



Nokia Disconnected

A corporate history from a workers' perspective

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1. Introduction

Nokia is one of the most successful companies of the late 20th and early 21st century. At its peak, the company had over 40% of the mobile phone market share, and its brand was synonymous to mobile technology. Eventually, the company dwindled and was taken over by software giant Microsoft in 2013. The company's rise and fall illustrates the effects of the rapidly changing market conditions in the electronics industry, and the consequences when a company is unable to adequately respond. As such, Nokia is an exemplary 'victim' of disruptive market developments.

When looking at Nokia's recent history from a workers' perspective, the story also illustrates global power inequalities. In its heyday, Nokia was extremely profitable, but workers in Nokia's supply chain faced job insecurity and job losses due to shifts of production to low-wage countries, and poor working conditions. Once the company was losing market share, these same workers were among the first to experience the negative consequences of a business model in decline, with massive job cuts around the world. Eventually, when Nokia's mobile phone segment was sold to Microsoft, an entire industry that provided income to thousands of people in India collapsed, while the proceeds from the deal were used to pay premiums to investors and bonuses to management.

This company profile provides an alternative corporate history of Nokia from a workers' perspective. It analyses the adverse impacts of the developments in Nokia's business strategy between 1998 and 2015, with a particular focus on the lives of Nokia workers in Reynosa (Mexico) and Sriperumbudur (India).¹ This report tracks the main decisions made by Nokia throughout three phases of its recent history: leading the mobile phone business (1998-2007), the years of decline (2007-2013) and the sale of Nokia's mobile phone business to Microsoft (2013-2015).

This report illustrates how workers at Nokia's manufacturing sites and its supplier companies were systematically unable to benefit from the company's success, while facing the most difficult consequences of the company's decline.

1.1. Methodology

Information for this company profile has been gathered through a combination of desk research and worker interviews. Interviews with Nokia employees and former workers were conducted to gather information on their situation after losing their job. Cereal interviewed 12 workers (7 women and 5 men) and 4 former workers (three women, one man) between 29 August and 4 September 2014. On 7 September 2014, Cividep conducted a focus group discussion with 11 male Nokia workers who worked with Nokia for 6-8 years and are all union members. On 24 August 2014, Cividep conducted another focus group discussion with 12 (10 female and 2 male) former Nokia workers who have signed Nokia's voluntary retirement scheme and participated in

¹ Although Nokia has production facilities in several countries (mainly in China and Vietnam), we have chosen to focus on Mexico and India because Cereal (Mexico) and Cividep (India) are civil society organisations that have grassroots engagement with workers in these countries.

a tailoring class under the Bridge Programme that Nokia offered. All 12 interviewees had worked for Nokia between 3-7 years.

Additionally, this report draws on the wealth of information on Nokia that has been published by civil society groups and labour unions throughout the years, as well as a number of analyses of Nokia's business model at various points in time, Nokia press releases and media reports.



2. Leading the mobile phone sector (1998-2007)

2.1. Precarious employment, poor working conditions and relocations

In 1998, Finnish multinational Nokia overtook its competitor Motorola to become the largest mobile phone manufacturer of the world. The company had been in existence since 1865, and had developed into a large industrial conglomerate with activities in various industries since the mid-twentieth century. In the early 1990s, the strategic decision was made to focus on telecommunications and to divest the other divisions of the company. From then on, the rise of the company seemed unstoppable.

At its peak, Nokia's financial figures were positively staggering. In 2007, the company generated revenues bigger than Finland's state budget² and reported a net profit of euros 6.7 billion³. At that time, it had a market share of €105 billion, revenues of €51 billion and a market share of more than 40% in the mobile phone industry. It paid 23% of all corporate income tax in Finland.⁴ Nokia maintained its position as the world's largest mobile phone manufacturer until the first quarter of 2012⁵. At its peak in 2010, the company employed 132,000 people.

However, even during these successful years, workers at Nokia's factories and those of its suppliers faced all of the difficulties that have been endemic to the electronics industry. These issues include job insecurity and job losses due to shifts of production locations to low-wage countries, and the use of contract agencies, and poor working conditions in supplier factories.

Shifting production locations

In the mid-1990s, Nokia suffered a significant financial setback when it was unable to meet demand for its phones because of logistical problems.⁶ In order to ensure that the company could meet the demand for its products, it began to relocate its production facilities to several countries around the world. In 2001, it had production facilities in Finland, Germany, the United States, Hungary, China, Malaysia, South Korea, Brazil and Mexico.

One of Nokia's key strategies was to relocate its manufacturing activities to countries with low labour costs and proximity to target markets, as well as to countries that provided other incentives, such as electricity subsidies and tax benefits. In 2005, Nokia announced plans to expand its production facilities in Dongguan, China, which it saw as a 'cost-efficient' facility that

² "Nokia Company profile. Innovation leaders" <http://innovationleaders.org/nok_company_profile.html>, (2 July 2014).

³ "Nokia in 2006" (Annual Report), <<http://company.nokia.com/sites/default/files/download/investors/request-nokia-in-2006-pdf.pdf>> (23 July 2014).

