Labour in Global Value Chains in Asia

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14

Social Upgrading in Mobile Phone GVCs

Firm-level Comparisons of Working Conditions and Labour Rights

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14.1 Introduction

In developing countries, more and better jobs have been a key goal of economic development based on the integration of local firms and workers into global value chains (GVCs). As global production is increasingly organized by multinational lead firms through a dense web of inter-firm relationships across national boundaries, the participation of local producers in GVCs is widely considered to be an effective way to create new employment, generate incomes, and therefore reduce poverty in developing countries. Such optimism is premised on the expectation that, as firms and countries move up the value chain into high value-added activities through varied forms of economic upgrading, workers will benefit through higher wages and better working conditions. In other words, economic upgrading is expected to lead to improved workers' conditions and entitlement in GVCs.

Over the last several years, however, there has been a growing concern about the disjuncture between the gains from GVC integration and economic upgrading, and what is captured by workers and their families and communities surrounding them (Barrientos et al., 2012; Posthuma and Nathan, 2010). This concern has been reinforced by a growing body of evidence and a plethora of news reports and public exposés showing that workers in developing countries catering to global buyers, from Chinese electronics workers to Bangladeshi apparel workers, are not given a fair share of the gains from export growth. This has prompted GVC researchers to propose the concept of social upgrading, which entails an enhancement of the

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1 Different concepts, such as 'living wages' and 'fair wages', have been proposed to define a fair share of the gains for workers in GVCs beyond the minimum wage. According to Vaughan-Whitehead (2014, p. 69), 'fair wages' refer to 'wage levels, wage progression and wage-fixing mechanisms that
quality of employment and working conditions and an improvement in the rights and entitlements of workers (Barrientos et al., 2011). The Capturing the Gains research program has been a notable effort to examine the conditions under which economic and social upgrading in GVCs might be combined.1

Building upon this effort, our study attempts to investigate the relationship between economic and social upgrading by comparing labour conditions at the firm and factory levels in mobile phone GVCs. Specifically, it asks three comparative questions:

1. A vertical comparison (VC): Are working conditions better in higher value-added segments of the mobile phone value chain?
2. A horizontal comparison (HC): Do some firms do better in social upgrading than others in the same segment of the chain?
3. A temporal comparison (TC): Have working conditions gotten better (or worse) over time in our focal firms?

To address these questions, we use data from multiple reports on investigations, published by various non-governmental organizations (NGOs) and labour watchdogs, which document working conditions in mobile phone (and electronics) factories in China and India. We focus on the GVCs driven by two original equipment manufacturers (OEMs) in the mobile phone GVC, Nokia and Samsung Electronics Co. (SEC), and their major suppliers. China and India are particularly relevant when investigating labour conditions in mobile phone GVCs because China is the world's largest producer and exporter of mobile phones and India has emerged as one of the major production hubs for mobile phone firms (Lee and Gereffi, 2013).

The rest of the chapter is organized as follows. First, we discuss labour issues in GVCs and the concept of social upgrading. Second, the data, comparative methods and profiles of the case firms used in this study are introduced. Third, we present our findings in terms of the vertical, horizontal and temporal comparisons outlined above. Finally, this chapter discusses the implications of our key findings and the limitations of this study.

### 14.2 Global value chains, labour and social upgrading

Labour is an integral part of a capitalist system. Workers are key productive agents in the operation of the system. Labour unions and workers are influential as pressure groups and as consumers, respectively. Differences in the size and quality of the workforce, wages, and workers' bargaining power vis-à-vis employers across countries and regions have been major driving forces in shaping the uneven geographies of production and trade in the global economy (Bair and Werner, 2011; Dicken, 2011). There is also an overarching concern with unequalization and the 'race to the bottom'; i.e., downward pressure on working conditions (Kaplinsky, 2000; Schmitz, 2004). While the global commodity chain, a conceptual precursor of GVCs, refers to 'a network of labour and production processes whose end result is a finished commodity' (Hopkins and Wallerstein, 1986, p. 159), labour has been relatively neglected as an object of study from a GVC perspective until recently (Barrientos et al., 2011; Cole et al., 2008; Raminne et al., 2011; Schwyn, 2012). More attention has been paid to the role of relatively skilled workers in moving up the value chain to higher value-added activities, or ‘economic upgrading’ (Gereffi et al., 2011) than to the consequences for various types of workers across the chains and their social conditions (Barrientos et al., 2011).

Creating more and better jobs is a central objective of economic development strategies centred on GVC integration. Since global production is increasingly organized through a dense web of inter-firm relationships across national boundaries, the participation of local producers in GVCs is widely considered an effective way to generate employment and reduce poverty in developing countries. Indeed, the sectors integrated into GVCs have become important sources of job creation for low-income countries, many of which lack significant job-creating manufacturing sectors (Gereffi and Fernandez-Stark, 2011). Historically, in newly industrializing countries in Asia, export-driven light manufacturing, such as textiles, apparel and toys, provided a launching pad for generating a large number of manufacturing jobs with decent wages and working conditions (Gereffi and Wyman, 1990), and workers in the export sector became a key agent for large-scale social change, like democratization (Koo, 2001). This is still the case, as exemplified by the apparel industry. The expansion of the apparel GVC into low-income countries has played a critical role in employment generation because these countries represent three-fourths of world clothing exports, and the sector’s formal employment amounts to 25 million in low- to mid-income economies (ILO, 2005).

There is concern, however, about the growing disjuncture between the gains from GVC integration and economic upgrading, and what is captured by workers and their families and communities surrounding them (Barrientos et al., 2012; Posthuma and Nathan, 2010). The initial presumption of the GVC-based economic development strategy was, explicitly or implicitly, that as firms and countries moved up the value chain into high value-added activities, workers would also benefit from economic upgrading with higher wages and better working conditions. It was expected that economic upgrading would lead to an improvement in the well-being of workers in GVCs (Milberg and Winkler, 2010). Such optimism, however, has been
overshadowed during the last decade by a mounting body of evidence and a plethora of news reports and public exposés showing that workers linked to global buyers do not receive a fair share of the gains from export growth. Public concerns have escalated after revelations about young Chinese migrant workers in electronics factories who jumped from dormitory buildings and killed themselves (Chan, 2013), Bangladeshi garment workers who lost their lives in a series of factory fires and building collapses (Miller, 2012) and children who work in horrible conditions to mine minerals for multinationals in many developing countries (Nathan and Sarkar, 2011).

