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Industrial Organization in China: A Case Study of Foxconn's Factory Relocations

A thesis submitted in partial satisfaction of the requirements for the degree Master of Arts
in Geography

by

Siyu Cai

2012

ABSTRACT OF THE THESIS

Industrial Organization in China: A Case Study of Foxconn's Factory Relocations

by

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Master of Arts in Geography
University of California, Los Angeles, 2012
Professor C.Cindy Fan, Chair

In 2010, Foxconn, the world's largest electronics manufacturer, started relocating its factories from Guangdong toward the interior regions in China. The company has since built large production sites in three key inner cities—Chengdu, Zhengzhou, and Wuhan—as well as moved to smaller cities in the interior. The forces behind Foxconn's factory relocations can be understood through an analytical study that connects Foxconn's industrial organization to the Chinese governance structure. My core argument is that Foxconn's factory relocations are driven by a set of social relationships created by the multifaceted interactions between the company's industrial organization and China's governance structure. Foxconn's vertical integration, the highly skewed relationship in the electronics manufacturing industry, and the close relationship between Foxconn and local governments in China are the most significant social relationships driving the relocations.

The thesis of Siyu Cai is approved.

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Introduction

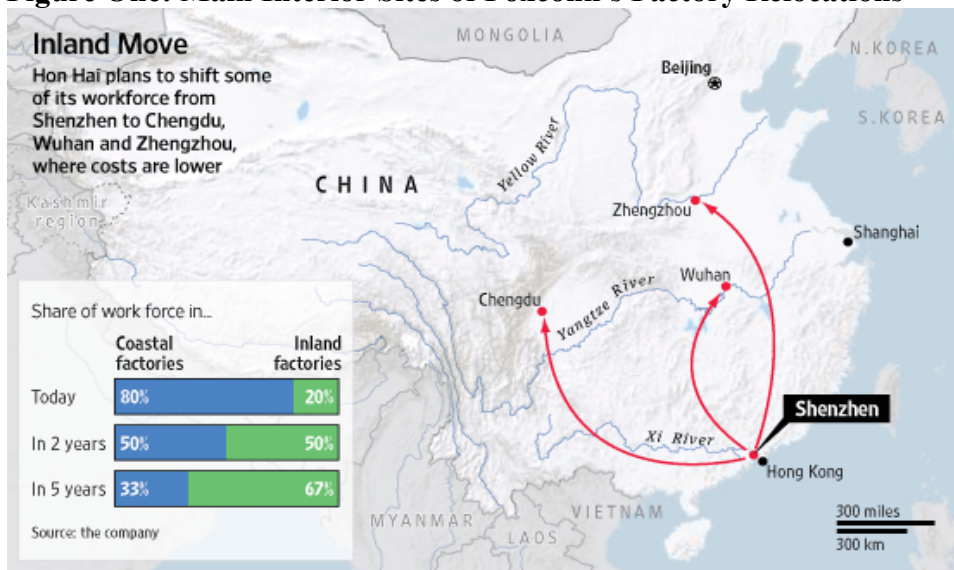
This work is an in-depth case study into Foxconn, the world's largest electronics manufacturer, and more. One of the most persistent and striking features of economic development over the past three centuries has been labor and capital buildup in core regions, followed by incremental development in peripheral areas—notable examples include 19th-Century England and 20th-Century U.S. (Myrdal 1957). However, this pattern may or may not be applicable to the contemporary Chinese economy. There has been little debate in the existing literature on the extent to which China's economic path is following that of Western countries. My thesis aims to contribute to the literature on China's economic trajectory by examining the labor and capital flows between the coastal and interior provinces. I will use Foxconn as a case study to examine this broad issue.

China's economic reforms over the past three decades have achieved astounding results; however, they have also created huge regional disparities between the coastal and interior provinces. Due to both preferential policies from the central government and the country's physical geography, the east has attracted the bulk of the labor and capital, while interior regions have lagged behind (Démurger et. al 2002). Nevertheless, several recent developments indicate that more labor and capital may flow from China's eastern provinces westward to the interior regions. First, in demographic trends, a new generation of migrant workers—the second-generation migrants—is more likely to stay closer to family and friends in the interior rather than migrate east to work (BSR 2010)¹. Second, the Chinese government's "Open Up the West Campaign," implemented in

¹ First-generation migrants are defined as those born before 1980 while migrants born in 1980 and later are categorized as second-generation migrants (Fan and Chen, forthcoming). Fan and Chen's research shows that, in addition to age, another key criterion that distinguishes the first generation and the second-generation migrants is educational attainment. The latter, on average, has 2.2 more years of schooling than the former.

2001, has made the growth of the central and western provinces a key political objective (Goodman 2004). Third, the central government's most recent Five-Year Plan has clearly outlined a strategy to diversify the economy from export-oriented to more domestic-based consumption (12th Five-Year Plan 2010). And fourth, coastal provinces have been experiencing wage hikes and labor protests since the 2008 global financial crisis. This has made the interior more attractive for foreign businesses (APCO 2010). Due to these macro trends, it is reasonable to assume a realignment of capital and labor from the coast to the interior. Foxconn's factory relocations can provide significant insights into the trend of labor and capital flowing from the east toward the west in China.

