

# **The Advent of Capital Expansion in China: A Case Study of Foxconn Production and the Impacts on its Workers**

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## **ABSTRACT**

A startling 17 young workers attempted or committed suicide at the Foxconn production facilities in China between January and August 2010 attracted worldwide attention. This article looks at the historical development of Foxconn Technology Group as a case to reveal the advent of rapid capital expansion in China and its impacts on Chinese workers' lives. It also provides an account on the social and political origins of the advent of monopoly capital in China through a detailed study of Foxconn production expansion. As a legend of capital expansion in manufacturing industry, Foxconn is important and typical of its speed and its scale in the process of capital accumulation on all regions of China. We attempt to look at this miracle of capital by understanding the enigma of global capital, the nature of the transformative state, and the Chinese growth model that results in rapid capital expansion but precarious working conditions of workers. At stake, we argue that under the global competition context a strong political regime with a divided nature and the making of an unfinished working class contributed to the advent of monopoly capital and the tragedy of working lives.

**Keywords:** capital, global electronics industry, state, workers, Foxconn Technology Group

## INTRODUCTION

The Foxconn tragedy has been dubbed the “suicide express” by Chinese and international media. In the first eight months of 2010, a startling 17 young workers attempted or committed suicide at the Foxconn production facilities in China, bringing a worldwide attention to all Foxconn’s customers. 13 died, while four survived their injuries.<sup>1</sup> All were between 17 and 25 years old—in the prime of youth—and their loss called upon the concerned academics to closely study the changing pattern of global capital accumulation and its impacts on workers. Foxconn is a microcosm of the conditions that dominate the lives of Chinese migrant workers. When *Time* magazine nominated workers in China as the runners-up to 2009 Person of the Year,<sup>2</sup> the editor commented that Chinese workers have brightened the future of humanity by “leading the world to economic recovery.” The new generation of Chinese migrant workers, however, seems to perceive themselves as losing their futures. More than 900,000 young workers, who have been placed in the “best” Foxconn factory-cum-dormitory environment, seemed only to show more anxieties, and see fewer alternatives, than their peers.

This paper is part of this attempt that 20 universities from Mainland China, Hong Kong, and Taiwan formed an independent Foxconn Research Group to understand the working conditions of Foxconn between June and October 2010, the first phase of the ongoing research efforts.<sup>3</sup> We collected 1,736 completed questionnaires and conducted 300 in-depth interviews in 12 Foxconn factory areas; in addition, a team of 14 researchers carried out participation observation to work as frontline workers for approximately a month in selected Foxconn facilities in South, Central, East and North China. We strive to provide an account of the social and political origins of global capital accumulation and the loss of workers’ lives by exploring the management mode and working conditions of Foxconn’s labor regime.

Existing literature has long argued China’s rise is a state-driven globalization process in which the post-socialist state or the political regime has adopted a pro-foreign investment open-door policy that facilitated an export-led growth model

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<sup>1</sup> See SACOM (Students and Scholars Against Corporate Misbehavior), “Workers as machines: military management in Foxconn” (Hong Kong, 2010).

<sup>2</sup> *Time*, 16 December 2009, “Runners up: the Chinese worker.”

<sup>3</sup> Unless otherwise stated, the data throughout this article is drawn from the field and archival research carried out by the authors and members of the Foxconn Research Group. The authors are grateful to the members of the Foxconn Research Group.

entirely relied on joint-venture and later wholly-owned foreign capital.<sup>4</sup> This foreign direct investment (FDI)-dependent Chinese growth model, while distinguished itself from East European transition market or East Asian developmental state model, has generated astonishing economic growth but also social inequality in general and the plights of workers' lives in specific.<sup>5</sup> This broad understanding, however, required a deeper analysis on the specific development of FDI in a particular industry or corporation and its evolution into an industrial oligarch.<sup>6</sup> The new phenomenon of monopoly capital refines an argument that most of the foreign-invested companies are a preponderance of small- and medium-sized enterprises,<sup>7</sup> and hence creates and constrains an institutionalized capital-labor relationship. It also challenges the belief that furthering and deepening of economic reform or the influx of foreign capital over years would strengthen the basis for institutionalization of legal protections for workers.<sup>8</sup>

To understand the social and political origins of the emergence of the industrial oligarch in China, we provide a review of the nature of the transformative state, and the creator of its economic model that has facilitated the expansion of capital that

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<sup>4</sup> Scott Wilson, *Remade in China: Foreign Investors and Institutional Change in China* (Oxford: Oxford University Press, 2009); Loren Brandt and Thomas G. Rawski (eds), *China's Great Economic Transformation* (Cambridge: Cambridge University Press, 2008); Doug Guthrie, *Dragon in a Three-Piece Suit: The Emergence of Capitalism in China* (New Jersey: Princeton University Press, 1999); Doug Guthrie, *China and Globalization: The Social, Economic, and Political Transformation of Chinese Society* (New York: Routledge, revised edition, [2006] 2009); Mary E. Gallagher, *Contagious Capitalism: Globalization and the Politics of Labour in China* (New Jersey: Princeton University Press, 2005).

<sup>5</sup> Ya-Sheng Huang (2003) states that China's large absorption of FDI is not necessary a sign of the strengths of its economy, rather it may be a sign of some substantial distortions. Huang emphasized on the negative impact on the development of domestic industries by a FDI-dependency economy. Ya-Sheng Huang, *Selling China: Foreign Direct Investment During the Reform Era* (Cambridge: Cambridge University Press, 2003); Ho-Fung Hung (ed.), *China and the Transformation of Global Capitalism* (Baltimore: The Johns Hopkins University Press, 2009); Alvin Y. So, "Rethinking the Chinese developmental miracle," in Ho-Fung Hung (ed.), *China and the Transformation of Global Capitalism* (Baltimore: The Johns Hopkins University Press, 2009), pp. 50-64; Dorothy J. Solinger, *States' Gains, Labour's Losses: China, France, and Mexico Choose Global Liaisons, 1980-2000* (Ithaca: Cornell University Press, 2009); Dorothy J. Solinger, *Narratives of the Chinese Economic Reforms: Individual Pathways from Plan to Market* (New York: The Edwin Mellen Press, 2005); Mark Selden and Jieh-Min Wu, "The Chinese state, suppressed consumption and structures of inequality in two epochs," Manuscript.

<sup>6</sup> Eric Thun, *Changing Lanes in China: Foreign Direct Investment, Local Governments, and Auto Sector Development* (Cambridge: Cambridge University Press, 2006); Tse-Kang Leng, "State and business in the era of globalization: the case of cross-strait linkages in the computer industry," *The China Journal*, Iss. 53 (2005), pp. 63-79.

<sup>7</sup> Huang, *Selling China*.

<sup>8</sup> Ching-Kwan Lee, *Against the Law: Labor Protests in China's Rustbelt and Sunbelt* (Berkeley: University of California Press, 2007); Michael A. Santoro, *Profits and Principles: Global Capitalism and Human Rights in China* (Ithaca: Cornell University Press, 2000); Donald C. Clarke, "Introduction: The Chinese legal system since 1995: steady development and striking continuities" *The China Quarterly*, Vol. 191 (September 2007), pp. 555-566; Gallagher, *Contagious Capitalism*; Doug Guthrie, *Dragon in a Three-Piece Suit*.

results in sacrifices of the labor rights in China.<sup>9</sup> As a legend of capital expansion, Foxconn is important and typical of its speed and its scale in the process of capital accumulation on all regions of China. On the top of looking at the race of global capital competition and technology upgrading, this paper attempts to look at how a strong but contested political regime and its making of an unfinished working class contributed to the advent of monopoly capital and the tragedy of working lives.

## **FOXCONN: “THE ELECTRONICS WORKSHOP OF THE WORLD”**

Hon Hai Precision Industry Company, more commonly known by its trade name Foxconn, was founded in Taipei in 1974. Foxconn is the world’s largest contract electronics manufacturer, providing electronic products to leading brands such as Apple, HP, Dell, Nokia, Motorola, Sony, and Samsung. The company is poised to take in over 50 per cent of the global electronics manufacturing and service industry revenue by 2011.<sup>10</sup> Under the leadership of founder and CEO Terry Gou, Foxconn declares itself “the most trusted and preferred partner in all aspects of global electronics outsourcing to help customers de-risk their business.”<sup>11</sup>

There are three stages of Foxconn development and evolution into an industrial oligarch. The first stage is to step onto the mainland China when the country adopted the open-door policy and the coastal development strategy. Driven by the Chinese state’s favorable investment policy, in 1988 Hon Hai set up its first production facility named Foxconn in the Special Economic Zone of Shenzhen, the first economic export processing zone built by the central government in 1980. In the early stage of production, the middle- and high-ranked management was solely controlled by Taiwanese employees, who had little trust with mainland Chinese elites or workers. The military corporate culture and management methodology was notorious.<sup>12</sup> Benefiting by the inexpensive and massive supply of labor in China, Foxconn, in its second stage of rapid expansion during the 1990s, witnessed a growing division of labor, diversification of production lines, and an introduction of Chinese elites to work at the low level of management. There was a higher level of infusion between Taiwanese and Chinese management, despite little trust on Chinese managers and

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<sup>9</sup> Anita Chan, *China’s Workers under Assault: The Exploitation of Labor in a Globalizing Economy* (New York: M. E. Sharpe, 2001).

