

THE FLEX SYNDROME

Working conditions in the Hungarian electronics sector

ACC and SOMO
December 2012





COLOPHON

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PUBLISHED BY: SOMO – Centre for Research on Multinational Corporations

COVER DESIGN: Justar.nl

ISBN: 978-94-6207-014-1

This report is published as part of the makeITfair campaign, a European-wide project on consumer electronics. makeITfair aims to inform young consumers about human rights, social and environmental issues along the supply chain. It also addresses consumer electronics companies to contribute to change. makeITfair is coordinated by the Dutch organisation SOMO (Centre for Research on Multinational Corporations). Project partners are: SwedWatch and Fair Trade Center from Sweden; FinnWatch and Pro Ethical Trade Finland from Finland; DanWatch from Denmark; Germanwatch from Germany; Association of Conscious Consumers (ACC) from Hungary; ACIDH from the DR Congo; CIVIDEP from India; Workers Assistance Center (WAC) from the Philippines; and Civil Society Research and Support Collective (CSRSC) from South Africa.

FUNDING: This publication has been produced with the assistance of the European Union. The content of this publication is the sole responsibility of SOMO and can in no way be taken to reflect the views of the European Union.



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SOMO: The Centre for Research on Multinational Corporations (SOMO) is a non-profit Dutch research and advisory bureau. SOMO investigates the policies of multinational enterprises and the internationalisation of business worldwide. Focus is placed on research into labour conditions in the global South and cooperation with local organisations and trade unions. Website: www.somo.nl.



ACC: The Association of Conscious Consumers (ACC) works towards developing proactive communities of individuals to base their consumer decisions with increased awareness, supplementing the usual price-quality considerations with other considerations, such as the environmental and social performance of the manufacturer of a given product, the ecological features thereof or the health related to its consumption. Website: www.tudatosvasarlo.hu.



FOREWORD

This report is part of the ‘makeITfair’ project to raise awareness about sustainable development issues in the production chain of the consumer electronics industry.¹ The project’s specific objective is to raise awareness among the selected target groups of electronics companies and consumers about human rights violations, workers’ rights and the environmental impacts of the supply chain of consumer electronics with a special focus on information and communications technology (ICT) products such as mobile phones, MP3 players, game consoles, digital cameras and laptops.

The focus is on the consumer electronics industry, as this industry is growing rapidly and facing many social and environmental problems throughout the world. The industry has only recently been the subject of public campaigns, and there is still limited awareness among the wider public about the industry’s problems. As the production chain of consumer electronic products is a truly global one, the sector is a particularly good example to use in discussing issues of globalisation with young consumers.

The makeITfair project aims to offer recommendations and, by doing so, to convince companies to adopt changes in their practices that contribute to respect for human and workers’ rights and to sound environmental practices. Previous research on working conditions by makeITfair among electronics companies in South-East Asia has identified critical workers’ rights issues such as low wages, compulsory overtime, the curbing of the freedom of association and collective bargaining, casualisation of labour, health and safety problems, and gender and age discrimination.²

Other issues that were subject of earlier research by makeITfair concern the conditions under which raw materials for electronics are extracted³ and the way electronics waste (e-waste) ends up in developing countries such as Ghana.⁴ The dissemination of the research involves the development of Consumer Guides, educational materials, toolkits for campaigning organisations and web-based tools. Other activities in this project include capacity building sessions in Eastern Europe and the organisation of an annual international Round Table to bring together electronics companies, non-governmental organisations (NGOs) and trade unions to discuss the various responsibilities for the environmental, human rights and labour conditions in the supply chain of the consumer electronics industry.

¹ For more information on makeITfair, see <http://makeitfair.org>.

² Various makeITfair publications: *Phony Equality: Labour standards of mobile phone manufacturers in India*, September 2011, <http://makeitfair.org/en/the-facts/reports/reports/phony-equality>; *Game console and music player production in China: A follow-up report on four suppliers in Guangdong*, February 2011, <http://makeitfair.org/en/the-facts/reports/reports/game-console-and-music-player-production-in-china>.

³ See for example: *Unheard Voices: Mining activities in the Katanga province and the impact on local communities*, 2011, http://makeitfair.org/en/the-facts/reports/reports/unheard-voices/at_download/file.

⁴ See for example: *What a waste how your computer causes health problems in Ghana*, 2011, <http://makeitfair.org/en/the-facts/reports/reports/what-a-waste>.

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ACRONYMS

ACC	Hungarian Association of Conscious Consumers
CoC	Code of conduct
CSER	Corporate social and environmental responsibility
CSR	Corporate social responsibility
EHS	Environmental health and safety
EICC	Electronics Industry Citizenship Coalition
EMS	Electronics Manufacturing Services
ESC	Employee Satisfaction Committee
GDP	Gross domestic product
GeSI	Global Electronics Sustainability Initiative
GPPM	Global Procedure and Policies Manual
GWP	Great Work Place
HUF	Hungarian Forint
ICT	Information communications technology
IFTZ	Industrial free trade zone
ILO	International Labour Organization
ISO	International Organization for Standardization
NGO	Non-governmental organisation
OECD	Organisation for Economic Co-operation and Development
OHSAS	Occupational Health and Safety Advisory Services
OMMF	National Labour and Work Safety Authority
SER	Social and Environmental Responsibility
SMT	Surface-mount technology
SOMO	Centre for Research on Multinational Corporations
TÁRKI	Hungarian Social Research Institute
TAW	Temporary agency workers
UN	United Nations
VAP	Validated Audit Process
VASAS	Hungarian Metal Workers' Federation

EXECUTIVE SUMMARY

Low-cost electronics production facilities have been established in Central and Eastern Europe (Hungary, Czech Republic, Poland, Romania and Estonia) to supply the European market. Although working conditions within electronics manufacturing companies in South-East Asia have been well documented, there has been little research carried out in the Central and Eastern European region. This research on the working conditions in the electronics manufacturing sector of Hungary aims to fill this knowledge gap and describes what type of problems Hungarian employees are facing.

The aim of the research is threefold:

- To raise awareness about the working conditions at production sites of electronic manufacturing companies in Hungary.
- To assess the implementation of global corporate social responsibility (CSR) policies by the Hungarian operations of multinational electronics companies in the local context of Hungary.
- To provide a solid ground for the dialogue with electronics companies to improve policies and practices regarding working conditions.

The research data was obtained through interviews with factory workers, trade union representatives and management of the Hungarian production sites of brand firms Nokia (Komárom) and Samsung Electronics (Jászfényszaru) as well as “Electronics Manufacturing Services” or “EMS” companies⁵ Foxconn (Székesfehérvár) and Flextronics (Zalaegerszeg) during the period September-December 2011. Experts in the field of labour relations and the Hungarian electronics sector were also consulted.

Hungary has become the most important hub in the electronics manufacturing industry in Central and Eastern Europe for several reasons: the tax incentives and low export tariffs offered by industrial free trade zones; its proximity to the Western European market; its developed infrastructure; its relatively cheap workforce; and the subsidies offered by the national and the local government. The total number of people employed directly by the electronics industry in Hungary in 2010 was around 92,000.

The following labour issues were identified in the researched companies:

- Hungarian legislation allows companies to use the so-called **time-bank system**: within this system working hours are not counted within one working day, but are calculated as an average within a longer time period. With the time-bank system, the employer has more flexibility in assigning working days, distributing overtime work and thus compensating for overtime hours within a specific time period. The time-bank system is a serious issue for workers as far as working hours and overtime is concerned; it results in the fact that overtime payment is not regularly paid in working weeks of more than 40 hours and is therefore in conflict with international standards.
- The problem of **low wages** has predominantly been mentioned at one company. This company provides the lowest starting wages for operators when compared to the other companies in this research. Most companies provide an income for their operators equivalent to the living wage level or slightly higher. It has to be noted that this living wage level is calculated on the basis of a one-person household. When taking into consideration the living wage level of a four-person household (two income earners and two children), the operators with the highest incomes from the four researched companies were not able to earn enough money for their families, even when

⁵ EMS is a term used for companies that manufacture electronic components and end products for brand firms.

both parents were working. Furthermore, it has to be noted that most operators earn less than the average monthly wage of a manual worker in the manufacturing sector in Hungary.

- As far as **health and safety** is concerned, most problems can be attributed to the 12-hour shifts and the changing of the shifts (day and night); problems include dizziness, back-aches and tiredness. Specifically at one company the working conditions proved to be too physically demanding; several times per week (and sometimes per shift) the ambulance from the local hospital had to come to the factory to pick up workers who became unwell; fainting, suffering from symptoms of fatigue, high blood pressure and stress.
- At one company, it is an issue for the workers that the **break times** are too short to give enough time for resting and eating after queuing up for security checks.
- The **harsh treatment by middle management** is of specific concern at one company, but is also addressed by interviewees at two other companies.
- In times of peak production, the **number of temporary agency workers** equals or even exceeds the number of permanent workers at three out of the four researched companies.
- Related to **temporary workers**, some differences have been reported in terms of **benefits**, this mainly relates to the meal vouchers in the first year of employment.
- The biggest issue for the temporary agency workers at all factories is **job insecurity**.
- At one of the four companies, an attempt to set up a **trade union** was frustrated by the management.

Related to some specific issues, workers and management have different views. On the **functioning of the works council** at one of the factories, a different picture emerges from the workers' interviews: while management sees it as a successful mechanism to solve complaints, the workers say that the council's real function is to channel down information from the management to the workers. Also, views differ on the use and **functioning of the time-bank system**: while company management stresses that the time-bank system is advantageous for the workers because the purpose of the system is to protect the seasonal dismissal of workers during off-peak seasons, workers only experience the fact that hours that used to be paid at an overtime rate are not paid out as such anymore.

Despite the fact that the global CSR policies of the companies researched are implemented and audited locally, they have not prevented the labour issues which were identified by this research from occurring. With regards to audits performed at suppliers', the number of these supplier audits is limited, as only very few suppliers are located in Hungary (mainly packaging and indirect materials that are not related to the electronics production and assembly itself). Almost all components are imported from Asian countries.

Concluding one can say that Hungarian labour law has some exceptional provisions and seems to be designed to facilitate a far-reaching flexibilisation of labour. Hence the title of this report, *The Flex Syndrome*. Although companies featured in this research are all acting according to Hungarian labour legislation, one can ask oneself if a company is acting in a socially responsible way when making use of the labour flexibilisation measures offered by Hungarian legislation, which include:

- the time-bank system;
- the increase of the cap on overtime hours from 200 hours to 250 hours per annum in the new labour law (which may be extended to 300 hours by provision of a collective agreement);
- the possibility that a company can assign two-thirds of their employees' vacation days;
- the introduction in the new labour law of student employment;
- the short break times provided by the labour law and
- the low minimum wages.

MakeITfair makes the following recommendations to **electronics companies** in Hungary:

1. Not to circumvent payment of overtime via the time-bank system; companies should pay all hours exceeding the regular working week (40 hours per week in case of Hungary) at an overtime rate.
2. Bring the company Codes of Conduct and labour policies up to international labour and human rights standards such as the revised Organisation for Economic Co-operation and Development (OECD) Guidelines, the United Nations (UN) Principles on Business and Human Rights and the International Organization for Standardization's ISO 26000 standard. More specifically, the Code of Conducts and supplier requirements should include:
 - The International Labour Organization (ILO) conventions 87 and 98 on freedom of association and the right to collective bargaining.
 - The right to a living wage.
 - The right to job security (ILO Tripartite Basic Principle, art. 24-28).
 - A provision for temporary agency labour that includes the principle of equal pay for equal work, not using temporary workers on a regular basis over the long term, no excessive use of temporary agency labour.
3. Increase the awareness on the Code of Conduct among workers and provide training on workers' rights and grievance mechanisms and the benefits of genuine workers' representation.
4. Take responsibility for the job security of all workers in the factories. Corporate responsibility to respect the rights of workers extends to business relationships, including labour supply. The primary form of employment should be permanent, open-ended and direct.
5. Finally, electronics companies producing in Hungary should, in the context of appropriate due diligence processes, investigate the health and safety risks related to 12-hour shifts and change the shift system when needed.

MakeITfair makes the following recommendations to the **Hungarian government**:

1. Revise and re-evaluate its rules and legislation concerning the time-bank system enabling workers to receive overtime payment when their working week exceeds 40 hours.
2. Raise awareness among the Hungarian workforce about the activities and objectives of trade unions in cooperation with national union federations like VASAS Hungarian Metalworkers' Federation.
3. Make sure that the right to freedom of association and collective bargaining is respected at electronics companies and that works councils are established at workplaces with more than 50 employees.

MakeITfair makes the following recommendations to **consumers**:

If you are buying a new mobile phone or computer, ask where it was produced and whether good social and environmental standards were followed. Make clear you want a fair product. Guides and reports about working conditions and environmental performance of the electronics sector can help your decision. Check out www.makeitfair.org or www.tudatosvasarlo.hu.

1. INTRODUCTION

BACKGROUND: THE ELECTRONICS MANUFACTURING INDUSTRY

The electronics sector, and more specifically the ICT hardware manufacturing sector,⁶ is a highly globalised sector. The production process is broken up into various components that are produced in different locations around the globe. An average computer contains components that are manufactured and assembled all over the world. For example, the semiconductor chip might be made in Malaysia or Vietnam; the hard disk drive might be made in Thailand or the Philippines; the circuit boards might be made in China; and the end product might be assembled in Mexico.

Much of the rapid growth of the ICT sector has taken place in newly industrialising countries, particularly in South-East Asia. In low-wage countries such as Malaysia, Thailand, the Philippines, Indonesia, India and primarily China, manufacturing hubs for ICT production have emerged. However, low-cost production facilities have also been established in Latin America (e.g. Mexico) to supply the US market and Central and Eastern Europe (Hungary, Czech Republic, Poland, Romania and Estonia) to supply the European market.

The ICT sector has generally been perceived as a clean and high-skilled working environment, yet the majority of the manufacturing is labour intensive, low-skilled and ‘dirty’ work, with a majority of female workers. An example of dirty work is the ‘board stuffing’ – a labour intensive process to manufacture printed circuit boards with the use of highly toxic chemicals. This low-skilled work is concentrated in the above-mentioned low-cost countries. These countries are competing in terms of wages and tax and trade incentives to attract foreign investment, practices that do not necessarily favour the host country, its workers or the environment. The ICT sector is a very competitive sector. Prices of laptops, mobile phones, MP3 players and other electronics devices are in continuous decline and the profit margins for manufacturing are small. The pressure to cut costs poses a challenge to the sector and is one of the reasons for the continuing shift to low-costs countries with even lower wages.⁷

LABOUR RIGHTS VIOLATIONS IN SOUTH-EAST ASIA

Previously partner organisations involved in the makeITfair project carried out research at several locations in South-East Asia (e.g. in China and the Philippines). They have identified the following critical workers’ rights issues:⁸

- *Low wages:* The pay of factory workers is insufficient to cover their everyday needs. Often they live in workers’ homes, far from their families.

⁶ ‘ICT’ is the acronym for Information and Communications Technology and can be defined as the totality of the electronic means to collect, store, process and present information to the end-users in support of their activities. ICT consists of computer systems, data communication systems, knowledge systems, office systems and consumer electronics. Definition used in *CSR issues in the ICT hardware manufacturing sector*, SOMO, 2005, p.11, http://somo.nl/publications-en/Publication_476/.

⁷ *CSR issues in the ICT hardware manufacturing sector*, SOMO, 2005, p.11, http://somo.nl/publications-en/Publication_476/.

⁸ Based on various makeITfair publications: *Silenced to Deliver: Mobile phone manufacturing in China and the Philippines*, SOMO and Swedwatch, 2008, http://somo.nl/publications-en/Publication_2727/; *Configuring Labour Rights. Labour conditions in the production of computer parts in the Philippines*, SOMO, 2009. http://somo.nl/publications-en/Publication_3109/; *Playing with Labour Rights: Music player and game console manufacturing in China*, Finnwatch, SACOM and SOMO, 2009, http://somo.nl/publications-nl/Publication_3008-nl/.

- *Mandatory overtime work:* At times when production increases, workers are often obliged to work overtime. In some cases, they are made to work 12 hours a day, 7 days a week.
- *Unpaid overtime:* The hours above 8 hours per day and above 48 hours per week are often not paid at overtime rate.
- *Obstruction of the exercise of trade union rights:* Many companies in the electronics industry obstruct the formation of trade unions. Those workers who nevertheless attempt to organise a labour union often face discrimination, intimidation or dismissal.
- *The widespread use of hiring workforce from employment agencies:* Electronics companies are hiring their workforce from employment agencies in growing numbers. Agency workers do not receive the same benefits and can't exercise the same rights as the permanent workforce; wages are lower, legally mandated benefits (paid sick leave, maternity leave or health insurance) are circumvented and their rights to organise and collective bargaining are being undermined.
- *Fines:* In China, if a labourer makes a mistake while working, it often results in a wage deduction in the form of punitive fines.
- *Health and safety problems:* Often workers are made to work with hazardous materials without adequate protective equipment. This results in inhaling toxic fumes and feeling nauseous when soldering electronic components. Different symptoms frequently occur such as allergies, dizziness, exhaustion, muscle and eye pain.
- *Gender hiring practices:* Labourers who work at the assembly line are mostly young women. Companies prefer them because they are regarded as less likely to stand up for their rights and more able to do precise work.
- *Abuse of student labour:* Several companies employ young trainees, aged 16-18, who are forced by their schools and government to work in factories, although it has nothing to do with their studies. They have to do nightshifts and overtime work just the same as the company's other employees. They can be employed much more cheaply than adult labourers, since in several cases companies are not required to pay employer social security contributions for them.
- *Harsh management treatment:* Workers are made to work like machines under conditions of absolute obedience and discipline; line managers yell at workers and punish them for mistakes.

INDUSTRY CODES AND POLICIES

The industry response to tackling the issues described above is to develop corporate social responsibility (CSR) policies.⁹ These are usually composed of Codes of Conduct, labour policies, supplier requirements based on the Code of Conduct and are sometimes complemented with sourcing requirements concerning raw materials to avoid the use of conflict minerals. As well as these social policies, environmental standards such as ISO 14001 and ISO 18001 form part of the CSR policies. Electronics companies have put in place management systems to ensure that the Corporate Social and Environmental Responsibility policies are integrated into their operations worldwide and that of their direct suppliers. These management systems involve deployment of procedures, assessment tools and audit programmes covering governance practices, social practices, environmental practices and health and safety practices.

In 2004, three ICT brands (IBM, Dell and HP) and five Electronics Manufacturing Services companies (Solectron, Sanmina-SCI, Jabil, Celestica and Flextronics) developed the Electronics Industry Code of

⁹ For the definition of CSR, makeITfair draws on the CSR Frame of Reference 2012 as developed by the Dutch CSR Platform: "CSR is a result-driven process whereby a company assumes responsibility across all its business operations for the social, ecological and economic consequences of its activities, and is accountable and transparent towards its stakeholders regarding these issues." The CSR Platform (officially called MVO Platform) is a network of civil society organisations and trade unions that are active in the area of international corporate social responsibility. The CSR Frame of Reference can be found on the MVO Platform website at http://mvoplatforn.nl/publications-en/Publication_3738/.

Conduct. This electronics industry sustainability initiative evolved into the Electronics Industry Citizenship Coalition (EICC), which currently has 71 members and offers its members the possibility of using the jointly developed tools for assessments, auditing and capability trainings, which are all based on the EICC code.¹⁰ Another industry initiative is the Global Electronics Sustainability Initiative (GeSI) in which 31 electronics companies collaborate to address CSR issues. As opposed to the EICC, all GeSI members have their own Codes of Conduct.¹¹ EICC and GeSI work closely together on various CSR issues.

The makeITfair project has established a set of priorities for the implementation of decent working conditions, which go hand in hand with clear recommendations of what companies should do. Crucial elements for a good CSR policy are a supply chain approach, a multi-stakeholder approach, external control, grievance procedures¹² and transparency and reporting.

Relevant ILO Conventions

makeITfair regards the ILO Conventions as authoritative labour standards and they should be included in every Code of Conduct. According to these standards, companies are expected to comply with, and to promote, the following labour rights, also in the situation when national legislation has lower standards:

- Freedom of association and the right to collective bargaining (ILO Conventions 87 and 98, supplemented by Convention 135)
- Prohibition of forced labour (ILO Conventions 29 and 105)
- Prohibition of child labour (ILO Conventions 138 and 182)
- Prohibition of discrimination (ILO Conventions 100 and 111)
- The right to job security (ILO Tripartite Basic Principle, art. 24-28)
- The right to a safe and healthy work environment (ILO Convention 155)
- Compliance with maximum hours of work (ILO Convention 1)
- The right to a living wage (ILO Tripartite Basic Principle, art. 34).

Although working conditions within electronics manufacturing companies in South-East Asia have been well documented, there has been little research carried out for the Central and Eastern European region.¹³ In the previous project period of makeITfair (2007-2009), a similar research was carried out in Hungary. However, it proved to be very difficult to conduct enough worker interviews per company to draw sound conclusions. This current research into the working conditions in the electronics manufacturing sector of Hungary aims to fill this knowledge gap and identifies the types of problems facing Hungarian employees, based on a sufficient number of worker interviews.

THE RESEARCH DESIGN

The research is primarily focused on the working conditions at electronic manufacturing companies in Hungary. The aim of the research is threefold:

¹⁰ Website EICC, http://www.eicc.info/about_us.shtml.

¹¹ Website GeSI, http://gesi.org/About_ICT_sustainability.

¹² Relevant criteria for grievance mechanisms are provided by the UN Guiding Principles for Business and Human Rights such as: legitimacy; accessibility; predictability; equality; and transparency. Website: Office of the High Commissioner for Human Rights (OHCHR), section reference materials, see: http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf p. 31-35.

¹³ Publications that can be mentioned here are: *Under pressure: Working conditions and economic development in ICT production in Central and eastern Europe*, WEED, 2010, http://www.pcglobal.org/files/under-pressure_final_version.pdf and *On the move: The electronics industry in Central and Eastern Europe*, makeITfair, 2009, http://makeitfair.org/en/the-facts/reports/2007-2009/reports-from-2009/on-the-move/at_download/file.

- To raise awareness about the working conditions in the production sites of electronic manufacturing companies in Hungary.
- To assess the implementation of global CSR policies by the Hungarian operations of multinational electronics companies in the local context of Hungary.
- To provide a solid ground for the dialogue with electronics companies to improve policies and practices regarding working conditions.

On the basis of earlier studies,¹⁴ the critical social issues the research considered important to examine through **worker interviews** were as follows:

- Working time: shifts and commuting
- Payment: wage levels and benefits
- Health and safety conditions
- Agency workers: the conditions of their employment (contracts, wages, benefits, rights, termination of employment)
- Union representation: collective agreement, management treatment of trade union members and representatives, worker-management communication
- Procedures to deal with employee complaints.

