. A serious implication of this move is that the announced wage increase for the Longhua workers in Shenzhen will become irrelevant.

Social Factors

Though Foxconn offers accommodation for workers, but it is more like a prison to them.

As a result of their low pay, most workers are forced to live in crowded factory halls. On average, each worker has a space of about two square metres. There is no social interaction among roommates because of their different backgrounds and shift timings. Social isolation in Foxconn is regarded as one of the chief causes of the suicides. A prison-like safety mesh is installed in every hall building in many facilities to prevent workers from jumping. This indicates that management is aware of the potential intentions of the workers.

All the factors discussed above help us realize the physical, social and psychological agony workers at Foxconn go through each day. These factors highlight the underlying causes of the dilemma of workers at Foxconn and at other such companies. Illegal and unethical labor practices followed by Foxconn, lack of basic democratic rights for workers, monopolistic capitalist mode of production by transnational corporations in global supply chains, lack of auditing by the government of the employment terms and practices followed by companies, discriminatory characteristic of China's urban household system, lack of government support are some of them.

Conclusion

The essence of all these traditional theories of management styles is that there exists a single, best approach to management, and the research was aimed at finding this best approach. One of the recognized theorists was Fredrick W. Taylor. His purpose and idea was to maximise efficiency, he believed that the principal object of management should be to ensure maximum prosperity for the employer, coupled with the maximum prosperity for each employee. He considered that the best approach was for the <https://assignbuster.com/the-performance-of-the-foxconn-business-commerce-essay/>

employee to fulfil optimum goals, which would result in higher wages for them, and managements' gain will be higher productivity. Therefore the employee himself will work harder and try his level best to produce more since he is getting financial benefits for doing so, this was his differential piece-rate system. This clearly was not the case with Foxconn, as demonstrated by the evidence highlighted throughout the body of the paper.

In the past few years, manufacturing facilities or so called "sweatshops" have started following labor laws but at the same time to make up for the loss, they have developed strategies to speed up the production in factories. As a result, production targets keep soaring and labor exploitation does not stop.

Thus far Foxconn and its high-profile customers including Apple, HP, and Dell have failed to effectively address underlying labor issues at the Foxconn production facilities. But, Foxconn is not the only one to be responsible; these other big electronic brands, which place orders with Foxconn, are equally responsible for the tragedies. By threatening to shift their orders, they force their suppliers in China to lower wages, prolong working hours and intensify workloads and thus directly pressure the workers. Clearly, all these brands are making huge profit at the cost of the workers' miserable lives.

It is apparent that the grievances of the workers cannot be addressed by Chinese labor laws alone. It is required to reveal the actual working and living conditions of workers at Foxconn to gather public support for their struggle against their plight. Pleading companies to abstain themselves from violating labor laws is futile; instead, people must urge concerned

organizations, consumers, investors, and the government to join the workers to pressure electronic factories to improve working conditions and employment relations in the electronics industry. Also, to fight for workers' rights, effective trade unions must be formed by holding democratic elections in accordance with the Trade Union Law in China.

Foxconn needs to reform its structure. There is a need to meet the political requirements, which calls for better wages, recognition of workers' rights and the development of hi-tech industries that will create better living standards for workers. Foxconn must address communication gap between management and the labor and focus on employee satisfaction, rather than solely company profits. Workers must be kept informed about their rights, about the relocation plans well in advance, about any wage increase plans and be provided with the details of the terms and conditions followed for giving bonuses. These are just basics principles of employment relations, which Foxconn have not come close to meeting.