⁴ "The Nokia Effect" <<http://www.economist.com/node/21560867>> (1 May 2015).

⁵ "Gartner says worldwide sales of mobile phones declined 2 percent in first quarter 2012 (...)", 16 May 2012, <<http://www.gartner.com/newsroom/id/2017015>> (22 August 2014).

⁶ "Nokia's Magnificent Mobile-Phone Manufacturing Machine" <<http://www.bloomberg.com/bw/stories/2006-08-02/nokias-magnificent-mobile-phone-manufacturing-machine>> (1 May 2015).

allowed it to meet growing demand in China and Asia.⁷ In 2008, Nokia announced the closure of its production facility in the German city of Bochum and its plans to move manufacturing to more 'cost-competitive' sites in Europe.⁸ Not long before, it had opened a new facility in Cluj, Romania.

Poor working conditions in India

In 2004, Nokia announced its decision to set up a plant in India. Until then, it imported all handsets sold in India from China. An Indian facility meant lower logistics costs, better market access and more flexibility. Nokia also talked about 'support from the state government' and 'overall cost-efficiency'.⁹ When Nokia announced its plan of moving production to India many state governments - Haryana, Andhra Pradesh, Uttarakhand, Karnataka and Maharashtra, along with Tamil Nadu - competed to woo it.

Nokia finally signed a memorandum of understanding with the Tamil Nadu government on April 6, 2005, to set up the plant in the Sriperumbudur Special Economic Zone (SEZ). It invited seven of its suppliers to jointly invest in this facility. Production started in 2006 and soon picked up with Nokia producing 15 million phones a month and exporting to over 80 countries.¹⁰ In just five years, the plant produced 500 million phones. The Nokia Telecom Park was set up to accommodate five suppliers including Foxconn, Salcomp, LiteOn Mobile (formerly Perlos), Laird, and Wintek. Other component suppliers such as Flextronics and Build Your Dreams (BYD) were located just outside the Nokia Telecom Park.¹¹ At its peak, the Nokia Park offered employment to over 25,000 workers in total.

In India Nokia hired young high school graduates taking up their first jobs. Many of them have a rural background and the job at Nokia gave them an opportunity of securing their livelihood and that of their dependents (parents, siblings and children). More than 60 per cent of the workers of the Nokia plants were women. Indeed, working for Nokia transformed the lives of many women workers who were mostly from poor families. At its peak it produced 15 million phones a month and offered employment to more than 8,000 workers.¹²

However, the picture was not entirely rosy. There were a number of alarming issues, related to working conditions. In 2010, for instance, in Sriperumbudur, a 22-year-old mobile assembly operator by the name of Ambika died in an industrial accident, when her head got trapped in a robotic loading machine. This incident caused a lot of friction between workers and management, according to Cividep.¹³ Despite Nokia paying the highest salaries in the SEZ

⁷ "Nokia expands mobile device production in Dongguan, China" <<http://company.nokia.com/en/news/press-releases/2005/12/01/nokia-expands-mobile-device-production-in-dongguan-china>> (1 May 2015).

⁸ "Nokia plans closure of its Bochum site in Germany" <<http://company.nokia.com/en/news/press-releases/2008/01/15/nokia-plans-closure-of-its-bochum-site-in-germany>> (1 May 2015).

⁹ "Nokia selects Chennai for manufacturing mobile devices in India" <<http://company.nokia.com/en/news/press-releases/2005/04/06/nokia-selects-chennai-for-manufacturing-mobile-devices-in-india>> (1 May 2015).

¹⁰ Das Goutam and N. Madhavan, "Death of a dream", 29 July 2014, India Today Group, published in Yahoo! Finance India website, <<https://in.finance.yahoo.com/news/death-dream-133700701.html>> (21 August 2014).

¹¹ Government of India, Ministry of Commerce, MEPZ Special Economic Zone, <http://www.mepz.gov.in/Directory_SEZ.php?page=18&District=&Entity=&SEZ=&Unit=> and <http://www.mepz.gov.in/Directory_SEZ.php?page=20&District=&Entity=&SEZ=&Unit=>

¹² Das Goutam and N. Madhavan, "Death of a dream", 29 July 2014, India Today Group, published in Yahoo! Finance India website, <<https://in.finance.yahoo.com/news/death-dream-133700701.html>> (21 August 2014).

¹³ Madhumita Dutta and Venkatachandrika Radhakrishnan, "Ambika's Death", January 21, 2011, available online at <<http://kafila.org/2011/01/21/ambikas-death-madhumita-dutta-venkatachandrika-radhakrishnan/>>, and Negligence causes death of worker at Nokia Telecom SEZ, Sriperumbudur, ANROEV, <<http://www.anroev.org/wp-content/uploads/2010/11/nokiasezambika31oct20101.pdf>>

workers reported that wages were not enough to secure their livelihoods. To save costs workers (most of them migrants from other districts in Tamil Nadu) had to share a single room with five to seven other colleagues. They lived in cramped spaces without sufficient amenities. In 2009 and 2010, there were strikes for higher wages. In 2009, the Nokia India Employees Progressive Union was formed, closely linked to a major political party. In 2010, the Nokia workers council concluded their association with this union and started an independent union called “Nokia India Workers Association” (Nokia India Thozhilalar Sangham). Other grievances presented by workers had to do with the monotonous and repetitive nature of the work, reports Cividep on the basis of interviews held with workers.