<sup>10</sup> *EE Times Asia*, 2 August 2010, “Foxconn to Rule EMS (Electronics Manufacturing and Service) Market in 2011, Thanks to Apple.”

<sup>11</sup> Hon Hai Precision Industry Co., Ltd., 26 April 2010, “Non-Consolidated Results for the Twelve Month Periods Ended 31 December 2009.”

<sup>12</sup> Anita Chan and Hon-Zen Wang, “The impact of the state on workers’ conditions: comparing Taiwanese factories in China and Vietnam.” *Pacific Affairs*, Vol. 77, No. 4 (2005), pp. 629-646.

workers persisted. Of production bases growing into giant size and gaining its reputation in the industry, Foxconn remained concentration in two regions: the Pearl River Delta and the Yangtze River Delta where local governments provided it with huge piece of land, good transportation systems, and other key infrastructures.

The third stage is the advent of monopoly of capital by merging as well as by relocating their production facilities in all regions of China by particularly tapping into China's go-west development strategy in the 2000s. The suicide wave in 2010 created a strategic moment when it further expanded and relocated into big cities in the North, Central, and West. Foxconn projected a huge workforce of 1,300,000 people in China alone by the end of 2011.<sup>13</sup> By merging and acquiring small or medium electronic plants, and by rationalizing its internal production chains (from raw material extractions, parts and components procurement, to final assembly of products), Foxconn was able to compete down its rivals to secure production orders from brands and retailers. Foxconn is a telling example of the global just-in-time production and seasonal change of electronics fashion which results in a specific management model or factory regime that affects the lives of workers.

### **Foxconn's company name and sale revenues**

The name Foxconn literally means that the corporation can produce electronics connectors comparable to fox's speed. It is also derived from the parent company Hon Hai's massive production of connectors in the 1980s when the personal computer market took shape. The initial corporate strategy of Foxconn was to invest in lower-cost manufacturing in mainland China, while retaining research and development (R&D) in its Taiwan headquarters. As business grew explosively, Foxconn had established more than 100 subsidiaries and several hundreds of branch offices based in China, Taiwan, Japan, Russia, Southeast Asia, Europe, and the Americas,<sup>14</sup> driving cutting-edge mechanical, optical, and electrical integration at the international level. Foxconn boasts that it provides its customers with "the best speed, quality, engineering services, efficiency, and added value," what it calls the five core competences.<sup>15</sup>

In 2001, Hon Hai became Taiwan's largest private-sector company in terms of

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<sup>13</sup> *The Independent*, 19 August 2010, "Foxconn Gets the Pompoms out to Raise Morale at 'Suicide Factory.'"

<sup>14</sup> Foxconn Technology Group, "Fushikang Keji Jituan Qunqiu Bujutu (Global Distribution)," (2010), Online Map at <http://www.foxconn.com.cn/quanqiushiliangbujutu/000.html>.

<sup>15</sup> Foxconn Technology Group, "Corporate Social and Environmental Responsibility (CSER) Annual Report 2008" (Taiwan, 2009), p. 8.

sales, generating revenue of US\$4.4 billion.<sup>16</sup> *BusinessWeek*, as early as in 2002, acclaimed Terry Gou as “the king of outsourcing”<sup>17</sup>—when Foxconn was still behind longstanding industry leaders Solectron<sup>18</sup> and Flextronics.<sup>19</sup> Since 2003, the Taiwan-invested company has been China’s biggest exporter, and Foxconn’s revenue reached an unprecedented high of US\$61.8 billion in 2008.<sup>20</sup> Despite the sharp contraction of American and European demand for consumer electronics during the recent economic downturn, Foxconn generated US\$59.3 billion in revenue in 2009, only a slight drop in sales of 4.1 per cent from the previous year.<sup>21</sup> As investors and consumers worldwide have regained some confidence in the global economy, Foxconn gained new orders and workers were required to meet production deadlines, generating unprecedented level of profits. In September 2010, Foxconn recorded revenue of NT\$253.48 billion (US\$8.3 billion), 68.2 per cent increase on year; and accumulated revenues for the first nine months peaked NT\$1.95 trillion (US\$60.8 billion), up nearly 63 per cent on year.<sup>22</sup>

Foxconn’s stunning economic success testifies China’s rise-up in the world and China’s export-oriented growth model that it could deliver economic growth even in the time of global financial crisis. It also demonstrates the necessity of the expanded capital accumulation of global capitalism on a pace faster than our imagination. Asian-invested enterprises and domestic manufacturers on mainland China have risen quickly to become contractors and sub-contractors to Western multinationals, based on the intensive use of low-paid internal migrant workers. As a result of global competition and restructuring, Foxconn stood out and competed down other potential competitors. In these over twenty years since its initial investment in 1988, Foxconn has grown to become the largest exporter in China.

### **Foxconn products and customers**

Under the pressure of global competition on just-in-time production and technology upgrading in electronic industry, the enigma of Foxconn is to control expenses and reduce product time-to-market aggressively. Foxconn churns out a wide array of low-end to technologically sophisticated products for top brands. It also

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<sup>16</sup> Foxconn Technology Group, “CSER Annual Report 2008,” pp. 10-11.

<sup>17</sup> *BusinessWeek*, 8 July 2002, “Chairman Terry T.M. Gou, Hon Hai Precision Industry.”

<sup>18</sup> Julie M. LaNasa, “Solectron: Building Customer Teams to Deliver on your Company’s Value Proposition,” (Collaborative Consulting, 2002).

<sup>19</sup> Flextronics acquired Solectron in June 2007. Flextronics, 4 June 2007, “Flextronics to Acquire Solectron.”

<sup>20</sup> Foxconn Technology Group, “CSER Annual Report 2008,” p. 11.

<sup>21</sup> *Fortune*, 2010, “Global 500 Companies: Hon Hai Precision Industry—Rank 112.”

<sup>22</sup> *Digitimes*, 8 October 2010, “Foxconn Reports Record High Revenues in September.”

provides design engineering and mechanical tooling services. The technology group has expanded its “3C” product range—computers (desktop, laptop, and tablet computers), communications equipment (mobile phones and smartphones), and consumer products (digital music players, digital cameras, game consoles, and LCD TVs)—to include four more “C’s”: cars (automotive electronics), channels (for electronics and computer products, such as motherboards), content (e-book readers, a software and hardware platform for the displaying of e-books), and health-care.<sup>23</sup> Diversity in products enhances Foxconn’s market competitiveness. The company is progressing into high-end fields of nanotechnology, heat transfer, wireless connectivity, material sciences, and “green” manufacturing processes, obtaining over 30,000 patents worldwide.<sup>24</sup>

Foxconn is able to shorten its supply chain by manufacturing some of parts in-house. Spokesman Arthur Huang explained the company’s cost-saving strategy:<sup>25</sup>

We either outsource the components manufacturing to other suppliers, or we can research and manufacture our own components. We even have contracts with mines which are located near our factories.

Business integration is central to Foxconn’s expansion and development. In vertical integration, Foxconn synthesizes two specialties to offer customers cost-effective advantages:<sup>26</sup>

There are two categories of manufacturers in the information and communication technology (ICT) supply chain. The first focuses on the design and assembly of electronic components such as circuit boards, data storage or displays....The second category focuses on making the structural elements for electronic products (the enclosures or cases for electronic products)...Foxconn has integrated these two formerly separated specialties to create a new, more efficient business model.

Foxconn undercuts its competitors on the price, speed of delivery, and quality of its finished products. Nowadays, Foxconn possesses a large team of engineers and marketing managers and the company has built a client base worldwide.

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<sup>23</sup> Foxconn Technology Group, “CSER Annual Report 2009,” (2010), pp. 7-8.

<sup>24</sup> Foxconn Technology Group, “CSER Annual Report 2009,” p. 15.

<sup>25</sup> *New York Times*, 6 July 2010, “iPhone Supply Chain Highlights Rising Costs in China.”

<sup>26</sup> Foxconn Technology Group, “CSER Annual Report 2008,” p. 10.

Foxconn ranked 112<sup>th</sup> by annual revenue in the Fortune Global 500 in 2010—larger than some of the companies for which it manufactures products such as Microsoft and Intel. In July 2010, Foxconn surpassed Quanta Computer to become Dell’s third largest supplier of laptops, and will fulfill four to five million laptop orders for Dell in 2011.<sup>27</sup> By December 2010, Foxconn’s laptop shipments to HP could reach 12 million units, and total shipments to HP will increase to 20 million units in 2011.<sup>28</sup> Foxconn secures made-to-order businesses from top technology firms, and increasingly auto brands and medical equipments and healthcare firms, diversifying product markets around the globe.