As well as the above-mentioned questions also the following issues were raised during the **management interviews** :

- Which labour policies are in place locally?
- What are the management systems in place to implement these policies?
- What is the impact of the Hungarian culture and local laws on the implementation of global corporate policies?

The background of the questions for management is that the research wanted to establish if there were any discrepancies between the workers' views and management views on labour practices. The research also aims to establish whether the company's global labour policies (as part of the company's CSR policy) or the Hungarian labour laws were setting the minimum standards in the implementation of corporate policies at the local (Hungarian) level. If the national labour laws are of a high standard there is no problem. However, what makeITfair often finds is that national labour laws obstruct implementation of global CSR policies and/or international labour standards. For example, in China and Mexico, the labour law obstructs freedom of association and collective bargaining, and in many countries the minimum wages as set by the government are not sufficient to live on. How do companies act in such cases? Do they take advantage of the situation offered or will they act according to the global CSR policy and are these policies up to international standards?

METHODOLOGY

The research data was obtained through interviews with factory workers, with trade union representatives and with management from the following production facilities: Nokia Komárom LLC, Samsung Hungary LLC (in Jászfényszaru), Paragon Solution LLC (Foxconn, Székesfehérvár) and Flextronics International LLC (in Budapest, Tab and Zalaegerszeg) during the period September-December 2011. Experts in the field of labour relations and the Hungarian electronics sector were also consulted.

¹⁴ S. Bromann & L. Planck. *Under Pressure: Working Conditions and Economic Development in ICT Production in Central and Eastern Europe*, 2010, http://www.pcglobal.org/files/under-pressure_final_version.pdf.

The research was conducted by the Hungarian Association of Conscious Consumers (ACC), the Centre for Research on Multinational Corporations (SOMO) and the Hungarian Social Research Institute (TÁRKI). The interviews with factory workers, trade union representatives and experts were coordinated and conducted by TÁRKI.¹⁵ SOMO took the lead in the management interviews but worked in cooperation with ACC and TÁRKI.¹⁶

The workers' interviews were conducted outside the factory premises in an informal setting, allowing workers to feel safe to speak openly about their working conditions. These interviews were carried out individually and, in some cases, in focus groups consisting of two to five people. Most of the interviews were voice recorded. On three or four occasions, detailed written notes were taken. Taking into account the sensitivity of the issues concerned, the method of snowball sampling was chosen: each of the interviewees was asked to suggest other potential interviewees and to help the research team in approaching them (contacts, references). Such a sampling technique is usually applied when the group in question is difficult to approach or when the topic is sensitive. The interviewees were guaranteed anonymity.

As well as field research, secondary sources were also consulted in the form of a desk study: Hungarian media, online workers' blogs, Hungarian labour legislation and reports on the Hungarian electronics industry.

The experiences of TÁRKI and ACC related to the field research

We found it important to carry out the interviews in an environment that is independent of the employer. The workers were interviewed in or near their homes, or in neutral places in the vicinity of the worksites. A small number of the interviews were made in our car parked near the entrance of the factory, or on the way giving a ride home to the worker being interviewed. Although we interviewed the management, we did not ask for their help in organising the worker interviews, which we organised ourselves. While doing our fieldwork, we visited the factory localities several times (i.e. Komárom, Jászfényszaru, Székesfehérvár and Zalaegerszeg). We visited Tab once.

Sometimes workers refused to be interviewed, but the number of refusals was smaller than we expected. The anonymity of the survey made the interviewees willing to tell us about their working conditions. In the vast majority of cases, they let us record the conversation once they agreed to be interviewed. The long list of questions we used made it impossible to interview the workers outside the factory gate, or while walking them home. These opportunities to meet them could at best be used only to ask them to agree to a later appointment. Even that was not very efficient, as they were all hurrying to catch the bus. And even if we managed to get on the bus with them, often we would have to travel very far for a chance to talk to one of them.

On one occasion we managed to get in contact with someone whose phone number we found on the internet. On another occasion we got in touch with someone by writing a post to a blog. Nobody responded to our approaches via Facebook. Our chances to find interviewees willing to cooperate at the factory gate were also limited by the fact that we could only use a 10 to 15 minute window at shift changes once every eight or twelve hours.

Some methods we used to approach workers who were suitable in small settlements were impossible to use in bigger cities. In Jászfényszaru, which is a village, we went from door to door to find interviewees, but this would be inappropriate to do in Székesfehérvár, which is large county centre.

¹⁵ The field research was coordinated by Olívia Béládi from TÁRKI. ACC and SOMO participated in some of the interviews with workers, trade union representatives and experts.

¹⁶ SOMO researchers were Irene Schipper and Kristóf Rác, for ACC Zsófia Perényi participated in the research.

This report features four electronics companies with manufacturing facilities in Hungary: Nokia, Samsung, Foxconn and Flextronics. The number of interviews with factory workers at the four companies is distributed in the following way: 19 interviews at Nokia Komárom; 22 at Samsung Jászfényszaru; 20 at Foxconn Székesfehérvár; and 23 at Flextronics Zalaegerszeg. For more detail on the interviewees, see the Appendix.

All four companies were given the opportunity to review a draft version of the chapter on their company. All companies made use of this opportunity and provided SOMO and ACC with comments on the draft. These comments have been incorporated in the text of the report.

The selected electronics companies include well-known brand firms (Samsung Electronics and Nokia are one of the few brand firms still assembling their own products), as well as so called Electronics Manufacturing Services (EMS) companies. EMS is a term used for companies that manufacture electronic components and end products for brand firms. A small number of EMS providers dominate the market for electronics manufacturing; the top five are Hon Hai Precision Industries/Foxconn, Flextronics, Jabil, Celestica, and Sanmina-SCI, which are all present in Hungary, except for Celestica.

For this research, makeITfair approached the top EMS providers and the multinational brand firms in the electronics sector in Hungary; in total nine companies were approached to participate. **Samsung, Nokia, Flextronics and Foxconn showed willingness to participate in the research and to explain their social and environmental policies and the way they are implemented in Hungary, which makeITfair highly appreciates.**¹⁷ Philips was also willing to participate. However, due to time constraints the company could not be included in the research.

STRUCTURE

The report is structured as follows. Chapter 2 deals with the electronics industry in Hungary and relevant legislation for working conditions. Chapter 3, 4, 5 and 6 describe the findings for Samsung, Nokia, Foxconn and Flextronics, respectively. The report closes with conclusions in chapter 7 and recommendations in chapter 8.

¹⁷ All the companies involved in this research have faced criticism from campaigning organisations and have received negative publicity on working conditions in their Asian factories and suppliers. Some are still facing heavy criticism. See for example: *An Investigation of Eight Samsung Factories in China: Is Samsung Infringing Upon Apple's Patent to Bully Workers?*, China Labor Watch, September, 2012 <http://www.chinalaborwatch.org/pro/proshow-177.html>; *New iPhone, Old Abuses: Have working conditions at Foxconn in China improved?*, Sacom, September 2012, <http://sacom.hk/archives/960>. They have all developed global CSR policies and management systems to tackle workplace issues and to work towards full compliance. As members of the EICC Samsung, Foxconn and Flextronics are working towards full compliance with the EICC code. As member of GeSI Nokia has its own code of conduct.

2. THE ELECTRONICS INDUSTRY IN HUNGARY

After the political transition in 1990, several multinational companies inspired by privatisation and the newly established free market economy started moving their production to Hungary.¹⁸ In the 1990s, one of the first electronics companies to establish an industrial free trade zone (IFTZ) in Hungary was Philips, which was later followed by IBM, Nokia, Sony and Zollner. The regulations promoting IFTZs were meant to attract high-technology export-oriented businesses to boost economic development and to create technological spillover effects to enterprises doing business with the electronics companies in the country. Besides the tax incentives and low export tariffs offered by the IFTZs, electronics companies preferred Hungary because of its proximity to the Western European market, its developed infrastructure, its relatively cheap workforce and the subsidies offered by the national and the local government.¹⁹ Also, the country has had a longstanding tradition of electronics manufacturing culture and a well-qualified workforce due to the presence of Hungarian electronics companies like Videoton and Orion.²⁰ As a result, Hungary became the most important hub in the electronics manufacturing industry in Central and Eastern Europe.²¹

By 2010 the electronics industry became the largest industrial sector in Hungary, accounting for 25% of total manufacturing production and contributing to around 5% of the country's gross domestic product (GDP).²² In 2010, there were more than 170 medium- to large-sized companies operating in the electronics manufacturing industry in Hungary. Companies with more than 250 employees dominate the Hungarian market, as shown in Figure 1. These electronics companies include Bosch, Electrolux, Foxconn, Jabil Circuit, Flextronics, Nokia, Philips, Samsung, Sanmina-SCI, Videoton and Zollner. On average, 75-80% of the electronics production in the Hungarian is destined for export, with some companies even exporting over 95% of their production volumes.²³

¹⁸ L. Gulyás & L. Marianucz. *A magyar gazdaság rövid története a rendszerváltástól napjainkig (1990-től 2008-ig)*, https://orszaginfo.magyarorszag.hu/informaciok/gazdasag/gazdasagtortenet/gazdasagtortenet_3.html (24/09/2012).

¹⁹ The possibility of establishing IFTZs was in place until Hungary's accession to the European Union in 2004. "Electronic industry in Hungary", Investment and Trade Development Agency (ITD) Hungary brochure, 2010, http://www.mfa.gov.hu/NR/rdonlyres/B55CDA6B-AE14-4AA8-9B71-930992F7782/0/itdh_electronics2010.pdf (24/09/2012).

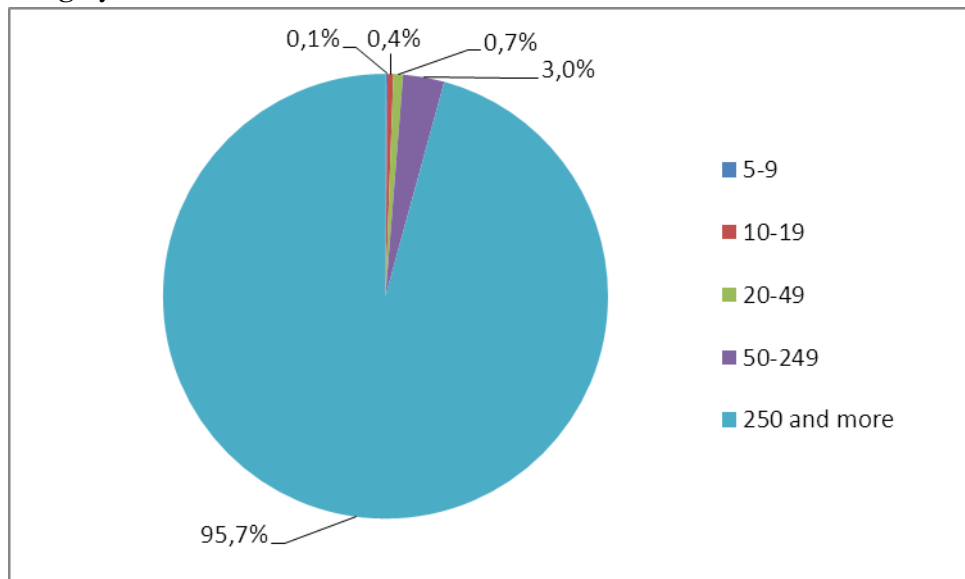
²⁰ Interview with Miklós Lambert, President of the Hungarian Electronics Society (Magyarországi Elektronikai Társaság – MELT) and with Péter Kovács, Editor at Elektronet.hu, 15 November 2011.

²¹ S. Bromann & L. Planck. *Under Pressure: Working Conditions and Economic Development in ICT Production in Central and Eastern Europe*, 2010, p.15., http://www.pcglobal.org/files/under-pressure_final_version.pdf and *Electronic Manufacturing as a Pillar of Hungarian National Competitiveness*, American Chamber of Commerce in Hungary (AmCham) Position Brief No. 9, 26 August 2010, <http://www.amcham.hu/amcham-position-brief-no-9-august-26> (24/09/2012).

²² *Electronic Manufacturing as a Pillar of Hungarian National Competitiveness*, American Chamber of Commerce in Hungary (AmCham) Position Brief No. 9, 26 August 2010, <http://www.amcham.hu/amcham-position-brief-no-9-august-26> (24/09/2012).

²³ *Electronic Manufacturing as a Pillar of Hungarian National Competitiveness*, American Chamber of Commerce in Hungary (AmCham) Position Brief No. 9, 26 August 2010, <http://www.amcham.hu/amcham-position-brief-no-9-august-26> (24/09/2012).

Figure 1: Number of employees in computer, electronics and optical manufacturing companies in Hungary, 2011



Source: Hungarian Central Statistical Office²⁴

Figure 2 shows the production figures of the Hungarian electronics industry for the period between 2001 and 2011. Production figures show a steep increase in all years except for 2007, 2008 and 2011. The decline in these years is mainly due to unfavourable international economic conditions and the decreasing demand for consumer electronics in foreign markets. In 2011, the production of consumer electronics declined by 12.5%, which is mainly a result of the decreased demand for television sets, according to the Hungarian Central Statistical Office.²⁵

²⁴ *Jelentés az ipar 2011. évi teljesítményéről*, Hungarian Central Statistical Office, April 2012, <http://www.ksh.hu/docs/hun/xftp/idoszaki/jelipar/jelipar11.pdf> (24/09/2012).

²⁵ *Ibid.*

Figure 2: Gross production of computers, electronics and optical products in Hungary, 2001-2011, in HUF billion



Source: Hungarian Central Statistical Office²⁶

As well as contributing to Hungary's GDP (see above) and generating income taxes, the electronics industry has also provided jobs in disadvantaged regions of the country where unemployment figures are high. Jobs are also provided indirectly by the electronics companies' various local suppliers, which are mainly logistics, cleaning and packaging companies.²⁷ The total number of people employed directly by the electronics industry in Hungary in 2010 was around 92,000.²⁸ Labour relations experts interviewed for this research have also noted that electronics companies primarily tend to move their assembly activities to Hungary, mainly providing jobs for an unskilled workforce.²⁹ It has to be noted though that the types of jobs provided by electronics companies in Hungary vary by company: some companies (e.g. the companies studied for this research) mainly provide labour for an unskilled or low-skilled labour force, while others (e.g. Bosch and Ericsson) also provide significant amounts of technical or engineering jobs.³⁰

In terms of job security, experts mentioned that electronics companies tend to be quite volatile: as long as it is (economically and/or fiscally) profitable to be located in Hungary, businesses keep their production in the country, but as soon as other opportunities arise or production becomes too expensive, some of them

²⁶ *Jelentés az ipar 2011. évi teljesítményéről*, Hungarian Central Statistical Office, April 2012, <http://www.ksh.hu/docs/hun/xftp/idoszaki/jelipar/jelipar11.pdf> (24/09/2012).

²⁷ Interview with Miklós Lambert, President of the Hungarian Electronics Society (Magyarországi Elektronikai Társaság – MELT) and with Péter Kovács, Editor at Elektronet.hu, 15 November 2011. And interview with a representative of the Electronics Manufacturers' Committee at the American Chamber of Commerce in Hungary (AmCham), 13 October 2011.

²⁸ *Electronic Manufacturing as a Pillar of Hungarian National Competitiveness*, American Chamber of Commerce in Hungary (AmCham) Position Brief No. 9, 26 August 2010, <http://www.amcham.hu/amcham-position-brief-no-9-august-26> (24/09/2012).

²⁹ Interviews with Tibor Meszmann, labour relations expert, Central European University (CEU), 6 October 2011 and Erzsébet Berki, labour relations expert, former head of the Labour relations department at the Hungarian Ministry of Labour and Social Affairs, 23 September 2011.

³⁰ Interviews with Magdolna Sass, Senior Research Fellow at the Institute of Economics of the Hungarian Academy of Sciences (MTA), 23 September 2011 and with a representative of the Electronics Manufacturers' Committee at the American Chamber of Commerce in Hungary (AmCham), 13 October 2011.

move their businesses to South-East Asia or to cheaper countries in Eastern Europe.³¹ In 2011, this was the case with Elcoteq and in 2012, with a part of Nokia's production.³²

Unionisation within the electronics sector is around 10-20% of the workforce, which is approximately the same level as the Hungarian national average.³³ General unionisation figures in Hungary have seen a decline from 20% in 2001 to 12% in 2009.³⁴ A nationwide electronics union or a national collective agreement for electronics workers does not exist; some companies have their own union and have collective bargaining agreements in place. Some unions at factory level (e.g. those at the Flextronics and Nokia plants) are affiliated to the Hungarian Metalworkers' Federation (VASAS).

2.1. RELEVANT LEGISLATION

Legislation concerning workers' rights is laid down in the Hungarian Labour Code. At the time of research in September-December 2011, the 1992 XXII Labour Law was still in effect. However, a new Labour Law gradually came into effect between July 2012 and January 2013. This paragraph deals with the 1992 XXII Labour Law, unless indicated otherwise. The contents of this paragraph are largely based on an interview and personal communication with Erzsébet Berki, a labour relations expert who is the former head of the labour relations department at the Hungarian Ministry of Labour and Social Affairs.³⁵

2.1.1 WORKING HOURS AND OVERTIME

Regular working hours in Hungary are eight hours a day, or 40 hours a week. The maximum amount of working hours (including overtime) has been determined at 12 hours a day or 48 hours a week.³⁶ Overtime is compensated with a wage, which is 50% higher than the regular wage, in case the overtime work is done on a regular working day. If employer and employee agree, overtime can be compensated with the same amount of vacation days/hours. Work on Sundays is paid out with a salary that is 100% higher than the regular wage or that is 50% higher than the regular wage plus an extra day-off.³⁷ The new labour law has increased the cap on overtime from 200 hours to 250 hours per annum, which may be extended to 300 hours by provision of a collective agreement.³⁸

2.1.2 TIME-BANK SYSTEM

Hungarian legislation allows companies to use the so-called time-bank system: within this system working hours are not counted within one working day, but are calculated as an average within a longer time

³¹ Interview with Magdolna Sass, Senior Research Fellow at the Institute of Economics of the Hungarian Academy of Sciences (MTA), 23 September 2011.

³² *Elbocsát 2300 dolgozót a Nokia Komáromban*, HVG.hu, 8 February 2012, http://hvg.hu/gazdasag/20120208_nokia_elbocsatas (24/09/2012) and *Elcoteq to close plant in S Hungary*, Budapest Business Journal, 12 October 2011, http://www.bbj.hu/business/elcoteq-to-close-plant-in-s-hungary_60782 (24/09/2012).

³³ Interview with Mrs. Mária Társoly, Secretary of the electronics branch, VASAS Hungarian Metalworkers' Federation, 19 September 2011.

³⁴ Á. Szabó-Morvai, *Szakszervezeti stratégia és megújulás – A munkavállalói érdekképviselet jelene és jövője Magyarországon*, Foglalkoztatási és Szociális Hivatal, 15 August 2010, http://www.szakszervezetek.hu/html/szakszervezeti_strategia_es_megujulas.pdf.

³⁵ Interview and personal communication with Erzsébet Berki, labour relations expert, former head of the labour relations department at the Hungarian Ministry of Labour and Social Affairs, 23 September 2011.

³⁶ 1992 XXII Labour Law, paragraphs 117/B and 119; and personal communication with Erzsébet Berki, labour relations expert, former head of the labour relations department at the Hungarian Ministry of Labour and Social Affairs, e-mail received 4 October 2012.

³⁷ 1992 XXII Labour Law, paragraph 147.

³⁸ <http://www.dlapiper.com/global/publications/Detail.aspx?pub=6871&RSS=true>

period.³⁹ This means that within a period of three, six or even 12 months, the average working hours cannot exceed the daily or the weekly maximum hours outlined above. With the time-bank system, the employer has more flexibility in assigning working days, distributing overtime work and thus compensating for overtime hours within a specific time period. Regarding days off within the time-bank system, the employer still has to grant two days off (48 hours) a week on average, but only one has to be at the weekend. Also, days off for two weeks can be combined (for example, a worker may work six days in the first week, but the week after he/she has to be off for three days). Furthermore, regardless of regular or overtime work, the employer has to grant the minimum amount of 11 hours between two shifts worked.⁴⁰

For example, with a time-bank period of four weeks, the total of 160 (4 x 40) working hours can be freely distributed within that period, as long as workers do not work more than 12 hours a day and the above-mentioned rules regarding days off and overtime are respected. The system does give the employer the possibility of employing a worker for a maximum of 72 (6 x 12) hours in one week of the period, as long as the necessary amount of resting days is granted within the four weeks.⁴¹

The time-bank system is a way for company management to avoid the seasonal dismissal of workers during off-peak seasons. Extra hours worked in peak season are levelled out with periods of less or no work in off-peak seasons. The disadvantage for workers is that fewer overtime hours are being paid out: the compensation for overtime is only granted if the total work time within the time-bank period exceeds the total regular working hours for the period as a whole (e.g. the 160 hours within four weeks in the above-mentioned example). Also, within the time-bank period, workers can be obliged to work long weeks (e.g. 72 hours in the example above), as long as the total number of working days does not exceed the legal boundaries for the whole time-bank period, and as long as working timetables are communicated with the employees in advance.⁴²

According to the 1992 legislation, the time-bank period can be extended up to one year. However, recent modifications have limited this maximum period to four months.

2.1.3 BREAKS

Hungarian legislation determines that if an employee works more than six hours, he/she is entitled to a 20-minute break. For every three additional hours worked, employees get another 20-minute break.⁴³ In practice, this means that an employee with a regular working day of eight hours is entitled to 20 minutes of break time. If they work for 12 hours, they are entitled to 40 minutes of break time. Legislation also establishes that there has to be a minimum amount of 11 hours between two working days. This resting period can be shortened to eight hours in a collective bargaining agreement if the employer works with a multi-shift schedule⁴⁴ (which is the case in all of the electronics manufacturers in this report).

³⁹ 1992 XXII Labour Law, paragraph 118/A.

⁴⁰ Personal communication with Erzsébet Berki, labour relations expert, former head of the labour relations department at the Hungarian Ministry of Labour and Social Affairs, e-mail received 4 October 2012.

⁴¹ Ibid.

⁴² Ibid.

⁴³ 1992 XXII Labour Law, paragraph 122.

⁴⁴ 1992 XXII Labour Law, paragraph 123.