Precarious work in Mexico

Already in 1997, Nokia started assembling mobile phones in Reynosa, Mexico. In 1999, Nokia expanded into the production of monitors. Displays and phones were mainly exported to the United States. The Reynosa site was selected because of its proximity to the US market, as well as the low labour costs. In 2006, Nokia invested \$50 million USD to expand its capacity in Mexico by building a second factory to boost its mobile phone production.¹⁴ By 2006, Nokia was hiring approximately 5,000 workers - 3,000 for its mobile phone assembly facility and another 2,000 working for the plant producing displays. Both Nokia factories were located in an industrial park near the border city of Reynosa, in the northern state of Tamaulipas.

Working conditions in both Nokia factories in Reynosa were abusive and highly precarious from the start. Almost half of the workers in the two Nokia plants were not directly employed by Nokia, but hired by two employment agencies, Adecco and Manpower. These temporary agency workers were made to sign monthly contracts, one after another, in flagrant violation of Mexican labour law (art. 39). Temporary workers at the Nokia facilities did not receive the same benefits as the permanent workers, reports Cereal.

Before opening its first plant, Nokia had already signed a collective bargaining agreement with the Sindicato de Trabajadores de Nokia (Nokia Workers Union) which was affiliating workers without their consent. According to a 2011 report by Cereal, Nokia workers were required to become a member of this union as a standard hiring procedure. Management employees attended the union’s meeting and elected the union’s steering committee, a clear violation of Mexico’s labour laws.¹⁵

¹⁴ Nokia boosts mobile-device production in Reynosa, Mexico <<http://company.nokia.com/en/news/press-releases/2006/03/01/nokia-boosts-mobile-device-production-in-reynosa-mexico>>

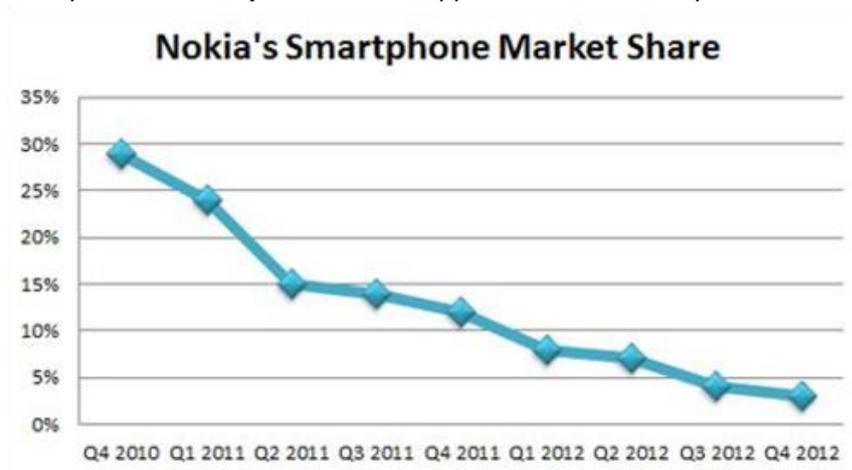
¹⁵ CEREAL, “The crisis that never went away”, 2011. CEREAL’s fourth report on working conditions in the Mexican electronic industry.

3. Decline (2007-2013)

3.1. Loss of market share and dismissal of workers worldwide

Apple's introduction of the iPhone in 2007 marked the beginning of Nokia's decline as the dominant player in the higher end smartphone market. The iPhone had a touchscreen, a technology that Nokia had already developed but that it had been unable to introduce in any of its phones. According to David Cord, author of the book *The Decline and Fall of Nokia*, it had made more sense to Nokia at the time to exploit its current dominant market position rather than cannibalize its business through new innovations such as touchscreens.¹⁶ While the company remained profitable after 2007, it was rapidly losing market share because it was unwilling to sacrifice any of its existing segments in order to stay on top of new developments.

One element that contributed to this inability to adapt was the company's organisational structure, which had grown to include multiple layers of decision making and which caused many delays in the launch of new products. Nokia had adapted to a matrix management structure and, according to David Cord, had become inward looking. According to one former Nokia executive, "the whole structure was built to prevent mistakes".¹⁷ The prioritising of existing businesses and the slow and risk-averse organizational structure also made Nokia stick to its outdated Symbian operating system, which competed with Apple's iOS, Google's Android and RIM's Blackberry systems. Symbian remained Nokia's main smartphone operating system until 2011. Up until the second quarter of 2007, Nokia's operating system dominated the market with Symbian-powered devices controlling a 65 per cent market share. By 2009, the market had turned around irreversibly: over the year, RIM had about 20 per cent market share, Microsoft and Apple's operating system (iOS) had 8.7 and 14.4 per cent respectively, while Symbian had less than 47 per cent. The market shares in 2011 had completely changed: Android had a market share of 46.6 per cent and Symbian had dropped to less than 19 per cent.¹⁸



¹⁶ Talk by David J. Cord about the book "The Decline and Fall of Nokia" <<https://www.youtube.com/watch?v=tizGym7umV4>>

¹⁷ "Farewell Nokia: The rise and fall of a mobile pioneer" <<http://www.cnet.com/uk/news/farewell-nokia-the-rise-and-fall-of-a-mobile-pioneer/>>

¹⁸ "Global market share held by smartphone operating systems from 2009 to 2014" <<http://www.statista.com/statistics/263453/global-market-share-held-by-smartphone-operating-systems/>> (1 May 2015).