To cope with the market needs, as of mid-2010, it was estimated that Foxconn had built a huge 1,000,000-strong workforce worldwide, including more than 900,000 in China alone; 85 per cent of the Chinese labourers in Foxconn are young people from rural areas who were born after 1980<sup>29</sup>—the children of the reform era has grown up, forming a new generation of migrant workers.<sup>30</sup> China provides the most fertile ground for capital to grow and the newly formed working class to suffer simultaneously.

## SEGMENTED POLITICAL REGIME AND CAPITAL EXPANSION

Our research questions are: What are the social and political origins of the advent of the monopoly capital in China? Why could this miracle of Foxconn expansion be possible in China? A detailed study of Foxconn can provide a clue to these questions. Foxconn is extremely competitive at taking advantage of China’s economic policies in promoting foreign investment and manipulating regional competitions among local states. The facilities of Foxconn are located in four strategic geographic regions across the country:<sup>31</sup>

1. *The Pearl River Delta* 珠三角: Shenzhen 深圳, Dongguan 东莞, Foshan 佛山, and Zhongshan 中山;
2. *The Yangtze River Delta* 长三角: Shanghai 上海, Kunshan 昆山, Hangzhou 杭州, Ningbo 宁波, Nanjing 南京, Huaian 淮安, Jiashan 嘉善, and Changshu 常熟;

<sup>27</sup> *Digitimes*, 22 July 2010, “Wistron, Compal Still Top-2 Notebook Suppliers for Dell in 2011; Foxconn Advances to Third.”

<sup>28</sup> *Reuters*, 22 July 2010, “Hon Hai’s 2011 Laptop Shipments Seen up over 70 per cent.”

<sup>29</sup> *Zhongguo Qingnian Bao* (China Youth Daily), 20 May 2010, “*Fushikang Xinwen Fayanren Huiying ‘Jiu Lian Tiao’*” (Foxconn Spokesperson Responds to ‘Nine Successive Jumps’).

<sup>30</sup> All China Federation of Trade Unions, “*Guanyu Xinshengdai Nongmingong Wenti de Yanjiu Baogao* (Research Report on Problems of the New Generation of Chinese Migrant Workers),” (2010).

<sup>31</sup> Foxconn Technology Group, “Global Distribution.”

3. *The Bohai Gulf area of North China* 环渤海: Beijing 北京, Langfang 廊坊, Qinhuangdao 秦皇岛, Tianjin 天津, Taiyuan 太原, Yantai 烟台, Yingkou 营口, and Shenyang 沈阳;
4. *The cities in Central, West, and South-West China*: Chongqing 重庆, Chengdu 成都, Zhengzhou 郑州, Wuhan 武汉, Jincheng 晋城, Nanning 南宁, Beining 北宁, Beijiang 北江.

Foxconn's access to resources and talent in major Chinese cities is fundamental to its growth.

We argue that this process of capital expansion is mostly state-driven and led by a segmented political regime.<sup>32</sup> By segmented political regime, we mean that a state possesses a divided nature when it creates a growth model by heavily intervening into the economic development process while it retreats from the social and civic sphere by providing social and labor protections. In the eyes of western analysts, the Chinese state looks very strong by reshaping its role in the new global economy and resuming its economic miracle after the financial crisis of 2008. A paradoxical phenomenon is that when we see this state-in process in putting China onto the track of economic globalization, it is accompanied by a state-out process when the state is radically retreated from the areas of social reproduction and social protection.<sup>33</sup> Hence, in the eyes of Chinese peasant-workers, they found their government, especially local government is kept in a state of inertia when their basic human and labor rights were violated and when they are in need of help from the state.<sup>34</sup>

China has emptied out its socialism nature and transformed itself into a neo-liberal state, even though there is an argument that post-socialist China is not evolved from a legacy of liberalism.<sup>35</sup> Subject to the logic of corporate economic development that withholds the policies of privatization and commercialization, the nature of Chinese state has been greatly changed in spite of the constraint provided by the legacy of a

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<sup>32</sup> David Zweig, *Internationalizing China: Domestic Interests and Global Linkages* (New York: Cornell University Press, 2002); Doug Guthrie, *Dragon in a Three-Piece Suit*; Doug Guthrie, *China and Globalization*; Mary E. Gallagher, *Contagious Capitalism*; Scott Wilson, *Remade in China*.

<sup>33</sup> Pun Ngai, Chris King-Chi Chan, and Jenny Chan, "The role of the state, labour policy and migrant workers' struggles in globalized China," *Global Labour Journal*, Vol. 1, No.1 (2010), pp. 132-151.

<sup>34</sup> Hai-Rong Yan, *New Masters, New Servants: Migration, Development, and Women Workers in China* (Durham: Duke University Press, 2008); Dorothy J. Solinger, *Contesting Citizenship in Urban China: Peasant Migrants, the State, and the Logic of the Market* (Berkeley: University of California Press, 1999); Anita Chan, *China's Workers under Assault*; Ching-Kwan Lee, *Against the Law*; Chris King-Chi Chan, *The Challenge of Labour in China: Strikes and the Changing Labour Regime in Global Factories* (London: Routledge, 2010); Jenny Chan, "Meaningful progress or illusory reform? Analyzing China's labor contract law," *New Labor Forum*, Vol. 18, No.2 (2009), pp. 43-51.

<sup>35</sup> Andrew Kipnis, "Neoliberalism reified: suzhi discourse and tropes of neoliberalism in the People's Republic of China," *Journal of the Royal Anthropological Institute*, Vol. 13, Iss.2 (2007), pp. 383-399.

socialist state.<sup>36</sup>

The change in the nature of the Chinese state—at different levels—has been colluded with the interests of transnational capital in its plight of off-shore production relocation. The Chinese national state took a lead in introducing pro-market initiatives, especially foreign investment into the inland of China. The coastal export-led growth model was extensively promoted and replicated in cities and towns of nearly all provinces. Local states race to promote economic growth by actively creating a business-friendly environment. The reregulation of local governments *differentiates* themselves from the others in competing for investment, in the words of Steven McKay (emphasis original):<sup>37</sup>

Policies ushering in market liberalization are necessary [but] they are not enough. Instead, *selective deregulation* is increasingly being augmented with more sophisticated industrial and investment policies that amount to a *reregulation* of the economy and the labor market that can provide a secure, “probusiness” environment in which firms have more control over the processes and factors of production.

Following the state-promoted go-west strategic development plan, Foxconn swiftly tapped into the privileged trade and economic policies, as well as the pool of unskilled and skilled laborers subsidized through government vocational training programs.

In a short time span of two to three years, Foxconn newly set up mega-plants in hundreds of thousands in Chongqing municipality, Zhengzhou the provincial capital of Henan, and Chengdu the provincial capital of Sichuan, thanking to local Chinese states’ offer of generous economic packages. For a notable example, in 2009, Foxconn and other electronics makers gained from the government’s fiscal stimulus package to set up new facilities in Chongqing municipality.<sup>38</sup>

Chongqing launched its Warm Winter stimulus plan [followed the global financial crisis of 2008], spending vast sums, including credit programs to allow many of the 3.5 million unemployed workers to start their own businesses, providing loans and credit guarantees to small business, launching start-up industrial parks, providing direct subsidies to 1,500

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<sup>36</sup> Dorothy J. Solinger, *States’ Gains, Labour’s Losses*; You-Tien Hsing, *Making Capitalism in China: The Taiwan Connection* (New York: Oxford University Press, 1998); Ya-Sheng Huang, *Selling China*.

<sup>37</sup> Steven C. McKay, *Satanic Mills or Silicon Islands? The Politics of High-Tech Production in the Philippines* (Ithaca: Cornell University Press, 2006), p. 43.

<sup>38</sup> *The Nation*, 18 November 2009, “Chongqing: Socialism in One City.”

businesses.

Chongqing officials<sup>39</sup> have also granted Foxconn a discounted corporate income tax rate of 15 per cent, ten per cent lower than the usual rate. Moreover, the local government will lengthen the airport runway by 400 meters to meet increasing transportation and logistical needs.

Hence, Foxconn is actively moving manufacturing to inland cities to save on production costs and to tap more business opportunities. While the Chinese government froze minimum wage requirements throughout 2009 due to the economic crisis, since early 2010, a number of cities raised minimum wages up to 30 per cent. Due to severe regional competition for foreign investment, local states in the central and western cities promulgated far lower minimum wage standards than that of the coastal cities (see Table1).

**Table 1: Legal minimum wage by selected Chinese cities, 2010**

	Wage (RMB/month)
Chongqing 重庆	680
Zhengzhou, Henan Province 河南郑州	600 or 700 or 800 [location-specific]
Chengdu, Sichuan Province 四川成都	780 or 850 [location-specific]
Taiyuan, Shanxi Province 山西太原	850
Beijing 北京	900
Langfang, Hebei Province 河北廊坊	900
Wuhan, Hubei Province 湖北武汉	900
Tianjin 天津	920
Yantai, Shandong Province 山东烟台	920
Kunshan, Jiangsu Province 江苏昆山	960
Hangzhou, Zhejiang Province 浙江杭州	1,100
Shenzhen 深圳	1,100
Shanghai 上海	1,120

Source: China's Ministry of Human Resources and Social Security, 2010.