2.1.4 DAYS OFF

Employees can spend 25% of their days off at times they wish during the year. For the rest of the days, the employer can decide.⁴⁵ In other words, the company can assign the timing of 75% of leave for all employees. The 2012 modifications in the Labour Law have fixed the amount of days over which employees themselves can decide at seven days off a year. Also, the new legislation obliges employers to provide a minimum of 14 days of vacation in a row every year.

2.1.5 BENEFITS

Besides wages, employees can receive a part of their income in the form of benefits. These benefits are partially or wholly exempted from taxes.⁴⁶ Benefits include meal and food vouchers, holiday vouchers, school fee support, reimbursement of transportation costs, internet vouchers and access to collective pension schemes and life insurance packages.

2.1.6 TRANSPORTATION COSTS

The employer is obliged to reimburse its workers for their transportation costs if they live outside the municipality where the employer is located or if the employee cannot reach their workplace using local public transportation. The amount of reimbursement has to be at least 86% of the travel costs.⁴⁷

2.1.7 MINIMUM WAGES

Minimum wages are determined on a yearly basis by the Hungarian government. These are gross amounts and include all performance-based payments and allowances. Two types of minimum wages are determined: the ones for unskilled labour and the ones requiring a high school degree or another type of secondary education degree.⁴⁸ Table 1 shows the amounts of monthly minimum wages for unskilled labour and for labour requiring secondary education. It has to be noted that the differences between the amounts in 2011 and 2012 mainly arise because minimum wages were exempted from personal income tax before 1 January 2012; since 2012 they are subject to a 16% tax rate.

Table 1: Hungarian monthly minimum wages for unskilled labour and labour requiring secondary education in HUF and EUR⁴⁹

Period	Unskilled labour		Labour requiring secondary education	
2011	78,000 HUF	272 EUR	94,000 HUF	328 EUR
2012	93,000 HUF	325 EUR	108,000 HUF	377 EUR

Source: Hungarian government⁵⁰

Besides minimum wages, the Hungarian Statistical Office also makes calculations for what constitutes a living wage. A living wage, also called a ‘subsistence wage’, is the minimum income necessary for a person

⁴⁵ 1992 XXII Labour Law, paragraph 134.

⁴⁶ 1995 CXVII. Tax Law.

⁴⁷ 39/2010. (II. 26.) Government Decree, http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?docid=A1000039.KOR.

⁴⁸ 1992 XXII. Labour Law, paragraph 17.

⁴⁹ To calculate the amounts in Euros, the currency conversion rates of 03/10/2012 were used from www.xe.com. 1 HUF = 0.00350 EUR and 1 EUR = 285.380 HUF.

⁵⁰ 337/2010 (XII. 27.) Government Decree, [http://systemmedia.hu/attachments/1471_Korm.%20rendelet%20a%20k%3%B6telez%C5%91%20legkisebb%20munkab%C3%A9r%20\(minim%C3%A1lb%C3%A9r\)%20%C3%A9s%20a%20garant%C3%A1lt%20b%C3%A9rminimum%20meg%C3%A1llap%C3%ADr%C3%A1s%C3%A1r%C3%B3l.pdf](http://systemmedia.hu/attachments/1471_Korm.%20rendelet%20a%20k%3%B6telez%C5%91%20legkisebb%20munkab%C3%A9r%20(minim%C3%A1lb%C3%A9r)%20%C3%A9s%20a%20garant%C3%A1lt%20b%C3%A9rminimum%20meg%C3%A1llap%C3%ADr%C3%A1s%C3%A1r%C3%B3l.pdf) and 298/2011. (XII . 22.) Government Decree, http://munkaugyiblog.hu/data/news/124-13-298_2011--XII.22--Korm.-rend_minimalber-wwww.munkaugyiblog.hu.pdf.

to have an acceptable standard of living covering their expenses on housing, food, education, transport, health care, and recreation etc. The living wage for one person in Hungary was 83,941 HUF per month (294 EUR per month) in 2011. The living wage level of a four-person household (two income earners and two children) was 243,429 HUF (853 EUR) per month in 2011.⁵¹

With regards to average wages in the sector, the Hungarian Statistical Office calculates that 108,648 HUF per month (381 EUR) is the average monthly earning of a manual worker in the manufacturing sector in Hungary.⁵²

2.1.8 WORKER REPRESENTATION

Workers' representation in Hungary is provided both by local trade unions and by elected works councils. Employees' rights with regards to unionisation, collective bargaining and works councils are laid down in the 1992 XXII Labour Law.⁵³ Employees have the right to form or join a trade union, which represents their rights to the employer and the relevant state authorities.⁵⁴ The trade union is entitled to verify whether working conditions are such as agreed upon⁵⁵ and to negotiate collective bargaining agreements with the employer.⁵⁶ Trade union representatives are entitled to a certain number of "trade union-hours", the time that allows them to fulfil their duties as trade unionists (this is two hours per month for every three unionised colleagues).⁵⁷

Works councils were first introduced in 1992. At companies or independent company sites with more than 50 employees, a works council has to be elected.⁵⁸ The difference between workplace trade unions and works councils is that the latter have no rights to negotiate collective agreements. Works councils have information and consultation rights. A survey published by Hungarian researcher Béla Benyó in 2003 found that representation through works councils goes hand in hand with a union presence at the company: only 9% of works councils were at workplaces without a union, and 70% of works councils were either entirely made up of trade unionists or overwhelmingly made up of them.⁵⁹ A 2004 survey showed that, in practice, only one third of workplaces with more than 50 employees had works councils.⁶⁰ However, they are more common at larger workplaces: in companies with more than 250 employees, 84% of the companies do have a works council. In practice, the councils often have limited power to influence company decisions and they are not empowered to negotiate terms and conditions of employment.⁶¹

⁵¹ "Létminimum, 2011", Hungarian Central Statistical Office, June 2012, <http://www.ksh.hu/docs/hun/xftp/idoszaki/letmin/letmin11.pdf> (14/11/2012)

⁵² "Average net monthly earnings of manual workers in the national economy (2008-) – NACE Rev. 2", Hungarian Central Statistical Office, http://www.ksh.hu/docs/eng/xstadat/xstadat_annual/i_qli032.html (14/11/2012)

⁵³ 1992 XXII Labour Law, paragraphs 18-70.

⁵⁴ 1992 XXII Labour Law, paragraph 19.

⁵⁵ 1992 XXII Labour Law, paragraph 22.

⁵⁶ 1992 XXII Labour Law, paragraphs 20, 30 and 31.

⁵⁷ With "trade union-hour", reference is made to *munkaidő-kezdemény*. 1992 XXII Labour Law, paragraph 25.

⁵⁸ 1992 XXII Labour Law, paragraph 43.

⁵⁹ Website worker-participation.eu, section National industrial relations, selected country Hungary. <http://www.worker-participation.eu/National-Industrial-Relations/Countries/Hungary/Workplace-Representation> visited 18 October 2012.

⁶⁰ Website worker-participation.eu, section National industrial relations, selected country Hungary. <http://www.worker-participation.eu/National-Industrial-Relations/Countries/Hungary/Workplace-Representation> visited 18 October 2012.

⁶¹ Website Eurofound, section 'Works councils examined', Hungary. <http://www.eurofound.europa.eu/eiro/2004/01/feature/hu0401106f.htm>, visited 18 October 2012.

All company employees have the right to be elected as representatives in the works council of their own employer.⁶² As agency workers are formally employed by an agency, this means that they can only be elected in the works council of the agency, not the electronics company.⁶³

⁶² 1992 XXII Labour Law, paragraph 47.

⁶³ Personal communication with Erzsébet Berki, labour relations expert, former head of the labour relations department at the Hungarian Ministry of Labour and Social Affairs. E-mail received 5 October 2012.

3. SAMSUNG – JÁSZFÉNYSZARU PLANT

3.1. GENERAL INFORMATION

Samsung Electronics Co. Ltd (Korea) began its operations in Hungary in 1989. Samsung's European operations were moved from Great Britain to Hungary, making the country the company's European hub. Samsung Hungary Ltd. is the fifth largest exporter in Hungary, with a revenue of around 4 billion USD in 2010.⁶⁴ The company has four plants in Hungary: in Szigetszentmiklós, Göd, Tatabánya and Jászfényszaru.⁶⁵ The research of makeITfair was focused on the latter plant, which is Samsung's largest. Samsung also has a production facility in Transylvania (Romania), mostly manufacturing monitors and Blue Ray players and a Slovakian subsidiary producing LCD panels. All the Samsung plants in Central and Eastern Europe produce principally for the European market.

The Jászfényszaru plant is mainly involved in assembling LCD televisions – more than 10 million pieces are produced here every year, which is equal to around 46,000 television sets daily. 60% of the components are sourced from abroad; this is done by the international purchasing department of Samsung. Samsung Jászfényszaru management has direct relationships with about 35 local suppliers. Components, such as front and back covers, mechanical components and packaging mainly originate from Hungary. 30 to 40% of the LCD panels used in Jászfényszaru come from the Slovakian subsidiary; the rest are supplied from South Korea and China.⁶⁶

At the time of research, the Jászfényszaru plant employed 2,142 people: 1,470 contracted by Samsung and 672 employed through agencies. Of the 1,470 workers, 1,100 were directly engaged in the production process like line workers (also called operators) and logistics employees. 370 employees were indirect workers: HR, finance and office staff. The 672 agency workers were mainly line workers. The gender ratio is approximately 50-50%. The plant does not employ migrant workers.⁶⁷

Most of the workers live in the 20 to 30 villages and cities within 80 kilometres of the plant. Samsung has free transportation to and from the factory. Most residents of Jászfényszaru commute by bike.

3.1.1 CSR POLICIES

To fulfil its corporate social responsibility, Samsung has adopted the EICC Code of Conduct as a member of EICC. The company is making an effort to have its suppliers (business partners) abide by this code, providing them with CSR training based on the EICC Code, letting them do self-assessments and having them sign compliance agreements with Samsung's CSR policies, including the ban on conflict minerals. In 2011, the company had trained 1,855 suppliers on CSR, 2,545 suppliers had completed the self-assessment and 1,795 had received an on-site survey by Samsung. In 2012, third party audits will take place for the first time at six major suppliers in the context of the Validated Audit Process (VAP) developed by the EICC.⁶⁸ In response to the draft report, Samsung added that, since September 2012, the company has

⁶⁴ Interview with Magdolna Sass, Senior Research Fellow at the Institute of Economics of the Hungarian Academy of Sciences (MTA), 23 September 2011.

⁶⁵ Mall.hu website, Márkák, *Samsung*, <http://www.mall.hu/marka/samsung>; and *New Samsung factory opens in Tatabánya*, Realdeal.hu, 30 June 2011, <http://www.realdeal.hu/20110630/new-samsung-factory-opens-in-tatabanya/> (12/09/2012).

⁶⁶ Interview with Samsung management, 23 September 2011.

⁶⁷ Ibid.

⁶⁸ http://www.samsung.com/us/aboutsamsung/sustainability/sustainabilityreports/download/2012/2012_Sustainability_Report.pdf, page 47.

established a Supplier Responsibility Group to strengthen capacity to execute its on-site inspections at suppliers. Also in September 2012, Samsung amended the Samsung Electronics' Supplier Code of Conduct and will distribute it to all global suppliers, starting in Korea.⁶⁹

According to the management of Samsung Jászfényszaru, there are no specific difficulties in terms of implementing global Samsung policies in Hungary, like the supplier audits (see paragraph 3.1.2) or the EICC Code of Conduct. One of the reasons given for this by the management is that, since Hungary is an EU member, all the Hungarian labour laws are in line with EU laws, and therefore there are no difficulties in complying with the EICC Code of Conduct, as EU labour laws are stricter than the EICC Code.

However, in the opinion of makeITfair, the EICC Code's wording regarding freedom of association is quite weak and it lacks mention of collective bargaining: *"The rights of workers to associate freely, join or not join labour unions, seek representation, and join workers' councils in accordance with local laws shall be respected."*⁷⁰ Beside the EICC Code, Samsung has a Labour Union Policy, which states that *"Samsung Electronics strives to provide superior working conditions relative to its peers so that employees do not feel the need for a labour union"*.⁷¹

To makeITfair, this policy indicates that Samsung is not in favour of trade unions and rather prefers internal bodies such as labour and safety councils and Great Work Place (GWP) Committees. Samsung comments on this by referring to the Labour Code (Act 22 of 1992), which stipulates that works councils should be set up in any company operating independently with more than 50 employees. At Samsung, the first Works Council's term was from 2008 to 2010 and the current council was elected in 2010. Samsung emphasises that the works council advocates for the rights and interests of all employees and working conditions.⁷²

3.1.2 AUDITS

Samsung Jászfényszaru has internal as well as external audits for environmental issues and labour safety. Manuals and practices are audited by the headquarters every two years and self-audited on a local level every year. The Business Innovation (BI) division is responsible for the yearly self-audits. The questionnaires and check lists are provided by the headquarters. Every department has a Global Procedure and Policies Manual (GPPM), according to which the audits take place.⁷³

According to Samsung management, labour inspection of the Hungarian authorities did not find any shortcomings in labour conditions.⁷⁴ These inspections take place unannounced.

When Korean management visits the site to check on procedures and production processes, the production staff is informed in advance.⁷⁵

⁶⁹ Interview with Samsung management, 23 September 2011 and response of Samsung to a draft version of this chapter. E-mail received 28 September 2012.

⁷⁰ EICC Code of Conduct, A. Labour, paragraph 7, Freedom of Association, <http://www.eicc.info/documents/EICCCodeofConductEnglish.pdf>.

⁷¹ Samsung Sustainability Report 2011, p. 28, <http://www.samsung.com/us/aboutsamsung/ir/corporategovernance/corporatesocialresponsibility/download/2011EnvironmentalSocialReport.pdf>.

⁷² Response of Samsung to the draft version of this chapter, E-mail received 28 September 2012.

⁷³ Interview with Samsung management, 23 September 2011.

⁷⁴ Ibid.

⁷⁵ Interviews with Samsung employees, November 2011.

Samsung's 35 local suppliers were audited regularly on issues like delivery times and product quality. However, since 2011 CSR issues are also included in the self-audit for suppliers: 20 questions on issues such as working hours, under-aged workers, night shifts, labour protection, wage levels and questions on conflict minerals are included. These supplier audits are set up and controlled by the Samsung headquarters in South Korea, where also the evaluation of the questionnaires is done. Hungarian management can see the results of the audits after the evaluation is done by the headquarters.

3.2. WORKING HOURS, OVERTIME

Production takes place in two factory units. In unit V1, televisions are assembled in eight-hour shifts (morning shifts); in unit V2, motherboards for the televisions are being produced 24 hours a day in two 12-hour shifts.

In unit V1, working hours are 06.00 to 14.40 (there is one shift per day). Workers have one 20-minute break and two 10-minute breaks per shift. Here, workers feel obliged to work overtime in peak production season before and around Christmas, since missing out on these overtime hours leads to the deduction of the year-end bonus of a free LCD TV.⁷⁶ Workers get an LCD TV if they are not absent or on sick leave between 1 October and Christmas and if all the required overtime has been completed during the period. In response to the draft version of this chapter, Samsung explained that the LCD TV is offered each year as a bonus for work conducted during the peak season of October-December each year: *“employees are not forced to work overtime and the offer of a TV is just an incentive and an expression of gratitude to employees for their contribution to helping the company achieve its goals during this season. However, in an effort to ensure there is no misunderstanding surrounding overtime work, we will begin basing eligibility of the bonus on total absences from work, regardless of overtime work.”*⁷⁷

In unit V2, working hours are 06.00 to 18.00 and 18.00 to 06.00 in three-day blocks: three day shifts, three days off, three night shifts, three days off. Workers have three 20-minute breaks in their 12-hour shifts. After the 12-hour shifts, no overtime is done. However, in the peak season, workers are expected to work extra days. No instances have been reported by interviewees of exceeding the legal maximum⁷⁸ of 60 working hours per week.⁷⁹

According to some workers, Samsung management tries to inform its workers about the overtime in advance; however, sometimes this is only communicated on the days itself.

*“They [the management] try, but sometimes they tell me in the morning that I have to stay for the afternoon as well. At times they threaten us that if we don't stay, they'll deduct it from our bonus. This is especially true for the repair guys.”*⁸⁰

Samsung commented that: *“occasions where urgent overtime notice is given on the same day of work are rare and completely voluntary. In such cases, repair workers are consulted first on their availability for overtime work before other employees are consulted”*.⁸¹

⁷⁶ Interviews with Samsung employees, November 2011.

⁷⁷ Response of Samsung to a draft version of this chapter. E-mail received 28 September 2012.

⁷⁸ 1992 XXII Labour Law, paragraph 117/B.

⁷⁹ Interviews with Samsung employees, November 2011.

⁸⁰ Samsung repair technician, November 2011.

⁸¹ Response of Samsung to a draft version of this report. E-mail received 28 September 2012.

Workers' biggest concern regarding the shifts was the timing: at 06.00 parents can't take their children to school or day care yet, so they have to find a babysitter for the morning hours. Samsung commented that it is the preference of the majority of its employees to begin the shift at 06:00, which allows them to pick up their children from school and deal with banks and public services in the afternoon. *“Starting at such a time is common practice in Hungary and in many manufacturing companies throughout Europe, and a change is likely to cause widespread complaints among employees. However, we will continue to listen to employee suggestions and review how we can improve working conditions.”*⁸²

Regarding overtime hours, interviewed workers complained that, due to the time-bank system, often overtime hours are paid out as regular working hours.⁸³

Year-round work schedules are set a year in advance, so workers know their schedule for the whole year. Changes in the schedule are rarely made.⁸⁴ Employees have 20 to 35 paid leave days a year, depending on their age. Workers can freely choose the timing of 25% of their leave. In case of Samsung's youngest employees, for example, the company assigns 15 days (10 days in the summer and 5 days in the winter) of the total of 20 days paid leave per year.⁸⁵ This practice is in accordance with Hungarian legislation.⁸⁶ If days off are announced to their supervisors at least a week in advance, and if it does not conflict with other colleagues' holidays, there are no problems in assigning these paid leave days.

3.3. INCOME

Wages at Samsung Jászfényszaru plant are composed of a 75% basic wage and a 25% bonus. There are two types of bonuses: performance bonus, which is dependent on the employees' production performance, and an attendance bonus, which is calculated for every day that a worker is present at the factory. Employees are also entitled to meal vouchers, which is around 5% of their monthly income in the case of an operator.

The following wage indications are based on the workers' interviews. In Jászfényszaru, an operator earns around 85-90,000 HUF (€ 301-319) per month and gets meal vouchers for an amount of 6,000 HUF (€ 21) on top of that. Operators also get a year-end bonus if their work is seen by their supervisors as satisfactory: 10,000 HUF (€ 35) in cash and an LCD TV, which is worth around 135,000 HUF (€477).⁸⁷ Employees working in the storage rooms (logistics) are paid around 120,000 HUF (€ 425), while repair technicians earn 150,000 HUF (€ 532) in total per month.

Working overtime is compensated with a wage that is 50% higher. At the weekends, pay is 100% higher than during regular hours. However, due to the time-bank system, the overtime hours tend to be levelled out with periods in which employees work less than their regular working week. This results in overtime hours being paid out as regular working hours. Samsung explains that they run the time-bank system for a four-month period in compliance with applicable laws and regulations in the country. At the conclusion of that four-month period, any hours worked above the stipulated amount (of 48 hours per week, 12 hours a day) are paid to employees at an overtime rate. Samsung announced that they will increase workers'

⁸² Response of Samsung to a draft version of this report. E-mail received 28 September 2012.

⁸³ For more information on the time-bank system, see paragraph 2.1.2.

⁸⁴ Interview with Samsung management, 23 September 2011.

⁸⁵ Response of Samsung to a draft version of this report. E-mail received 28 September 2012.

⁸⁶ For more information, see paragraph 2.1. on Hungarian legislation.

⁸⁷ Data for the year 2011.

education regarding this matter since the interviewees only talked about the payment of overtime hours while the purpose of the system is to protect them from seasonal dismissal during off-peak seasons.⁸⁸

3.4. HEALTH AND SAFETY

At the Jászfényszaru plant, there is an in-house doctor present at main shift times and there is a nursery all around the clock. Employees are medically screened every two years. Chemicals are not used in the production process.⁸⁹ During workers' interviews, no complaints were heard about noise or air quality. There have been some complaints about elements of protective clothing and the air circulation system from repair technicians who are soldering TV components:

*"You don't get a mask. I don't know whether we need it, but I'm sure if there'd be any, some people would use it. We don't use goggles either, although we should [...] I've been begging for an air extraction system for some time, now they've installed one, which sometimes works and sometimes doesn't."*⁹⁰

In response, Samsung stated that it provides employees, including soldering workers, with sufficient protective equipment, such as gloves and masks and that it has acquired ISO 14001 and OHSAS18001 certifications (renewed in 2012) and conducts health and safety trainings to provide assurance to employees regarding their health and safety.⁹¹

Some employees have difficulties with working night shifts and some employees find it difficult to stand during their whole shift, especially the 12-hour shifts. The most common problems experienced are dizziness, back-aches and problems related to rhythm change between day and night shifts.⁹² According to Samsung management, the accident rate is low: three accidents per 1,000 employees per year, while the Hungarian average in the electronics industry is eight accidents per 1,000 employees.⁹³

*"I got heart problems, that's why I quit. I lost track of the days. There are people who can handle it, my neighbour has been working here for 9 years, she can do it... I was so exhausted; I came home in the morning and couldn't do it any longer."*⁹⁴

Work discipline is regarded as strict by most of the interviewed employees; talk is not allowed during production work. Workers also emphasised the strict hierarchical structure of the company.⁹⁵

3.5. TEMPORARY WORKERS

At the time of research, the percentage of temporary agency workers (TAW's) was around 30%, hired through the four agencies Samsung Jászfényszaru works with.⁹⁶ The ratio of temporary and permanent workers strongly fluctuates; in low production season, 15-20% of workers are hired through agencies, while at times of high demand this number can also reach 60%.⁹⁷ Besides the regular agencies Samsung works with, the company also hires through smaller agencies, sometimes for even a few days' work (e.g. cleaning staff).

⁸⁸ Response of Samsung to a draft version of this chapter. E-mail received 28 September 2012.

⁸⁹ Interview with Samsung management, 23 September 2011.

⁹⁰ Samsung repair technician, November 2011.

⁹¹ Response of Samsung to a draft version of this chapter. E-mail received 28 September 2012.

⁹² Interviews with Samsung employees, November 2011.

⁹³ Interview with Samsung management, 23 September 2011.

⁹⁴ Samsung employee, November 2011.

⁹⁵ Samsung comments that health and safety priorities make it necessary that some restrictions are applied during the manufacturing process, e-mail received 28 September, 2012.

⁹⁶ 672 TAW's out of the total workforce of 2,142; see paragraph 3.1.