Figure One: Main Interior Sites of Foxconn's Factory Relocations



Source: Dean and Stein 2010

In 2010, Foxconn announced plans to relocate some of its factories from Guangdong toward the interior and western regions. Since then, the company has built major production sites in jurisdictions administrated by the Chengdu, Zhengzhou, and Wuhan government—three key city-regions in China's interior (see Figure One)—while leaving the research and development centers back in Guangdong (He 2010).

Additionally, Foxconn has built smaller production sites in other interior cities such as Langfang, Yingtai, Kunshan, and Weian.² A desire to seek lower wages in the interior regions is no doubt a substantial reason behind Foxconn's factory relocations. However, I argue that there are additional, and more systematic, forces behind the relocations. These forces are connected to elements internal to Foxconn as well as the global electronics manufacturing industry and the international political economy.

According to Marx (1849), the entire capitalist mode of production boils down to a set of social relationships embedded in the interactions that facilitate capital and labor flows. The invented "concepts" of commodities, money, wages, the working day, labor contracts, and the banking system are underpinned by various social relationships created under capitalism. The connecting tissue in Marx's epic (1849) study into the different aspects of capitalism is pinpointing and explaining specific social relationships that drive capitalist economies. In this thesis, I have taken an approach similar to how Marx analyzed the different workings of capitalism, in which I pay particular attention to the social relationships driving Foxconn's factory relocations.

My core argument is that Foxconn's factory relocations are driven by a set of social relationships created by the multifaceted interactions between the company's industrial organization and China's governance structure. The highly skewed relationship between Foxconn and the Original Equipment Manufacturers in the electronics manufacturing industry, Foxconn's vertical integration, and the close relationship between Foxconn and local governments in China are amongst the most prevalent social relationships driving the relocations. The nature of the electronics manufacturing industry forces Foxconn to operate on an extremely tight profit margin, which then drives

² This thesis will focus solely on Foxconn's factory relocations, the string of suicides that occurred inside Foxconn factories in 2010 are beyond the scope of this paper (but see Appendix A for some information on the suicides).

the company to relocate inward to seek out low-wage labor. Foxconn's vertical integration plays a pivotal role in making it the world's largest electronics contractor. In return, the company has used its size as leverage during its negotiations with local authorities to pave the way for the factory relocations. The nature of China's governance structure creates an environment that pushes local governments to compete with each other to seek out foreign direct investment.

In this thesis, I have developed a two-fold framework to analyze the factory relocations. I first survey and examine Foxconn's industrial organization. Industrial organization is a study into the nature of a firm. It involves examining the history, size, business model, management style, organization structure, and most importantly, the nature of the market a firm operates in. I then connect Foxconn's industrial organization to China's governance structure. The nature of the Chinese governance system at both the central and local level creates an environment that enables Foxconn to relocate its factories. My main argument is based upon the discoveries made through this two-fold framework.

I have separated this thesis into five interrelated sections. Section One describes the data I used to develop my argument and framework. Section Two lays out a theoretical overview of the processes that make up industrial organization. Section Three then applies the theoretical overview to examine Foxconn's industrial organization. Section Four surveys the governance structure in China at both the central and local level. And, Section Five ties each part together to conclude my argument. I aim to contribute to the existing literature on the different aspects of capitalism by developing a two-fold framework to study Foxconn's factory relocations and thereby increase our understanding of the interrelated forces embedded in a particular capitalist mode of production.

Section One: Methodology

The data set I used in this thesis comes from fieldwork carried out by a group of Taiwanese scholars in Foxconn's Longhua Compound in Shenzhen, Guangdong during the summer of 2010 (Guangdong field notes 2010). I obtained the data set from Dr. Thung-hong Lin, assistant research fellow at the Institute of Sociology, Academia Sinica (in Taipei), during a field visit to Taiwan in the summer of 2011. Dr. Lin has granted me permission to use his data set. The fieldwork produced a set of field notes based upon a long-form questionnaire that consists of forty questions. The questionnaire is composed of three sections. Section one asks Foxconn employees about their family background and work history; section two surveys the employee-employer relationship; and section three asks workers about their attitude towards the company and general outlook on life as a migrant worker. Groups of two interviewers work together to implement the questionnaire by approaching Foxconn employees going in and out of the Longhua Compound. Interviewers would position themselves at different locations throughout the factory compound, as well as during different times of the day, to select workers to interview. At the end of each interview, interviewers would ask the interviewee to provide his/her contact information for possible follow up. In total, the sample pool came out to be seventy interviewees.