Chinese manufacturing wages as a percentage of US wages, compared to those of Japan and East Asian Tigers like South Korea and Taiwan in the early years of their economic takeoffs, have remained consistently low. *The Economist* stated that as of July 2010, the Chinese migrant workforce “is still cheap...just 2.7 per cent of the cost of their American counterparts.”<sup>40</sup> Based on government statistics, the labor income share of China's gross domestic product (GDP) declined from 56.5 per cent in 1983 to 36.7 per cent in 2005; by contrast, many OECD countries maintained the ratio of

<sup>39</sup> *China Daily*, 5 August 2009, “HP, Foxconn to Build Laptop Manufacturing Hub in Chongqing;” *China Daily*, 6 August 2009, “HP, Foxconn to Set Up Laptop Unit.”

<sup>40</sup> *The Economist*. 29 July 2010. The Next China.

labor returns to GDP at 60 per cent or more for the comparable period of 1978 to 2008.<sup>41</sup> The export sector has turned most of its profits into enterprise savings, dividends, and re-investment, rather than sharing it with workers. According to John Knight, Deng Quheng, and Li Shi, migrant workers' *real wages* recorded a positive growth only since 2005, through 2009 at the time of economic downturn.<sup>42</sup>

Just like Foxconn's race to fight for global production market, many inland cities have competed fiercely for the chance to host a Foxconn base, dragging down relocation costs. *Zhongguo Xinwen Zhoukan* (China Newsweek 中国新闻周刊) ran a cover story titled "fight to grab Foxconn" (*zheng qiang Fushikang* 争抢富士康) in its July 2010 issue at the height of a new round of coordinated efforts by local governments to woo Foxconn.<sup>43</sup> The technology giant will continue to increase investment in western China, especially in Chengdu. A vice director of Chengdu Hi-tech Zone<sup>44</sup> recalled:

There was a great deal of negotiation involved over the last five years before we got his [Foxconn CEO Terry Gou] investment. It was not easy for Chengdu to stand out in those cities vying for investment.

In June 2009, Sichuan provincial and Chengdu city officials led a delegation to Foxconn headquarters in Taiwan to sign a memorandum of cooperation. In 2010, Foxconn registered to build Futaihua Precision Electronics (Chengdu) and Hongfujin Precision Electronics (Chengdu), focusing on tablet computer and digital set-top box assembly.<sup>45</sup> Local government officials promised to facilitate more industries to relocate from other parts of the country to go west to boost economic growth.

On 2 August 2010, Foxconn began production in Zhengzhou in central China. A local government official said publicly, "We've provided many conveniences for Foxconn's locating here, such as opening a fast track for the import of its facilities and construction materials."<sup>46</sup> Foxconn rented a renovated factory and dormitory from the

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<sup>41</sup> All China Federation of Trade Unions, 12 May 2010, "*Laodong Baochou Zhan GDP Bili Lianjiang 22 Nian* (The Ratio of Labour's Share of GDP Decreased in 22 Successive Years)," *Renmin Wang* (People Net), 4 August 2010, "*Woguo Laodong Baochou Zai GDP Zhong Zhanbi Shinian Yizhi Xiajiang* (Labour's Share of Chinese GDP Fell over the 10 Successive Years)."

<sup>42</sup> John Knight, Deng Quheng, and Li Shi, "The Puzzle of Migrant Labour Shortage and Rural Labour Surplus in China," Discussion Paper Series, No. 494 (July 2010), Department of Economics, Oxford University, p. 32.

<sup>43</sup> *Zhongguo Xinwen Zhoukan* (China Newsweek), "Fight to grab Foxconn," No. 27 (July 2010).

<sup>44</sup> *China.org.cn*, 28 October 2009, "Cities Vie for Terry Gou's Money."

<sup>45</sup> China International Investment Promotion Platform, 28 July 2010, "Foxconn to Invest US\$64 Million in Zhengzhou and Chengdu."

<sup>46</sup> *Xinhua*, 2 August 2010, "New Foxconn factory in central China begins production with hope of peace, prosperity."

local government for its 100,000 employees. Officials have allocated land for Foxconn to build a permanent plant with an eventual capacity of 300,000 staff, where the first phase of construction will cover 133 hectares.<sup>47</sup>

Provincial- and city-level states actively coordinate migrant workers and mobilize students to high-tech, profitable companies. The creation of assets and talents by the governments greatly reduce enterprises' employment and skills training costs. Henan officials from educational institutions and related departments, for example, played an influential role in the cooperation between the vocational schools and Foxconn: about 100,000 students were deployed to work at Foxconn's Shenzhen production facilities in the summer of 2010.<sup>48</sup> In Chongqing municipality, 119 vocational schools promised to send students to work in Foxconn.<sup>49</sup> This quality labor supply, channeled from government educational bodies, is important for capital located in the South and East China coastal regions where shortage for workers has spurred higher wages; and those based in interior cities where business investments are increasingly yielding high returns.

Nowadays not a single electronics company can be comparable to Foxconn. By merger and exploration of favorable local labor markets, Foxconn builds up giant plants to secure huge-volume orders from increasing numbers of brands and ruling out potential competitors. It is obvious that Foxconn aims to consolidate its production clusters across China to build a cost-competitive network. Local government incentives and regional competition offered to Foxconn over these more than 20 years have contributed greatly to its economic success. Beginning in the fall of 2010, the company plans to open retail stores by their own previous production workers in second or third tier cities and towns to sell electronics gadgets for domestic consumption.<sup>50</sup> Having a monopoly in the production chain by rapid expansion in the electronics industry, this move into the retail sector is a strategic plan to link up its production to retailing by further speeding up its capital accumulation process.

## **STATE-OUT AND YOUNG WORKERS INSIDE THE “FOXCONN EMPIRE”**

This fast capital expansion was not only facilitated by a state-in process in economic growth, but also highly benefited by a state-out process in the area of social reproduction and the sphere of human and social protections for laborers. The state

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<sup>47</sup> *Xinhua*. 30 June 2010. *Xinhua* insight: Foxconn's inland moving a win-win solution.

<sup>48</sup> *China Daily*, 26 June 2010, “Students ‘Forced’ to Work at Foxconn.”

<sup>49</sup> *People's Daily*, 29 June 2010, “Foxconn Mulls Move Northward.”

<sup>50</sup> *China Daily*, 27 July 2010, “Foxconn to Open IT Chainstores in Central China.”

policy of contracting agricultural lands to individual rural households is the most significant structural factor for China to enable a “land enclosure” movement: rural laborers, who still kept their small pieces of land, were increasingly deprived of their means of production, become increasingly proletarianized and are forced to leave their land to seek ways of survival.<sup>51</sup> Employing peasant-workers, factory employers in China do not need to pay their workers a living wage or the full cost of social reproduction of labor, which are supposed to be subsidized by the workers’ rural communities. Local host governments likewise have shunned themselves from improving the livelihood of internal migrant workers and their families under their jurisdiction. This state-out process largely shapes a specific pattern of proletarianization of Chinese labor and a specific capital-labor relationship which adversely affects labor rights protections in China.

The process of (semi-)proletarianization in post-Mao China—turning rural bodies into industrial waged labor—is specific in the way the state has promoted massive rural-to-urban labor migration over the past three decades. Owing to the deep rural and urban divide highly shaped by the current development strategies, rural authorities have submitted to the central government’s direction by firstly sending their rural laborers to support the development of coastal China, and then to their local economic and technology zone set up in their own towns and cities. The migration policy also assures a continuous replenishment of internal migrant laborers to the production powerbases in the industrial zones. Strong state initiatives support the labor needs of emerging industries and facilitate labor supply flow to the manufacturing sites.<sup>52</sup>

The official categorization of peasant-workers—wage laborers of rural household registration—still maintains that their social status and class identities ambiguous. The post-socialist Chinese state has permitted them to go out to work but not to grant them the right to urban permanent residence. Such maintenance of the distinction between permanent and temporary residents by the household registration system enables the state’s shirking of its obligation to provide housing, job security, and welfare to rural migrant workers.<sup>53</sup> As a result, the young migrant workers stay

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<sup>51</sup> Pun Ngai and Hui-lin Lu, “Unfinished proletarianization: self, anger, and class action among the second generation of peasant-workers in present-day China,” *Modern China*, Vol. 36, No. 5 (2010), pp. 493-519.

<sup>52</sup> Cindy C. Fan, “Migration, hukou, and the Chinese city,” in Shahid Yusuf and Tony Saich (eds), *China Urbanizes: Consequences, Strategies, and Policies* (Washington: The World Bank, 2008), pp. 65-90.

