

Li-Hwa Hung

Efficiency and Compassion? Exploring the Challenges that New Generations of Workers Present to Managers in the Wake of Suicides amongst the Employees of Foxconn Technology Group

Between January and August of 2010, seventeen workers at Foxconn had attempted to commit suicide—resulting in the death of thirteen young people. Foxconn, in the southern Chinese city of Shenzhen, is an iPhone maker. Some labor rights organizations urged the electronics industry to show leadership by taking responsibility for decent labor standards for the workers in the global electronics supply chain. The report from Students and Scholars against Corporate Misbehavior (SACOM), a labor rights organization in Hong Kong, finds that Foxconn's labor practices are illegal and unethical. This paper attempts to explore managers' challenges to balance between efficiency and compassion as well as the value of work for the new generation of migrant worker in China under changing Chinese economic structures. The new generation of migrant workers is different from their parents' generation in terms of their backgrounds, their work-life expectations, and their awareness of labor rights. The electronics industry should recognize that the problems at Foxconn do not stand alone; the suicides represent the tip of an iceberg of labor issues that occur throughout the global electronics supply chain. From the corporate social responsibility perspectives, name brand companies and contract manufacturers should take responsibility for labor rights abuses and take concerted actions.

Key words: corporate misbehavior, corporate social responsibility, labor rights, leadership, the global electronics supply chain.

Introduction

On October 11, 2010, Hong Kong labor rights organization Students and Scholars against Corporate Misbehavior (SACOM) released an investigative report, entitled "Workers as Machines: Military Management in Foxconn." The report summarized the key findings as substandard wages, excessive working hours, shocking corporate management systems, inappropriate use of student labor, and inadequate health and safety

protection. The overall conclusion of the report is that Foxconn's labor practices are illegal and unethical.

Foxconn Technology Group, a Fortune 500 company, is the largest final assembling-supplier in the global electronics industry. The Taiwanese company announced consolidated net profits of NT\$18 billion (US\$568.73 million) for the first quarter of 2010, a 34.8 percent increase over the previous year. The company employs over 800,000 staff worldwide, mostly in China. In Shenzhen City, Foxconn's Longhua Science and Technology Park houses some 300,000 workers in a single campus. Most of the Foxconn employees are young migrants from within Guangdong and other interior provinces. These workers assemble iPhones and iPads efficiently.

More than 10 percent of the 1.4 billion people in China—hundreds of millions of “peasants” from the countryside—are on the move. These internal migrants are hailed as China's new working class. They are preferred as a low cost source of labor and considered a better fit for training and adaptation to the competitive pressures of the market.

Under the direction of the Chinese authoritarian state, China's export-oriented economic model proved it could deliver economic growth. Asian-invested enterprises and domestic manufactures in mainland China have risen quickly to become contractors and sub-contractors to Western multinationals, dependent on the advantage of low-paid migrant workers.

Aspirations for a better future have motivated many from the countryside to seek new opportunities in the cities. However, workers of rural origins are discriminated culturally and materially. Their younger cohorts in particular find themselves insecure, neither belonging to the city nor feeling able to return to a livelihood in the countryside.

On May 18, 2010, nine academics from Mainland Chinese and Hong Kong issued an open statement calling on Foxconn and the government to treat the younger generation of migrant workers with justice. The statement painfully reads:

From the moment they [the new generation of migrant workers] step beyond the doors of their house, they never think of going back to farming like their parents. In this sense, they see no other options when they enter the city to work. The moment they see there is little possibility of building a home in the city through hard work, the very meaning of their work collapses. The path ahead is blocked and the road to retreat is closed. Trapped in this situation, the new generation of migrant workers faces a serious identity crisis and, in effect, this magnifies psychological and emotional problems. Digging into this deeper level of our societal and structural condition, we come closer to understanding the “no way back” mentality of these Foxconn employees.

Therefore, this paper attempts to explore managers' challenges to balance between efficiency and compassion as well as the value of work for the new generation of migrant

workers in China under changing Chinese economic structures. Additionally, this paper attempts to examine and reflect the business model and management model that prevail currently.

Labor Practices of the Global Supply Chain

In the first eight months of 2010, seventeen Foxconn workers attempted to commit suicide—resulting in the death of thirteen young people. While it is unclear what caused specific individual workers at Foxconn to commit suicide, according to interviews with workers by non-governmental organizations, it is clear that these supply chain factories can be stressful and abusive workplaces.