In the middle of this turmoil, Nokia appointed Stephen Elop, a former executive at Microsoft, as its new CEO. Elop quickly decided to abandon the Symbian operating system for Microsoft's mobile ecosystem, which includes not only the operating system but also applications, advertising, search and other services.¹⁹ After the announcement, however, Nokia's shares dropped by 14 per cent, the biggest collapse since July 2009, as investors worried that the partnership was not enough to battle Apple and Google.²⁰

Table 1: Global Smartphone sales (thousands of units) for selected quarters

Quarter	Windows Mobile (%)	RIM (%)	Symbian (%)	iOS (%)	Android (%)	Total Smartphones
2007 Q1	11.75%	8.34%	63.52%	0.00%	0.00%	24,943
2009 Q1	10.24%	20.64%	48.83%	10.54%	1.58%	36,507
2011 Q2	1.60%	11.74%	22.14%	18.22%	43.42%	107,740
2013 Q4	3.02%	0.64%		17.80%	77.83%	282,171

Sources: Gartner Smart Phone Market Share for corresponding quarters.

Losing battles in the smartphone business, Nokia undertook various measures to lower its operating costs and change its strategy, including job cuts, additional shifts in manufacturing sites and a refocus on the low-end mobile phone segment. In March 2011, Nokia announced plans to establish a manufacturing site near Hanoi in Vietnam, which would predominantly produce low-end devices.²¹ The factory would be located in the Vietnam-Singapore Industrial Park (VSIP) in BacNinh, a province in the north of the country and was expected to employ up to 10,000 workers by 2014, churning out 45 million handsets per quarter.²²

In June 2012, Nokia announced its plans to cut 10,000 jobs globally. This announcement came only months after Nokia's joint venture with Siemens had also announced cuts of 17,000 jobs. With the aim to further increase the company's competitiveness Nokia undertook changes in four of its factories: Cluj (Romania), Komarom (Hungary), Reynosa (Mexico) and Salo (Finland). Feature phone manufacturing was shifted from Cluj to Asia "as Nokia's Asian factories provide greater scale and proximity benefits" and shifting other factories' focus to "customer and market-specific software and sales package customization".²³ Device assembly was shifted to plants in Asia, where the majority of Nokia's component suppliers are based. In 2013 Nokia announced the end of manufacturing in Cluj, which had taken over manufacturing from the Bochum plant only a few years before. By the end of 2013, it had closed facilities in Ulm (Germany) and Burnaby (Canada) as well as the manufacturing facility in Salo (Finland).

¹⁹ "Nokia and Microsoft announce plans for a broad strategic partnership to build a new global ecosystem", 11 February 2011, <<http://company.nokia.com/sites/default/files/download/investors/05-11022011-nokia-and-microsoft-announce-plans-for-a-broad-strategic-partnership-to-build-a-new-global-ecosystem-pdf.pdf>> (14 August 2014).

²⁰ Ben-Aaron, Diana, "Nokia tumbles on concern partnership with Microsoft 'may kill' phonemaker", 11 February 2011, Bloomberg, <<http://www.bloomberg.com/news/2011-02-11/nokia-joins-forces-with-microsoft-to-challenge-dominance-of-apple-google.html>> (14 August 2014).

²¹ "Nokia set to launch its first manufacturing center in Vietnam on April 23" <<http://thenextweb.com/asia/2012/04/16/nokia-set-to-open-its-first-manufacturing-center-in-vietnam-on-april-23/>>

²² WMPoweruser, "Nokia's Vietnam factory opens in Hanoi City", 17 April 2013, <<http://wmpoweruser.com/nokias-vietnam-factory-opens-in-hanoi-city/>> (19 August 2014).

²³ "Nokia continues to align its workforce and operations", 29 September, 2011, Stock exchange release, <<http://company.nokia.com/en/news/press-releases/2011/09/29/nokia-continues-to-align-its-workforce-and-operations>> (27 August 2014).

Workers in Mexico forced to 'voluntarily resign'

In Reynosa, Mexico, Nokia dismissed 2,000 workers in 2009. Those workers that were to be dismissed were asked to sign a 'voluntary' resignation, with the promise that those who did would be re-hired later. Workers who refused to sign these voluntary resignations were threatened that they would be blacklisted. As reported by CEREAL²⁴, among the dismissed workers were 20 pregnant women who reported having been verbally abused during the dismissal procedure.