<sup>53</sup> Pun Ngai, *Made in China: Women Factory Workers in a Global Workplace*. (Durham: Duke University Press, 2005); Kam-Wing Chan, “The global financial crisis and migrant workers in China: ‘there is no future as a labourer; returning to the village has no meaning,’” *International Journal of Urban and Regional Research* (July 2010), pp. 1-19; Pun 2005).

mostly either in factory dormitories or in substandard migrant villages within the city. The dormitory factory regime hence stands as a remedial mechanism to support this semi-proletarianization process by temporarily keeping the laborers while circulating them from one workshop to another. Attached to the dormitory factory regime, this socio-political space keeps a highly uprooted workforce without the support of family network and communal life.<sup>54</sup>

Local states have systemically withdrawn from safeguarding the interests of rural migrant workers and underage students in corporate internships programs. A general pattern is that the 16 to 18 years-of-age student interns have become “state-approved” laborers in interning enterprises. Officials have not rigorously regulated the behavior of companies that use student interns during the work-study schemes, in effect, students-turned-laborers are super-low-cost, flexibly disposable workforce in the global production process. Student workers in China are under-protected by existing internship regulations and they are *outside of* the relationship of employment and therefore not regulated by the Chinese Labour Law. Alongside their fellow migrant workers, young students serve as compliant labour force on the production lines.

Foxconn’s biggest Shenzhen Longhua manufacturing campus is a typical dormitory factory regime composed of more than 370,000 workers. This 2.3-square-kilometer campus includes: Factories, dormitories, banks, hospitals, a post office, a fire brigade with two fire engines, an exclusive television network, an educational institute, bookstores, soccer fields, basketball courts, track and field, swimming pools, supermarkets, and a collection of cafeterias and restaurants. The main campus is equipped with the first-class production facilities and the “best” living environment since it is the flagship and model factory for customers, central- and local-level governments, and visitors from media organizations and other inspection units. In the same city of Shenzhen, another production campus called Guanlan composed of over 120,000 workers had none of the “additional” facilities as in Longhua, except multi-story factories and high-rise dormitories.

In other major Foxconn factory areas, the production scale and workforce size is also very large. We easily identified Foxconn workers in their uniforms in public areas when visiting the surveyed fieldsites. Within the wall of Foxconn, most of the employees are young migrants who work and live on the campuses. In the survey, the average age of Foxconn respondents is 21.1, the smallest 15. We discovered that many of Foxconn’s different factories utilized student interns on a large scale: In a

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<sup>54</sup> Pun Ngai and Chris Smith, “Putting transnational labour process in its place: the dormitory labour regime in post-socialist China,” *Work, Employment and Society*, Vol. 21, No.1 (2007), pp. 27-45.

workshop of 2,600 people at the Shenzhen Longhua CMMSG (Component Module Move Service Group), around 1,000 were summer interns; at the Kunshan factory, approximately 10,000 out of 60,000 people were student workers; and at the Langfang factory, it recruited at least 5,000 students to work on production lines during the summer of 2010. To supplement our structured questionnaires, we document workers' narratives and field observations to present the working and everyday lives of the young Foxconn employees. Our primary concern is the dominating mode of corporate governance and its impacts on workers' well-being.

### **Military culture**

A leader, says CEO Terry Gou, must have the decisive courage to be “a dictator for the common good (*ducai wei gong* 独裁为公).” Under his leadership, the Foxconn Longhua flagship plant has constructed its own “city” within Shenzhen City, where company managers and security officers retain supra-governmental control over its employees. An extreme example is that Foxconn workers who made emergency calls to the police through in-factory telephones were automatically transferred to Foxconn's own private security department! There seems no alternate avenue for workers to seek help and support. While Foxconn rapidly established an Employee Care Center and opened a worker care hotline as suicides climbed up in May 2010, in the interviews, we found that this care-for-worker center not only failed to meet workers' needs, but directly relayed information about workers' requests for help and complaints to management, actually infringing upon workers' privacy and putting tremendous pressure on workers. Specifically, the care center set up a 24-hour notification system to identify workers with abnormal mental issues, but this “caring” behavior is in effect a tool for Foxconn to monitor “problem” workers. If a worker is “reported,” this information quickly reaches the worker's direct supervisor. So under its “care” workers are put even more *within* the factory's round-the-clock control.

Foxconn management has hired several thousands security guards to keep internal order. Every factory building and dormitory has security checkpoints with guards standing by 24 hours. They strictly control the production process and impose an extremely rigorous entry access system. In order to enter the factory, workers must pass through layer after layer of electronic inspection system, and unauthorized persons are prohibited from entering factory areas. Assembly workers are allowed access only to their affiliated business groups, who know little about the working conditions in the neighboring department. Workers repeatedly expressed in interviews that the entry access system made them feel as if working at Foxconn is to totally lose

freedom.

Workers wear uniforms color-coded by their department. Getting ready to start to work on the production lines, management will ask the workers, “How are you?” Workers must respond by shouting, at the same rhythm, “Good! Very good! Very, very good!” This drilling and militarization of management of the working process is said to train workers into disciplined labourers. Absolute obedience is a rule in Foxconn; CEO Terry Gou proclaims, “Outside the laboratory, there is no high-technology, only execution of discipline.” Workers, new and old, are always reminded by senior management that they should obey all the instructions of the superiors without question. A trainer at Wireless Business Group (WLBG) who was a former armed police officer stated that challenging authority of the management in Foxconn implies “going against all security officers in the Longhua campus.” Worker interviewees commented that they were made to keep silence and surrender their dignity at work.

All Foxconn production workers, no matter whether they are going to the toilet or going to eat, must be checked. Workers swipe electronics staff cards at the gates. To thwart rivals intent on industrial espionage, the company has ruled that employees are not allowed to bring music players or mobile phones onto the shop floor. While we observed variations in carrying out the company rules by production units, the workshops for producing Apple products are mostly strictly controlled. Body searches are not uncommon. It is reported that men must take off belts with metal buckles and women their wired bras before they can pass the electronics security systems. Some workers feel that their lives are truly low-class and that they get no respect.

A tragic example was the death of Sun Danyong at Foxconn’s Longhua plant on 16 July 2009, following with a dozen of young worker suicides in Shenzhen to come. Sun, a 25-year-old Yunnan graduate from the Harbin Institute of Technology, was held responsible for losing one of 16 prototypes of Apple’s fourth-generation iPhone. He jumped from the 12<sup>th</sup> floor of his apartment building to his death. Foxconn issued a statement:<sup>55</sup>

Regardless of the reason of Sun’s suicide, it is to some extent a reflection of Foxconn’s internal management deficiencies, especially in how to help young workers cope with the psychological pressures of working life at the company.

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<sup>55</sup> *Renmin Wang* (People’s Net), 22 July 2009, “*Fushikang shenxian ‘zisha Men’* (Foxconn deeply troubled by ‘suicides.’”

The “psychological pressures” referred to included being suspected of stealing, interrogation, and solitary confinement by security officers, and having his home searched. He was allegedly humiliated. His final online chat with his friends revealed both his agony and relief, “Thinking that I won’t be bullied tomorrow, won’t have to be the scapegoat, I feel much better.”<sup>56</sup>

In the name of keeping strict confidentiality for its buyers like Apple, HP, and Nokia, Foxconn seems to endorse the behavior of its private security officers. Any leak of “business information” will result in big financial losses. In this way, technology multinationals have transmitted extreme pressure all the way down to the Chinese shop floor. Foxconn workers are being watched on or off the production line. In the gated workplace and living zone, the power of the security guards at Foxconn has grown to a private army of police. Workers are afraid of frontline managers as much as security guards.

The military methodology in Foxconn is a primary factor leading to both workers’ pressure and poor relations between workers and management. Workers made a mockery of Foxconn’s “humane management” as “human subordination.” A male worker interviewee at the Hangzhou factory was punished for forgetting to fix a screw in a mobile phone and he was asked to copy the quotations of Terry Gou 300 times, such as “A harsh environment is a good thing.” Our quantitative findings revealed harsh and inhumane treatment of workers by management and security; they have either personally experienced or witnessed the follow:

34.7 per cent of respondents: have been harassed, embarrassed, and disconcerted;

27.9 per cent of respondents: have been abused and insulted; and/or

16.4 per cent of respondents: have been corporally punished.

Workers elaborated in detail how they were scolded and punished when they talked on the line, failed to catch up the high speed of work, and made mistakes in work procedures. Several women workers from Foxconn’s Guanlan factory were working on the soldering line attaching speakers to MP3- and MP4-format digital audio players. They gave a concrete example about their negative working experience:

After work, all of us—more than 100 persons—are made to stay. It happens whenever workers get punished. A girl is forced to stand at attention to read

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<sup>56</sup> *Nanfang Dushi Bao* (Southern Metropolis Daily), 21 July 2009, “25 sui yuangong yizao gaoguan jujin oudahou tiaolou shenwang (25-year-old employee jumped to his death, allegedly detained and assaulted by senior staff).”

aloud a statement of self-criticisms. She must be loud enough to be heard. Our line leader would ask if the worker at the far end of the workshop could hear clearly the mistake she had made. Oftentimes girls feel losing face. It's very embarrassing. Her tears drop. Her voice becomes very small...And yet the line leader shouted out: "If one worker loses only one minute [failing to keep up with the work pace], then, how much more time will be wasted in 100 people?"