For a long time, undesirable working conditions in export-driven sectors and special economic zones (SEZs) have been studied and reported (Freeman, 2000; McKay, 2006). However, a distinctive feature of a GVC-driven global economy is that more and more large and well-known global brands have become implicated in these labour issues (Locke et al., 2013). Nike, a pioneer of ‘factory-less’ branded manufacturing, whose competitive edge lies in design, branding and marketing (Donaghue and Barff, 1990), is among the companies that have faced intense scrutiny and public outrage for labour wrongdoings in their suppliers’ factories in Asia (Locke 2003). As offshore outsourcing has become an industry norm among global brands, from apparel to electronics to grocery retailing, they have found themselves under an intense spotlight with regard to labour problems in their global supply chains. At the same time, several factors, including the expansion of GVCs into low-income economies, the fine-slicing of value chain activities, and the rise of multiple-tier, complex supply chain structures, have generated numerous blind spots in GVCs, in terms of enforcing and monitoring labour laws and standards (Lim and Phillips, 2008; Locke, 2013). As the chains reach down to lower-tier suppliers and countries with weaker law enforcement capabilities, workers in those firms or countries are stuck in zones where transparency is, at best, limited. This presents new challenges in ensuring decent working conditions across GVCs, along with significant business risks to global brands.

Although many of these workers are often not direct employees of global brands or their independent suppliers, global buyers have the incentive to care about labour conditions in their supply chains for several reasons. Any wrongdoing would lead to far greater damage to their business than that of their suppliers, given the higher visibility of the brands to consumers and the public. In addition, any disruption caused by labour unrest in one segment of the supply chain could impact the operation of the entire chain by creating a ripple effect, as exemplified in the disruption of Japanese carmaker Honda’s supply chains by Chinese workers’ strikes in 2010 (Bradsher, 2010). Furthermore, global buyers and manufacturers are fully aware that workers play a critical role in ensuring the quality of products and implementing a variety of social and environmental standards, which have become more important in a consolidated market (Barrientos and Visser, 2012).

In recent years, research on the labour dimension of GVCs has begun to gain traction (Barrientos et al., 2011; Coo, 2013; Rainnie et al., 2011). Its interest and focus have been expanded to include a variety of labour issues, including child labour (Phillips et al., 2014), labour staffing agencies (Barrientos, 2008), labour regulations (Lan et al., 2015), and labour standards (Locke and Romis, 2010). The effects of various governance forms and actors on labour conditions have also been examined (Gereffi and Lee, 2016; Locke, 2013; Mayer, 2014). One of the most notable efforts to address labour in GVCs is the introduction of the concept of ‘social upgrading’, which addresses the quality of employment and improvement in the rights and entitlements of workers (Barrientos et al., 2011).

Social upgrading can be subdivided into two components: measurable standards and enabling rights (Elliott and Freeman, 2003, Barrientos and Smith, 2007). Measurable standards are those aspects of worker well-being that are more easily observed and quantifiable. This includes different aspects, such as the type of employment (regular or irregular), wage level, social protection and working hours. Enabling rights of workers are those that are less easily quantified, such as freedom of association and the right to collective bargaining, non-discrimination, voice and empowerment. Lack of access to enabling rights undermines the ability of workers (or specific groups of workers, such as women and migrants) to negotiate improvements to their working conditions that could enhance their well-being. The Capturing the Gains research program, as noted, focuses on the relationship between economic and social upgrading in GVCs. The core question of the research is under what conditions economic upgrading is likely to lead to social upgrading. In other words, how does a firm’s position in GVCs affect the conditions of the workers in the firm? Under what circumstances could one expect economic upgrading to lead to better working conditions in GVCs?

In an attempt to answer these larger questions, this paper poses three types of comparative questions: vertical, horizontal and temporal. Figure 14.1 illustrates the mobile phone GVC and the three modes of comparison.

The first question is whether a firm located in a higher value-added segment of the mobile phone value chain provides better working conditions than its counterpart at the lower value-added segments. This vertical question compares firms located at two different nodes of the value chain in terms of their working conditions. In the case of mobile phone GVCs, the following two nodes are critical: branded manufacturers (or OEMs) like Samsung and Apple, and their suppliers and assemblers of parts and components (Lee and Gereffi, 2013). It is known that OEMs, which produce and sell mobile phones of their own brands, tend to capture much higher value than their suppliers, although the value position
of various suppliers may vary (Dedrick et al., 2011). In addition, OEMs are likely
to face stronger pressures for social upgrading from NGOs and consumers given
that their brands are more recognizable than their suppliers are (Mayer and Gereffi,
2010). Thus, we should expect better working conditions in an OEM’s factory than
the factories of its suppliers.

The second question is horizontal in nature, i.e., whether and how much working
conditions vary between firms in the same GVC segment. On the one hand, firms
can provide working conditions that are different from those of their peers in the
same value chain position; this is influenced by various firm-level factors, ranging
from structural (e.g., firm size) and financial attributes (e.g., profits) to ownership
(e.g., country origin) and managerial characteristics (e.g., human resource
management practices). On the other hand, suppliers linked to the same buyer (or
a similar group of buyers) may provide relatively homogenous conditions for their
workers if the amount of value captured by the suppliers vis-à-vis the buyers is more
or less same. The fact that all of the case firms in our horizontal comparison were
suppliers for Nokia that were located close to one another and relied on almost
the same regional labour markets leads us to expect relatively similar working
conditions across the suppliers.

The final comparison question involves a temporal change, i.e., whether working
conditions in GVCs have improved over time in a given firm or factory. Several factors lead us to expect improvement in some, if not all, aspects of labour
conditions. During the period of our observation, many mobile phone firms
experienced considerable growth and economic upgrading, which provided them
more resources that could be used for such improvement. In addition, market and value chain concentration in the post-crisis mobile phone GVC
(Lee and Gereffi, 2013) likely put a higher level of public pressure on social
upgrading on consolidated firms with greater visibility, as exemplified by Apple.
The leading smartphone brand came under intense public scrutiny after labour
wrongdoings were revealed in the Chinese factories of Foxconn, its key supplier
(Duhigg and Barboza, 2012). Thus, we should expect that labour conditions in a
given factory improved over time although the degree of improvement may vary by
upgrading areas.

In short, we would expect working conditions: (a) to be better in higher
value-added segments of the chain, specifically in OEMs rather than their
suppliers (vertical comparison); (b) to be relatively similar in the same GVC
segment (horizontal comparison); and (c) in terms of the temporal comparison,
we expect working conditions in a given factory to be better over time, i.e., at $t_2$
than at $t_1$ in Figure 14.1.

\begin{figure}[h]
\centering
\includegraphics[width=0.5\textwidth]{figure14.1.png}
\caption{Mobile phone global value chains and three modes of comparison
Source: Authors.}
\end{figure}

### 14.3 Data, methods and cases

To address these questions, we examined multiple reports that document working
conditions in mobile phone (and electronics) factories in China and India. These investigation reports were published by various NGOs and labour watchdogs. While they are not the ideal data set to analyse contemporary labour conditions,
our use of secondary data was shaped by the well-recognized difficulty of collecting
systematic and comparable data on working conditions in mobile phone factories
across different factories and/or over time. The ideal research design would be a
cross-factory/firm comparative study conducted over time with a well-defined,
consistently applied framework to assess the various aspects of labour conditions in
multiple firms. However, this would only be possible with active cooperation from
the firms and workers in study, which is generally lacking.\footnote{By far, the most rigorous effort to analyse certain aspects of labour conditions in global supply chains is the recent book by Richard Locke (2013). For a discussion of the strengths and shortcomings of Locke's analysis, see the Review Symposium of his book in the journal Socio-Economic Review (Gereffi et al., 2014). Locke's book focuses on the limitations of voluntary corporate codes of conduct and factory-level capability-building approaches, and thus it does not address the full range of social upgrading conditions addressed in this paper.}