Excessive overtime is one core systemic problem at consumer electronics factories, such as Foxconn. Therefore, we are pleased that Foxconn has agreed to raise wages substantially, which should reduce the amount of overtime hours workers need to earn a sustainable living wage. We are also encouraged by Foxconn's announced plans to examine mental health issues and to provide worker counseling. We also note Apple, Dell, HP, and other companies have made public statements that they are conducting their own investigations and working with Foxconn to identify steps needed to improve the working environment for the workers in their supply chains.

However, we believe the issues raised by this human tragedy go far beyond the specifics at Foxconn, and implicate broader systemic challenges. For more than a decade, several of the signatories have collectively engaged scores of global companies on supply chain compliance. While some improvements in workplace conditions and compensation have been achieved, there is little evidence of dramatically improved conditions. Part of the problem is the unwillingness of most global brands to disclose the nature and severity of many of the problems found at these facilities and what they are doing to address them. These events present an opportunity for the electronics industry to greatly strengthen its efforts to improve the working conditions and quality of life for their supply chain workers.

The Value of Work for the New Generation of Migrant Worker

A report by the All-China Federation of Trade Unions (ACFTU) explores the differences between the new generation of migrant workers in China and their parents' generation in terms of their backgrounds, their work-life expectations, and their awareness of labor rights.

The study was conducted in ten cities from March to May of 2010. The report indicated that the average age of younger migrants was twenty-three, they had a middle

school education, and 80 percent of them were unmarried. It characterized the younger generation—known as the “post-80s generation.” The study noted that younger migrant workers “are more aware of equality and rights,” and have higher expectations of getting equal jobs, labor and social welfare, education, and other basic public services. It said they are “showing a higher willingness for defending their rights.”

This new generation of workers is also less willing to return to their rural hometowns for agricultural work since 89.4 percent of the young generation has no agricultural experience, a result of following their parents to the city during childhood. Also, 55.9 percent of the young workers aspire to settle down in the city and own property. This new generation has a greater awareness of their rights and higher job expectations. Besides wages, they are also more concerned with other benefits such as employment contracts, social security insurance, the safety of their working environment, the company’s reputation, and opportunities for self and skill development.

The Managers’ Challenges to Balance between Management System Efficiency and Compassion

Management System

SACOM describes how a culture of absolute obedience is imposed on workers from the first day of their recruitment. Workers are punished for all kinds of “misconduct,” including not meeting their daily production quota, making mistakes, or taking too much time for a lavatory visit. Disciplinary actions include taking away bonus points, making workers publicly confess their mistakes, scolding and humiliating them in front of gathered colleague workers, making workers copy quotations by CEO Terry Gou, etc. Foxconn security guards were found to regularly assault workers verbally and physically. Management’s control even extends beyond the workplace to the dormitory. There are strict rules regulating workers’ private life, bordering on the ridiculous. Using a hair dryer, for example, is not permitted. Workers who are found to disobey are made to write confessions.

The Shenzhen Federation of Trade Unions spoke of a “quasi-military management system” and urged Foxconn to take care of the psychological needs of its huge number of young employees. Wang, the federation’s vice-chairman noted that both suicides and attempted suicides exposed defects in the company’s management system and philosophy, particularly where the changing demands of a new generation of workers were concerned. At a press briefing, Wang said that Foxconn “developed a kind of quasi-military management system,” which, along with tight production schedules, emphasized assessments that were at odds with a new generation of workers who cared more about their

quality of life than their parents had. The federation's investigations showed that more than 85 percent of the employees at Foxconn were born after 1980. "It's not only a problem of Foxconn, but a common social problem. Companies should provide more mental care for employees besides material benefits," Wang said.

The recent strikes in China's automobile industry have indicated that business will likely face pressure from both workers and the government. On the one hand, company management is likely to face pressure from the workers for higher wages and other work-related benefits and rights, and on the other hand, the government is likely to strengthen its policy and legal supervision to protect the rights of these workers in order to maintain social stability.

To continue to thrive in this pressurized environment, companies will need to think more about their workforce's expectation rather than what the minimum compliance requirements are, and begin to revise the employment terms and conditions offered to these workers. Wages and working conditions are key areas. However, opportunities for training and career development, workers' psychological needs, and health and safety issues will also require more attention. In short, as Chinese workers become more modern, employers and workplaces will need to pay attention and keep up as well.