⁹⁷ Interview with Samsung line manager, November 2011.

No major differences have been reported in terms of wages and benefits between agency workers and Samsung employees.⁹⁸ Agency workers also wear the same uniforms as the permanent employees on the factory floor. The only difference is job security. In times of low demand, the agency workers will be sent away first. Also, some agency workers mentioned that, despite having the same conditions, they feel less part of the workers' community, as they are not present at several corporate events and they cannot benefit from reduced rates when buying Samsung products at the factory. According to Samsung however, attendance at corporate events and discounts on Samsung products apply equally to their own workers and agency workers.⁹⁹

According to Samsung management, agency workers can become Samsung employees after six months or a year of employment if their performance is satisfactory. Annually, around 20 to 30 temporary agency workers get a permanent contract at Samsung.¹⁰⁰ However, according to some workers interviewed, the past couple of years there have hardly been any transfers from agency workers to permanent employees. To substantiate the fact that every year temporary workers are offered permanent positions, Samsung declares that, as of September 2012, 99 of 744 temporary workers became regular employees.¹⁰¹ There are a significant number of employees of Roma origin amongst the TAW's. No cases of discrimination have been reported.

3.6. WORKER REPRESENTATION

The worker representation at Samsung Jászfényszaru plant is a works council called the Employee Satisfaction Committee (ESC). According to company management, workers can address issues they are faced with at their workplace through the ESC. The ESC is elected by the employees with a voter turnout of 83%. The first term of the council was from 2008 until 2010 and the current is elected in August 2010.¹⁰² The ESC chairman (a full-time member) and the other ten members are elected every three years and they regularly meet with company management to address workers' issues and working conditions. 70% of the ESC members are comprised of operators. The ESC office has open hours for employees to raise their concerns and besides that ESC members also talk to employees more informally on the work floor or during breaks.¹⁰³

A slightly different picture emerges from the workers' interviews, as workers say that the ESC's real function is to channel down information from the management to the workers, e.g. what kind of television will be produced in the next quarter. Thus, the ESC is not used to address workers' issues according to the interviewed workers.¹⁰⁴ In response to this, Samsung stated that, in 2011, the ESC has dealt with over 140 issues raised by employees. It has been responsible for changing work clothing and break times in 2011. Also, the company's internal cafeteria is inspected and improved regularly by the ESC.¹⁰⁵

There is no trade union representation at Samsung Jászfényszaru. In the past, with the assistance of VASAS Metal Workers' Federation, there has been an attempt to create a trade union. However, the

⁹⁸ Interview with Samsung employees and agency workers, November 2011.

⁹⁹ Response of Samsung to a draft version of this chapter. E-mail received 28 September 2012.

¹⁰⁰ Interview with Samsung management, 23 September 2011.

¹⁰¹ Response of Samsung to a draft version of this chapter. E-mail received 28 September 2012.

¹⁰² Response of Samsung to a draft version of this chapter. E-mail received 28 September 2012.

¹⁰³ Interview with Samsung management, 23 September 2011.

¹⁰⁴ Interviews with Samsung employees, November 2011.

¹⁰⁵ Response of Samsung to a draft version of this chapter. E-mail received 28 September 2012.

company management was against the idea of having a trade union at Samsung and the temporary workers who were involved in the attempt could not stay. Permanent employees did not have an active role in the attempt.¹⁰⁶ Almost all employees interviewed for this research knew about the issue of the attempt to set up a trade union.

“They wanted to form a trade union, but it was suppressed, it didn’t happen. It was told that it cannot be done, that it’s forbidden. Management told us to forget about it. No one was allowed to sign up as a member. [Local] company management wasn’t OK with the thought of a trade union, neither were the Koreans. In Korea there are no trade unions.”¹⁰⁷

The company management declared during the management interview for this research that, in the past, there had been no serious attempts made to form a trade union.¹⁰⁸ According to the management, this is due to Hungarians’ discontent and bad experience with unionism during Hungary’s Communist era, when trade unions were seen and were often functioning under the auspices of the Communist Party. Samsung declared that, according to the Hungarian law, they respect labour unions and comply with all applicable laws; under no circumstance would labour union activity be a cause for dismissal.¹⁰⁹

3.7. GRIEVANCE MECHANISMS

According to the management at the Jászfényszaru plant, there are several ways in which workers can address their complaints. These are listed below.¹¹⁰ During the year 2011, in total 240 complaints have been dealt with at the Jászfényszaru site. These were mainly reported through the Employee Satisfaction Committee (140) and the complaint boxes.¹¹¹

1. Through the Employee Satisfaction Committee (ESC), see paragraph 3.6.
2. Complaint boxes that have been installed throughout the factory floor. The HR department collects the information from the complaint boxes and reports the findings to the management. Complaints can be handed in anonymously.
3. Employee satisfaction survey, which deals with employees’ relationships with their colleagues and supervisors and in which complaints can be raised. The questionnaire is not developed on the factory level. It is a global survey with questions coming from the Korean headquarters.
4. Lunch box meetings: every week, representatives from HR meet with different departments to discuss news, issues or problems from the work floor.
5. Meeting with the department’s manager: twice a year the department’s manager gives a presentation on performance; here also problems can be raised.
6. Contact with the Human Resources department at the HR office.
7. Direct contact with supervisors on an ad hoc basis.

During the worker interviews, the workers were familiar with the complaint boxes, the HR office and directly contacting their supervisors. The main way used by workers to address their complaints is through direct contact with their supervisors and the ESC. According to the interviewees, most of the complaints could be handled personally with their supervisor.

¹⁰⁶ Mrs. Mária Társoly, Secretary of the electronics branch, VASAS Hungarian Metalworkers’ Federation, 19 September 2011.

¹⁰⁷ Samsung repair technician, November 2011.

¹⁰⁸ Interview with Samsung management, 23 September 2011.

¹⁰⁹ Response of Samsung to a draft version of this chapter. E-mail received 28 September 2012.

¹¹⁰ Interview with Samsung management, 23 September 2011.

¹¹¹ Response of Samsung to a draft version of this chapter. E-mail received 28 September 2012.

4. NOKIA – KOMÁROM PLANT

4.1. GENERAL INFORMATION

Nokia began its operations in Hungary in 2000, where it currently has two operational sites: in Budapest and in Komárom. The Budapest site mainly employs white collar workers (engineers, logistics managers, communication staff and administrative employees). The Komárom plant – one of Nokia's nine assembly plants in the world – is a 50,000 m² production facility, and is responsible for the assembly of Nokia mobile phones. This chapter focuses on the Komárom site.

Nokia carries out nearly all of its mobile phone manufacturing in its own factories in Brazil, Mexico, Hungary, China, India and South Korea. The company's first tier suppliers are mainly component manufacturers, with manufacturing facilities in Asia.¹¹² This is also true for the company's Hungarian operations. However, the company does have six suppliers of production materials based in Hungary. Foxconn, based in the same industrial park in Komárom as Nokia, is the company's main supplier.¹¹³ Nokia has a limited number of Hungarian suppliers due to the fact that Nokia's headquarters in Finland has strict rules and regulations on which company can become a supplier and which cannot. Often, Hungarian companies do not qualify.¹¹⁴

Production at the Komárom plant takes place at 'production islands' instead of at a regular production line. Within an island, employees can decide and shift the type of work they wish to do among one another. This allows employees to learn more tasks or learn the assembly of various types of mobile phones, which is also encouraged by company management. Employees with the most experience and knowledge of various types of phones are called 'key operators'. Instructors are responsible for the production islands; team leaders coordinate the instructors and shift managers are responsible for the operations of the whole factory floor.¹¹⁵

Employee numbers at the Komárom plant have fluctuated over the years. In 2000, the company started with 800 employees, which rose to 5,000 by 2008. At the time of research in 2011, the plant employed around 4,000 people, of which 3,000 were employed directly for production work. In March 2012, the company announced the dismissal of more than the half of its employee base in Komárom. During the course of 2012, in total 2,300 workers were going to be laid off, as production work shifted to Asia. The reason given for the reorganisation by Nokia is a more efficient production process in Asia: "*Shipping components from Asia to Europe is not sustainable in [the] long term. To save on the logistics costs and decrease environmental impact it makes more sense to produce the goods closer to the supply chain.*"¹¹⁶ Others, however, think that cheaper Asian labour and the fact that Nokia could not keep up with competitors such as Samsung and HTC on the market for smartphones are the real reasons behind the Hungarian dismissals.¹¹⁷

¹¹² Response of Nokia to a draft version of this chapter. E-mail received 9 October 2012.

¹¹³ Interview with Foxconn management, 21 September 2011.

¹¹⁴ Interview with Miklós Lambert, President of the Hungarian Electronics Society (Magyarországi Elektronikai Társaság – MELT) and with Péter Kovács, Editor at Elektronet.hu, 15 November 2011.

¹¹⁵ Interview with Nokia management, 19 September 2011.

¹¹⁶ Response of Nokia to a draft version of this chapter. E-mail received 9 October 2012.

¹¹⁷ Zoltán Jandó, *Nokia: áprilisban indul a hazai leépítés*, Világ gazdaság Online, 12 March 2012, <http://www.vg.hu/vallalatok/infokommunikacio/nokia-aprilisban-indul-a-hazai-leepites-370708> (19/07/2012); and interview with Miklós Lambert, President of the Hungarian Electronics Society (Magyarországi Elektronikai Társaság – MELT) and with Péter Kovács, Editor at Elektronet.hu, 15 November 2011.

Of the four companies discussed in this report, Nokia is the only company that employs a significant number of migrant workers. Around 40% of the workforce is Slovakian. The obvious reason for this is that Komárom is located near the Slovakian border. No instances are known of any form of discrimination against the company's Slovakian employees. The only difference mentioned by workers is that all employees get paid out in Hungarian Forint (HUF) but that due to exchange rate fluctuations, the Slovaks' real income can differ in their home country.

Workers live within a 100-120 km radius of the Komárom plant. Besides Nokia's own buses, which provide free transportation to and from the factory, the company reimburses its workers who commute from outside the bus route. Of the four companies researched, Nokia workers have to travel the furthest distances to their workplace.

4.1.1 CSR POLICIES

Nokia's CSR policy is laid down in various documents. First there are the Nokia values on which 'Nokia's Code of Conduct'¹¹⁸ is based and in which safety, ethics, environment, labour rights and supplier requirements are laid down. Unlike the other companies in this research, Nokia is not a member of the EICC. They participate in the United Nations Global compact¹¹⁹ and are member of the Global e-Sustainability Initiative (GeSI), which is also a sustainability initiative of ICT companies like the EICC, but it is not a code-based initiative. To be a Nokia supplier, companies must not only accept the 'Nokia Supplier Requirements',¹²⁰ they must also undergo a number of assessments designed to measure their environmental and social performance (self-assessments and on-site assessments conducted by Nokia). In 2011, Nokia conducted 35 Nokia Supplier Requirements assessments and eight Environmental and Ethical in-depth assessments. As most of Nokia's manufacturing is done in-house, the first-tier supplier line starts only after assembly. The 'Nokia Natural Resources Policy and conflict minerals'¹²¹ has to ensure that all materials used come from socially and environmentally responsible sources.

In its sustainability report, the company states that "*Nokia recognizes the right of employees to join unions and enter collective bargaining agreements*".¹²² By the end of 2011, Nokia had trained 90% of its manufacturing-based employees on the company's code.¹²³ The labour policy of the company is described in the Nokia Labour Condition Requirements (previously called the Nokia Labour Condition Standard), which sets requirements for working conditions at Nokia's own manufacturing facilities.¹²⁴ According to Nokia's

¹¹⁸ Nokia Code of Conduct <http://i.nokia.com/blob/view/-/261360/data/2/-/04-CODE-NOK-2011-en-pdf.pdf>.

¹¹⁹ Website United Nations Global Compact, section The Ten Principles, visited 24 October 2012. <http://www.unglobalcompact.org/abouttheGC/thetenprinciples/index.html>.

¹²⁰ A set of requirements on ethics, labour rights, health and safety, environmental protection and other employment-related areas. These requirements are based on international standards such as ISO 14001, SA 8000, OHSAS18001, PCMM and ILO, and UN conventions. Nokia website, under section <http://i.nokia.com/blob/view/-/261882/data/2/-/Excerpts-From-Nokia-Supplier-pdf.pdf>.

¹²¹ Website Nokia, <http://i.nokia.com/blob/view/-/1839124/data/2/-/Nokia-Natural-Resources-policy-and-conflict-minerals-pdf.pdf>.

¹²² Nokia Sustainability Report 2011, p. 116, <http://i.nokia.com/blob/view/-/1467050/data/1/-/nokia-sustainability-report-2011-pdf.pdf>.

¹²³ Nokia Sustainability Report 2011, p. 30, <http://i.nokia.com/blob/view/-/1467050/data/1/-/nokia-sustainability-report-2011-pdf.pdf>.

¹²⁴ Response of Nokia to a draft version of this chapter. E-mail received 9 October 2012.

management in Komárom, implementing Nokia's global labour and CSR policies has never been a problem, because Hungarian labour law already clearly specifies workers' rights and regulations.¹²⁵

4.1.2 AUDITS

At Nokia Komárom, there are regular internal as well as third party audits. Internal audits are done by the team leaders and the company's internal quality assurance department. During these audits, the production process and product quality is inspected, labour conditions are not included. Third party audits are done by Nokia's clients like T-Mobile or Orange; these processes mainly cover the same issues as the internal audits.¹²⁶ The third party two-day assessments focusing purely on labour conditions and health and safety are conducted by Intertek every second year.¹²⁷ According to company management,¹²⁸ Nokia's self-assessment tool called 'Listening to you' also contains questions on employees' safety, well-being and their relationship/opinions on their supervisors. This tool, however, was not mentioned during workers' interviews.

All audits are announced in advance and workers did not report any irregularities during the audit process, nor did they find them particularly stressful.¹²⁹

4.2. WORKING HOURS, OVERTIME

At the time of research, production at the Komárom plant was organised in 12-hour shifts. The day shift last from 06.00 to 18.00, and the night shifts vice versa. For the factory to be able to operate 24 hours a day, 365 days a year, the shifts are organised in four groups (A-B-C-D), which rotate between the day and night shifts. A usual work pattern for an operator is three day shifts, another three day shifts and three night shifts. After all blocks of three shifts (day and night), workers get three days off. The schedule for the shift rotations is communicated for the whole year in advance.

Within the 12-hour shifts, workers get 80 minutes of break time, which is above the legal minimum of 60 minutes.¹³⁰ Breaks are distributed in periods of two times 20 minutes and four times 10 minutes. Each production island gets its breaks in differing times, allowing workers to access the canteens and bathrooms in a timely manner. On the factory floor there are several 'relaxation zones' with lounge chairs where workers can spend their breaks.

The workers' opinions on the 12-hour shift model differ. Some employees highlight the fact that, with 12-hour work shifts, less time is spent on commuting, while there are more consecutive days to be spent with one's family. Others, however, reported that it is hard to switch between day and night shifts and that a 12-hour standing operation with continuous artificial light is tiring and hard to get used to.

*"We have to make these phones while 'thousand watt' lights are on above our heads. 12 hours standing, well I can't do it the way I did 20 years ago, but I have to say that also the 20-year olds complain... They say you get used to it, but this you never get used to: you can stand it, but get used to it, never ever."*¹³¹

¹²⁵ Interview with Nokia management, 19 September 2011.

¹²⁶ Interview with Nokia team leader, October 2011.

¹²⁷ Response of Nokia to draft version of this chapter, received by Miia Hapuoja, e-mail 9 October 2012.

¹²⁸ Gyöngyi Katona, HR Director Nokia Hungary, 2011 September 21.

¹²⁹ Interview with Nokia operators, October-November 2011.

¹³⁰ 1992 XXII Labour Law, paragraph 122.

¹³¹ Focus group interview with five Nokia operators, October 2011.

Overtime hours are calculated within the time-bank system, which enables the company to calculate the amount of overtime for a three-month period as a whole. According to company management, the rationale behind the time-bank system is that, in case of a drop in production, lay-offs can be prevented. The time-bank system is also agreed upon in the collective bargaining agreement between the company and the trade union, which says that, if needed, the system can be extended to cover a 12-month period (instead of the current three-month period).¹³² For 2012, the company management and the union agreed to extend to a six-month period.¹³³ The majority of the Nokia employees were not satisfied with the time-bank system, as overtime is only calculated as overtime (and thus paid for as overtime) if there have been no production drops within the current period. In other words, if in a certain period employees 'get' enough working days and their overtime hours are not 'evened out' with periods with fewer working days.

"Since we have been working under the time-bank system, we don't have any overtime hours anymore. Since then we have mandatory leave-days and mandatory working days."¹³⁴

"Those extra days go on the record as if they were normal workdays. If you worked two extra days then you simply have 17 normal days in the record instead of 15. If they send me home for two days of rest, then it's not 15 but only 13. Then, clearly, I get less. They keep explaining to me how good it is for me, but I don't see how it could be."¹³⁵

Requests for leave days have to be filed with the instructors or team leaders, two weeks before the planned leave. Furthermore, every worker has three 'exceptional leave days' a year, which means that the employee can call in the morning to announce that he/she is not coming to work without prior notice. The drop in production volumes referred to above (see paragraph 4.1) also has its effects on leave days. Company management tries to organise workers' days off in a way that it coincides with periods of lower production volumes. Employees interviewed for this research did not have a problem with this situation.

"As we all know, this [2011] was an extraordinary year. Production kept stopping and resuming and we tried to get over this period by taking our leaves when orders ran low. Or I could as well say we were sent to leave when orders ran low."¹³⁶

4.3. INCOME

Wages for the Nokia Komárom employees consist of a basic wage and an additional shift allowance, the amount of which depends on the shift worked. The basic wage is calculated on the basis of the number of hours worked, regardless of the day or time period worked. As a consequence of this, Sundays are considered normal working days. This is in accordance with Hungarian Labour Law, which allows for such a calculation in production units operating 24 hours a day, seven days a week.¹³⁷ Basic wages are complemented with shift allowances: on top of their hourly rate, employees get 15% of their basic wage when working between 06.00 and 14.00; 25% between 14.00 and 22.00; and 40% for night hours between 22.00 and 06.00; and 100% for working on national holidays.¹³⁸ Besides the basic wage and the shift allowances, employees get a yearly bonus of around 2-8% of their annual pay. The amount of the bonus depends on the overall performance of the factory. The annual bonuses are paid out on a quarterly basis (for direct workers) or bi-annually (for indirect workers). Furthermore, workers get food vouchers (to be

¹³² Interview with Nokia management, 19 September 2011.

¹³³ Response of Nokia to draft version of this chapter, received by Miia Hapuoja, e-mail 9 October 2012.

¹³⁴ Nokia team leader, October 2011.

¹³⁵ Focus group interview with five Nokia operators, October 2011.

¹³⁶ Focus group interview with five Nokia operators, October 2011.

¹³⁷ 1992 XXII Labour Law, paragraph 149/A (2).

¹³⁸ 1992 XXII Labour Law, paragraph 146 specifies the cases when employees must be given a supplement added to their normal wages. The amount varies depending on whether their working hours were in the afternoon, in the night or on holidays.

used within the factory), meal vouchers (to be used outside of the factory), recreation vouchers and support for internet use at home.

In periods when the factory is not producing (e.g. there are less or no orders), temporary workers do get compensated, while Nokia's permanent employees do not get compensated.¹³⁹ The amount of the compensation is not known.

*"I know they pay for factory idle time [i.e. when the factory is not producing]. If the factory stops let's say for a day or for a year, for us, they don't pay anything. But they [agency workers] do get paid. So in a way they earn more than we, Nokia employees do. Which is really strange if I think about it."*¹⁴⁰

In a response to a draft version of this chapter, Nokia indicated that permanent and temporary employees both get compensated when the factory is closed. Nokia employees get compensated at the end of their time-bank period, while temporary agency workers receive monthly compensation.¹⁴¹

According to workers' interviews, an operator at Nokia Komárom earns between 85,000 and 115,000 HUF (€ 301-408) net per month.¹⁴² It has to be noted that wages vary depending on the number of days worked in the month, the number of years spent with the company, and the tax reduction the individual worker is entitled to.¹⁴³ On top of the wages, employees get 5,000 HUF (€ 18) worth of meal vouchers every month to be spent in supermarkets or restaurants outside the factory. Also 855 HUF (€ 3) worth of food vouchers are distributed for every working day to be spent at the factory's own facilities. The latter amount is loaded onto a credit card when checking in for work at the factory gates. The amount of recreation and internet vouchers is not known. The total amount of benefits is around 225,000 HUF (€ 810) net annually.¹⁴⁴

Nokia has a social fund for employees with severe needs or who have to deal with (sudden) difficult personal situations like family tragedies, crisis situations, or natural disasters. Employees may apply for a single amount of 50,000 (€ 14) HUF gross. Services also include legal advice and psychological counselling. Applications have to be submitted to the labour union; decisions are made by a rotating board.

4.4. HEALTH AND SAFETY

The Komárom plant has its own internal health service and a nurse is available around the clock. The factory employs three or four doctors, of whom always at least one is present during the day time. The interviewed workers were satisfied with the health services the factory provides. No specific occupational health and safety hazards were mentioned. The only complaints heard were those related to the 12-hour shifts: tiredness and the difficulties arising from switching between day and night shifts.¹⁴⁵

¹³⁹ 1992 XXII Labour Law, paragraph 151 (4) specifies that employees should be compensated for periods when employees are not able to work due to production reasons (i.e. not due to the employee).

¹⁴⁰ Interview with Nokia employee, October-November 2011.

¹⁴¹ Response of Nokia to a draft version of this chapter. E-mail received 24 October 2012.

¹⁴² Interview with Nokia operators, October-November 2011.

¹⁴³ E.g. the reduction in personal income tax for large families may increase the employee's net salary by up to 20,000 HUF per month.

¹⁴⁴ Interview with Nokia operators, October-November 2011.

¹⁴⁵ Interview with Nokia operators, October-November 2011.

The factory's activities – manual assembling and computerised testing – does not involve the use of hazardous materials. The protective clothing provided by the factory is seen as adequate by the employees. In case an accessory is found to be substandard (for example, on one occasion the rubber gloves were too tight or made the skin of the workers peel), they are replaced following complaints.¹⁴⁶

4.5. TEMPORARY WORKERS

The proportion of temporary workers has decreased constantly ever since production started to drop at Nokia in general and at the Komárom factory in particular.¹⁴⁷ Workers had previously been hired externally in order to be able to meet large orders. However, these ceased to occur in the last few years, so there is less need for temporary agency work. At the time of research in 2011, the number of agency workers was estimated at 600, which is 15% of the total workforce of the factory. In the past, there were times when their number reached 4,000. It was not uncommon in that period that agency workers became permanent employees after a few months of work. However, since 2008, this has hardly been the case.¹⁴⁸

Temporary agency workers and permanent employees are treated equally at Nokia Komárom in terms of wages, uniforms, attendance at company events, etc. It is Nokia's policy that the wages of agency workers equal those of permanent employees after a year of employment.¹⁴⁹ As mentioned above, some interviewed employees even stated that temporary workers were better off when it comes to their income, since they get compensation payment for the periods when the factory is not producing, e.g. when there are fewer or no orders (for details, see paragraph 4.3).