Our choice has advantages and disadvantages. The downsides involves the issue of
cross-case comparability and reliability. The investigations these reports were grounded
on were not designed under a single research scheme and conducted independently, and
because of a general lack of access to these factories, researchers gathered information
through whatever means were available, with little or no consideration to potential data
collection biases. Thus, different reports often use distinct categories to assess various
aspects of working conditions in the factories. Critical information (e.g., wages) is missing
for some cases or not comparable across the cases even in the same report, constraining
our ability to make systematic comparisons. Another drawback is the reliability of the
data. Due to the extremely limited access to workers and managers through official
channels, these reports largely relied on a small number of off-site worker interviews
(and even fewer when it comes to our particular firms of interest). Furthermore, the
claims of workers were not independently verified in most cases.

Despite all the downsides, we believe our study is a worthwhile effort for
advancing our understanding of this important topic because the current state of
available data is unlikely to improve in the near future. We have a rather modest
goal, i.e., providing the best possible answer to the topic in a few specific cases, and
controlling for industry and factory locations by country. Moreover, our design has
several advantages over the case-based or cross-sectional studies. First, our data, albeit
secondary and with the aforementioned flaws, allow us to capture temporal changes
in working conditions that might otherwise be difficult to pin down. The publication
of the earliest report that we utilized dates back to 2005, when the relocation of
mobile phone manufacturing to countries like China and India began to take off, with scant
attention given to the implications of the production shift on labour conditions in
developing countries. Second, these reports enable us to conduct a series of controlled
comparisons of multiple OEM firms and supplier factories without collecting
first-hand data for each of them, which would be a daunting task. We deliberately
chose our firm cases among the ones best documented in the reports, controlling as
best we could for differences among the cases that might affect the outcomes.

We have examined the relationship between economic and social upgrading at
the firm, and more specifically the factory, levels. Our specific questions are
summarized as follows:

- Vertical (cross-chain segment) comparison (VC): Are working conditions
  better in one segment of the chain than others? For example, does an OEM
  (higher value-added segment) provide better working conditions than its
  suppliers (lower value-added segments)?
- Horizontal (within-chain segment) comparison (HC): In the same segment
  of the chain, do some firms do better in social upgrading than others?
  For example, between Flextronics and Foxconn, two leading contract
  manufacturers, which is better at social upgrading?
- Temporal (cross-period) comparison (TC): Have working conditions
gotten better (or worse) over time in a given firm? For example, do Samsung
  or Foxconn provide better working conditions now than a decade ago?

Table 14.1 introduces the profiles of case firms and factories in our paper. They include
two global OEMs in mobile phones: Nokia (now Microsoft Mobile) from Finland
and Samsung Electronics (SEC) from South Korea (Korea hereafter); and two major contract manufacturers, Foxconn (Taiwan) and Flextronics (Singapore). While the latter two firms, also known as electronics manufacturing service (EMS) firms, provide assembly services for major OEMs, their factories studied here functioned as component suppliers for the OEMs. Other factories are component suppliers that have close or special relationships with their OEM buyers. During the period under study, PERL (now part of LiteOn Technology) and Salcomp were Finnish component suppliers for Nokia, although they supplied other OEMs. Tianjin Samsung Mobile Display (TSMD) was affiliated to Samsung Group, along with its main buyer, SEC.4

First, our four vertical comparison (VC) cases compare one OEM (either Nokia or Samsung) and the suppliers in its supply chains. Three of the cases involve Nokia’s supply chains located in China and India, and the other one involves SEC’s two Chinese assembly factories in Shenzhen and Tianjin, and their display supplier (also affiliated to Samsung Group). The question is whether Nokia or Samsung provided better working conditions than their suppliers. Second, our three horizontal comparison (HC) cases overlap with the VC cases, but we highlight the differences among the suppliers. We look at several three-firm sets arrayed for vertical comparison in different locational and temporal settings with a focus on the differences between the firms at the same chain segment. Finally, two temporal comparison (TC) cases involve two sets of companies whose working conditions are analysed at two different points in time.

For each case, we examined the following aspects of working conditions in the factories: (1) working hours, wages and overtime; (2) hiring and contract practices (e.g., internships, temporary workers, and benefits); and (3) health and safety conditions. In addition, labour rights were assessed in terms of unionization and the presence of collective bargaining, along with the presence and effectiveness of communication channels between workers and the management. Other aspects (e.g., discrimination and harassment) are included if related information is available in the sources.

### 14.4 Working conditions and labour rights in mobile phone GVCs: Comparative findings

In this section, we discuss the main findings from our comparative research. The first four cases involve vertical comparison (VC), two OEMs and their suppliers; three for Nokia and one for SEC (Tables 14.2 through 14.5). The discussion for

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4 Nokia’s mobile phone unit was acquired by Microsoft and has become part of Microsoft Mobile since April 2014. PERL was acquired by Taiwan-based LiteOn Technology Co. in 2007.
<table>
<thead>
<tr>
<th>Suppliers</th>
<th>Dongguan Nokia Mobile Phones</th>
<th>Salcomp (Shenzhen)</th>
<th>Perlos (Guangzhou) Engineering Plastics</th>
<th>Foxconn Electronics (Longhua)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employment</strong></td>
<td>500</td>
<td>4,500</td>
<td>1,200</td>
<td>70,000</td>
</tr>
<tr>
<td><strong>Composition of workers</strong></td>
<td>Migrant: 58% Female: 42%</td>
<td>Migrant: 75% Female: 25%</td>
<td>Migrant: 75% Female: 25%</td>
<td>Migrant: 83% Female: 17%</td>
</tr>
<tr>
<td><strong>Hiring</strong></td>
<td>Direct hiring for perm. workers</td>
<td>Through local staffing agencies (no deposits for workers)</td>
<td>Through local staffing agencies (no deposits for workers)</td>
<td>Through local staffing agencies (no deposits for workers)</td>
</tr>
<tr>
<td><strong>Working hours</strong></td>
<td>a. 12-hr, two shifts; b. 4 night shifts and 3 days off</td>
<td>a. 12-hr, two shifts; b. 4 night shifts and 3 days off</td>
<td>a. 12-hr, two shifts; b. 4 night shifts and 3 days off</td>
<td>a. 12-hr, two shifts; b. 4 night shifts and 3 days off</td>
</tr>
<tr>
<td><strong>Probation period</strong></td>
<td>2 months</td>
<td>1 month</td>
<td>2 months</td>
<td>6 months</td>
</tr>
<tr>
<td><strong>Overtime</strong></td>
<td>2-hr/day; frequent and compulsory</td>
<td>Strongestiction on overtime (dimenging actual earnings)</td>
<td>No exact figure available above legal minimum 1,000 (Mun 2004) for 5-year workers (went up after strikes in July 2004 by an unspecified amount)</td>
<td>3-hr/day; not compulsory</td>
</tr>
<tr>
<td><strong>Wages (permanent workers, RMB/month)</strong></td>
<td>Drops from RMB 1,400 to above legal minimum 1,000 (Mun 2004) for 5-year workers (went up after strikes in July 2004 by an unspecified amount)</td>
<td>2,400</td>
<td>3,600</td>
<td>1,600</td>
</tr>
<tr>
<td><strong>Social insurance</strong></td>
<td>Covered</td>
<td>Company housing + housing allowance</td>
<td>Only for permanent workers</td>
<td>No social insurance (mostly local insurance, supplement provided)</td>
</tr>
<tr>
<td><strong>Punitive measures (financial)</strong></td>
<td>Extra training without pay for mistakes</td>
<td>Reprimanded by supervisors for mistakes (see company reaction)</td>
<td>Extra training without pay for mistakes</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Health and safety</strong></td>
<td>a. Minimum contact with hazardous materials b. Protective gears provided c. Regular fire drills d. Fire training and introduction to safety training</td>
<td>a. Factory hall air-conditioned b. Protective gears provided c. Regular fire drills d. Fire training and introduction to safety training</td>
<td>a. Factory hall air-conditioned b. Protective gears provided c. Regular fire drills d. Fire training and introduction to safety training</td>
<td>a. Factory hall air-conditioned b. Protective gears provided c. Regular fire drills d. Fire training and introduction to safety training</td>
</tr>
</tbody>
</table>
Table 14.3 Working conditions comparison in Nokia, Salcomp, Perlos, Foxconn, India, c2008 (re: VC#2 & HC#2 & TC#1)