Lewis Turning Point

Huang, former chief economist for Asia at Citigroup Inc. stated that China, once an abundant provider of low-cost workers, is heading towards the so-called Lewis turning point, which means that surplus labor has evaporated, pushing up wages, consumption, and inflation. The result may prompt manufacturers to switch to cheaper countries such as India and Vietnam.

"If the first decade of the 21st century saw China rapidly rising as a global manufacturing center, the post-Lewis turning point could see the opposite," said Huang, an economics professor at Peking University in Beijing. "Global manufacturing activities concentrated in China today may find their way elsewhere." The point marks the beginning of the downturn for manufacturing competitiveness and the pace of growth due to rising labor costs.

The higher labor cost is evident when Hon Hai's Foxconn Technology unit said that it will raise salaries at Shenzhen factories to 2,000 yuan a month in October from 900 yuan in May, after a spate of worker suicides.

Examination and Reflection on Business and Management Models

According to Bauman's analysis in his award-winning work *Modernity and the Holocaust* (2001), there are three main factors that contribute to why modern bureaucracy's behav-

ior is completely contradictory to human moral judgments. They are depersonalization and procedural rationality, the taxonomic categorization of different species, and the tendency to view rule-following as morally good. He argued that the Holocaust should be seen as deeply connected to modernity and its order-making efforts.

“Depersonalization and procedural rationality” can be seen as a simplification of objectives based on absolute quantity or numbers by decision-makers and executors. They only care about the quantitative criteria to achieve objectives. “The taxonomic categorization of different species” can be seen as systematically classifying marginalized people in different categories within the institution and treating them in different ways accordingly, without any questioning. They avoid asking whether such treatment is fair and justified. “Rule-following as morally good” means that as soon as bureaucracy’s executives depersonalized and created objectives based on absolute quantity or numbers, they consider executing and completing tasks whole-heartedly as morally good.

Since the 1990s, the prevailing mainstreams of operation and management models have changed to re-engineering, subcontracting, and globalization. “Re-engineering” examines business operation in technological ways that neglect human needs. Under globalization, the businesses in developed regions can apply subcontracting, which out-sources the non-core business and direct manufacturing to developing countries and areas, allowing the businesses in developed regions to cut down on the long-term burdens and responsibilities of their employees. While the contracted businesses face huge pressures on cost, they lower the cost of labor as much as they can. Some even think that the ability to deliver lower labor costs is the competitive advantage of developing countries and areas. Operation and management models have faced a double squeeze from both the greedy nature of human beings (e.g. neglecting human needs, subcontracting the burdens and responsibilities of own employees) and the pressure of competition (e.g. contracted businesses’ fears of losing contracts and profits). Under such circumstances, pursuing profits seems to be the only criteria in measuring the success of running the business. As for management models, oppressing disadvantaged employees has become a normal management practice while staying away from undertaking the burden of long-term reciprocal benefit for employees. As a result of the greedy nature of human beings and the pressure of competition, it is understandable that the executive leadership and managers unconsciously give up the responsibility for employees and society (Wong, 2011).

If earning every penny becomes the sole objective of operation and management models in a business, and the business considers employees as the means instead of as long-term partners, then business executives become nearsighted, merciless, and hypocritical. Fair competition and business ethics is the last things on their minds.

Discussion and Implications

Discussion

Within a span of eight months in 2010, over ten workers had attempted to commit suicide at Foxconn. Such events disclosed that the new generation of migrant workers in China has long been subjected to substandard wages, excessive working hours, and lack of prospects and humane concerns. However, astoundingly, as reported by media, the wage of employees is not high relative to total costs. The gross profits of name brand businesses that outsource their manufacturing can reach as high as 50 percent, and Foxconn was able to give raises of over 30 percent after exposures of the recent suicide events. After the incidents at Foxconn, other foreign businesses in China were able to follow suit in quickly raising wages whenever faced with employee strikes. This result implied that management teams had not considered offering reasonable and life-improving wages as important responsibilities and objectives of the businesses. The employee is just the means for earning money, utilizing these “means” at as low a cost as possible is the definitive way to operate businesses (Wong, 2011).