Lower job security was mentioned as a disadvantage of being a temporary worker:

"Well, indeed, they [agency workers] are informed late. They are usually summoned by sms. Sometimes they are told at four in the afternoon to come in for the night shift. ... It also happened once that they were texted to come in a certain day to settle their accounts because their work was not needed anymore. This could've never happened to a Nokia employee."¹⁵⁰

Since 2007, it is possible for agency workers to join the trade union at Nokia. In that period, approximately 10% of the temporary workforce was unionised, but recent layoffs have decreased this proportion, since downsizing affects the agency workforce first.¹⁵¹

The secretary of the union emphasised that the union's efforts to protect the interests of agency workers were not always observed with sympathy by permanent employees, as agency workers are perceived as potential competition for the positions of the permanent workers. In such controversial situations, the loyalty of the union tends to be with the permanent employees. This may be due to the fact that the union receives 1% of the gross salary of permanent employees as a membership fee. Also, union officials get a reduction in the number of their working hours on the basis of the number of unionised permanent employees.¹⁵²

¹⁴⁶ Interview with Nokia operators, October-November 2011.

¹⁴⁷ For more information, see paragraph 4.1.

¹⁴⁸ Zoltán László, Trade Union Secretary at Nokia, 28 October 2011.

¹⁴⁹ Gyöngyi Katona, HR Director, Nokia Hungary, 21 September 2011.

¹⁵⁰ Interview with Nokia labour union officials, October 2011.

¹⁵¹ Zoltán László, Trade Union Secretary at Nokia, 28 October 2011.

¹⁵² Zoltán László, Trade Union Secretary at Nokia, 28 October 2011. The employer is legally bound to allow a working time reduction to labour union officials. The reduction is two hours per month for every three members, above the hours the official spends with discussions with the management as representatives of the union.

4.6. WORKER REPRESENTATION

The trade union at Nokia Komárom, which was founded in 2000, is a member of the Hungarian Metalworkers' Federation (VASAS). At the time of research, in November 2011, 34% of the employed workforce was unionised, which is well above the 10-15% national average. In total, the union has 16 officials, of whom two employees, the secretary and his assistant, work full time in the union's office at the factory floor. The rest of the officials (besides their union work) also work in production. The union and the company management signed a collective agreement in 2007, which has been periodically renewed since then. The union and the Nokia HR department have bi-weekly meetings. The union office is visited by about 30 workers daily.¹⁵³ Workers are allowed 15 minutes of break time per month to consult the union's office.

According to workers interviewed,¹⁵⁴ employees know of the union's existence. They also know that it represents their cause and that they have 15 minutes a month to consult the office. However, most workers do not use the services a union has to offer, nor are they aware of its achievements. Most workers only tend to join the union if they have a personal matter or problem to resolve or if they want to make use of the union's extra services like discounts on a mobile phone contract, a free bank account, free legal counselling or the use of the services of the union's attorney at a discounted price.¹⁵⁵

“Why did you decide to join the union?”

- Well, because I have gluten intolerance and through the union I could arrange to get more meal vouchers instead of the company meals.”¹⁵⁶

Some employees interviewed were less satisfied with the trade union, saying that for issues that really matter (e.g. wage increases), the union is not able to achieve significant results:

“I'm not satisfied with the trade union. I think a union is there to represent the interest of the workers. When it is about our wage increases, they [the union] sit and talk with Nokia for about three or four months, but at the end only can achieve a wage increase which [is] obligatory by law. Last year our wages didn't even increase at the rate of the inflation of the Forint [HUF].”¹⁵⁷

Nokia Komárom also has a works council in operation in the factory. It is headed by the secretary of the trade union. No further information is known on the functioning of the works council.

4.7. GRIEVANCE MECHANISMS

According to Nokia Komárom management,¹⁵⁸ employees can raise their concerns in the following ways:

1. Talking directly to supervisors on the factory floor: if an employee has any kind of problem/grievance, he/she can turn directly to their instructor, team leader or shift manager.
2. Kiosks (information booths) at the factory floor, where employees can write an e-mail with their grievances through an intranet system to the management. This procedure is not anonymous.
3. Boxes on the wall at the factory floor where people can put in hand-written complaints. This is also potentially anonymously.

¹⁵³ Interview with Assistant Trade Union Secretary at Nokia, 11 November 2011.

¹⁵⁴ Interview with Nokia operators, October-November 2011.

¹⁵⁵ The services of the attorney are available only for the members who reside in Komárom.

¹⁵⁶ Nokia operator, employed by the company for three years, November 2011.

¹⁵⁷ Nokia operator, employed by the company for seven years, November 2011.

¹⁵⁸ Gyöngyi Katona, HR Director, Nokia Hungary, 21 September 2011.

4. 'Call-in line', the company's complaint line that can be used 24 hours a day to call in complaints.¹⁵⁹ The line is almost exclusively used for reporting sick leaves.
5. Talking directly to company management. Management can be reached at several forums:
 - a. During info-sessions where managers talk about recent Nokia developments, the factory or any issue concerning the workers. Around 50 employees take part in these sessions.
 - b. During round table or 'sauna' sessions: round table meetings for employees with management. Around 20 employees take part; employees are randomly selected to take part in these sessions. HR tries to set up these meetings with an employee composition that all employees would have the chance to participate within a certain time period. The factory manager, HR manager and the production and quality manager take part in these meetings. Blue collar and white collar employees have separate sessions.
 - c. Raising *ad hoc* questions to managers who walk around the factory floor on a regular basis.
 - d. Visiting the HR office at the Komárom plant.
6. 'Listening to you' Nokia self-assessment and employee satisfaction survey. This mechanism is anonymous: results are only shown for a group of employees.
7. Through the representatives of the works council or the trade union.

During workers' interviews, several of the above-mentioned channels for grievances were mentioned, including the kiosks, the boxes on the wall, the trade union and the possibility of talking to supervisors or company management. In case of any grievances, most of the workers tend to talk to their direct supervisors on the factory floor, as they can usually solve the issues raised. Most complaints reported at the kiosks concerned the quality or the choice of the food in the factory canteen.¹⁶⁰

Labour union officials noted that sometimes complaints were reported about the medium-ranking supervisors who occasionally fail to display appropriate attitudes towards their subordinates: they use inappropriate language and yell at them to raise production figures. These problems have been reported rarely and, union officials say, could be overcome with regular training and appropriate incentives.¹⁶¹

¹⁵⁹ This line is called 'bevo', short for 'betelefonáló vonal', meaning 'call-in line'.

¹⁶⁰ Interview with Nokia operators, October-November 2011.

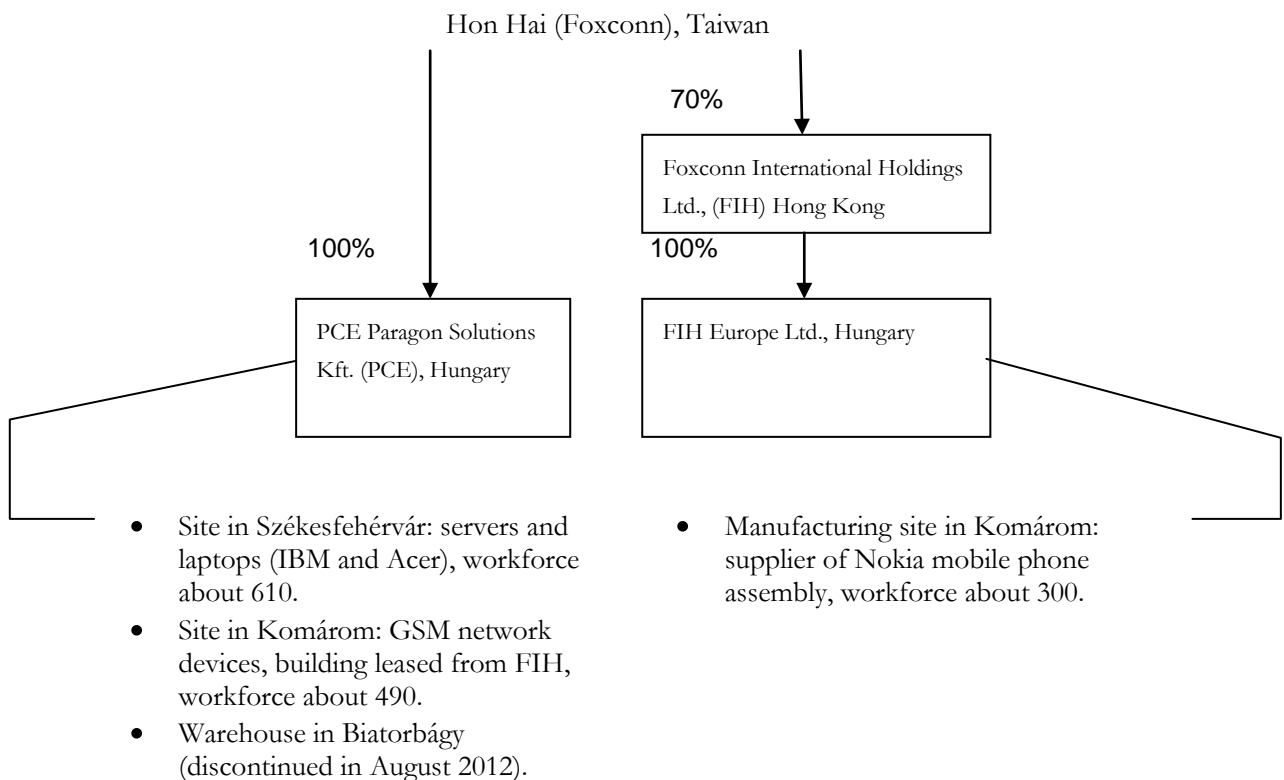
¹⁶¹ Interview with Nokia labour union officials, October 2011.

5. FOXCONN – SZÉKESFEHÉRVÁR PLANT

5.1. GENERAL INFORMATION

Taiwan-based Foxconn has two subsidiaries in Hungary: PCE Paragon Solutions Kft. (hereinafter referred to as “PCE”), a 100% owned subsidiary of Hon Hai and FIH Europe Kft. (hereinafter referred to as “FIH”), the subsidiary of Hong Kong-based Foxconn International Holdings, Ltd., a Foxconn Technology Group company. FIH owns a manufacturing site in Komárom and it is the principal supplier of Nokia’s mobile phone assembling factory at the same site. PCE leases a building from FIH in Komárom and assembles GSM network devices. At the time of the research, it operated a warehouse in Biatorbágy site. However, this was discontinued in August 2012.¹⁶² It also has a server and desktop computer manufacturing site in Székesfehérvár. Revenues of all the three sites together amount to over 1 billion USD per year, which is around 1% of Foxconn’s global revenue.¹⁶³ This chapter deals with the company’s Székesfehérvár plant.

Figure 3: Foxconn in Hungary



The Székesfehérvár plant, which is located at an industrial park in the city, has been operated by different companies in the past. It was built initially as an IBM HDD manufacturing site. Sanmina SCI started computer manufacturing in 2004 following the closure of IBM HDD operations. Foxconn acquired

¹⁶² Response of Foxconn to a draft version of this chapter. E-mail received 3 October 2012.

¹⁶³ Global revenue of Hon Hai Precision Industry Co. Ltd. (doing business as Foxconn) was 102 bn USD in 2011. Hon Hai Precision profile on Forbes.com, <http://www.forbes.com/companies/hon-hai-precision/> (12 September 2012).

Sanmina SCI's computer business unit, including the Székesfehérvár operations in 2008. Currently the plant assembles products for the computer brands IBM and Acer.¹⁶⁴ The Foxconn Székesfehérvár plant is almost exclusively supplied by Asian suppliers. (The motherboards, video cards, processors, cooling fans, power supplies and hard drives all come from Asia.) Locally purchased material amounts to around 2% of all supplies and it mainly consists of packaging material.¹⁶⁵

Foxconn has around 1,400 employees in Hungary in total (PCE and FIH), of which 610 work at the Székesfehérvár plant. PCE started the operation with 850 employees in 2008 and today it has around 1,100 employees of which 700 are permanent. During the last two years, PCE headcount was stable in Székesfehérvár while it increased in Komárom. FIH used to be a major supplier to Nokia and maintained over 2,000 employees from 2004 until 2008, when, due to the impact of the economic crisis on the order books, the workforce was reduced to a few hundred employees.¹⁶⁶

Employees either live in Székesfehérvár or commute from neighbouring villages within a vicinity of around 40 km from the factory. Székesfehérvár residents make use of the city's public transportation system to get to work, while employees living in neighbouring villages use local buses. Foxconn operates dedicated bus lines wherever transportation with reasonable travelling time is not available.¹⁶⁷

5.1.1 CSR POLICIES

As a member of EICC, Foxconn follows the EICC Code of Conduct. Foxconn's own Code of Conduct (CoC)¹⁶⁸ is in line with the EICC. Foxconn has annual supplier meetings and unscheduled Social and Environmental Responsibility (SER) audits at its suppliers' sites to monitor compliance with EICC's and Foxconn's standards.¹⁶⁹ Until December 2010, 1,059 suppliers completed the required trainings and assessments and 840 suppliers signed SER agreements. 733 suppliers completed their self-assessments and Foxconn conducted SER audits of 61 suppliers in mainland China.¹⁷⁰

As indicated earlier, in the opinion of makeITfair, the EICC Code's wording regarding freedom of association is quite weak and it lacks mentioning of collective bargaining.¹⁷¹ The company states that "*all Foxconn General Managers have signed the Foxconn CoC and committed to adhere to the standards set forth therein, in letter and in spirit*".¹⁷²

¹⁶⁴ Interview with Foxconn management, 21 September 2011 and response of Foxconn to a draft version of this report. E-mail received 3 October 2012.

¹⁶⁵ Interview with Foxconn management, 21 September 2011 and response of Foxconn to a draft version of this report. E-mail received 3 October 2012.

¹⁶⁶ Response of Foxconn to the draft version of this chapter. E-mail received on 3 October 2012.

¹⁶⁷ Response of Foxconn to the draft version of this chapter. E-mail received on 3 October 2012.

¹⁶⁸ Foxconn Code of Conduct, 4. CoC Standards, II Labour and human rights, 7 Freedom of association. <http://www.foxconn.com/pic/Foxconn%20SER.pdf>.

¹⁶⁹ Foxconn Corporate Social & Environmental Responsibility (CSER) Annual Report 2010, p. 11, <http://www.foxconn.com/ser/2010%20foxconn%20cser%20report.pdf>.

¹⁷⁰ Foxconn Corporate Social & Environmental Responsibility (CSER) Annual Report 2010, p. 71, <http://www.foxconn.com/ser/2010%20foxconn%20cser%20report.pdf>.

¹⁷¹ EICC Code of Conduct, A. Labour, paragraph 7, Freedom of Association, <http://www.eicc.info/documents/EICCCodeofConductEnglish.pdf>.

¹⁷² Foxconn Corporate Social & Environmental Responsibility (CSER) Annual Report 2010, p. 9, <http://www.foxconn.com/ser/2010%20foxconn%20cser%20report.pdf>.

5.1.2 AUDITS

There are internal as well as external audits at Foxconn Székesfehérvár. External audits are done by Foxconn's clients (e.g. IBM or Acer), as well as by various institutions and authorities. In a lot of cases these audits also cover Foxconn's own Hungarian suppliers.¹⁷³ According to the workers interviewed, employees are informed and prepared in advance and the audits are not perceived as difficult and/or stressful. Audits were mentioned as covering workflow processes and issues of quality assurance; working conditions were not mentioned.¹⁷⁴

According to the management, there are several audits that are preliminarily announced and several that employees are not informed about in advance, as well as some that are not announced in advance at all. Audits regarding working conditions typically fall into this last category. In the period 2011 and 2012 (until October), there have been ten internal EHS (environmental health and safety) and work safety related audits during two internal ISO 14001 and ISO 18001 audits, three audits performed by the Occupational Health Physician and five performed by the management team. On top of these, the National Labour and Work Safety Authority (OMMF) has performed two on-site audits, one of them was a full scope review of work conditions and compliance with safety regulations on the site. An independent quality assurance company, UL STR also performed a full scope EICC audit lasting three days (an audit that checks compliance with the EICC code) with a focus on work safety arrangements. The third party audit of the Occupational Health and Safety Advisory Services (OHSAS) 18001 was successfully completed in October by TUV Rheinland. All audits done by external parties (OMMF and UL STR) found the site fully compliant.¹⁷⁵

5.2. WORKING HOURS, OVERTIME

The Székesfehérvár plant operates two eight-hour shifts a day, predominantly from Mondays to Fridays. Employees work in the morning shifts from 06.00 to 14.00 and from 14.00 to 22.00 in the afternoon shifts. Interviewed workers indicated that they have two 20-minute breaks during their working day. These breaks are usually enough for employees for their lunch breaks or any other necessities during their shift.¹⁷⁶ However, some workers reported that occasionally the factory floor management shortens their breaks in order to increase production numbers.

“After a certain amount of time, when production numbers are too low, they [factory management] curb us in our breaks. Then our breaks don't last 20 minutes, but instead 15 or even 10 minutes.”¹⁷⁷

In response, Foxconn refers to the Hungarian labour law and Foxconn's Employee Handbook, which both state that workers are entitled to *one* 20-minute break when the working time exceeds six hours (see also paragraph 2.1.3 of this report) while they get a second break of 20 minutes whenever the production schedule enables (and that usually does). Thus, the workers always receive more break time than they are entitled to according to the law, even when their second break is shortened.¹⁷⁸

¹⁷³ Personal communication with Péter Táló, Managing Director Foxconn Székesfehérvár plant, e-mail received 14 October 2011.

¹⁷⁴ Interview with Foxconn operators, October-November 2011.

¹⁷⁵ Response of Foxconn to draft of this chapter, received 3 October, 2012.

¹⁷⁶ Interview with Foxconn operators, October-November 2011.

¹⁷⁷ Foxconn technician, October-November, 2011.

¹⁷⁸ Response of Foxconn to the draft version of this chapter. E-mail received 3 October 2012.

Foxconn uses a monthly work schedule announced in advance before the beginning of the month.¹⁷⁹ Employees tend to be informed about overtime work two to three days in advance if there is any overtime work to be done. No instances have been reported by interviewed workers of any (negative) consequences if an employee cannot or refuses to work overtime. According to the workers interviewed, employees are quite happy to work overtime, as it increases their monthly income.¹⁸⁰ Unlike the other companies in this report, PCE does not use the time-bank system, but within the monthly schedule days can be shifted.

“Usually the beginning of the month is rather relaxed and towards the end the workload becomes higher, due to increased orders and shipments. Days from the beginning of the month, for example the Mondays, they [company management] tend to shift to the end of the month, so we have to work on a weekend-day as well. This way [calculated for the whole month] we don’t get any overtime.”¹⁸¹

According to company management, leave days for employees have to be requested at least 15 days in advance.¹⁸² Interviews with employees have confirmed that even in periods of major production there are no problems with asking and/or receiving permission for leave days.¹⁸³

5.3. INCOME

Wages at Foxconn Székesfehérvár are composed of a basic wage, a shop floor bonus, a shift allowance and overtime pay. The shop floor bonus is paid out for any employee with active status with no regard to whether he/she is on holiday or sick leave. At the time of research, there was no shift allowance for the morning shift and there was 15% for the afternoon shift. Before, when the factory was operational at night, there was a shift allowance of 30% for night shifts. Overtime pay on workdays is 50% higher than the regular hourly fee, 100% higher on Saturdays and 150% higher on Sundays.¹⁸⁴

Wage levels at the Székesfehérvár plant differ according to the number of years worked at the factory and the position one has. Operators with less experience tend to earn around 60,000-80,000 HUF (€ 231-283) net a month, while an operator with years of experience might earn 75,000 to 90,000 HUF (€ 266-319). Technicians take home around 100,000-120,000 HUF (€ 355-425) a month and middle managers earn between 150,000 and 200,000 HUF (€ 532-709) per month.¹⁸⁵ The amount of the shop floor bonus (which is included in the monthly pay) is 6,000 HUF (€ 21) a month for permanent employees with active status and 300 HUF (€ 1.05) for every working day for temporary agency workers. On top of their monthly wage, employees get 8,000 HUF (€ 28) worth of meal vouchers per month. The most commonly heard complaints of the Foxconn Székesfehérvár workers were the low wages.

“I think in [Székes]Fehérvár Foxconn is the company which pays you the least. Also, our benefits are low.”¹⁸⁶

¹⁷⁹ Response of Foxconn to the draft version of this chapter. E-mail received 3 October 2012.

¹⁸⁰ Interview with Foxconn operators, October-November 2011.

¹⁸¹ Foxconn logistics employee, October-November 2011.

¹⁸² Interview with Foxconn management, 21 September 2011.

¹⁸³ Interview with Foxconn operators, October-November 2011.

¹⁸⁴ Interview with Foxconn management, 21 September 2011 and response of Foxconn to the draft version of this chapter. E-mail received 3 October 2012.

¹⁸⁵ Interview with Foxconn operators and technicians, October-November 2011 with additions provided by Foxconn based on payroll data. E-mail received 3 October 2012.

¹⁸⁶ Foxconn repair technician, permanent employee, October-November, 2011.

Foxconn nuances this picture; while admitting that the lowest skilled and least experienced operators have a below average income compared to the market rate, as soon as an unskilled worker moves up in the grade table and becomes more experienced, his/her income will increase and be around the median of the relevant market. Technicians earn close to the median and middle management are on or above the median rate.¹⁸⁷

Regarding commuting to and from the factory, Foxconn reimburses 86% of the travel costs for those who live outside Székesfehérvár. Residents of Székesfehérvár can use local bus transportation and have to bear the costs themselves. As a consequence of this, commuting for example from the neighbouring village of Sárkeresztúr by bus costs 4,000 HUF a month, while a Székesfehérvár resident pays 6,200 HUF for a monthly bus ticket.