<table>
<thead>
<tr>
<th>OEM</th>
<th>Nokia India</th>
<th>Salcomp</th>
<th>Perlos</th>
<th>Foxconn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment</td>
<td>8,000</td>
<td>1,800 (2008); 2,500 (2009)</td>
<td>770 (2008); 2,000 (2009)</td>
<td>2,500–3,000 (2009)</td>
</tr>
<tr>
<td>Composition of workers</td>
<td>Female: approx. 50%</td>
<td>Female: 85%</td>
<td>Female: 40%</td>
<td>Female: 50–60%</td>
</tr>
<tr>
<td>Working hours</td>
<td>Three 8-hr shifts</td>
<td>Three 8-hr shifts on 6 workdays</td>
<td>Three 8-hr shifts on 6 workdays</td>
<td>N/A</td>
</tr>
<tr>
<td>Working days</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trainee period</td>
<td>N/A</td>
<td>14 months</td>
<td>N/A</td>
<td>1.5–2 years</td>
</tr>
<tr>
<td>Overtime</td>
<td>Very rare</td>
<td>No overtime work</td>
<td>Very rare</td>
<td></td>
</tr>
</tbody>
</table>

Wages (permanent workers, rupees/month)

| | a. Average range: Rs. 4,500–5,500 | a. Starting: more than minimum wage (Rs. 3,700) | Average: Rs. 3,600 (just at minimum wage) | Average: Rs. 4,500 (overtime included) |
| | b. Trainees (1-yr): Rs. 2,500–3,000 | b. Average: Rs. 5,500 | | |

Source: FinnWatch et al. (2005).
Note: N/A denotes that the source has no information in the given factory.
Social insurance  
N/A

Other benefits
a. Wedding (Rs. 5000) and birthday (Rs. 500) allowances  
b. Various in-house skill training

Discrimination
a. Committee against Sexual Harassment  
b. Women workers' grievance attended  
c. Local youth around the SEZ denied employment  
d. Unfavourable working conditions for pregnant women

Health and safety
a. Experienced back pain, aches in legs, and exhaustion  
b. Varying degree of skill ailments reported

| Social insurance  | Special fund, employees' state insurance, retirement fund (management's stance);  
| Other benefits | Subsidise food (85%);  
| Discrimination | Surrounding community complains about gender-based employment  
| Health and safety | a. Use of potentially harmful chemicals (workers' report)  
| | N/A

Employee state insurance (management's stance)  
Free transportation  
Workers paid for food

Free shuttle bus  
B. Canteen food  
Discriminatory actions against local workers

Table 14.3 (Contd)

<table>
<thead>
<tr>
<th>OEM</th>
<th>Suppliers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Nokia India</strong></td>
<td><strong>Salcomp</strong></td>
</tr>
<tr>
<td>c. 1–2 times a year medical check-up (records not accessible)</td>
<td>b. Use of chemicals limited and meets all legal standards (management response)</td>
</tr>
<tr>
<td>d. Very few undergone fire drills and first aid training</td>
<td>None</td>
</tr>
<tr>
<td><strong>Labour union</strong></td>
<td><strong>Unionized (2009–2010) following a series of strikes and workers' suspension and reinstatement</strong></td>
</tr>
</tbody>
</table>
| **Communication channels** | **Workers' council; set up by the management in 2009** | a. Company committees on health & safety, canteen, transport, work  
b. Grievance process  
c. Regular meetings | No workers' council or any other forum for grievances | N/A
<table>
<thead>
<tr>
<th>Code of conduct</th>
<th>N/A</th>
<th>a. No participation in any social audit in India</th>
<th>N/A</th>
</tr>
</thead>
</table>
Note: 'N/A' denotes that the source has no information in the given factory. ESI: Employees State Insurance; ISO: International Organization for Standardization; SEZ: special economic zone. |

### Table 14.4 Working conditions in Nokia, Salcomp, Foxconn, Flextronics, India, c2011 (re: VC#3 & HC#3 & TC#1)

<table>
<thead>
<tr>
<th>OEM</th>
<th>Suppliers</th>
<th>Employment</th>
<th>Working hours</th>
<th>Working days</th>
<th>Probation period</th>
<th>Training</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nokia</td>
<td>Nokia</td>
<td>15,300</td>
<td>Four, 8-hr shift</td>
<td>6 days a week</td>
<td>6 months</td>
<td>a. 50% of workers: no special training for trainees</td>
</tr>
<tr>
<td></td>
<td>Salcomp</td>
<td>4,000</td>
<td>Three, 8-hr shift per day</td>
<td>N/A</td>
<td>6 months</td>
<td>b. 30% of workers: estimated training; 15 days to 1 month, including a 1-week class w/pay about work-related safety</td>
</tr>
<tr>
<td></td>
<td>Foxconn</td>
<td>5,000</td>
<td></td>
<td></td>
<td></td>
<td>c. Remained trainee status for 15 months</td>
</tr>
<tr>
<td></td>
<td>Flextronics</td>
<td>1,700</td>
<td>Three, 8-hr shift per day</td>
<td>6 days a week</td>
<td></td>
<td>a. Worked as trainees for the first 18 months</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>b. Managers admitted that a new operator can learn the necessary skills in 4–6 weeks</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>c. Workers with no performance problems in the training period automatically confirmed as permanent status</td>
</tr>
</tbody>
</table>