The dismissals led to fierce protests by 70 workers who organized protest demonstrations, gave interviews to the (local) media and filed a lawsuit claiming severance pay and medical coverage for their pregnant co-workers. By July, 2009, the workers, supported by CEREAL, won a court case against the labour agency Manpower. A second case, involving Adecco, this time an out-of-the-court deal, was won by the workers as well²⁵. 71 workers received their due severance pay. The 20 women workers got the medical coverage they were entitled to.

In 2012, Nokia dismissed an additional 680 workers at the Reynosa facilities²⁶. This time, due to their experience from the 2009 dismissals, workers were alert and demanded full severance payment. By 2013 Nokia had only 2,000 workers (compared to almost 5,000 in 1999) in Reynosa and only one factory remained operational.

Tax trouble in India

Initially, the global job cuts did not affect Nokia's operations in India.²⁷ However, the situation drastically changed when the company faced charges of evading taxes to both the government of India, as well as the state government of Tamil Nadu. The total tax liability was estimated to be \$1.1 billion.²⁸ Nokia's assets in Sriperumbudur were frozen by the tax authorities in October 2013.

The India Income Tax Department had charged Nokia with for \$321 million in unpaid taxes, interest and penalties. This demand relates to Nokia's import of software from its head office in Finland. Nokia India showed the payments made for the software as 'purchase transactions', not 'royalty payments'. Thus the payment was made without keeping back any withholding tax. Nokia says the Income Tax Department's claim is based on a unilateral interpretation of the Finland-India Double Taxation Avoidance Agreement (DTAA).²⁹ The company announced seeking international arbitration in this dispute in May 2014.

²⁴ CEREAL (2009), Labour rights in a time of crisis, Third report on working conditions in the Mexican electronic industry, Guadalajara, México. <<http://goodelectronics.org/news-en/labour-rights-in-time-of-crisis-new-report-by-the-mexican-labour-rights-organisation>>.

²⁵ GoodElectronics, "Nokia workers in Mexico win court cases against Adecco and Manpower", 28 July, 2009, <<http://goodelectronics.org/news-en/nokia-workers-in-mexico-win-court-cases-against-adecco-and-manpower>> (09 April 2015).

²⁶ CEREAL (2013), After the reform, Fifth report on working conditions in the Mexican electronic industry, Guadalajara, México, <<http://www.fomento.org.mx/novedades/Informe2013-ingles.pdf>>.

²⁷ The Economic Times, "Nokia's 10,000 job cuts: India not to see 'significant impact'", 15 June 2012, <http://articles.economictimes.indiatimes.com/2012-06-15/news/32254594_1_impact-on-india-operations-siemens-networks-nokia-today> (07-04-2015).

²⁸ Financial Times, "Nokia faces tripling of India tax bill to \$1.1bn", by James Crabtree in Mumbai and Richard Milne in Helsinki, 11 December 2013, <<http://www.ft.com/intl/cms/s/0/a6b0da6e-4e17-11e4-bfda-00144feab7de.html#axzz3WbzBUJ8V>>.

²⁹ Das Goutam and N. Madhavan, "Death of a dream", 29 July 2014, India Today Group, published in Yahoo! Finance India website, <<https://in.finance.yahoo.com/news/death-dream-133700701.html>> (19 August 2014).

In addition, Tamil Nadu state officials claim Nokia avoided taxes by claiming false exemptions, improperly reporting the number of cell phones produced for export and the domestic market, and otherwise failing to submit requisite tax documents over the past several years.



Photo: Nokia workers on strike in Bochum, Germany

4. Acquisition by Microsoft (2013-2015)

4.1. Large scale job cuts

On 3 September 2013, Nokia announced that it would sell substantially all its Devices & Services businesses to Microsoft, marking the end of Nokia as a mobile phone company. All mobile phone and smartphone activities would become part of Microsoft, while the remainder of Nokia would focus on network infrastructure, mapping services and technology development. Not long after the sale was finalized, Microsoft launched a new phone model which abandoned the Nokia brand name altogether.³⁰

The final transaction price of the deal was €5.44 billion, which included an agreement to license patents to Microsoft.³¹ As part of the deal, the Mobile Phones and Smart Devices units, the company's design team, almost all its production facilities, sales and marketing activities and support team were transferred to Microsoft.³² Nokia's CEO Stephen Elop also moved back to his former employer Microsoft, together with a number of other executives. With the deal, approximately 32,000 employees were now employed by Microsoft.³³ However, because of the asset freeze imposed by the Indian tax authorities, Nokia's Sriperumbudur manufacturing facilities were not part of the deal and remained part of Nokia.

Nokia received a cash payment for the sale of its divisions to Microsoft. A large part of this cash was distributed among the company's investors, as part of a so-called 'capital optimization program'.³⁴ The company paid a total of \$1.4 billion in ordinary and special dividends to its shareholders. Additionally, it allocated \$1.25 billion for a share buy-back program to reduce the supply of outstanding Nokia shares, thereby raising its price.³⁵

Bondholders of the company were also rewarded with an adjustment of the conversion price of Nokia's convertible bonds.³⁶ This determines the price against which the holders of these bonds can convert them into Nokia shares as part of its capital optimization program.