Foxconn added that the law regulates travel reimbursement supporting citizens who live in smaller villages without local employment opportunities. Companies must follow these regulations. Székesfehérvár residents can also use their monthly ticket during their daily life for many purposes as the ticket is valid for all city bus lines while the bus ticket from the village can only be used for commuting to work.¹⁸⁸

5.4. HEALTH AND SAFETY

The Foxconn Székesfehérvár plant has an in-house doctor, who can be visited if any health problems occur. No specific health hazards were mentioned among employees, although some workers complained that it is often quite hot inside the factory and that it is necessary to drink enough water during working hours. No complaints were heard either about the eight-hour standing operation, as workers can move around on the factory floor while working. The quality of the protective clothing, which is obligatory to wear during operations, was satisfactory according to the workers.¹⁸⁹

The only complaints heard were about the obligatory health and safety instructions and trainings employees receive. According to workers, the tests taken at the end of the workshops are mere formalities and the answers for these tests are given in advance.

‘Well, with this test they put us, 40-50 colleagues in a room where they project the questions as well as the answers onto the wall. We have to copy the answers on a sheet of paper, then they give us the questionnaires and all we have to do is copy the answers from our own sheets.’¹⁹⁰

According to company management, the company tests the employees’ capabilities to identify the substance during the lecture and ability to make notes about that for their own purposes at the end of the H&S training session. It is checked by a written questionnaire that employees are requested to fill out using the notes they made during the day.¹⁹¹

5.5. TEMPORARY WORKERS

At the time of research, the Foxconn Székesfehérvár plant employed around 150 temporary agency workers, which is around 25% of the total employee base of 610. The number of temporary agency

¹⁸⁷ Response of Foxconn to the draft version of this chapter. E-mail received on 3 October 2012. Foxconn’s source for the Hungarian labour market information is the Hay’s Institute’s database.

¹⁸⁸ Response of Foxconn to the draft version of this chapter. E-mail received on 3 October 2012.

¹⁸⁹ Interview with Foxconn operators, October-November 2011.

¹⁹⁰ Former Foxconn operator from Sárkeresztúr, October-November, 2011.

¹⁹¹ Response Foxconn to the draft version of this chapter. E-mail received on 3 October 2012.

workers, however, fluctuates between 80 and 250, according to the time of the year or the amount of orders or customers the site has. Thus it always remains under 35% of the total employee base. According to company management, agency workers are treated in the same way as their permanent colleagues whether it comes to wages, benefits or any other allowances. The company tries to employ temporary workers at least for 70% of the total monthly working hours, to encourage them not to switch jobs.¹⁹²

According to employees, an agency worker receives a wage that is on average 10,000 HUF less than their permanent colleagues' wage. Also, the monthly meal vouchers, which amount to 8,000 HUF a month for permanent workers, tend to be less for temporary employees: 4,000-6,000 HUF a month. As temporary workers also have to buy a monthly transportation pass but do not work full time, they spend proportionally a higher amount of their salary on transport.¹⁹³

In response, Foxconn comments that temporary employees work about 70% of their monthly working time for Foxconn on average. For this work, they are paid duly and in line with what is paid to permanent employees with the same experience and skill set for the same work. The employer of temporary workers is an agency and their total salary can be made up from work performed for different companies; PCE is only one of them.

Until 30 November 2011, the company management strongly suggested that contracted agencies should provide the same value level of meal allowance as it provided to its permanent employees from the first day of employment. However, it did not intervene into their practice regarding temporary employees whose employment was less than one year (in line with the current legal regulations). Some of the agency partners ignored the suggestions and provided less meal allowance for some of their newly hired employees. Starting from 1 December 2011, the implementation of the respective EU legislation¹⁹⁴ became effective, according to which it is a requirement for both client and the agency companies to provide the same level of allowances, including meal allowances from day one of the employment period. Based on the new regulations introduced, the company management now checks if the agency partner follows this principle and ensure that it happens from the first day of employment.¹⁹⁵

According to Foxconn Hungary management, there are several opportunities for temporary workers to become permanently employed by Foxconn. When a temporary employee wants to be trained as a cell builder, a higher qualified job, the employee is offered a permanent contract. Also, if the "employee of the month" is a temporary worker, he/she is offered a permanent contract. Furthermore, all internal job openings are also available for agency workers.¹⁹⁶ According to workers' interviews, however, such transitions from agency to permanent employment status are not common.¹⁹⁷

According to the company management, transition from temporary to permanent status is the most common method of recruitment in Székesfehérvár. During the period between January 2011 and

¹⁹² Interview with Foxconn management, 21 September 2011 and personal communication with Péter Tólos, Managing Director Foxconn Székesfehérvár plant, e-mail received 14 October 2011.

¹⁹³ Interview with Foxconn operators, October-November 2011.

¹⁹⁴ EU Directive 2008/104/EC on Temporary Agency Work. Available at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:327:0009:0014:EN:PDF>

¹⁹⁵ Response from Foxconn to the draft version of this chapter. E-mail received on 3 October 2012.

¹⁹⁶ Interview with Foxconn management, 21 September 2011 and personal communication with Péter Tólos, Managing Director Foxconn Székesfehérvár plant, e-mail received on 14 October 2011.

¹⁹⁷ Interview with Foxconn operators, October-November 2011.

September 2012, the company hired 53 new permanent employees and 40 of them were temporary workers previously.

Besides wages and compensation, the most commonly heard complaints regarding agency workers were related to job insecurity. When there is enough work, agency workers are summoned to work. However, in times of lesser demand, or when orders are cancelled, it is the agency workers who see their monthly working days drop. It happens that agency workers are told via SMS that their work is not requested the next day or the entire next week. It is this income insecurity that troubles agency workers.¹⁹⁸

‘If there is work, we work, if there’s not, we don’t. It sometimes happens that for months we don’t get any work and we are not even compensated for that period [i.e. for the factory downtime].’¹⁹⁹

In response, Foxconn argued that it is inappropriate to address the discontent of temporary workers with their job insecurity in a profile on Foxconn because this kind of job insecurity is inherent to the nature of agency employment and is not the responsibility of Foxconn as one of several hiring companies.²⁰⁰

5.6. WORKER REPRESENTATION

There are no trade unions or works councils active at Foxconn Székesfehérvár. The company management is convinced that unions are not present at the factory because workers have not required it and they believe in more direct relationship with management. The result of the EICC audit performed by UL STR in October 2011 underlined this belief.²⁰¹

According to the workers interviewed, there have been no serious attempts in the past to form or join a trade union or works council. The main reasons given were the lack of interest and an overall feeling of aversion and pessimism towards the idea that the formation of a trade union could contribute to any change in their working conditions.²⁰²

5.7. GRIEVANCE MECHANISMS

According to the management at Foxconn Székesfehérvár, there are several ways in which complaints can be raised. These are listed below:

1. The possibility to make free anonymous calls through the “green number” about any type of complaint. The complaint is recorded on a voice recorder; only the internal trust officer has access to these recordings.
2. There is an e-mail address for complaints. E-mails can also be sent anonymously.
3. The trust officer can be approached directly. They act confidentially and, if needed, protect the identity of the complainant.
4. Quarterly meetings with a presentation by the company management. During these meetings there is the possibility of raising any type of concerns from the workers’ side. Also, after the meeting, managers are approachable with questions and/or problems.
5. The open business culture at the plant: employees are encouraged to approach their manager personally with complaints.

¹⁹⁸ Interview with Foxconn operators, October-November 2011.

¹⁹⁹ Foxconn operator, employed through an agency, October-November, 2011.

²⁰⁰ Response Foxconn to the draft version of this chapter. E-mail received 3 October 2012.

²⁰¹ Interview with Foxconn management, 21 September 2011 and response Foxconn to first draft of this chapter, e-mail received 3 October, 2012.

²⁰² Interview with Foxconn operators, October-November 2011.

When workers were asked whether there were any complaint mechanisms in place, the interviewed employees were familiar with the “green number” and the company’s HR office where they can go and talk to company management, but the most commonly used way of addressing complaints is to talk to one’s direct supervisor or manager.²⁰³ Lack of familiarity with some of the listed grievance mechanisms above is understandable, as some were introduced recently, during the year 2011.

*“As far as I am concerned, if I have a problem, I walk up to the HR department and tell them about it. I tell them the name of the group leader or the shift leader, but I tell them I don’t want them to reveal my name, and it works alright this way”.*²⁰⁴

²⁰³ Interview with Foxconn operators, October-November 2011.

²⁰⁴ Foxconn operator, October 2011.

6. FLEXTRONICS – ZALAEGERSZEG PLANT

6.1. GENERAL INFORMATION

The Singapore-based electronics manufacturer Flextronics moved part of its operations to Hungary in 1998. Today, Flextronics is the largest electronics manufacturing services provider in Hungary. Hungary is the company's most important European construction hub where 10% of the company's global production takes place. Over the years, Flextronics has taken over production plants from several national and international electronics companies including Hajdú, Solectron and Neutronics.

Flextronics has a wide and diverse range of activities in Hungary including the assembly of mobile phones, computers, printers, copy machines, car electronics, washing machines, television control panels and motherboards and other surface-mount technology (SMT) panels. The logistics services include (but are not limited to) warehousing, after-market services, including spare parts management and product repair.

Currently the company has operations located in Budapest, Pecs, and Tab and two industrial parks in Sárvár and Zalaegerszeg. In Tab, Sárvár and Zalaegerszeg, the assembly of various types of electronic devices mainly takes place. Flextronics' Ukrainian plant in Beregovo is partly managed by the Hungarian management.

The company's biggest site is Zalaegerszeg, where assembly is done for several computer brands including Lenovo, HP, NEC and Data Domain and several brands of the automotive industry. At the time of research, the factory's main client was Research In Motion (RIM), for which Flextronics Zalaegerszeg is assembling BlackBerry smartphones. This chapter deals with Flextronics' latter site.

Flextronics Zalaegerszeg has around 200 to 300 suppliers. The suppliers over which the company has sourcing control are mainly based in Hungary and cover packaging material and indirect material. The rest of the production-related supply comes from abroad. For products that are designed by customers, the suppliers are controlled by the customers and the customer will decide where Flextronics should source the components/materials from.

Flextronics employs around 12,000 people, making it one of the biggest employers in the electronics sector in Hungary. The workforce has been growing ever since Flextronics established its operations in Hungary, making current employee numbers the highest ever. Most of the employees work at the Zalaegerszeg site, around 8,000 in number. At the time of research, the gender ratio was around 60% male and 40% female. The female and male ratio strongly depends on the composition of the applicants; employees are selected based on the skills, qualifications and test results, independent of gender.²⁰⁵

The factory employs temporary as well as permanent workers. If an employee has a temporary contract, he/she is usually hired through an employment agency and is not contracted directly by Flextronics. For more information on temporary agency workers, see paragraph 6.5.

²⁰⁵ The first paragraphs are based on the interview with Flextronics management, 20 September 2011 and Flextronics response by Seb Nardecchia on the draft of this chapter, e-mail received on 10 October 2012.

Flextronics is one of the main employers in Zala County, especially since some bigger employers in the region (e.g. a clothing factory, an oil refinery, a furniture plant, etc.) went out of business recently, leaving high numbers of lower qualified workforce unemployed. Flextronics Zalaegerszeg also hires its employees from remote parts of the country, including Baranya County in the South and Borsod County in Eastern Hungary. Even Hungarians living on the other side of the border in Romania (Transylvania) are among the company's staff.

"They say in Zala [County] there are three types of people: the ones who have worked for Flextronics in the past, the ones who do currently and the ones who will in the future".²⁰⁶

6.1.1 CSR POLICIES

Flextronics' Corporate Social and Environmental Responsibility (CSER) policies are integrated into their operations by a management system that is based on the Electronics Industry Citizenship Coalition's (EICC) Code of Conduct and their own internal Code of Business Conduct and Ethics. To implement the CSER policies into their global sites (Flextronics has facilities in 30 countries on four continents) the programme called "Flextronics Pledge" is developed. The process to work towards compliance include the following steps: on-site training on requirements; completion of the Self-Assessment Questionnaire (SAQ) by the sites; analysis of the SAQ's; physical audits at the sites for certification; and finally, the sites have to initiate corrective actions based on outcomes. The audits are conducted by the corporate regional CSER teams. Flextronics aims to have all its global sites certified by 2014.²⁰⁷ The Zalaegerszeg site is in preparation for the Flextronics Pledge certification audit. The site has completed the self-assessments using the CSER audit tools.²⁰⁸ As Flextronics is an important supplier for many electronics brands, the site is audited many times by external auditors at the request of customers.

The supplier compliance programme is also part of the Flextronics Pledge programme. Flextronics requires its suppliers to conduct their business according to the guidelines of the EICC, to fill out the Flextronics Supplier Assessment Questionnaires, to participate in on-site audits and to provide Flextronics with clear and accurate CSR reporting.²⁰⁹ In 2011, Flextronics conducted 83 initial audits and 62 follow-up audits on supplier facilities located primarily in China. The audit findings are classified into two categories: critical and non-critical. In 2011, 70% of the critical findings were related to working hours and weekly rest days.²¹⁰

In the opinion of makeITfair, the EICC Code's wording regarding freedom of association is quite weak and it lacks mentioning of collective bargaining. The company speaks in its Flextronics Pledge programme of "*freedom of engagement with management*", instead of freedom of association: "*We will provide the means for employees to freely voice their concerns and opinions and to engage with management without fear of reprisals and retribution.*"

²⁰⁶ Former trade union representative at Flextronics Zalaegerszeg, September 2011.

²⁰⁷ Flextronics Corporate Social and Environmental Responsibility (CSER) Program Sustainability Report 2010/2011, p 11 [http://www.flextronics.com/Documents/CSER%20Sustainability%20Report%20\(English\)%20-%20for%20viewing-final2.pdf](http://www.flextronics.com/Documents/CSER%20Sustainability%20Report%20(English)%20-%20for%20viewing-final2.pdf).

²⁰⁸ Flextronics response on the draft of this chapter, e-mail received 10 October 2012.

²⁰⁹ Flextronics Supplier Corporate Social And Environmental Responsibility (CSER) Overview, 27 October 2011, http://www.flextronics.com/supplier/supplierquality/Files/CSER%20Overview-102711_1k_2.pdf.

²¹⁰ Flextronics Corporate Social and Environmental Responsibility (CSER) Program Sustainability Report 2010/2011, p. 68, [http://www.flextronics.com/Documents/CSER%20Sustainability%20Report%20\(English\)%20-%20for%20viewing-final2.pdf](http://www.flextronics.com/Documents/CSER%20Sustainability%20Report%20(English)%20-%20for%20viewing-final2.pdf).

We will respect employees' engagement rights in accordance with local laws".²¹¹ The right to collective bargaining is also not mentioned here.

Flextronics comments on this by saying that their 'Open Door Policy', which supports interaction and engagement of all employees with management, and 'Grievance Handling policy' ensures that employees can raise their concerns freely without fear of retaliation. *"In Europe as well as in Hungary Flextronics employees are free to unionize and do have the right to collective bargaining."*²¹²

6.1.2 AUDITS

There are regular external as well as internal audits at the Flextronics Zalaegerszeg site. External audits are done by Flextronics' clients.²¹³ Employees interviewed mentioned that, during audits, one of the main focal points is the cleanliness and tidiness of the factory floor and the proper knowledge and handling of production processes. Employees questioned gave differing answers when asked about the consequences when they showed lack of knowledge about the production processes during an audit: some stated that these errors could lead to disciplinary warnings or even dismissal; others reported that such issues did not have such serious consequences.²¹⁴ According to Flextronics, if errors are found or if there is a lack of knowledge shown by certain employees, the first action is to repeat training for the employee to help him/her improve.²¹⁵

Flextronics itself also conducts audits at its first tier Hungarian suppliers, mainly packaging firms. These audits take place once a year and, in case of non-compliance, the audit is re-done in the following quarter.²¹⁶

6.2. WORKING HOURS, OVERTIME

Depending on the amount of work and the time of the year (e.g. in periods of high demand), the Flextronics Zalaegerszeg plant operates using different shift models. The two-shift model has two eight-hour shifts a day: in the morning from 06.00 to 14.00 and in the afternoon from 14.00 to 22.00, five days a week on weekdays. The three-shift model has eight-hour morning, afternoon and night shifts starting Monday at 06.00 and ending Saturday at 06.00. The four-shift model is used in peak season, in which the company operates 24 hours a day, seven days a week, except for the Sunday mornings when maintenance works are carried out. In the four-shift model the morning, afternoon and night shifts rotate so that every employee gets to work in all types of shifts. In the last case, workers have two to three days of consecutive work, then they are off for one to two days and have two to three days' work again.²¹⁷ Although the plant was using the four-shift model with eight-hour shifts at the time of the research, according to workers interviewed, the shift models and the length of the shifts change frequently. Until June 2011, a few months prior to the research period, employees worked 12-hour shifts.²¹⁸

²¹¹ Flextronics Corporate Social and Environmental Responsibility (CSER) Program Sustainability Report 2010/2011, p. 32, [http://www.flextronics.com/Documents/CSER%20Sustainability%20Report%20\(English\)%20-%20for%20viewing-final2.pdf](http://www.flextronics.com/Documents/CSER%20Sustainability%20Report%20(English)%20-%20for%20viewing-final2.pdf).

²¹² Flextronics response by Seb Nardecchia on the draft of this chapter, e-mail received on 10 October 2012.

²¹³ Interview with Flextronics management, 13 December 2011.

²¹⁴ Interview with Flextronics operators, October-November 2011.

²¹⁵ Flextronics response by Seb Nardecchia on the draft of this chapter, e-mail received on 10 October 2012.

²¹⁶ Interview with Flextronics management, 13 December 2011.

²¹⁷ Interview with Flextronics management, 20 September 2011.

²¹⁸ Interview with Flextronics operators, October-November 2011.

According to the company management, the 12-hour shifts were substituted by eight-hour shifts to increase plant efficiency. However, some workers interviewed indicated that it might have to do with the frequent cases of employees becoming unwell as a consequence of stress and long hours of standing operation.²¹⁹ For more information, see paragraph 6.4. Flextronics commented on this by saying that employees are provided with break times and they can rest in the rest areas that are set up in the production area.²²⁰

During their eight-hour shift, employees have a 20-minute and a 10-minute break. Although, in theory, the two breaks would give workers enough time for their lunch breaks and other necessities, in practice these breaks cannot be used to their full extent: the factory hall houses hundreds of workers and it only has around five exit points with metal detectors at which all employees have to be checked before leaving. This procedure consumes a significant amount of time. If employees want to visit the bathroom outside of their breaks, an approval has to be obtained from their supervisor, which is not always granted.²²¹

“We have two breaks, a 10-minute and a 20-minute break, but you have to swallow your lunch in one piece, because they don’t get it that you spend at least 5 minutes in line, another five for the toilet and in the remaining 10 minutes you have to eat and get back in time.”²²²

In response to this, Flextronics explained that, if employees wear the clothing provided by Flextronics, passing the metal detector gates goes quickly and employees can get out of the shop floor in a timely manner. Workers have a choice of wearing the free work clothes the company provides to ease clearance in the security checkpoints, or wear their personal clothes. The security checkpoints are required by customers in order to protect their intellectual property. The 30 minutes break time (10 minutes more than the legal obligation) is counted as work time and is paid by the company.²²³

According to company management, overtime work is communicated 48 hours in advance.²²⁴ However, according to employees, the need to stay for overtime hours is often communicated only half an hour before the end of one’s shift. Employees can refuse to stay for overtime, though team leaders or supervisors often threaten to give disciplinary warnings to employees who do so. Disciplinary warnings do not lead directly to dismissal. However, in times of staff reduction, employees with disciplinary warnings are the ones who are dismissed first.²²⁵

“They come, when let’s say we work from 2 to 10, they come at half past 9 and tell you that overtime is obligatory. If you don’t do the overtime asked, you get a disciplinary warning. When there are lay-offs, you get fired, because you have a disciplinary.”²²⁶

²¹⁹ Interview with Flextronics operators, October-November 2011.

²²⁰ Flextronics response by on the draft of this chapter, e-mail received 10 October 2012.

²²¹ Interview with Flextronics operators, October-November 2011.

²²² Blog entry at Nyarimikulas.hu, dated 4 September 2012, <http://nyarimikulas.hupont.hu/118/flextronics-munkaallapotok-a-dolgozok-szerint>, retrieved 7 September 2012.

²²³ Flextronics response by Seb Nardecchia on the draft of this chapter, e-mail received 10 October 2012.

²²⁴ Personal communication with Rita Kericsmár, Flextronics HR Compliance and Community Outreach Officer for EMEA, e-mail received 21 December 2011.

²²⁵ Interview with Flextronics operators, October-November 2011.

²²⁶ Flextronics operator, employed by the company for six months, November 2011.

In response, Flextronics said it can happen that employees are asked to stay a few extra hours. However, it is not obligatory; employees can decide on their own and there is no penalty and no written warnings to employees in case they prefer not to stay.²²⁷

Working overtime is motivated by higher overtime payment. However, due to the three-month time-bank system, in practice these hours end up being paid out as regular hours.²²⁸ According to the company management, at the end of the three-month cycle, hours are counted and overtime hours are paid with a 50% premium.²²⁹

The availability of vacation days depends on the position or department of the employees. For key operators or line leaders, it is often difficult to take their vacation days, as a whole team of operators is dependent on them. Some line leaders reported that they even had outstanding unused vacation days from the previous year. Even regular operators have reported problems with vacation day approvals.

“You have to report your wish for vacation well on time, especially for the guys working on the line [operators]. They cannot just replace someone, or well they can if another line is down, but still then you have to train them to work in the other line. [...] As a line leader you can forget about vacation, my boss told me to work, even though I had 39 °C fever.”²³⁰

6.3. INCOME

Wages at Flextronics Zalaegerszeg are structured as follows: basic wage, shift premium, job allowance and a bonus. The amount of the shift premium depends on the shift worked in (morning, afternoon, night), the job allowance depends on the job grade (operator 1, 2 or 3), which has to do with experience and performance. The amount of the bonus is 5% of the employee’s basic wage.²³¹ Flextronics stresses that a bonus is, as it suggests, not a granted benefit; it can be given based on performance and the economic climate. All employees are clearly briefed on the bonus criteria up front.²³²

Besides these forms of income, interviewed workers mentioned meal vouchers, travel cost reimbursement and support for housing expenses as additional benefits.

Operators at the Zalaegerszeg plant earn around 80,000-100,000 HUF (€ 318-355) net a month. Line leaders, repair technicians and/or debuggers tend to earn more – around 100,000-153,000 HUF (€ 355-542) net a month, depending on the amount of hours worked in a given month. According to workers interviewed, bonuses amount to no more than a few thousand HUF for half a year, which is in contrast with the 5% mentioned by company management (see above).