a. Even after 2 years of trainee period, no permanent order given  
b. Trainees assessed at the end of the year and put on probationary status  
c. Workers with no problems in the training period automatically confirmed as permanent status  
a. No separate 'trainee' category  
b. Preliminary training: 3–6 days (classroom-based and practice at model work stations)  
c. Contract workers: gained training on the job and appointed as permanent workers after assessment
<table>
<thead>
<tr>
<th>Wages (Permanent workers, Rs/month)</th>
<th>Rs. 4,820-11,666</th>
<th>Rs. 4,600-6,000</th>
<th>Rs. 8,000-9,500</th>
<th>Rs. 5,300-6,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>- 0-15 months: 4,820</td>
<td></td>
<td></td>
<td>2-3 years: 8,000</td>
<td>4+ years: 53% pay increase on average</td>
</tr>
<tr>
<td>- 2-3 years: 6,420</td>
<td></td>
<td></td>
<td>3-4 years: 9,000</td>
<td></td>
</tr>
<tr>
<td>- 4+ years: 11,666</td>
<td></td>
<td></td>
<td>4+ years: 9,500+</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Wages (Contract workers, Rs/month)</th>
<th>Rs. 3,600-6,000</th>
<th>Rs. 4,200</th>
<th>Rs. 5,000 (w/PF and ESI included)</th>
<th>Rs. 4,130-5,500</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Length of employment</td>
<td></td>
<td></td>
<td>Contract workers must pay for uniforms around Rs. 750 per year</td>
<td></td>
</tr>
<tr>
<td>- 25% above minimum wage but below a living wage</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Wages (Trainees, Rs/month) | Rs. 4,820 | Rs. 4,200 | Rs. 5,000 | N/A |

<table>
<thead>
<tr>
<th>Social insurance</th>
<th>Employer's contributions (incl. contract workers)</th>
<th>Advice on employees state insurance (ESI)</th>
<th>N/A</th>
<th>Medical insurance provided for employees and family</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Provident Fund (PF)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Employee State Insurance (ESI)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Health and safety | a. Long hours of standing in assembly line; | a. Three nurses | a. No regular health check-ups (only for the new employees) | Complies w/EICC standards and implements 'flex-pledge' |

Table 14.4 (Contd)

<table>
<thead>
<tr>
<th>OEM</th>
<th>Suppliers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nokia</td>
<td>Salcomp</td>
</tr>
<tr>
<td>b. Rest area provided</td>
<td>b. Training in first aid, counselling, emergency preparedness, health and hygiene education, safety classes</td>
</tr>
<tr>
<td>c. Medical clinic only in the SEZ; will be a bigger clinic during 2011</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Discrimination</th>
<th>N/A</th>
<th>N/A</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preferential treatment of newly recruited workers over more experienced workers involved in the strike</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Standing orders</th>
<th>Referred to standing orders to justify the suspension of workers after strikes</th>
<th>Framed on the basis of a common format used by all companies in the Nokia Telecom SEZ</th>
<th>a. Accused workers of breaking various company rules in relation to strikes in 2010</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>b. Workers did not know what the orders were, but got a thick document copy in English, as part of the 'hearings'</td>
<td></td>
</tr>
</tbody>
</table>

Social Upgrading in Mobile Phone CVs
Labour union
- Nokia employees union
  - recognized as an ‘independent’ union
  - in process of getting formally registered
  - 60 members including women (open to contract workers)
- No union
  (rebuked for farming groups and approaching the management)

Communication channels
- N/A

a. Three core workers’ committees in place of unions to handle workers’ issues
   (committee members selected annually by workers)
b. Human resource manager receives grievances, shares phone number

- Formed in April 2010
- LPF represented workers, signed a 3-year wage settlement
- Some workers disappointed w/LPF decision to affiliate with CITU, which Foxconn refused to recognize as a union

a. Workers’ committees
b. Quarterly ‘town hall’ meetings, monthly shop-floor conclaves, ‘skip level’ meetings

Source: Pinnwatch et al. (2011).
Note: ‘N/A’ denotes that the source has no information in the given factory. CITU: Centre of Indian Trade Unions; LPF: Labour Progressive Federation; SEZ: special economic zone.

Table 14.5 Working conditions in Samsung Shenzhen, Samsung Tianjin and Tianjin Samsung Mobile Display, China, c2004 (VC#1, TC#2)

<table>
<thead>
<tr>
<th>OEM</th>
<th>Supplier</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Shenzhen Samsung Kejian</strong></td>
<td><strong>Tianjin Samsung</strong></td>
</tr>
<tr>
<td>Mobile Communication Technology</td>
<td>Telecommunications</td>
</tr>
<tr>
<td><strong>Employment</strong></td>
<td><strong>Tianjin Samsung Mobile Display</strong></td>
</tr>
<tr>
<td>1,000</td>
<td>4,500</td>
</tr>
<tr>
<td><strong>Working hours/days</strong></td>
<td></td>
</tr>
<tr>
<td>a. Three 8-hour shifts</td>
<td>a. Three 8-hour shifts, 5 working days/week</td>
</tr>
<tr>
<td>b. 5 working days/week (1 day off/week in peak time)</td>
<td>(1 day off/week in peak season); annual leave,</td>
</tr>
<tr>
<td></td>
<td>maternity leave</td>
</tr>
<tr>
<td><strong>Recruitment channels</strong></td>
<td></td>
</tr>
<tr>
<td>Vocational schools and labour agents</td>
<td>Vocational schools all over China</td>
</tr>
<tr>
<td>(RMB 1,000/placement)</td>
<td></td>
</tr>
<tr>
<td><strong>Hiring and labour contract</strong></td>
<td></td>
</tr>
<tr>
<td>a. 3-month probation;</td>
<td>a. 3-month apprentice (legal minimum)</td>
</tr>
<tr>
<td>b. 1-year, annually renewable contract</td>
<td>b. 2-month probation (80% regular wage);</td>
</tr>
<tr>
<td></td>
<td>c. 1-year, annually renewable, regular contract; no accumulation of seniority</td>
</tr>
<tr>
<td><strong>Overtime</strong></td>
<td></td>
</tr>
<tr>
<td>N/A</td>
<td>Less than 2 days/week in peak time</td>
</tr>
<tr>
<td></td>
<td>Less than 2 days/week in peak time</td>
</tr>
</tbody>
</table>
VC centres on the difference between the OEM and its suppliers. The differences between the latter are highlighted further when we present the findings from the horizontal comparisons.