Line leaders, who are also under pressure, tend to treat workers in a harsh way to reach the productivity targets. Management cares little about workers' feelings and pressures and the only thing that matters is the output of the day. Public humiliation and confession in the public is a frequently used management method. Workers are placed at the bottom rank of the company hierarchy and they are not treated with respect.

Factory-floor managers and supervisors often give lectures to production workers at the beginning and the end of the work day. After working for a long shift, workers still have to stand for often 15 minutes to half an hour and listen to speeches. Indeed, the content of the meeting remains the same: the management evaluates the production target of the previous shift, reminds workers of the tasks they need to pay special attention to, and work rules and regulations. Workers know too well that branded electronics products are expensive and there is no margin for mistakes. The tragedy of 19-year-old Ma Xiangqian, dubbed "the first death" in the rash of suicides at Foxconn's Shenzhen facilities beginning from January 2010, was closely linked to Foxconn's heavy-handed practices in the workshop. Ma Hui, elder sister of Ma, said that Ma "was unhappy because of the manager, and he was planning to quit."<sup>57</sup> Ma Liqun, third sister of Ma and a 22-year-old assembly worker also at Foxconn, testified:<sup>58</sup>

The factory was always abusing my brother. He hated the job he had held only since November—an 11-hour overnight shift, 7 nights a week, forging plastic and metal into electronics parts amid fumes and dust. His pay stub shows that he worked 286 hours in the month before he died, including 112 hours of overtime [more than three times the 36-hour legal limit].

Ma Xiangqian felt miserable at work. He had told family that he was stressed and

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<sup>57</sup> *Guardian*, 28 May 2010, "Foxconn offers pay rises and suicide nets as fears grow over wave of deaths."

<sup>58</sup> *The New York Times*, 6 June 2010, "After suicides, scrutiny of China's grim factories."

demoralized after being demoted to scrubbing toilets.

In our interviews in Foxconn's Langfang factory area, several male workers at the mobile phone assembly workshop expressed openly:

We get yelled at all the time. It's very tough around here. 'Screwing people' and 'subordination' summarized the management methodology. We are trapped in a 'military barrack' of discipline—Foxconn manages us by the principle of 'obedience, obedience and absolute obedience!' Must we sacrifice our dignity as people for production efficiency?

The relationship between lower-level managers and assembly workers are characterized by Foxconn's apparent disregard for human dignity. The rigid labouring process has resulted in severe alienation of labour and exploitation of workers. The predicament to workers is:

For people treated as machines, life becomes meaningless.

Not surprisingly, when we asked workers what needs to be improved at Foxconn, most responded that frontline management should be more civil, listening, and be fair to all. However, Foxconn executive vice president Cheng Tianzong told media:<sup>59</sup>

Foxconn will not make big adjustments or change its management mode, due to the need for discipline and supervision on the manufacturing assembly line.

In the investigation, whenever we mentioned the "chain of suicide jumpers," the overwhelming majority of respondents from management to frontline workers gave an unusually detached and cool response. However, when asked about the factory management system and their personal experience of working life, nearly all workers totally lost their "cool" and spoke their mind: they felt dry-as-dust, exhausting, underpay, not-being-respected, without prospects, and meaningless. Foxconn, a "supply kingdom for the whole world," is cutting costs in every possible way, disregarding workers' welfare and benefits.

### **Wages and working hour**

Foxconn has more than 500,000 employees in Shenzhen City alone—a majority

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<sup>59</sup> *Beijing Review*, 31 May 2010, "Foxconn under pressure from employee deaths."

of the 937,000-strong Chinese workforce, where the Longhua and Guanlan manufacturing facilities are among the largest in the industry. Under the direct pressure of Apple and other buyers, and motivated by the company and its shareholders' profit maximizing goal, Foxconn, as of May 2010, paid production-line workers only 900 yuan per month for a 40 hour week, which was the legal minimum local wage rate. This subsistence level wage is *not* enough to meet workers' needs and compels workers to work up to 100 hours of overtime a month, close to three times the maximum 36 hours permitted by Chinese labour law (Article 41).

For example, Ma Liqun, former assembly worker in Shenzhen Guanlan factory and sister of Ma Xiangqian who died in January 2010 (dubbed "the first death"), informed us the long-standing problem of low wages, in view of high local cost of living: "After deducting mandatory social securities, we earn only some 800 yuan a month. No one seems to force us and yet we've no choice but to do overtime work. It is extremely difficult for us to live in an expensive city on a meager wage of several hundreds yuan." Another production worker in Shenzhen Longhua factory showed us his wage stub for May 2010:

My total monthly income is 2,149.5 yuan, in which the basic pay is 900 yuan.

All the remaining income is my overtime payment for 136 hours.

His example shows that 60 per cent of the total wage is from doing overtime work. In the survey, more than 80 per cent of the respondents had "four days of rest or less in a month" during the peak seasons (by contrast those who enjoyed regular double-day off per week were managers and clerical staff). Our findings, based on 12 Foxconn factory investigation, is highly consistent with that of the 5,044-person survey conducted by the Shenzhen Human Resources and Social Security Bureau: 72.5 per cent of the Shenzhen Foxconn workforce put up with excessively long working hours to earn extra income.<sup>60</sup> The most notable characteristics of Foxconn's production system are low wages and extremely high working pressure.

Having been named a "sweatshop," Foxconn rebuked by claiming that it has been in compliance with Chinese labour law and corporate code of conduct and no labour rights violations have been found. A company statement dated 11 October 2010 reads:

Chinese government law states that employees can legally request overtime

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<sup>60</sup> *Diyi Caijing Ribao* (China Business News), 17 June 2010, "*Fushikang 6 nian 5 zhangxin shiji bianhua buda* (Foxconn raised wages for five times in six years, with no substantial change)."

work in excess of the government-mandated maximum of 36 hours per month and our policy is to honor such voluntary requests.

Foxconn not only failed to substantiate the claim by presenting the “Chinese government law” in reference, but also attempted to cover up its illegal act. Nominally “voluntary requests” for overtime, actually this is a disguised form of coerced overtime because at the beginning of each month, Foxconn requires workers to sign a formal, written “agreement” regarding excessive overtime work. Moreover, this agreement is nonsense in China where workers enjoy no effective protection from getting fired for refusing overtime.

In our interviews, workers described “exhaustion to the point of tears.” Workers expressed that when production quotas were not completed, managers would force an entire production line of workers to do mandatory overtime. In managing the crisis of the string of 13 suicides during a five-month period, Foxconn declared that it would limit overtime working hours to “no more than 60 hours *per week* (in which 20 hours is overtime),” or 80 hours *per month*, beginning from June 2010. Meanwhile, the company would raise basic wages in all of its operations in China. Our findings revealed that Foxconn failed to implement both remedial actions.

In Shenzhen, Foxconn announced a “30 per cent” pay raise to 1,200 yuan per month beginning from 1 June 2010, attracting widespread media attention. However, the “high pay” only lasted for a month. In July, the local government raised the minimum wage to 1,100 yuan per month. Thus the basic wage of frontline workers in Foxconn is currently only 100 yuan or 9.1 per cent more than the minimum level. Basic wage in Foxconn is still far below living wage. Under tremendous pressure of a global consumer boycott, which might tarnish company image and hurt corporate profits, Foxconn announced a second pay raise in basic wage to 2,000 yuan in early June 2010, taking effect on 1 October the same year. Beginning in October, Foxconn has hyped in every major media that frontline workers’ base wages were already increased to 2,000 yuan. According to our investigations in 12 factory areas, workers had not been given any exact information about the wage increase, and not all workers would get this second wage increase opportunity. Workers stated that according to managers, “Only workers who have worked at Foxconn half a year are qualified to be considered for higher pay;” and “Only a portion of experienced and skilled workers may be entitled to the increased wage.” By the end of October, still none of the workers we interviewed could tell the detail of the “new wage policy,” which reflected an extremely low level of transparency and accountability in

Foxconn, where workers were deprived of their right to know about their wages and work conditions. Concerned public raised serious doubts about the company statement that “some 85 per cent of [the] workforce” was qualified for the wage increase.

For a *basic wage* paid on the legal basis of normal 40-hour work weeks, the Foxconn wage system should be instituted to all production workers without discrimination, or additional conditions such as performance tied to productivity or work attitudes. All the workers should enjoy their rights to fair treatment of same pay for the same work. It was not until the second week of November did we confirm that a small portion of interviewed Foxconn workers in Shenzhen received 1,200 yuan basic wage plus 800 yuan “special allowance.” This structure of wage composition is confusing because workers are not paid a clean-cut 2,000 yuan for a basic monthly wage. The circumstance under which an “allowance” is offered remains unclear, and the “allowance” can be taken away by management, leaving workers unprotected. Equally important, an overwhelming majority of our interviewees, including new workers who had not worked continuously for 6 months, student interns (on short- or long-term “internships”), and workers who were deployed from Foxconn factories outside of Shenzhen to fill the rushing orders—all reported that their basic monthly wages were merely 1,200 yuan, with some even below the local legal minimum standard.