Regarding benefits, workers get meal vouchers worth around 10,000 HUF (€ 35) per month, housing support of 15,000 HUF (€ 53) per month and travel cost reimbursements amounting to 80% of the costs for employees living outside of Zalaegerszeg. Zalaegerszeg residents do not get their travel expenses reimbursed and spend around 6,000 HUF (€ 21) on the monthly transportation pass.²³³ Some employees

²²⁷ Flextronics response on the draft of this chapter, e-mail received on 10 October 2012.

²²⁸ Interview with Flextronics operators, October-November 2011.

²²⁹ Flextronics response on the draft of this chapter, e-mail received on 10 October 2012.

²³⁰ Flextronics line leader, October-November 2012.

²³¹ Interview with Flextronics management, 20 September 2011.

²³² Flextronics response on the draft of this chapter, e-mail received on 10 October 2012.

²³³ Interview with Flextronics operators, October-November 2011.

mentioned that their monthly income has decreased, or in the best case did not rise in the past couple of years:

*“I started my career in 2003, back then I earned the same as I do now. Now it’s 2011.”*²³⁴

In response, Flextronics says it has been increasing the gross salaries of employees (especially for employees in lower job grades) each year in the past. Due to changes in taxation, there can be cases where, in spite of the gross salary increase by the company, the employee’s net salary has decreased.²³⁵

6.4. HEALTH AND SAFETY

Production at the Flextronics Zalaegerszeg plant is ordered in production lines and it is a partly standing, partly sitting operation. Employees can make use of the chairs that management has introduced at the factory floor in 2011.²³⁶ According to company management, there are no significant health and safety challenges at the Flextronics Zalaegerszeg site. The only issues mentioned were those of workers’ injuries because of handling and cutting packaging material.²³⁷ Interviews with employees, trade union representatives, other stakeholders and online workers’ blogs, however, provide a different picture.

As mentioned above, in the factory hall there are just a few exit points at which workers have to go through a metal detector before leaving the factory floor, which results in long queues and extensive waiting before workers can leave for their breaks. Moreover, if the metal detectors detect metal (e.g. forgotten keys or entry cards in one’s pocket), the whole queue has to wait until the given colleague goes through the security check again. Also, as there are no bathrooms within the factory floor, operators first have to get permission from their supervisors and then have to go through the whole security process if they want to use the bathroom. These problems mainly affect employees working at the production line (operators); technicians, quality controllers, stock keepers etc. have more flexibility in their line of work. (Flextronics already responded to this in paragraph 6.2). During the interviews with employees, a frequent complaint concerned the hygiene and the lack of proper maintenance of the bathrooms.²³⁸ Flextronics responded to this that bathrooms are cleaned every hour.²³⁹

6.4.1 FATIGUE ON THE FACTORY FLOOR

Various sources have confirmed that it is not uncommon at the Flextronics Zalaegerszeg plant for people to suffer from symptoms of fatigue and high blood pressure. Employees get unwell or even faint while working on the production lines. Several times a week an ambulance from the local Zalaegerszeg hospital has to come for workers who become unwell due to stress, the warm factory hall, the pressure from supervisors to produce more and the long shifts or overtime work.²⁴⁰ Some (former) employees even

²³⁴ Flextronics quality assurance technician, October-November 2011.

²³⁵ Flextronics response by Seb Nardecchia on the draft of this chapter, e-mail received on 10 October, 2012.

²³⁶ Interview with Flextronics management, 20 September 2011.

²³⁷ Personal communication with Rita Kercksmár, Flextronics HR Compliance and Community Outreach Officer for EMEA, e-mail received 21 December 2011.

²³⁸ Interview with Flextronics operators, October-November 2011.

²³⁹ Flextronics response on the draft of this chapter, e-mail received on 10 October 2012.

²⁴⁰ Interview with Flextronics operators, October-November 2011. In response, Flextronics comments that Flextronics’ facility is air conditioned. There is an automatic system that controls the temperature. Furthermore, temperature is measured during the shifts in the day. In addition, Flextronics is phasing in the Talk-to-Me programme at its sites to improve and enhance the employee engagement skills of management and supervisory personnel at the sites and to ensure employees are treated with respect and dignity. Flextronics continues to assess

reported that often the ambulance came without using its sirens, so as not to be heard by the whole factory floor.²⁴¹ Others said that the first aid team at Flextronics Zalaegerszeg had a separate car available to transport employees to the local hospital.²⁴²

“I got dizzy. They called for first aid representative, but he couldn’t do any other than walk me out through the electronic gate. They walked me to the dressing room, I changed, and then they took me to the doctor. In the meantime a lady also got unwell. [...] And then we were both taken to the hospital. I was waiting in the car, this is what I want to say, that they [the first aid team] were given a car that they could use any time to transport people to the hospital. This is what the first aid guy was good for: he could drive the car at any hour. Otherwise he was quite useless.”²⁴³

“I have to say that the ambulance is there a lot to take the workers to the hospital. In the hospital they already gave this illness a name: the Flex syndrome!”²⁴⁴

“I did a night shift, just got home. At night around 15 people got unwell, from these at least four in the first hour.”²⁴⁵

“Today, the ambulance was there in both of our breaks, which doesn’t surprise me, we’re humans, not robots.”²⁴⁶

It has to be noted that the above-mentioned problems of fatigue and fainting on the factory floor mainly date from the period when the factory was running 12-hour shifts with a standing operation. Since the introduction of chairs on the factory floor and a working schedule of eight-hour shifts, these problems have been occurring less frequently. However, as overtime, short breaks (see paragraph 6.1.2) and a stressful working environment (see Box below) are still recurring issues at the Zalaegerszeg site, these problems are not likely to disappear completely.

the effectiveness of this programme and to introduce new training modules to drive improvement, e-mail received on 10 October 2012.

²⁴¹ Interview with a former trade union representative at Flextronics Zalaegerszeg, September 2011. In response, Flextronics comments that the ambulance has their own rules on the use of sirens. It is not in the authority of Flextronics to make decisions or give instructions to the ambulance on the use of sirens, e-mail received on 10 October 2012.

²⁴² In response, the company management explained that Flextronics used to have a pool car that could also be used – besides other activities and other departments. These cars can sometimes be used to transport employees who feel unwell to the doctors, e-mail received on 10 October 2012.

²⁴³ Flextronics repair technician, October 2011.

²⁴⁴ Blog entry at Geospace.hu, dated March 2012, <http://geospace.hu/telepules/2495>, retrieved 11 July 2012.

²⁴⁵ Blog entry at Nyarimikulas.hu, dated 6 September 2012, <http://nyarimikulas.hupont.hu/118/flextronics-munkaallapotok-a-dolgozok-szerint>, retrieved 7 September 2012.

²⁴⁶ Blog entry at Nyarimikulas.hu, dated 4 September 2012, <http://nyarimikulas.hupont.hu/118/flextronics-munkaallapotok-a-dolgozok-szerint>, retrieved 7 September 2012.

Treatment of operators by middle management

During interviews, several operators at Flextronics Zalaegerszeg have complained about the way they are treated by the company's middle management, like supervisors, line leaders and shift leaders. Inappropriate language, employees who are shouted at and threats of dismissal or disciplinary warnings are everyday practice at the factory floor. Also, the way that operators are dismissed is often not properly done.²⁴⁷ Workers are told at the end of their shifts that their work is not needed anymore, or cases have even been reported that operators were picked from the line and sent away during their shift. Other workers learned about their dismissal through the fact that their entry cards were not functioning when entering the factory in the morning. It is unclear how many of the workforce these practices apply to. However, several interviewees mentioned such experiences and it could be read on various online blogs about the factory as well.²⁴⁸

"... and the way some supervisors deal with people. Shouting and the likes of it. Some supervisors think that as long as they keep on shouting, the line will be worked properly."²⁴⁹

"Maybe I am the only exception with a good line leader, but he is humane and everybody likes him. [...] We don't have to beg for a leave request [to go to the bathroom] and if we want to drink some water, the line leader will step in for us at the line. Maybe I am lucky?"²⁵⁰

In August 2010 Flextronics sent a letter through its attorney to the network provider operating Geospace.hu to get the website with blog entries about Flextronics Zalaegerszeg taken offline. By publishing negative content about the company, the website was "damaging Flextronics' reputation". Due to the legal threats, the website was indeed taken offline. As of September 2012, other blog sites are operational where people can publish their opinions about the Zalaegerszeg site.²⁵¹

6.5. TEMPORARY WORKERS

At the time of research, the ratio of temporary workers at Flextronics Zalaegerszeg was around 30%. However, according to company management, this ratio fluctuates according to the season and the amount of orders the plant has. In its hiring policy, management tries to make sure that the ratio of temporary workers does not exceed 50%.²⁵² According to VASAS Metal Workers' Federation, the amount of temporary workers often exceeds the number of permanent workers at the Zalaegerszeg site.²⁵³

According to several workers interviewed at the Zalaegerszeg site, there are no significant differences in terms of wages and benefits between temporary and permanent workers. Some workers mentioned that, although one's job security as a permanent employee is better, temporary workers are better off

²⁴⁷ In response, Flextronics referred to its Code of Conduct and Business Ethics. This COCBE is deployed throughout the organisation and governs the way they act in the company. Besides their COCBE, there is a detailed training on 'Avoiding Workplace harassment', which is also deployed to all managers and IDL employees. These policies and trainings are designed to ensure that they give their employees as well as their managers a proper education about the norms to be followed in the company and it puts focus on appropriate treatment of people as well, e-mail received October 10 2012.

²⁴⁸ The blogs include Geospace.hu <http://geospace.hu/telepules/2495> and Nyarimikulas.hu, <http://nyarimikulas.hupont.hu/118/flextronics-munkaallapotok-a-dolgozok-szerint>.

²⁴⁹ Flextronics repair technician, October 211.

²⁵⁰ Blog entry at Geospace.hu, dated March 2012, <http://geospace.hu/telepules/2495>, retrieved 11 July 2012.

²⁵¹ Geospace.hu has published the attorney's letter at its website. Geospace.hu website, <http://geospace.hu/hely/flextronics-zalaegerszeg/9799> (11/07/2012). Currently active blogs about the plant are <http://geospace.hu/telepules/2495> and Nyarimikulas.hu, <http://nyarimikulas.hupont.hu/118/flextronics-munkaallapotok-a-dolgozok-szerint>.

²⁵² Interview with Flextronics management, 20 September 2011.

²⁵³ Mrs. Mária Társoly, Secretary of the electronics branch, VASAS Hungarian Metalworkers' Federation, 19 September 2011.

financially: often the hiring agency provides housing and pays for housing expenses for its own employees, while Flextronics only provides a fixed amount of housing support per month. Regarding other benefits, employees mentioned that agency workers get 5,000 HUF worth of meal vouchers per month, while their permanent colleagues get around 10,000 HUF. This difference disappears, however, after one year of employment.

When it comes to the chance of temporary workers becoming permanent employees, Flextronics reviews its employee base in a three-month cycle: employees who perform well get a chance every quarter to become permanent. According to company management, there are no fixed numbers of takeovers, in certain quarters it is 80 workers, while in others it is 300 employees who become permanent.²⁵⁴ This is confirmed by workers' interviews, in which some employees even state that it is part of the company's hiring policy: workers are first hired through an agency and, once Flextronics is satisfied with their work, they are re-hired as permanent workers.

The trade union at Flextronics Zalaegerszeg is open for temporary agency workers as well. However, according to a former trade union representative, the union has less to offer for agency workers, as the union does not have a formal relationship with the hiring agencies.²⁵⁵ As a result, hardly any temporary agency workers are unionised. At the plant's works council the agency workers are not represented.²⁵⁶

6.6. WORKER REPRESENTATION

There is an active trade union as well as a works council operational at the Flextronics Zalaegerszeg plant. The trade union, which was established in 1995 at the plant owned by one of Flextronics' predecessors, is affiliated to the Hungarian Metalworkers' Federation (VASAS). At VASAS the four unions from the company's four Hungarian sites have their own separate working group.²⁵⁷ Around 8% of Flextronics' total Hungarian employee base is unionised, which means around 1,000 members nationwide.²⁵⁸

Regarding the Zalaegerszeg site, around 30% of the permanent employees are unionised, while the union hardly has any members among the plant's temporary workers. The trade union and the works council have separate leaders at Flextronics Zalaegerszeg.²⁵⁹ There is a collective bargaining agreement between the employer and Flextronics VASAS, which is renewed yearly.

Recruitment of new members is difficult at the Zalaegerszeg site, as workers hardly have time for their lunch and other necessities during their breaks, let alone to speak to union leaders.²⁶⁰ Also, workers themselves often do not see the point in joining the union, as they do not feel that the union would be able to help them with their specific problems or issues with the company.²⁶¹

²⁵⁴ Interview with Flextronics management, 20 September 2011.

²⁵⁵ Former trade union representative at Flextronics Zalaegerszeg, September 2011.

²⁵⁶ Interview with Flextronics management, 13 December 2011.

²⁵⁷ Flextronics VASAS website, <http://www.flex-vasas.hu/> (10 September 2012).

²⁵⁸ Interview with a Flextronics Budapest trade union representative, October-November 2011.

²⁵⁹ Mrs. Mária Társoly, Secretary of the electronics branch, VASAS Hungarian Metalworkers' Federation, 19 September 2011.

²⁶⁰ Interview with a Flextronics Budapest trade union representative, October-November 2011.

²⁶¹ Interview with Flextronics operators, October-November 2011.

6.7. GRIEVANCE MECHANISMS

According to company management, there are several ways in which employees can raise their concerns. These are the following:

1. An internal communication box where employees can put notes with their complaints. This can be done anonymously. The HR department collects the grievances on a weekly basis and publishes them on a common communication board.
2. Ethics Point: an ethics hotline which can be reached through phone or the internet. The complaint goes to the Regional Compliance Manager, in Zala's case it is the EMEA Compliance Manager who investigates the case and reports/escalates it to a corporate level. All reports received through Ethics Point are treated as confidential and anonymous.
3. Open door policy: employees are encouraged to talk directly to their supervisors or managers if there are any complaints.
4. Talk to the HR representative in his/her office or at the factory floor, where he/she is around a few hours a day. HR officer/generalist also spends time walking around on the shop floor, so that employees can raise questions.

Workers mentioned the communication boxes, the ethics hotline and the HR office where they could go and report a complaint. However, most workers did not have good experiences with complaints: reporting complaints at the HR office, through the hotline or the communication boxes often did not lead to the desired result or left the complaint unattended. Also, handing in complaints anonymously did not work as most problems are of a personal nature, like a disagreement with one's direct supervisor (see the boxed text in paragraph 6.4).²⁶²

²⁶² Interview with Flextronics operators, October-November 2011.

7. CONCLUSIONS

7.1. RESULTS REGARDING WORKING CONDITIONS

7.1.1 WORKING HOURS AND OVERTIME.

Table 2: Working hours, shifts and breaks at the four companies featured in the research

	FOXCONN	FLEXTRONICS	NOKIA	SAMSUNG
The time-bank system per company	No time-bank but monthly work schedule	3-month period	2011:3-months 2012: 6-months***	4-month period
Shift model	Two 8-hours shifts; from 06.00 to 14.00 and from 14.00 to 22.00.	Two 8-hours shifts: from 06.00 to 14.00 and from 14.00 to 22.00. In peak season: three 8-hours shifts or 4-shift model operating 24-hours per day.**	Two 12-hours shifts; from 06.00 to 18.00 and from 18.00 to 06.00.	Unit V1: one 8-hour shift in the morning. Unit V2: two 12-hour shifts, in day and night shifts.
Division of shifts	Predominantly on weekdays, 5 days a week.	Two 8-hours shifts 5 days a week on weekdays. The three 8-hour shift is from Monday to Saturday.	A pattern can be: 3 day shifts, 3 days off, 3 day shifts, 3 days off, 3 night shifts, 3 days off, etc.*	Unit V2: 3 day shifts 3 days off, 3 night shifts, 3 days off.
Breaks	2 x 20 minutes	1 x 20 minutes 1 x 10 minutes	2 x 20 minutes 4 x 10 minutes (80 in total)	V1: 1 x 20 minutes 2 x 10 minutes V2: 3 x 20 minutes

* The shifts are organised in four patterns (A-B-C-D).

** At the time of the research, the facility used the 4-shift model with four 8-hour shifts. Until June 2011, the employees worked 12-hours per day.

*** Recent modifications of the labour law has limited the time-bank period from 12 to 4 months.

With the time-bank system, the time period over which the working hours are calculated is important for workers. Currently, Nokia has the most rigorous time-bank system covering a six-month period, at the time of the research this was still three months. Foxconn does not use the time-bank system. However, working days can be shifted from quiet days to peak days within a month, making it in practice similar to the time-bank system. In fact, this can mean that, at the end of the month, six days per week are worked, while at the beginning of the month, four days per week are worked.

In our opinion, the time-bank system is in conflict with the internationally accepted standards based on the ILO. The Hungarian law provides:

- Acceptance of 12 hours per day and 48 hours per week.
- The possibility of working with *an average* working week of 48 hours per week over a certain period (up to four months according to revised legislation, it used to be a maximum of 12 months). Only when the average working week over a certain time period exceeds the 40 hours an overtime rate is paid over the extra hours.

- Two days off per week *on average*, and one day has to be in the weekend. This means that, in principle, workers can be asked to work six days per week as long as they get two days off per week in the time-bank period with one taking place in the weekend.
- The employer has to grant the minimum amount of 11 hours between two shifts.

The system gives the employer in principle the possibility of letting a worker work 72 hours in one week (12 hours for six days in a row) as long this is compensated with working weeks with less hours in the same time-bank period. And in case a long working week is indeed compensated with shorter working weeks, the employer does not have to pay the extra 32 hours in the 72 hours week ($72-40=32$) at an overtime rate (the overtime rate being 50% higher on weekdays and 100% higher on Sundays).

International standards:

- A maximum amount of eight hours per day and a maximum of 48 hours per week.
- 12 hours per day is permissible, if the average number of hours over a period of **three weeks** or less does not exceed eight per day and 48 per week.²⁶³
- A maximum amount of 60 hours per week is permissible (but not on a regular basis), but only when 12 hours thereof are paid at an overtime rate and when there is at least one day off per seven days.²⁶⁴

The conclusion is that the time-bank system frustrates the overtime payment in working weeks of more than 40 hours and is therefore in conflict with international standards. In theory, the system also allows workers to exceed the maximum amount of 60 hours per week, which is in conflict with the EICC Code of Conduct. In practice, no working weeks of 60 hours or more were found at any of the companies featured in this report. At all four companies, however, employees complained about the loss of overtime hours being paid out at overtime rates and therefore the time-bank system remains an issue, as it concerns workers' incomes.

At Flextronics, there were many complaints about the breaks that cannot be used to full extent due to security measures at the factory floor. Also, Flextronics has the shortest break times of all the researched companies; there is not enough time to eat and go to the toilet. But even the 30 minutes in total as provided by Flextronics falls within the limits of Hungarian labour law. The labour law provides very little break time; only 20 minutes for an eight-hour shift.

7.1.2 WAGES

Wages are, on average, structured as follows: a basic wage, a shift allowance and a bonus. Common benefits are meal vouchers, travel cost reimbursements and sometimes also housing support. Wages are dependent on the shift worked (morning, afternoon, night), the number of hours worked and the level of experience.

Table 3 is based on the workers' interviews. It has to be noted that this table does not provide a complete picture. For example, there are different additional benefits not included in this table as they vary too much per company (e.g. Nokia employees get benefits worth about 225,000 HUF per year and Flextronics

²⁶³ ILO convention 1, art.2, C,

http://www.ilo.org/dyn/normlex/en/f?p=1000:12100:0::NO::P12100_ILO_CODE:C001

²⁶⁴ Reset: *Corporate Social Responsibility in the global electronics supply chain*, GoodElectronics/MVO Platform, 2008, website GoodElectronics, section publications, http://goodelectronics.org/publications-en/Publication_3248.

provides 15,000 HUF housing allowance per month.) However, the table tries to give an impression of the basic wages in net amounts and the commonly used allowances.

Table 3: Net wages and benefits per month based on workers interviews

BENEFITS	FOXCONN		FLEXTRONICS		NOKIA		SAMSUNG	
	HUF	EUR	HUF	EUR	HUF	EUR	HUF	EUR
Net basic wage per month	60,000-90,000*	€ 231-283*	80,000-100,000	€ 318-355	85,000-115,000	€ 301-408	85,000-90,000****	€ 301-319****
Technicians	100,000-120,000	€ 355-425	100,000-153,000**	€ 355-542**	n.a.		150,000	€ 532
Shop floor bonus	6,000 per month	€ 21 per month	5%*****		Yearly bonus of 2-8% ***		10,000 cash and an LCD TV worth 135,000 per year	€ 35 cash and an LCD TV worth €477 per year
Shift allowances	15% afternoon shift 30% night shift		n.a.		15% day shift 25% afternoon shift 40% night shift		n.a.	
Meal vouchers per month	8,000	€ 28	10,000	€ 35	5,000 per month + 855 per day	€ 18 per month + € 3 per day	6,000	€ 21

* Starting wage without experience between 60,000-80,000 and with experience basic wage is between 75,000-90,000.

** Including line leaders and debuggers.

*** The % is depending on overall performance of the company

**** Wages at Samsung are composed of 75% basic wage and 25% bonus. There is the performance bonus depending on the employee's production performance and the attendance bonus which is paid for every day that a worker is present.

***** The 5% bonus is given based on performance and economic climate.

The exchange rate used is: 1 HUF = 0.00354562 EUR, 1 EUR = 282.038 HUF (28 October 2012).

The minimum wages provided by the government are calculated in gross amounts (see Table 4) and the amounts provided by the workers are net amounts, which makes it difficult to compare the two. Foxconn has the lowest starting wage (about equivalent to the level of the minimum wage) and Nokia provides the highest basic wages for operators. It is also at Foxconn where most complaints were heard regarding low wages. Samsung and Flextronics are positioned in between Foxconn and Nokia when it comes to basic wages.

Table 4: Hungarian monthly minimum wages for unskilled labour and labour requiring secondary education in HUF and EUR²⁶⁵

Period	Unskilled labour	Labour requiring secondary education
2011	78,000 HUF	272 EUR
		94,000 HUF
		328 EUR

Source: Hungarian government²⁶⁶

²⁶⁵ To calculate the amounts in Euros, the currency conversion rates of 3 October 2012 were used from www.xe.com.

Most companies provide an income for their operators equivalent to the living wage level²⁶⁷ of 83,941 HUF (294 EUR) or slightly higher. An exception is Foxconn, where operators with limited or no experience earn below the living wage level. It has to be noted that the living wage level of 83,941 HUF is calculated for a one-person household. However, according to the calculations of the Hungarian statistical office, the living wage level of a four-person household (two income earners and two children) is 243,429 HUF (853 EUR).²⁶⁸ Operators with the highest incomes from the four researched companies are not able to earn enough for their families, even if both parents are working.