### 14.4.1 Vertical comparison: Does an OEM provide better working conditions than its suppliers?

The first case (VC#1) compares working conditions in Nokia's mobile phone assembly factory in Dongguan, China and those of its three suppliers, Salcomp, Perlos and Foxconn, located in the same city. Each supplied Nokia with battery chargers, housings and plastic components and mobile phone cases, respectively. Overall, Nokia provided better conditions for workers than its suppliers (Table 14.2). Two aspects stand out: First, compared to its suppliers, Nokia's Dongguan factory was reported by interviewees to put strong restrictions on overtime, although the details are not available. In China, a few hours of overtime were prevalent, and in some factories, as shown in the cases of Salcomp and Foxconn, working overtime was 'involuntary', in the sense that workers felt heavily pressured to work for extra hours in the face of high daily production quotas. Second, workers in the Nokia factory had more days off, particularly compared to Foxconn, where workers had only one day off every 3 weeks.

In certain aspects, however, Nokia did not perform better than its suppliers. For example, it only had suggestion boxes as communication channels between workers and management. Its factory did not have labour unions (nor did its three suppliers). Moreover, Nokia's codes of conduct were ineffective in many respects. Some suppliers received the codes of conduct, yet the workers did not have access to them (e.g., Perlos in China), and Foxconn in China was not aware of them. Visits to supplier factories by Nokia representatives appeared to be frequent, but they mainly focused on the production side (e.g., efficiency and product quality), not on the social aspects (e.g., working conditions and workers' rights). The comparison also highlights a common issue for workers in China. While migrant workers appeared to be prevalent, accounting for 75–85 per cent of employees in Nokia's supplier factories, these workers' well-being was negatively affected by public governance measures like the family registration (hukou) system, which prevented them from accessing social services.

The second VC case (VC#2) involves Nokia and the same three suppliers around 2008 in India. Nokia established its first Indian mobile phone factory in 2006 at the Srirupambudur SEZ near Chennai, where other component suppliers were co-located to cater to Nokia. It is hard to assess all of the four equally because

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5 The unintended consequence of such restriction is to further depress the actual wages that workers bring home, when the company pays them only slightly above the minimum wage.
of insufficient comparable information (Table 14.3). One aspect that clearly stands out, however, is that Nokia's factory in India was unionized in 2009–2010 following a series of strikes. In contrast, labour rights were not supported in Nokia's supplier factories, in terms of the rights of free association and collective bargaining. Meanwhile, compared to the China case, overtime in Nokia's factory appeared to be less prevalent at the time when the study was conducted (2008–2009), as well as in some of its suppliers like Salcomp and Perlos. This might well have to do with shrinking orders caused by the global recession more than any country-specific factor, such as tighter working-hour regulations in India.

There are several areas of concern across these factories. First, Indian workers appeared to be better covered by social insurance without restrictions than workers in China. However, access was still an issue because workers often did not have information on how to acquire such benefits. Second, in India, there was discrimination against local communities. Firms in SEZs near Chennai in the state of Tamil Nadu preferred hiring commuting workers from the city or migrant workers from other parts of the state instead of young people living in the surrounding communities. Finally, the widespread use of interns and student workers and their long training period (e.g., 1.5–2 years for Foxconn India) is problematic. This practice often negatively affects wages because workers tend to get paid less during the probation period (e.g., trainee operators in Nokia India are paid 14% per cent less than their regular peers).

The third vertical comparison (VC#3) involves Nokia and its three component suppliers, i.e., Salcomp, Foxconn and Flextronics, located in the same Indian SEZ in 2011 (Table 14.4). Overall, Nokia provided better working conditions than its suppliers, in terms of wages, training periods, and health services. First, Nokia's workers received higher wages compared with their peers in its supplier factories when working for more than 4 years; although first-year wages were higher in Foxconn and Flextronics. Second, the training period was shorter in the Nokia factory than in Salcomp and Foxconn, and Flextronics did not have a separate category for 'trainees'. While a longer training period may indicate higher skill requirements or a greater investment in skill development, it was also a reality that the trainee stage often lasts longer than it should, as admitted by a manager at Salcomp, only to be used to suppress wages for entry-level workers. Finally, Nokia provided better health services, with its own medical clinic and nurses available within the factory site, whereas health services in its supplier factories were provided by untrained

nurses, or worse, health check-ups were not even provided. However, the gap between Nokia and its suppliers has apparently narrowed since the 2008–2009 study (Table 14.3). We later discuss whether this is attributable to the worsening of working conditions in Nokia's factory or an improvement in the conditions in the suppliers' factories.

The final set of vertical comparisons (VC#4) concerns two SEC factories located in China circa 2004, Shenzhen Samsung Kejian Mobile Communication Technology and Tianjin Samsung Telecommunications, and one of its suppliers, Tianjin Samsung Mobile Display (Table 14.5). The most notable finding is that all three companies showed very similar characteristics in labour conditions. This may indicate a potential company effect, considering that all three companies were affiliated to the Samsung Group. Commonalities worth mentioning are equivalent working hours and overtime, similar housing conditions and social security benefits, the existence of a non-bargaining committee that handles workers' complaints, and even identical management practices, such as morning gatherings, daily production quotas, and discipline linked to an incentive scale.

Despite these similarities, disparities did exist in terms of wages, probation periods and the use of labour agents in recruitment. Regional differences played a larger role than firms' value chain positions in this comparative case. In the case of wages for permanent and apprentice/probation workers, using the basic wage as a standard for comparison, workers in Shenzhen Samsung had nearly 50 per cent higher wages compared to the other two firms in Tianjin, likely on account of higher living costs in Shenzhen. In addition, the probation period in Shenzhen was a month longer than at the two Tianjin-based firms, but when a 2-month apprenticeship is added, the total entry period is longer in the Tianjin firms. Finally, all three firms used vocational schools in their recruitment process, but Shenzhen Samsung also used labour agents for recruitment, which meant workers incurred placement fees.

14.4.2 Horizontal comparison: Do some suppliers do better in social upgrading than others?

The horizontal comparison consists of three cases in different locations and time periods, nested within the previous vertical comparison. The first two comparisons include three component suppliers—Salcomp, Perlos, and Foxconn—in distinct settings: China in 2004 (Table 14.2) and India in 2008–2009 (Table 14.3), respectively. The last comparison involves a slightly different set of Nokia suppliers, Salcomp, Foxconn, and Flextronics, in India circa 2011 (Table 14.4). Despite the differences, all three comparisons were linked to Nokia's value chains. Our findings indicate that the overall working conditions were quite similar across these suppliers.
with no firm having a general advantage over the others. Each has different areas of concern, and there are also some common problems, notably lack of unionization.

The first comparison (HC#1) shows minor differences in working conditions between the case suppliers (Table 14.2 above). They include the length of probation periods, working hours and overtime, punitive financial measures, and housing conditions for employees. For example, Foxconn employees experienced exceptionally long probation periods of 6 months, compared to just 2 or 3 months at its counterparts. In addition, Foxconn workers were given far fewer days off than employees of the other suppliers, and faced greater pressure to work overtime. Lastly, all three companies provided housing, with Perkos offering this benefit only to its permanent workers and Salcomp having the least favourable conditions. Meanwhile, the common areas of concern include the possible breach of workers’ rights through financial punishment for workers’ mistakes, the semi-compulsory nature of overtime work, the lack of labour unions and other effective communication channels between employees and management, and the ineffectiveness of the buyer’s codes of conduct in improving workplace conditions.