Worse yet, worker interviewees informed us that Foxconn had eliminated benefits including seniority stipends and quarterly bonuses “to cancel out the increase in basic wages.” Since June 2010, workers outrageously found that when overtime surpassed 80 hours, they were not paid overtime wages for the extra portion. Each and every worker respondent criticized strongly that the incomplete recording of overtime hours was “deceptive.” According to the Chinese law, workers should be paid at least 1.5 times the normal wages when working overtime on weekdays, two times on weekends, and three times on national holidays. In addition, Foxconn meetings scheduled on each morning and evening took a large quantity of workers “off” time, and these formal working hours were not compensated, which was unlawful. As a result, many workers indicated that their actual monthly income did not increase in any significant way.

Foxconn adheres to a two-shift manufacturing system and a work shift typically lasts 12 hours. In the wake of worker suicide, the management slightly reduced the daily working hours to ten but still kept a six-day work week. Every day workers

move in the same direction, queue up, and punch in their timecards. In a number of production departments where our researchers worked alongside assembly-line workers, they had to stand for at least ten hours while working. Managers did not provide seating on the factory floor. It is a belief in the electronic industry that workers standing at work will keep them wake up and increase production efficiency. In Super Precision Mechanical Business Group (SHZBG) in Shenzhen Guanlan factory, a female worker said:

We have to stand all day long. Even worse, we have to stand like a soldier. I am totally exhausted after non-stop work. I know that some workers can sit but they also sit in a straight line.

Foxconn workers submitted themselves to management scrutiny on the job, and their low income and limited free time restricts their options outside of work. They have lost any sort of work-life balance, even if there are entertainment facilities in the Foxconn campus. The result is a community of working class under intense stress with few resources where it is much more likely for workers to succumb to depression.

### **Production intensity and work pressure**

Workers expressed that after the basic wage increase to 1,200 yuan in June 2010, a clear increase in production was scheduled and production intensity increased. If most of the workers were still being excluded from a real increase in income, they testified that managers forced *all* of them to meet higher production targets and henceforth their work intensity doubled. A group of young workers at the Shenzhen Guanlan factory responsible for processing cell phone casing said, “The production output was set at 5,120 pieces per day in the past but it had been raised by 20 per cent to 6,400 pieces per day during these months. We were completely exhausted.” Management used stop-watches and computerized industrial engineering device to test the capacity of the workers and if workers being tested were able to finish the quota, the target will be increased day by day until the capacity of the workers maximize. Another group of male workers at Kunshan factory commented, “We cannot stop for a minute from work. We are even faster than machines.” A young woman worker also said:

Wearing gloves would eat into efficiency, we have a huge workload every day and wearing gloves would influence efficiency. During really busy times,

I don't even have time to go to the bathroom or eat.

Foxconn claimed that workers have a ten-minute break every two hours but many workers responded that “there is no recess at all.” In some production departments where workers nominally can take a break, they were not allowed to rest if they failed to meet the hourly production target. Working overtime through the night in the electroplating, stamping, and polishing departments was the toughest to the interviewed workers.

Buyers of Foxconn products want their computers and iPhones manufactured fast enough to meet global demand. For example, Apple is trying to get its white models of iPhone 4 out to the market without delay, while keeping up with the availability of iPhone 4 black models. This drive for productivity and quality leads to constant pressure on Foxconn workers. The electronics parts and components are assembled quickly as they move up the 24-hour non-stopping conveyor belts. Posters on the Foxconn workshop walls and between staircases read:

Value efficiency every minute, every second (*zhongshi xiaolu fenfen miaomiao* 重视效率 分分秒秒);

Achieve goals unless the sun no longer rises (*mubiao dacheng, chufei taiyang buzai shengqi* 目标达成 除非太阳不再升起);

The devil is in the details (*mogui dou cangzai xijie li* 魔鬼都藏在细节里).

Workers are organized into production lines in fixed seating or standing positions for a typical shift of ten to 12 hours, leading to widespread physical and psychological damage. At Foxconn's Wuhan factory, a male worker described his physically demanding work: “The equipment weighs several kilos, and after using it for a day your shoulders sore, your arms hurt, and your hands tremble incessantly. Just yesterday a worker's shoulder was so hurt he couldn't move it.” In the survey, workers' biggest complaints about the working environment are about dangers from heavy assembling and processing assignment, high temperature, noise, dust, and toxic gases or harmful substances. Labour safety protection is severely inadequate.

Each frontline worker specializes in one specific task and performs monotonous, repetitive motions at high speed. The rotating day and night shift system and extreme work intensity take away any of workers' feeling of freshness, accomplishment, or initiative toward their work. Workers remarked, “The air conditioners are only here for the sake of the machinery.” In the production process, workers occupy the lowest

position, even below the lifeless machinery. “Workers come second to and worn out by the machines” was one worker’s insightful summary of the worker-machine relationship. The others shared a sense of low self-worth: “I am just a speck of dust in the workshop.” This is the “renewed” sense of self that arises after countless lectures from section leaders and production line leaders.

Workers’ awareness of their positions was painful: “Fate is not in your own hands but in your superiors.” On Foxconn factory floors, conversation on the production line between assembly workers is forbidden. “You’ll receive a warning letter for breaking the rule,” a Guangxi female worker from Foxconn’s Shenzhen Guanlan plant said. Managers operated a policy of demerit points to drive workers to work harder. A 22-year-old worker explained:

The policy is used to penalize workers for petty offences. You can lose points for having long nails, being late, yawning, eating, or sitting on the floor. There’s a whole load of things. Just one point means losing my monthly bonus.

Workers reported that they have to compete with each other to get the production bonus. In the workshops where our researchers conducted participant observation, a company job-evaluation system of Grades A, B, C, D, and Distinction was applied to prompt workers to do overtime work and not to take leave, otherwise the bonus would be deducted. Sometimes management may set traps to test the vigilance of workers, for example, they may take away a component of a product and if the workers on the line concerned cannot discover the flaw, they as a collective will be punished. In a factory when the discipline is tough, it comes down level-by-level from the top, and the shop floor becomes unbearable.

A long working day of nervous silence, apart from the noise of the machines, is the norm. Workers suffered isolation and high work pressure. On 6 April 2010, Rao Shuqin an 18-year-old Jiangxi worker, jumped from the seventh floor dormitory but a tree broke her fall.<sup>61</sup> She had worked in Foxconn’s Shenzhen Guanlan plant for just a month, inspecting parts and components under the microscope. When she got off work, she could not see clearly for hours. The change of work shifts confused her body clock, adding to her tiredness. And yet she believed that it was difficult for her to resign without losing her wages. In the survey outside of Foxconn’s Hangzhou

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<sup>61</sup> *Xinhua*, 26 April 2010, “The truth behind the massive attempted suicides of Foxconn employees.”

factory, a woman worker who just quitted said, “It is such as cold environment in the shopfloor which makes me feel depressed. If I continue to work at Foxconn, I may commit suicide too.”

Foxconn workers both dead and alive are alike in their struggle against hardship. The suicide jumpers chose to use their own flesh and life as a means of accusation; while living workers quietly endure the forced enslavement of their bodies and minds, pushed to the brink of spiritual death, unsure whether they must comply with the terms imposed by management and not knowing what the future will bring.

### **Loneliness and fragmented lives**

Foxconn provides workers with “conveniences” like a collective dormitory, canteen, services, and entertainment facilities in order to incorporate the entire living space in the factory management, serving the just-in-time global production strategy. To a large extent, workers’ living space is merely an extension of the workshop. Food and drink, sleep, washing and other aspects of workers’ daily lives are scheduled just like the production lines, with the goal not to satisfy workers’ needs as people but rather to reproduce workers’ physical strength at the lowest cost and shortest time in order to satisfy the factory’s production requirements. But there is no true rest even after getting off from work at Foxconn. Workers with different jobs and even night-shift and day-shift workers are mixed into the same dormitory, as a result, workers frequently disrupt each others’ rest because of different working hours. In addition, random dormitory assignments often break up existing networks of social relations, hindering communication and interaction between workers. Living in the dormitory resembles “living in a prison,” echoed among the worker interviewees. In this lonely space, workers have forfeited their personal and social lives.

Inside the Foxconn Hangzhou factory compound there are 7 dormitory buildings. Each of the building has six stories and 30 rooms on each floor, housing 10 workers in a room. Dormitory gates close at 23:30 and lights are switched at 00:00. Workers have to take turns to clean the public area of the dormitory “voluntarily” to obtain the “right to ‘free’ residence.” If workers violate the dormitory rules such as returning late to the dormitory, they have to confess their wrongdoings. On the open confession letter, the name, worker I.D. number, worker card with photo will be shown, including a statement: “It is my fault. I will never do it again.” Workers commented that they are “imprisoned in Foxconn Factory.”

All the Foxconn production sites were featured by a combination of factories and dormitories, but its Shenzhen facilities were having an astonishing number of 33 company dormitories, and another rented 120 dormitories in the nearby community.<sup>62</sup> Most migrant workers live on-site in these dormitories but they do not have a normal life in their “home”—they are living with strangers, not allowed to cook, and not permitted to receive friends or families overnight. Whether the worker is single or married, he or she is assigned a bunk space for one person. The private space is virtually reduced to one’s own bed behind a self-made curtain.