³⁰ "Microsoft bins Nokia name with new smartphone range" <<http://www.theguardian.com/technology/2014/nov/11/microsoft-nokia-smartphone-range>>. "Nokia's brand name merry-go-round" <<http://www.bbc.com/news/technology-30119984>>

³¹ "Nokia completes sale of substantially all of its Devices & Services business to Microsoft", 25 April 2014, <http://company.nokia.com/en/news/press-releases/2014/04/25/nokia-completes-sale-of-substantially-all-of-its-devices-services-business-to-microsoft> (11 August 2014).

³² "Nokia to sell Devices & Services business to Microsoft in EUR 5.44 billion all-cash transaction" <<http://company.nokia.com/en/news/press-releases/2013/09/03/nokia-to-sell-devices-services-business-to-microsoft-in-eur-544-billion-all-cash-transaction>>

³³ "Nokia to sell Devices & Services business to Microsoft in EUR 5.44 billion all-cash transaction" <<http://company.nokia.com/en/news/press-releases/2013/09/03/nokia-to-sell-devices-services-business-to-microsoft-in-eur-544-billion-all-cash-transaction>>

³⁴ "Nokia appoints Rajeev Suri as President and CEO and announces new strategy, program to optimize capital structure and leadership team", 29 April 2014, <<http://company.nokia.com/en/news/press-releases/2014/04/29/nokia-appoints-rajeev-suri-as-president-and-ceo-and-announces-new-strategy-program-to-optimize-capital-structure-and-leadership-team>> (09 September, 2014).

³⁵ "New Era Dawns at Nokia as Company Appoints CEO. Finnish Company Also Plans \$1.4 Billion Special Dividend, Share-Repurchase Program". <<http://www.wsj.com/articles/SB10001424052702304163604579530703814986162>> (1 May 2015).

³⁶ "Nokia adjusts the conversion price of its EUR 750 million convertible bonds" <<http://company.nokia.com/en/news/press-releases/2014/06/18/nokia-adjusts-the-conversion-price-of-its-eur-750-million-convertible-bonds>>

Similarly, the company also adjusted the amount of shares received by senior executives and key employees as part of their equity plan, as well as the price of the stock options that such employees receive.³⁷

Whereas the investors and management of Nokia benefitted from the sale to Microsoft through dividends and adjustments in bonds, shares and options, the workers at the manufacturing facilities and of its suppliers' were less fortunate. Microsoft quickly announced its plans to cut 18,000 jobs during 2015. This translates to 14% of the company's workforce and constitutes the largest layoff in its history. About two-thirds of the cuts would come from its phone and tablet staff.

Microsoft also continued to shift mobile phone production to the factory in Vietnam. Shifting production away from China, India, Mexico and Hungary to Vietnam seems to be a strategic corporate decision to reduce labour costs. According to the Japan External Trade Organization (JETRO) the average monthly wage in a factory in Hanoi is US \$145, three times lower than its equivalent in Beijing³⁸, almost two times lower than its equivalent in Reynosa and equivalent to wages Nokia used to pay in India.

The handsets produced there are predominately expected to be low-end, the types of handsets that were previously manufactured in Sriperumbudur. The new facility plans to triple its monthly output by the end of 2014. To be able to achieve this, the government of BacNinh Province in Vietnam has asked the Ministry of Science and Technology for assistance to speed up its technology transfer and production line imports³⁹.

'Voluntary' retirement and suppliers going under in India

Nokia's facilities in India, which were not part of Microsoft's purchase because of the tax conflict, were closed in November 2014.

In the course of the tax battle with the Indian government and the global acquisition of Nokia by Microsoft 5,700 workers in India were offered 'voluntary retirement schemes' in April 2014. Nokia had already retrenched more than 700 trainee operators through a 'compulsory retirement scheme' from the job. Earlier in 2014 Nokia laid off over 2,000 contract workers. Nokia which once employed 12,000 workers in its factory in South India entered into a transitional services agreement with Microsoft to address its immediate production needs and keep the factory operational since it was not part of the official acquisition.

On International Labour Day (1 May 2014) the workers union Nokia India Thozhilalar Sangham released a film entitled 'Dis-Connecting People'. The film documents the voices of workers that have remained largely unheard during the tax battle between the company and the Tamil Nadu state. Workers speak of the happy times when they felt 'connected'; of being able to secure their livelihoods ascending into 'middle class'; their fears, anxiety and anger of being 'dis-connected' suddenly by the company that they helped profit' with their hard work; and their resolve to fight for their employment.

³⁷ "Nokia Board of Directors adjusts equity plans due to special dividend" 18 June 2014, <<http://company.nokia.com/en/news/press-releases/2014/06/18/nokia-board-of-directors-adjusts-nokia-equity-plans-due-to-the-special-dividend>> (7 April 2015).

³⁸ Ibid.