The comparison of the same three suppliers in India (HC#2) also shows relatively similar conditions, with no firm having an advantage over the others: there were equivalent working hours, little or no official overtime work, the nonexistence of labour unions, and similar base wages (Table 14.3). However, there is a disagreement between managers and workers in Foxconn over the existence of overtime; while management stated that there was no overtime work at all, workers reported the presence of extensive overtime work. In addition, Salcomp had extensive communication channels for the employees compared to the other two.

In the final set of horizontal comparisons (HC#3), we examined three suppliers in India, circa 2011: Salcomp, Foxconn, and Flextronics (Table 14.4). Differences between the suppliers were relatively marginal, with varied areas of concern. For example, Flextronics provided better social and fringe benefits and a favourable training environment for employees compared to the other two. Wages at Foxconn appeared to be 50–100 per cent higher for its regular and contract workers relative to those employed by the other two suppliers. Given that Foxconn’s wages were not much higher in 2008–2009 (Table 14.3), this is likely the effect of a newly formed labour union, which was recognized in April 2010 and made a 3-year wage settlement with management. This upside, however, was offset by still inadequate services for workers’ health and safety at Foxconn: no regular health check-ups and the use of an untrained nurse. The common areas of concern include the still lengthy period of probation (6 months at all the firms) and the limited role of codes of conduct.

14.4.3 Temporal comparison: Have working conditions improved over time?

The final comparison involves temporal differences in two different settings: (1) Nokia, Salcomp, and Foxconn in 2008 and 2011 in India and (2) Samsung Shenzhen and Tianjin Samsung Mobile Display in 2004 and 2012 in China. The question is whether working conditions improved in these companies over time.

In the first comparison (TC#1), there was significant improvement in several social upgrading dimensions in each of the three Indian factories between 2008 and 2011 (Tables 14.3 and 14.4). First, in all three factories, the size of the workforce nearly doubled: from 8,000 to 15,300 in Nokia, 1,800 to 4,000 in Salcomp, and 2,500 to 5,000 in Foxconn. This likely reflects increasing mobile phone production at Nokia’s Indian operation and a ripple effect on its suppliers (Lee and Gereffi, 2013). Second, the probation period for workers became shorter. In Salcomp, it came down from 14 to 6 months, and Foxconn workers’ probation period was shortened from one and a half or 2 years to 6 months. However, workers still had to go through a lengthy trainee period, 15 months in Nokia and 18 months in Salcomp. One positive sign is that the wage gap between permanent and trainee workers appeared to shrink over the period.

Third, the overall level of wages did not increase much during the period, although comparable data are limited. All three firms seemingly paid more than the minimum wage, but it is questionable whether the workers’ standard of living actually improved considering the rise of living costs in many urban areas. Yet, it appeared that Foxconn had caught up with or surpassed the others in wages; for example, workers with 2–3 years of experience get paid more in Foxconn than in Nokia (Table 14.4). As noted above, this could be the effect of the wage settlement signed by a new labour union and the company. Fourth, health services seemingly improved overall, especially in terms of the number of qualified nurses and the quality of clinics available despite several concerns reported about the health services in Foxconn’s factory. Finally, another big step that Nokia and Foxconn took was acknowledging labour unions, which did not exist in 2008, although there was some turbulence in labour relations. Overall, although the gap between Nokia and its suppliers was reduced between 2008 and 2011, Nokia still provided relatively better working conditions (see VC#3).

The second temporal comparison (TC#2) involves the studies of two Samsung factories in China, Samsung Keijian Shenzhen (mobile phone manufacturing) and Tianjin Samsung Mobile Display (mobile display manufacturing), with an 8-year gap, leading us to expect relatively substantial improvements in working conditions. Indeed, various improvements were made in some of the social upgrading categories, from contract practices to welfare benefits for workers (Tables 14.5 and 14.6).
<table>
<thead>
<tr>
<th>Employment</th>
<th>Samsung Kejian Mobile Telecommunication (Shenzhen)</th>
<th>Samsung Mobile Display (Tianjin)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workers composition</td>
<td>500</td>
<td>3,500</td>
</tr>
<tr>
<td>Recruitment channels</td>
<td>Female workers: 40%</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>a. Direct recruitment: through schools (never publicly)</td>
<td>a. 70% from schools, employment agencies, labour dispatch companies</td>
</tr>
<tr>
<td></td>
<td>b. Required age: 16–20 years old</td>
<td>- 16–23 years old, w/technical secondary school, high school graduation</td>
</tr>
<tr>
<td>Labour contract</td>
<td>Signs 3-year labour contracts every July</td>
<td>a. Workers (schools): internship contract w/schools (first year) and factory (after first year, 2 year contract, 3-month probation period)</td>
</tr>
<tr>
<td>Probation period</td>
<td>N/A</td>
<td>b. Workers (employment agencies): contracts w/agencies</td>
</tr>
<tr>
<td>Working hours</td>
<td>4 different types of 8–9 hr shifts</td>
<td>2 12-hour shifts (day and night, 1 hr meal time)</td>
</tr>
<tr>
<td></td>
<td>a. Peak season (Oct-Feb): 40–50 hrs/month</td>
<td>a. Long day shift works until 8 p.m. or 10 p.m.</td>
</tr>
<tr>
<td></td>
<td>b. Non-peak: 10 hours/month</td>
<td>b. Day shift and night shift: 3 hours (in case of labour shortage: 4–5 hours)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>c. Average working hours: 12–13 hrs/day</td>
</tr>
<tr>
<td>Wages (permanent workers, RMB/month)</td>
<td>a. Average salary: RMB 2000</td>
<td>a. Based on time (RMB 1,600+ during probation; RMB 1,800+ after probation)</td>
</tr>
<tr>
<td></td>
<td>b. Hardship allowance: RMB 120 (March to October)</td>
<td>b. Overtime wages: 1.5, 2, 3 times minimum wage</td>
</tr>
<tr>
<td></td>
<td></td>
<td>c. Bonus: RMB 200-1,000; RMB 500 average (work period: 6 months)</td>
</tr>
</tbody>
</table>

(Contd)

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Table 14.6 (Contd)

| Health and safety | a. Free health checks; 24/7 clinic in factory, emergency aid might be available | a. Stands constantly while working |
| | b. No contact w/harmful chemicals; anti-static clothing provided | |
| Social insurance | Five insurances | Five insurances |
| Housing and Living conditions | a. Meal: RMB 1 (no meal allowances for off-factory eating) | a. RMB 50 access card deposit, RMB 20-30 for damage or loss of card |
| | b. Dorm: Free (electricity and water fee RMB 30–100 per workers; 6 to 4 persons/room; leisure amenities available) | b. Dining halls in factory (free meals for day and night shifts) |
| | c. Free transportation to shopping centres and entertainment places on weekends (10 a.m. to 3 p.m.) | c. Dorms: Free (water and electricity RMB 10/worker; usually 6 workers/room, TV room, shower room, no electronics allowed) |
| | | d. Free transportation for commuters |
| Labour union | N/A | No union or similar worker organization |
| Communication channels | Workers aware of environment, health and safety committee | a. No effective channel to respond or make a report of mean treatment |
| | | b. Managers very mean to workers; use very loud, abusive language to reprimand the workers in question |

Source: China Labour Watch (2012).