From the perspective of labour control, these factory-provided dormitories mean that production and labour reproduction activities take place in a self-contained, all-encompassing geographical locality. It facilitates flexible production by imposing overtime work on migrant labour as the distinction between “home” and “work” is blurred. Foxconn production workers are often required to work overtime and irregular shifts. The lengthening of a work-day to 24 hours to meet the global production schedule means that the appropriation of labour surplus is absolute.<sup>63</sup> Such socio-spatial arrangement strengthens managerial domination, wherein control over labour is extended from the factory shopfloor to the sphere of everyday life. The dormitory labour system is a cost-efficient solution for companies like Foxconn to ensure that workers spend their off-hours just preparing for another round of production.

A few Foxconn employees choose to rent small apartments with friends and relatives outside the factory insofar as they can afford them. While Foxconn workers can feed themselves on their low incomes, they can hardly satisfy their overall social and familial needs. Most of the front-line workers are unable to create their own homes in the local society, and the host governments have not provided these “non-permanent residents” with basic public services either. The highly marketized community outside of the factory has no living spaces for workers. In many places not only is public security poor and robberies frequent, but as soon as there is wind of a salary increase, rent and living expenses on the factory periphery will rise accordingly. Thus, workers face a double pressure in social spaces within and outside the factory, to the extent that in actuality workers are stripped of social living spaces.

In the wake of 7 successive suicides in the single month of May 2010, Foxconn

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<sup>62</sup> *TechEye*, 25 June 2010, “Foxconn to hand over dormitory management to outsiders.”

<sup>63</sup> Foxconn male employee Yan Li reportedly died from exhaustion on 27 May 2010 after having worked continuously for 34 hours. SACOM, 4 June 2010, “Another Foxconn worker dies—this time from exhaustion.”

dormitories at all factory areas throughout the country were all wire-grilled. The company installed 3,000,000-square-meter safety nets, or what was called “*ai xin wang*,” translated literally as “nets with a loving heart.” The nets were hung around outdoor stairways of dormitory buildings to prevent employees from jumping. Workers live even more like prisoners in a cage. While there is very little sharing among fellow workers, the reasons go beyond the workers’ personalities. It is widely believed that company policy intentionally lowers the possibility of workers getting to know each other, to make it more difficult for workers to organize collective actions. As a result, interpersonal relations between workers are not strong, despite the fact they are in their 20s. Within a working and dormitory system that is so repressive to workers’ bodies, minds and living spaces, ordinary workers can easily be forced to the brink of collapse.

During our fieldwork, we visited one of the only two female survivors of the “chained Foxconn suicidal jumps,” Tian Yu. In a white ward of the Shenzhen Longhua People’s Hospital lay the 17-year-old girl whose body was half paralyzed. On 17 March 2010, this carefree girl who once loved laughing and flowers jumped off the fourth floor of the Longhua factory worker dormitory. Compared with over a dozen other young lives passed away, she was lucky; she lived. Yet in some ways she is unluckier, because she is still paralyzed even after many surgeries over this half of a year. In the “labour concentration camp” of Foxconn, Tian, similar to all other Foxconn workers: go to work, return exhausted from overtime work, go to sleep, and have no free time to themselves. She has no time even for her seven roommates sharing the same dormitory room with. All the girls are from different work units and different province regions, who are strangers. On the product-parts inspection line, she was often reprimanded by her line leaders. When she did not receive her wage card during her first wage payment—solely because of the factory administrative problems and the bad internal communication channels, she could not hold herself from cumulated anger and profound disappointment but took her life in the early morning.

Foxconn workers lack a means to appeal for help. Among the 1,736 survey respondents, nearly 90 per cent of workers said they did not participate in a labour union, 40 per cent said the factory had no union, and the predominant majority of workers do not understand the function of a labour union. Apparently the Foxconn union has hardly made any active effort to assist and protect workers, even when they exist at all. Foxconn entered Shenzhen in 1988, but the Longhua plant set up a union only at the very end of 2006 under the double pressure of media publicity over

exposes of iPod manufacturing conditions there<sup>64</sup> and mobilization by the Shenzhen Federation of Trade Unions. Taking a closer look, the company's external communications manager Chen Peng wears two hats as he is also the union committee chairman. Despite the declaration by Foxconn Group Media Office Director Liu Kun that that each and every business unit of all 30 Shenzhen production plants are unionized, it is doubtful to what extent rank-and-file employees can participate meaningfully in union activities. In particular, when workers faced all kinds of practical problems and found their rights violated, the union officers were missing from dispute resolution. In the interviews, respondents said that "I have never heard what the union does" and "The union is one entity with the factory." The union has failed to monitor the legality of the company's operations. Worse still, some interviewed workers believe incorrectly that the Human Resources Department is the trade union. In its primary role to represent workers, the union has neglected its duty and lost its voice.

Worker degradation and predicament continues. The phenomenon of poor retention of staff at Foxconn is an indicator of the unsustainable factory regime, despite the company provision of free food and lodging to employees. In the survey we found that 56.3 per cent of respondents had not worked at Foxconn for half a year, and clearly the company's employee turnover rate was very high and numbers large. Foxconn is recruiting new workers from schools and agencies and through its own incentivized job introduction scheme to quickly fill the vacancies. Meanwhile, a Foxconn large-scale relocation and expansion project in China has been undergoing, which will affect hundreds of thousands employees. However, the surveyed workers are not informed about the corporate decision.

## **CONCLUSION**

China's ascendancy as a global economic power with a strong and protectionist state is simply not promising in the eyes of Chinese workers. A state-in economic globalization with a proclivity towards pro-foreign investment and export-led industrialism driven by GDP-growth logic is simultaneously accompanied by a state-out process of social and labour protections. An active role of the state in providing a legal framework to protect the new labourers was proved unsatisfactory if not self-defeating. The race to economic development for the local governments is driven by the same neo-liberal logic and hence it creates pressure not less than Foxconn's race to secure global production market. A contested state provided the social and political

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<sup>64</sup> Stephen Frost and Margaret Burnett, "Case study: the Apple iPod in China," *Corporate Social Responsibility and Environmental Management* 14 (2007), pp. 103-113.

origins for causing the advent of capital expansion and monopoly in China where is now providing the best soil for the reproduction of expanded capitalism.

China's wage competitiveness is both the attraction for international and domestic capital and the outcome of government policies. Since the mid-1980s, the state development plans, in effect, bankrupted the countryside. The "surplus" labourers left for more prosperous coastal cities to find work through their traditional native-place networks. Meanwhile, local governments increasingly transferred rural labour to urban-industrial districts through "poverty alleviation" projects, further draining better-educated and able-bodied young people who are mostly needed to build the local economy. The large volume of rural outflows is driven by an urban-biased economic model. This extensive use of Chinese migrant workers in industrial production is integral to a global dormitory labour regime.

The global "race to bottom" production strategy and competition for technology upgrading could only be resulted in overwhelming suffering of the older and younger generations of migrant workers. The Foxconn suicides have received much media attention and yet many other workers toil under terrible conditions. At the root-cause level, global brands have been pressuring suppliers like Foxconn to compete against each other on price, quality, and delivery. To secure contracts, Foxconn minimizes its costs to remain competitive, and transfers the pressure of increasingly low profit margins to the frontline workers. Workers inevitably suffer as a result.

Foxconn's strategy of low-cost, suppressed-labour-rights competitiveness is neither economically sustainable nor morally supportable. As the biggest electronics manufacturer in the world, Foxconn churns out massive volumes of goods designed by global companies. Although its profit margins are slim, the technology group has expanded both its market share and sales revenue. Still, the company does not provide its employees a living wage. Excessive overtime, high level of work-related stress, supervisor harassment, abusive workplace conditions, and disrespect for workers' right to union representation is built-in to the Foxconn management system. Under these extreme conditions, at least 17 Foxconn employees chose to end their lives up till August this year.

Workers-of-rural-origins are excluded materially and culturally. The younger workers in particular find themselves insecure, neither belonging to the city nor feeling able to return to a livelihood in the countryside. Everyday, hundreds of young workers quit their jobs and leave the "walled city" of Foxconn. But those who hop to

other factories quickly find themselves being exploited in more or less the same way as in Foxconn. Some have their employment histories brought to an end by industrial accidents. Still some others, under desperate conditions, have taken their own lives.

Suicide is the most desperate form of protest. It should not be used as a means to resist social injustice. Concrete improvements should start at Foxconn but not end there. Without stronger protection of workers' rights to strive for decent work, it seems almost certain we will witness a growing roll-call of deaths.<sup>65</sup>

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<sup>65</sup> At the time of writing, a 23-year-old male worker committed suicide at Foxconn's Shenzhen Guanlan factory on 5 November 2010. *Bloomberg*, 5 November 2010, "Foxconn says male worker found dead at China campus."