³⁹ The Hanoi Times, "Nokia to shift smartphone production to Vietnam", 22 August 2014, <<http://hanoitimes.com.vn/science-tech/2014/08/81E08460/nokia-to-shift-smartphone-production-to-vietnam/>> (27 August 2014).

On 7 October news broke that Nokia would stop production in India altogether from 1 November 2014 due to the lack of further orders from Microsoft.⁴⁰ 800 workers at the Nokia factory who had not signed the voluntary retirement scheme and had a contract with Microsoft until 31 March 2015 have thus also lost their jobs. The Nokia Employees union approached the Labour Department which held a tripartite negotiation meeting. Finally, Nokia offered the remaining workers a severance package.

The loss of production at its Indian facilities has also had negative consequences for workers not only at Nokia but also in its supplier factories. In May 2014 Foxconn International announced that it was “compelled to down-size” its manpower “substantially to suit the current requirements of our customer”. Foxconn attributed this to the cut-down of production volumes in the Nokia plant located inside the SEZ. Citing transfer of “burden to their (Nokia) vendors” and “cost down measures in order to save the interest of all stakeholders of the company”, Foxconn stated that it will be able to offer work only to 800 of its current 1,600 workers. In February 2015, Foxconn announced a complete shutdown of its unit. At the peak of its production for Nokia, Foxconn hired over 6,000 workers: 3,600 contract workers, 1,000-1,500 trainees and 1,700 permanent workers.

Furthermore, 800 workers of yet another Nokia supplier, the Chinese company Build your Dreams (BYD) which supplied rechargeable batteries for Nokia’s mobile phones went on strike in June 2014 to protest the announcement of a voluntary retirement scheme (VRS) by their management. BYD workers who were working for the company for more than eight years have been offered a severance package and two months basic salary. The amount was later raised considerably. Most of the 1,500 permanent workers in the company have accepted the voluntary retirement scheme, and the factory was closed in August 2014.

Nokia’s Bridge Programme

Nokia is well aware that many of the former workers are struggling to find employment and is offering employees who signed the voluntary retirement scheme to train them in different skills. In the summary of its CSR report People and Planet 2014⁴¹, Nokia states that:

Upon announcing that substantially all of our Devices & Services business transfers to Microsoft, we put a great emphasis on reaching our employees in a timely manner and providing them with a sufficient level of detail, regardless of their geographic location or role at Nokia.

Nokia had already established its so-called ‘Bridge Programme’ in 2011 to assist employees who were made redundant with financial assistance and training opportunities. By the end of 2013, 18 000 employees across 13 countries participated in the Bridge Programme.⁴²

In India, female workers have been trained as beauticians and were offered to join tailoring classes. However, according to former Nokia workers who had recently joined tailoring classes under the Bridge Programme, neither tailoring nor beautician courses will offer workers jobs with a comparable income to the one they received from Nokia. While the Bridge Programme’s idea

⁴⁰ “Nokia to suspend production at Sriperumbudur” <<http://www.thehindubusinessline.com/features/smartbuy/tech-news/nokia-to-suspend-production-at-sriperumbudur-plant/article6478257.ece>> (7 October 2014).

⁴¹ “Nokia People & Planet Report 2013” <http://company.nokia.com/sites/default/files/download/nokia_people_planet_report_2013_summary.pdf> (24 September 2014).

⁴² “The upside to being let go by Nokia” <<http://www.bbc.com/news/magazine-25965140>> (1 May 2015).

of enabling workers to learn new skills to find work in new sectors is right in spirit the actual effectiveness in providing workers with jobs which pay comparable salaries is questionable. In fact, the workers that Cividep interviewed reported that workers joined the tailoring class just because they have time as they are currently unemployed. They indicated that the tailoring skills would be mostly applied for their personal use. None of the workers was planning to start a business or join a garment factory. Workers were uncertain about the job security provided by other electronics companies. According to Cividep, only few workers managed to find alternative jobs in the nearby automobile industries.

Furthermore, training courses were not always offered in preferred locations. In Sriperumbudur for example, tailoring classes are the only ones offered and most women have joined this course only because it is offered near their homes. Computer classes that young workers would like to join are offered in a different location far away from Sriperumbudur, which is inconvenient for workers as they have to pay for the commute themselves.

In addition to trainings, workers are entitled to severance packages which, according to Nokia, are typically higher than local minimum practice. Cividep has figured out that that workers in India have received between \$4,000 and \$14,500 as compensation payment under a voluntary retirement scheme. However, Nokia deducted high amounts of tax (at least \$722) from these payments and it remains unclear whether former Nokia employees can claim the deducted tax back. Workers with less than two and half years work experience were not eligible for the voluntary retirement scheme as they were considered trainee operators. Many of the women workers interviewed reported that they were not left with many options but to accept the compensation as they would have lost their job and company subsidies like food, transport and clinic facilities anyways.