Note: 'N/A' denotes that the source has no information in the given factory.
One of the most notable changes was in the labour contracts. Samsung Keijian workers usually signed 3-year contracts, according to the 2012 report, instead of 1-year, annually renewed contracts as in 2004, providing extended job security for workers. As for Samsung Mobile Display, apprentice periods were abolished and 2-year, instead of 1-year, contracts were introduced, which meant a relatively better, if not ideal, contractual situation for workers. Instead, the probation period was extended to 3 months, possibly to give management a longer time to evaluate new workers. However, such improvements only extended to regular workers recruited from vocational schools and employment agencies after an internship period. Contract workers hired through employment agencies were not allowed to sign contracts with Samsung Mobile Display, and faced job insecurity and possibly worse treatment within Samsung. This confirms the importance of a formal contract status for workers in social upgrading (Barrientos et al., 2011).

Other changes include improved health services and various welfare benefits. The availability of free health checks in Samsung Keijian and various facilities and benefits provided by both companies were added to improve worker welfare, along with workers being exempt from dormitory fees. In addition, the extensive insurance coverage provided by Samsung Keijian, which increased from two to five items in 2012, was added to better living standards. The increased wages in nominal value should be unsurprising, given the 8-year gap between the two observations. In both factories, the level of wages went up approximately two to three times, as compared to 2004. The exact nature of the wage increase and its impact on social upgrading should be further investigated, based on the rate of inflation and the change of living costs in the region where the factories were located.

However, there are other areas that showed little or no signs of progress. Communication is one of them. For example, no effective channels were reported in Samsung Mobile Display. In addition, despite the existence of a committee for environment, health and safety in Samsung Keijian, it is not clear how other concerns of workers like wages and discrimination were handled. To make matters worse, there were no labour unions in both Samsung factories, which is typical for the Samsung Group at home and abroad (AMRC, 2006). This would further limit the exercise of workers' rights in many important workplace issues.

14.5 Discussion and conclusion

This chapter has examined working conditions in mobile phone GVCs, focusing on three comparative questions: vertical, horizontal and temporal. It has asked, respectively: (1) Do OEMs provide better working conditions than its suppliers? (2) Do some suppliers perform better in social upgrading than others? (3) Have working conditions improved over time? To answer these questions, we have used secondary data derived from multiple NGO reports that document changing working conditions in the factories of mobile phone manufacturers and their suppliers in China and India since the mid-2000s. Given the constraints of the data for our research, the findings of this paper should be considered as preliminary, limited answers to the questions and read with extra caution.

Despite the paper's rather modest goal, i.e., providing the best possible answer based on the comparable data across different countries and factories as well as over time, our findings suggest a complicated picture of social upgrading. First, each OEM provided better working conditions than its suppliers did, but the differences varied according to specific social upgrading dimensions, although a fuller assessment was not possible because of patchy data. Second, differences between suppliers appeared to be rather marginal, and few systematic patterns emerged. One notable, albeit preliminary, finding is that the gap between each OEM and its suppliers has become narrower in some cases, as shown in the Nokia value chain in India. Finally, our temporal comparison shows that while the firms have improved working conditions in their factories over time, the improvements were limited to certain dimensions, particularly health services and welfare benefits.

One common finding across the cases is the widespread use of non-regular workers. These include contract and temporary workers, various forms of trainees, and student workers and interns. These irregular workers tend to be subject to wage discrimination. Either they get paid less for the same work or they end up getting less because temporary workers are the last ones hired when demand is slack (e.g., Perlos in China). The latter case could be more serious during recession periods, although India and China fared better than other mobile phone exporting countries in 2008–2009 (Lee and Gereffi, 2013). The prevalence of non-regular workers is likely to lower the possibility of social upgrading, as reported in other studies (Barrientos and Visser, 2012; Christian and Mwaura, 2013). Other forms of discrimination towards these workers were also found. For example, contract/temporary workers are often hired through third-party staffing agencies and usually have to pay placement fees to the agency. They tend to be excluded from other benefits available to regular, permanent workers, such as social insurance and housing allowance. This shows a clear impact of employment status on labour conditions.

Another notable finding across the cases is the extremely low level of unionization in the mobile phone GVC. Unlike other working conditions, where there is more variability across firms and factories, the enhancing of labour rights should be a
concern across the entire value chain. In addition, the companies generally lacked communication channels with workers. While the suggestion box was widely used, the effectiveness of the method is questionable, particularly in terms of whether high-level managers were attentive to workers’ grievances expressed through such channels. The limited use of codes of conduct in the case factories was also notable, suggesting that private governance played little role. A positive sign, however, is that labour unions were formed in two of our case factories in India.

Despite the main focus of this paper on the value chain positions of firms, other possible factors might affect social upgrading outcomes. The similarities between the three Samsung firms in China in their factory conditions may be attributed to similar human resource and labour management practices in place across the affiliated firms, pointing to a company effect. In addition, the Samsung cases also illustrated regional difference between Shenzhen and Tianjin. Some social upgrading dimensions, such as wages, may be significantly affected by local labour market conditions. In addition, our study indicates that country-level factors can play a role in social upgrading outcomes, such as the role of a government regulation on migrant workers accessing social services in China, whose impact goes beyond any specific workplace, city, or region. While our case-based study does not allow us to tease out these effects, it is a promising topic for future research.

Finally, a recent development exhibits the fragility of improvements reported in the paper in the face of rapidly changing market environments. After acquiring Nokia’s mobile phone business in September 2013, Microsoft announced the largest layoffs in the company’s history in July 2014: about 14 per cent of its employees and mostly from the Nokia unit it acquired (Wingfield, 2014). In India, Nokia (now Microsoft Mobile) started to lay off its workers beginning in April, creating a ripple effect of downsizing across its suppliers, including Foxconn, which was already hit by Nokia’s recent struggle in the market. Nokia’s employment in South India has drastically declined from over 10,000 at its peak in 2011 to less than 1,000, with a looming possibility of moving production to Vietnam. Foxconn plans to cut its employment by half, citing declining production volumes in the Nokia’s factory (GoodElectronics, 2014). This dramatically illustrates that even hard-fought improvements in social upgrading can be wiped away quickly by market shifts in GVCs, suggesting that the changing geographies of global production involve constant shifts between booms and busts, and inclusion and exclusion, in different places (Bair and Werner, 2011). It also highlights that the value chains play a key role in rapidly transmitting the effects of such changes across firms.

Data sources


References


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