Executive leaders, particularly chief executive officers (CEOs), serve a unique organizational role. Because of their role, CEO personality characteristics are not only reflected in their personal preferences and behaviors, but also in the strategies, structure, and performance of the organizations they lead (Hambrick and Mason, 1984). Personality characteristics associated with bright and dark side self-views have implications at the executive level (Resick, Whitman, Weingarden, and Hiller, 2009).

The dark side of executive personality is a duality. Conger (1990) indicated that many of the qualities of a strong leader have both a positive and negative face, in which the very strengths that leaders treasure and that are admired can become liabilities under specific circumstances.

Maccoby (2003) explained that the dark side is a combination of the psychological and the practical. Maccoby (2003) said that everyone had negative tendencies that come out when they are subject to stress. He further said that when a situation puts stress on someone, they respond in a characteristic way if they are not aware of or do not understand their negative tendencies. The darkness comes from the way a leader chooses to use those traits.

The dark side of leadership does not necessarily equate to bad leadership, but it is fair to suggest that a lot of bad leadership comes from leaders who are not controlling—or even aware of—their dark side (Dolezalek, 2006).

Practical Implication

This study offers some practical implications. First, with globalization, operation and management models have faced a double squeeze from both the greedy nature of human beings and the pressure of competition. Under such circumstances, the labor practices of the global supply chain are illegal and unethical. From the corporate social responsibility perspective, name brand companies and contract manufactures should take responsibility for labor rights abuses and take concerted actions by revising their employment terms and conditions—providing safe and non-abusive workplaces that give workers a meaningful voice in maintaining and improving conditions, for example. Secondly, as growth soaks up cheap labor and wages rise, China is losing the competitive advantages it had previously. China is heading towards the Lewis turning point, which means that surplus and cheap labor has evaporated. Therefore, business executives should redefine the value of employees and treat them fairly.

References

- Bauman, Z. (2001), *Modernity and the Holocaust*, New York, Cornell University Press.
- Conger, J. A. (1990), "The Dark Side of Leadership," *Organizational Dynamics*, 19: 44–55.
- Dolezalek, H. (2006), "The Dark Side: When Good Leaders Go Bad," retrieved February 13, 2011, from <http://www.allbusiness.com/services/educational-services/4285678-1.html>.
- Hambrick, D. C. and Mason, P. A. (1984), "Upper Echelons: The Organization as a Reflection of Its Top Managers," *Academy of Management Review*, 9: 193–206.
- Maccoby, M. (2003), *The Productive Narcissist: The Promise and Peril of Visionary Leadership*, New York: Broadway.
- Resick, C. J., Whitman, D. S., Weingarden, S. M., and Hiller, N. J. (2009), "The Bright-Side and Dark-Side of CEO Personality: Examining Core Self-Evaluations, Narcissism, Transformational Leadership, and Strategic Influence," *Journal of Applied Psychology*, 91(6): 1365–1381.
- Students and Scholars against Corporate Misbehavior (2010), "Workers as Machines: Military Management in Foxconn," retrieved February 13, 2011, from <http://www.sacom.hk/>.
- "Dying Young: The Foxconn Suicides and China's Booming Economy," retrieved February 13, 2011, from <http://goodelectronics.org/news-en/dying-young-the-foxconn-suicides-and-china2019s-...>
- "Chinese Trade Union ACFTU Publishes Report on Problems of Migrant Workers in China," retrieved February 13, 2011, from <http://goodelectronics.org/news-en/chinese-trade-union-acftu-publishes-research-report...>
- "Foxconn Suicides Forgotten, Back to Business as Usual? New SACOM Report Released," retrieved February 13, 2011, from <http://goodelectronics.org/news-en/2018workers-as-machines-foxconn2019s-military-...>
- Wong, C. S. (2011), "The Wrong Directions of Business and Management Models: Implications for a Chinese Management Scholars" [in Chinese], *Organization and Management*, Taiwan Academy of Management, Vol. 4, No. 1 pp. 163–174.

Li-Hwa Hung is an Assistant Professor at the Department of Business Administration and Graduate Institute of Business and Management, Ching Yun University in Jung-Li, Taiwan, R.O.C. She received her Ed.D. from the Educational Leadership Doctoral Program at Spalding University in Louisville, Kentucky, U.S.A. Her research interest areas include corporate ethics, corporate social responsibility, organizational behavior, and human resource management. Contact: lhung@cyu.edu.tw.