Uncertainty among workers in Mexico

In the Reynosa factory, which was transferred to Microsoft as part of the sale, workers were informed that the factory would complete a remaining order of Nokia phone models 1020 and 520 but that it would start repairing X-Boxes from September 2014 onward. After the announcement to cut 18,000 jobs globally Microsoft's Executive Vice President of Devices & Services Stephen Elop addressed his employees in an email which also mentioned plans to restructure the plant in Reynosa:

"We plan to right-size our manufacturing operations to align to the new strategy and take advantage of integration opportunities. We expect to focus phone production mainly in Hanoi, with some production to continue in Beijing and Dongguan. We plan to shift other Microsoft manufacturing and repair operations to Manaus and Reynosa respectively, and start a phased exit from Komaron, Hungary"⁴³.

Uncertainty prevails among the workers in Mexico, who fear being dismissed if they do not fit the required profiles for the new functions assigned to the factory. Moreover, workers are unsure who their principal employer is, which has caused practical problems. While Nokia is still listed on their pay slips, the workers' badges, uniforms and factory all have a Microsoft logo. One worker was refused a loan because of the inconsistency between the badge and the pay slip.

⁴³ "Stephen Elop's email to employees", 17 July 2014, <<http://www.microsoft.com/en-us/news/press/2014/jul14/07-17announcement2.aspx>> (13 August 2014).

Another worker was stopped by ‘Halcones’⁴⁴ (‘Falcons’) in her neighbourhood who asked her to prove she was working at the factory. She showed them her pay slip but they also asked for her badge. The falcon thought he was being deceived and this led to a very risky and awkward situation for the worker.

Workers also report that production has slowed down. Since the acquisition by Microsoft, there are only two shifts of eight hours each from Monday to Friday. Workers estimate that there are approximately 300 to 400 workers left in the factory, down from around 2,000 to 3,000 workers on the shop floor in the past. During production slow-downs workers at the Reynosa factory have only been paid 30 per cent of their basic salary.

Workers continue being hired on short term contracts through the same employment agencies and continue to face precarious working conditions, such as being hired through series of temporary contracts, less vacation days, no right to join a union of their own choosing and more physically-demanding working conditions. The management-controlled Sindicato de Trabajadores de Nokia (Nokia Workers Union), now under another name and structure⁴⁵, but run by the same leaders, is still operative in the factory under a so-called ‘employer protection contract’. Cereal reports that, in March 2014, the union refused to recognise a worker representative which was elected at a union assembly. The worker was subsequently threatened and put under company surveillance until the end of September.



⁴⁴ The “halcones” (‘Falcons’) are mostly men hired by drug cartels to put a certain territory under surveillance. They are supervising the transportation of people, merchandise, etc., and report major incidents to their bosses.

⁴⁵ It was a company-level union before and now it is an industry-level union.

5. Conclusion

By taking a workers' perspective to Nokia's corporate history, it becomes apparent that the workers in the manufacturing sites, in particular those located in the Global South, are facing difficulties because of the decline Nokia and the sale of its mobile phone business to Microsoft. These same workers had also faced the poor working conditions that have existed for years and throughout the electronics supply chain when Nokia was a highly profitable market leader. At the same time, the billions in cash that Nokia received from the sale have been fairly distributed among shareholders, bondholders and executives. As such, there are clear winners and losers in this story, and the divide between the haves and have-nots of the world becomes apparent in the history of a single company.

Throughout its recent history, Nokia followed a pattern of production relocations to countries with ever cheaper labour cost as part of its corporate strategy to improve its competitiveness. When the company started losing market share, it responded by further reducing costs and cutting jobs. Microsoft's current relocation of mobile phone production to Vietnam is merely a continuation of this business strategy under a new ownership. This affects not only Nokia's workers worldwide but contributes to a competitive environment characterized as a "raise to the bottom" in wages.

Not only did more than 5,000 Nokia employees in India lose their jobs due to the closure of Nokia's facility in Sriperumbudur, thousands of employees of Nokia's component suppliers have lost their jobs as well. These workers were mostly first generation industrial workers who aimed to generate more income than their parents in the agriculture sector. Working for a multinational company such as Nokia would improve their living conditions and ensure a dignified life for themselves and their dependents. Even though Nokia was paying comparatively high wages relative to its suppliers, workers had to struggle to make ends meet. Their futures now look bleak as thousands of young workers in the age group of 24-30 years have found themselves jobless. Nokia's Bridge Program to offer financial assistance and training programs have proven to be ineffective in this Indian context.

In Reynosa in Mexico, workers are left with a feeling of uncertainty and a fear of losing their jobs as the management is changing the factories' operations and decreases production, shifts and wages without negotiating with workers and their elected representatives. Workers have been hired through employment agencies and have faced precarious working conditions for almost two decades. While they have repeatedly struggled to claim their rights throughout recent years, they risk seeing their uncertain employment being replaced by redundancy.

Colophon

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Cividep was formed in the year 2000. It helps to educate workers about their rights and it campaigns for corporate accountability together with other like-minded organisations and individuals. Our research has been in the electronics, garments, mining and banking sectors. Our workers' rights initiatives have been in the garments, electronics manufacturing and plantation sectors. Cividep works to ensure that human rights abuses, environmental damage, corrupt practices and violation of worker's rights by companies are addressed. www.cividep.org



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