Furthermore, it has to be noted that most operators earn less than the 108,648 HUF (381 EUR) per month that is the average net monthly earning of a manual worker in the manufacturing sector in Hungary.²⁶⁹

7.1.3 HEALTH & SAFETY

At Samsung and Nokia, where 12-hour shifts are used, employees have difficulties standing during their whole shift. The most common problems are dizziness, back-aches, tiredness and problems related to rhythm change between day and night shifts. Nokia now offers workers the possibility of sitting when desired and offers the longest break times (and resting chairs on the factory floor) of the companies featured in this research. A few months prior to the research, the 12-hour shifts at Flextronics were changed to eight-hour shifts. Especially at the time of the 12-hour shifts, the ambulance from the local hospital came several times a week to the Flextronics factory to pick up workers who became unwell; fainting, suffering from symptoms of fatigue, high blood pressure and stress. This is an extreme situation that we have not encountered before during other research. This situation shows that the working conditions are too demanding and that health and safety procedures are sub-optimal. Causes for the workers getting unwell can be found in the high work pressure, the long shifts, the short breaks in which the workers cannot properly rest and eat, and the inappropriate treatment by middle management (shouting, scolding and threats). Since the introduction of the eight-hour shifts, however, the situation has improved and the ambulance does not come that frequently anymore.

The bad treatment by middle management is of specific concern at Flextronics. Workers complain also in blogs on the internet about shouting, the use of inappropriate language and threats of dismissal and disciplinary warnings. Also the way operators are dismissed is often not properly done. At Samsung there were also complaints about the strict work discipline and the fact that talking is not allowed during production work.

²⁶⁶ 337/2010. (XII 27.) Government Decree, [http://systemmedia.hu/attachments/1471_Korm.%20rendelet%20a%20k%20C3%B6telez%20C5%91%20legkisebb%20munkab%20A9r%20\(minim%20A1lb%20A9r\)%20C3%A9s%20a%20garant%20A1t%20b%20C3%A9rminum%20meg%20A1llap%20ADr%20A1s%20A1r%20C3%B3l.pdf](http://systemmedia.hu/attachments/1471_Korm.%20rendelet%20a%20k%20C3%B6telez%20C5%91%20legkisebb%20munkab%20A9r%20(minim%20A1lb%20A9r)%20C3%A9s%20a%20garant%20A1t%20b%20C3%A9rminum%20meg%20A1llap%20ADr%20A1s%20A1r%20C3%B3l.pdf) and 298/2011. (XII 22.) Government Decree, http://munkaugyiblog.hu/data/news/124-13-298_2011.--XII.22--Korm.-rend_minimalber_www.munkaugyiblog.hu.pdf.

²⁶⁷ "Létminimum, 2011", Hungarian Central Statistical Office, June 2012, <http://www.ksh.hu/docs/hun/xftp/idoszaki/letmin/letmin11.pdf> (14/11/2012)

²⁶⁸ "Létminimum, 2011", Hungarian Central Statistical Office, June 2012, <http://www.ksh.hu/docs/hun/xftp/idoszaki/letmin/letmin11.pdf> (14/11/2012)

²⁶⁹ "Average net monthly earnings of manual workers in the national economy (2008-) – NACE Rev. 2", Hungarian Central Statistical Office, http://www.ksh.hu/docs/eng/xstadat/xstadat_annual/i_qli032.html (14/11/2012)

7.1.4 TEMPORARY WORKERS

Table 5: Employment rates of temporary workers at the companies featured in the research

	FOXCONN	FLEXTRONICS	NOKIA	SAMSUNG
Use of temporary workers in September 2011	25%	30%	15%	30%
Ratio of temporary workers*	15%-35%	Tries not to exceed 50%**	15%-50%	15%-60%

* *The ratio (i.e. the percentage of temporary and permanent workers at the site) can fluctuate heavily between the low and the high production seasons.*

** *According to VASAS Hungarian Metalworkers' Federation the number of temporary workers often exceeds the number of permanent workers at the Zalaegerszeg site.*

On average, at the researched companies, the minimum level of temporary workers is around 15%. During peak season, this percentage can raise up to 50% or even 60%. Foxconn has the lowest rates of temporary workers in peak season and Samsung has the highest. During the EICC stakeholder meeting in Mexico where SOMO/makeITfair, as well as Samsung, Flextronics and Foxconn were present, one of the recommendations formulated by companies and stakeholders was that companies should agree on an acceptable maximum percentage of temporary workforce. A maximum of 30% was suggested but additional research should be done on this.²⁷⁰ A workforce consisting of 50% of temporary agency workers or even more is undesirable. In general, agency work is precarious work: it is non-standard employment that is paid less, is less secure and offers less protection. Excessive use of agency labour erodes the labour conditions for large groups of workers.

For the companies in this research, some differences have been reported in terms of wages and benefits. Due to the fact that agency workers at Foxconn do not work full time (70%), they receive a wage that is on average 10,000 HUF less than their permanent colleagues' wage. Also, the monthly meal vouchers, which amount to 8,000 HUF a month for permanent workers, tend to be less for temporary employees (4,000-6,000 HUF). Furthermore, agency workers spend proportionally a higher amount of their salary on transport if they only work part-time (70%) at Foxconn, which most of them do.

At Flextronics, there was a difference in meal vouchers (agency workers get 5,000 HUF worth of meal vouchers per month, while their permanent colleagues get around 10,000 HUF). However, this disappears after one year of employment. Also at Nokia and Foxconn, the wages of agency workers were equal to those of permanent employees after a year of employment; this was mandatory under the legislation at the time of the research. As per 1 December 2011, EU legislation²⁷¹ came into force making it mandatory for both the hiring company and the agency to provide the same level of allowances, including meal allowances from the beginning of the employment period and not only after a year.

²⁷⁰ Agency labour was discussed during the EICC stakeholder meeting in Guadalajara, Mexico in April 2010 (see also the briefing paper *Temporary agency work in the electronics sector*, SOMO, 2012, p. 6, <http://makeitfair.org/en/the-facts/reports/temporary-agency-work-in-the-electronics-sector>).

²⁷¹ EU Directive 2008/104/EC on Temporary Agency Work.

At all companies, temporary agency workers have a chance to get a permanent contract. At Nokia as well as at Flextronics (the two companies with a trade union), it is possible in theory for temporary agency workers to join the trade union, but in practice hardly any temporary worker is unionised.

The biggest issue for the temporary agency workers at all factories is their job insecurity. When there is enough work, agency workers are summoned to work. However, in times of lesser demand, or when orders are cancelled, it is the agency workers who first get the message to stay at home and hence see their earnings drop. One can argue that this kind of job insecurity is inherent to the nature of agency employment and that job security is not the responsibility of the hiring company. However, it is the responsibility of a company to endeavour to provide stable employment for its employees²⁷² and not to make excessive use of temporary agency labour.

7.1.5 WORKER REPRESENTATION

Table 6: Worker representation at the companies featured in the research

	FOXCONN	FLEXTRONICS	NOKIA	SAMSUNG
Trade union at work place level	no	yes	yes	no
Works council	no	yes	yes	yes

As highlighted in paragraph 2.1.8, in Hungary representation through works councils goes hand in hand with a union presence at a company. Companies with a works council but without a trade union are almost non-existent. 70% of the works councils are either entirely made up of trade unionists or overwhelmingly made up of them. Samsung is one of the exceptions: they have an elected works council but no trade union. This substantiates the strong anti-union image Samsung has worldwide²⁷³ and puts the failed attempt to set up a union in Hungary in context.²⁷⁴

At both Nokia and Flextronics, the union presence goes hand in hand with the presence of a works council. Both companies have a collective bargaining agreement. Flextronics inherited the union from its predecessor. Around 8% of Flextronics' total Hungarian employee base is unionised. At the Zalaegerszeg site, this percentage is around 30%. At Nokia Komárom, 34% of the employed workforce is unionised. Both sites are well above the 10-15% national average.

According to Hungarian labour law, at companies or independent company sites with more than 50 employees, a works council has to be elected. In Hungary, the majority of the companies with more than

²⁷² The right to job security, ILO Tripartite Basic Principle, art. 25, “*Multinational enterprises [...] through active manpower planning, should endeavor to provide stable employment for their employees [...]. In view of the flexibility which multinational enterprises may have, they should strive to assume a leading role in promoting security of employment, particularly in countries where the discontinuation of operations is likely to accentuate long-term unemployment.*”

<http://www.ilo.org/public/english/standards/relm/gb/docs/gb280/pdf/mne-1-2.pdf>

²⁷³ Samsung has disallowed any labour union under a so-called “no-union management policy” since its founding. *Samsung union defiant*, Korea Joongang Daily, 18 July 2012,

<http://mengnews.joinmsn.com/view.aspx?gCat=050&aId=2956445>. “*Stop! Mistreating unionists against Samsung*

Group's Anti-Union policy”, website Samsung General Labour Union,

http://samsunggroupunion.org/gnu/bbs/board.php?bo_table=bbs_free&wr_id=93419, “*Samsung Group's Anti-Unionism and the Truth*”, http://samsunggroupunion.org/gnu/bbs/board.php?bo_table=bbs_free&wr_id=93655

²⁷⁴ For more information on the failed attempt to create a trade union at the Samsung Jászfényszaru plant, see paragraph 3.6.

250 employees are compliant. Foxconn is the only company in this research that is not compliant; at Foxconn Székesfehérvár, no trade unions or works councils are active. The main reason is that workers have not (yet) required a formation of such a representative body.

At all four sites, trade unions have a negative image among many workers. This is partly because employees historically have a negative association with trade unions, as in socialist times they functioned under the auspices of the Communist Party and partly because there is no confidence that a trade union really can make a difference by negotiating higher wages and benefits.

7.1.6 GRIEVANCE MECHANISMS

For a company, failing to identify grievances at an early stage and addressing them effectively carries considerable risks; these range from sub-optimal productivity due to low morale, absenteeism and illness among a workforce, to high turnover and the risks of strikes.²⁷⁵ One of the most important internationally recognised principles on grievance mechanisms is the “Protect, Respect and Remedy” Framework developed by former UN Special Representative John Ruggie.²⁷⁶ In the context of this research, it was not possible to assess the effectiveness of the mechanisms present at the companies; the research only provides an inventory. The inventories tell us that at each of the companies’ different complaint systems are in place (see Table 7).

Table 7: Use of grievance mechanisms according to workers and management

ADDRESSING COMPLAINTS VIA	FOXCONN	FLEXTRONICS	NOKIA	SAMSUNG
Works council		☺	☺	☺ ☺
Trade union			☺	
Complaint boxes (anonymous)		☺ ☺	☺	☺ ☺
Hotline* (phone number, anonymous)	☺ ☺	☺ ☺	☺ ***	
E-mail address (anonymous)	☺		☺ ☺	
Employee survey			☺	☺
Direct contact with management**	☺	☺	☺ ☺	☺
Direct contact with supervisor	☺ ☺	☺	☺ ☺	☺ ☺
Contacting the HR office	☺ ☺	☺ ☺	☺ ☺	☺ ☺
Trust officer	☺			

☺ Mentioned by the company management

☺ Mentioned by the workers.

* Known under different names at the companies: Green number, Call-in-line, Ethics point.

** This takes various forms: lunch box meetings, sauna sessions, round table sessions, at management presentations.

*** The Call-in-line at Nokia is used by workers for reporting illness/absenteeism.

²⁷⁵ *Rights-compatible grievance mechanisms: a guidance tool for companies and their stakeholders*, John F. Kennedy School of Government Harvard University, 2008, see: <http://www.reports-and-materials.org/Grievance-mechanisms-principles-Jan-2008.pdf>.

²⁷⁶ In short, according to the UN Guiding Principles on Business and Human Rights (also known as the “Protect, Respect and Remedy” Framework) effectiveness criteria for grievance mechanisms entail legitimacy (to enable trust); accessibility; predictability; equitability (access to knowledge); transparency; rights-compatibility (based on internationally recognised rights); and continuous learning. A crucial operational-level mechanism is engagement with stakeholder groups. *Guiding Principles on Business and Human Rights: Implementing the United Nations “Protect, Respect and Remedy” Framework*, March 2011, <http://www.business-humanrights.org/media/documents/ruggie/ruggie-guiding-principles-21-mar-2011.pdf>.

The overview presented in Table 7 is based on what was mentioned during the interviews with company management and factory employees. For the workers at most companies, the most commonly used way to address complaints is to approach their direct supervisor. An exception is Flextronics, where workers did not mention this option. Furthermore, it is only at Samsung that the works council is used for complaints by workers and only at Nokia that the trade union is used for grievances. Also, Nokia is the only company where workers see the management as approachable for complaints. Overall one can say that workers at the four company sites were aware of fewer options for grievance mechanisms than those mentioned by company management.

7.1.7 AUDITS

All environmental and social audits that are part of the global CSR policy of the companies are also implemented in Hungary. The number of supplier audits is limited, as only very few suppliers are located in Hungary (mainly packaging and indirect materials that are not related to the production). Almost all components are imported from Asian countries. Despite the fact that global CSR policies are implemented, they have not prevented the labour issues which were identified by this research.

CONCLUDING REMARKS

We can conclude that labour issues as identified by earlier research in the electronics industry in South-East Asia (see page 9) are partly also applicable to the electronics industry in Hungary.

More specifically:

- Related to working hours and overtime, the **time-bank system** frustrates the overtime payment in working weeks of more than 40 hours and is therefore in conflict with international standards.
- At one company, workers repeatedly mentioned the issue that their **breaks** cannot be fully utilised for resting and eating due to security measures on the factory floor; this company also has the shortest break times of all the companies featured in the research.
- The problem of **low wages** has predominantly been mentioned at one company. This company provides the lowest starting wages for operators when compared to the other companies in the research. . Most companies provide an income for their operators equivalent to the living wage level or slightly higher. It has to be noted that this living wage level is calculated for a one-person household. When taking into consideration the living wage level of a four-person household (two income earners and two children), operators with the highest incomes from the four researched companies were not able to earn enough for their families, even if both parents were working. Furthermore, it has to be noted that most operators earn less than the average monthly wage of a manual worker in the manufacturing sector in Hungary.
- Related to **health and safety**, the most common problems can be attributed to the 12-hour shift models and the changes between day and night shifts. The most commonly reported occupational health and safety hazards are dizziness, back-aches and tiredness. Specifically at one company the working conditions have proved to be too demanding physically: several times a week (and sometimes even several times a day), the ambulance from the local hospital came to the factory to pick up workers who became unwell; fainted, suffered from symptoms of fatigue, high blood pressure and stress.
- The **harsh treatment by middle management** is of specific concern at one company, but is also addressed by interviewees of two other companies.
- In times of peak production, the **number of temporary agency workers** equals or exceeds the number of permanent workers at three out of four companies.

- Related to **temporary workers**, some differences have been reported in terms of **wages and benefits**, especially related to meal vouchers.
- The biggest issue for the temporary agency workers at all factories is their **job insecurity**.
- At one of the four companies, an attempt to set up a **trade union** was stopped by the company management.
- Issues which are common in South-East Asian production facilities, but which were **not found** at electronics companies in Hungary are gender-, migrant- or ethnic discrimination, excessive overtime work, punitive fines or wage deductions for mistakes made by operators, the use of hazardous chemicals or abusive student labour.

Related to some specific issues, workers and management have different views. On the **functioning of the works councils** at one of the factories, a different picture emerges from the workers' interviews: while management sees it as a successful mechanism to solve complaints, the workers say that the council's real function is to channel down information from the management to the workers. Also, views differ on the use and **functioning of the time-bank system**: while company management stresses that the time-bank system is advantageous for the workers because the purpose of the system is to protect the seasonal dismissal of workers during off-peak seasons, workers only experience the fact that hours that used to be paid at an overtime rate are not paid out as such anymore.

Looking at the implementation of the companies' global labour policies (as part of their CSR policy in Hungary), we can say that the first point of reference for local company management is the national labour law. During all of the interviews with company management, it was said that management does not have difficulties in complying with the company code of conduct (for three of the researched companies this is the EICC code) as the Hungarian labour laws 'are stricter because they are in line with EU laws'. What they implicitly are saying, is that Hungary is not a risk country and that management can rely on the national laws. However, the Hungarian labour law has some exceptional provisions and seems to be designed to facilitate a far-reaching flexibilisation of labour. Hence the title of this report, *The Flex Syndrome*. Although the companies featured in this research are all acting according to Hungarian labour legislation, one could ask oneself if a company is acting in a socially responsible way when making use of the labour flexibilisation measures offered by Hungarian legislation, which include:

- the time-bank system;
- the increase of the cap on overtime hours from 200 hours to 250 hours per annum in the new labour law (which may be extended to 300 hours by provision of a collective agreement);
- the possibility that a company can assign two-thirds of their employees' vacation days;
- the introduction in the new labour law of student employment;
- the short break times provided by the labour law and
- the low minimum wages.

After all, the EICC code encourages members to go beyond legal compliance, drawing upon internationally recognised standards, in order to advance social and environmental responsibility and business ethics.

8. RECOMMENDATIONS

MakeITfair makes the following recommendations to **electronics companies** in Hungary:

1. Not to circumvent payment of overtime via the time-bank system; companies should pay workers for all hours exceeding the regular working week (40 hours per week in case of Hungary) at an overtime rate.
2. Bring the company Codes of Conduct and labour policies up to international labour and human rights standards, such as the revised OECD Guidelines, the UN Principles on Business and Human Rights and the International Organization for Standardization's ISO 26000 standard. More specifically, the Code of Conducts and supplier requirements should include:
 - The ILO conventions 87 and 98 on freedom of association and the right to collective bargaining.
 - A provision on temporary agency labour that includes the principle of equal pay for equal work, and not using temporary workers on a regular basis for the long term.
 - The right to a living wage.
 - The right to job security (ILO Tripartite Basic Principle, art. 24-28).
3. Increase the awareness of the Code of Conduct among workers and provide training on workers' rights and grievance mechanisms and the benefits of genuine workers' representation.
4. Take responsibility for the job security of all workers in the factories. Corporate responsibility to respect the rights of workers extends to business relationships, including labour supply.²⁷⁷ The primary form of employment should be permanent, open-ended and direct.
5. Finally, electronics companies producing in Hungary should, in the context of appropriate due diligence processes, investigate what the H&S risks are in 12-hour shifts.

MakeITfair makes the following recommendations to the **Hungarian government**:

1. Revise and re-evaluate its rules and legislation concerning the time-bank system enabling workers to receive overtime payment if their working week exceeds 40 hours.
2. Raise awareness among the Hungarian workforce about the activities and objectives of trade unions in cooperation with national union federations like VASAS Hungarian Metalworkers' Federation.
3. Make sure that the freedom of association and collective bargaining is respected at electronics companies and that works councils are established at workplaces with more than 50 employees.

MakeITfair makes the following recommendations to **consumers**:

1. If you are buying a new mobile phone or computer, ask where it was produced and whether good social and environmental standards were followed. Make clear you want a fair product. Guides

²⁷⁷ See also the UN Protect, Respect, Remedy Framework and the OECD Guidelines for Multinational enterprises.

and reports about the working conditions and environmental performance of the electronics sector can help your decision. Check out www.makeitfair.org or www.tudatosvasarlo.hu.

2. Choose energy efficient products and unplug them when they are not in use.
3. Don't forget about the problem of e-waste: take your old electronic device to a professional recycling point.
4. Use your electronic products for longer: upgrade or have them repaired before you buy a new one. Think whether you really need the electronic product that you would like to buy.

9. APPENDIX

Table 8 shows the number of interviewees and, where possible, the names of interviewees consulted for the research.

Table 8: Interviews conducted

	Number of interviews
Nokia Komárom	<ul style="list-style-type: none"> ▪ interviews with workers: 19 ▪ interviews with trade union representatives: 2 ▪ management interview: 1 <p>The company management: Gyöngyi Katona (Head of HR Hungary) and Ildikó Király (HR Manager). Trade union representatives: Zoltán László, Trade Union Secretary at Nokia and an Assistant Trade Union Secretary at Nokia</p>
Samsung Jászfényszaru	<ul style="list-style-type: none"> ▪ interviews with workers: 22 ▪ management interview: 1 <p>The company management: Balázs Timár (Senior Finance Manager), András Szabó (General Affairs Manager), Péter Paróczi (Legal Counsel), Kim Kirin (Senior HR Manager) and János Zoltán Tóth (HR Manager).</p>
Foxconn Székesfehérvár	<ul style="list-style-type: none"> ▪ interviews with workers: 20 ▪ management interview: 1 <p>The company management: Péter Tólos (Managing Director Foxconn Székesfehérvár), Zoltán Mészáros (HR Manager), Attila Szabados (Manager, Acer Division), V. Varga (H&S Manager), Alain Zoliec (Manager, IBM Division), László Nacsik (Manager, US Customers) Ibolya Kadlecik (Quality Manager) and Anikó Szűcsné-Györgyi (Business Controls Manager).</p>
Flextronics Zalaegerszeg	<ul style="list-style-type: none"> ▪ interviews with workers: 23 ▪ interviews with trade union representatives: 4 ▪ management interviews: 2 <p>The company management: Roy Scott (CSR Manager EMEA & Brazil), László Szépkúti (HR Hungary) and Rita Kercksmár (HR Compliance and Community Outreach Officer for EMEA). Trade union representatives at Flextronics Budapest and Flextronics Tab and a former trade union representative at Flextronics Zalaegerszeg.</p>
Experts and trade union representatives	<ul style="list-style-type: none"> ▪ Erzsébet Berki, labour relations expert, former head of the Labour relations department at the Hungarian Ministry of Labour and Social, responsible for monitoring and reviewing labour relations at the Ministry of National Economy (Retired two years ago). ▪ Tibor Meszmann, labour relations expert, Central European University, Budapest, Department of Political Science. Wrote his PhD dissertation about collective bargaining and the process of making collective agreements in the electronics industry. ▪ Miklós Lambert, President of the Hungarian Electronics Society (Magyarországi Elektronikai Társaság – MELT) and Editor-in-Chief at Elektronet.hu. Another staff member of the journal was also present at the interview (Péter Kovács). ▪ Representative of Electronics Manufacturers' Committee at the American Chamber of Commerce in Hungary (AmCham). ▪ Magdolna Sass, Senior Fellow at the Economics Research Institute of the Hungarian Academy of Sciences, specialising in the domestic electronics industry. ▪ Mrs. Mária Társoly, Secretary of the electronics branch, VASAS Hungarian Metalworkers' Federation.
Total	101 interviews



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