The Guangdong field notes 2010 provide substantial information on various components of Foxconn's industrial organization. Information includes detailed accounts of the working day, management's treatment of workers, specific company rules and regulations, wage levels, workers' daily schedule, injury compensation, and so on. The field notes also provide invaluable insights into interviewees' attitude towards Foxconn,

such as their likes and dislikes about the company. There are limitations to the data set, however. The sample was not randomly drawn. Interviewees were mainly selected based upon their willingness to cooperate. This limitation is not uncommon among migrant worker surveys. To mitigate this drawback and to gain confidence in the reliability of the very rich and detailed account in the sample, I have cross-referenced it with two published reports.

The first report is published by a Hong Kong non-profit organization called Students and Scholars Against Corporate Mismanagement (SACOM) in 2010. The SACOM 2010 report is based upon on-the-ground investigations carried out by SACOM personnel from May 2010 to September 2010. The report draws from about 100 interviews with workers in the Chengdu compound; it provides additional information on Foxconn's industrial organization. The purpose of the SACOM report was to investigate the working conditions inside Foxconn's Chengdu compound to reveal possible labor violations.

The other published report comes from a collaborative effort amongst twenty universities from Mainland China, Hong Kong, and Taiwan (20-Universities Report 2010). From June 2010 to August 2010, professors and students from twenty universities carried out extensive fieldwork in Foxconn factories in Shenzhen, Nanjing, Kunshan, Hangzhou, Tianjin, Langfang, Taiyuan, Shanghai, and Wuhan. During their study of nine cities and twelve factory compounds, they implemented 1,736 survey questionnaires, conducted 300 in-depth interviews, and 14 researchers went undercover for short periods as production-line workers. Throughout this thesis, I have cross-referenced the empirical findings amongst the three data sets; additionally, I have checked their findings against newspaper articles published in Chinese and English. Furthermore, I have drawn from other stands of literature to inform my writing.

I have collected and synthesized literature within economic geography on location theory, firm organization, and industrial activity; academic papers, field reports, and newspapers focusing exclusively on Foxconn; literature in the China studies field on China's regional development, economic reforms, and governance structure; and literature on the global commodity chain and economic globalization. In the two-fold framework I developed in this work, I have tried to be as broad as possible in order to apply this framework to other case studies beside Foxconn. In my empirical findings, I have tried to be as specific as possible in describing the details that are unique only to Foxconn. My aim is to provide a balanced thesis grounded with both theoretical contributions and sound empirical findings.

Section Two: A Theoretical Overview of Industrial Organization

Developing a theoretical roadmap to study Foxconn's factory relocations must require a solid understanding of the processes underlying the genesis, growth, and development of the company's industrial organization. Industrial organization is a study into the nature of a firm. This involves examining a firm's history, size, organization structure, business model, management style, and the nature of the market it operates in. Industrial organization also involves exploring factors impacting a firm's competitiveness. After studying the sub components of a firm's industrial organization, it is imperative to tie the components together to form an interconnected and holistic understanding of the firm. A theoretical overview of industrial organization not only provides an essential framework to understand the rationale behind Foxconn's factory relocations, but it can also be used to study other types of firms' business practices.

Industrial Organization Theory is derived from a revolutionary concept—the division of labor, elucidated by Adam Smith in his groundbreaking book *An Inquiry into the Nature and Causes of the Wealth of Nations* published in 1776 (Scott 1986). According to Scott, Industrial Organization Theory has to include the combined effects of 1) average production cost, 2) internal economies and diseconomies of scope, 3) interplant and inter firm transaction costs, and 4) market prices. In other words, industrial organization examines the factors causing firms to be vertically integrated or vertically disintegrated. Vertical integration is a deepening of the “technical division of labor,” which can be thought of as a firm producing its products in-house rather than outsource it to sub contractors. When a firm is vertically integrated, internal economies of scope tend to occur. Vertical disintegration, on the other hand, is a deepening of the “social division of labor” with diseconomies of scope. Vertical disintegration tends to

occur when a firm outsources its production activities to sub contractors, or when a firm buys products from suppliers rather than produce them in-house. Vertical disintegration enables the opportunity for a maximization of the skills and scale of each firm involved in making the final product.

The Coase-Stigler-Williamson model provides a sufficient framework to examine industrial organization (Scott 2006)³. Coase (1937) asks a fundamental question: why do firms exist? He argues that firms exist because the organizational structure (the management mechanism) within it is more adept in reducing the cost of productions and responding to uncertainty than the organizational structure (the price mechanism) of the market. He added that a firm would stop expanding if the transaction cost within it is bigger than the transaction cost in the open market. Stigler (1951) builds on Coase's work by sketching out a theory of the functions of a firm and applying it to vertical integration. His model shows an equilibrium level in which firms will go from being vertically integrated to vertically disintegrated. Lastly, the model is rounded out by Williamson's (1979) study of transaction costs. Transaction costs include the cost of exchanging information, drawing up legal contracts, and setting up operations in a physical location. According to Williamson, a governance structure is needed for large transactions, as well as transactions of a specialized kind. A governance structure is not needed if the transactions are highly standardized, however.

In addition to the Coase-Stigler-Williamson model, it is imperative to look at the nature of the market that the firm operates under (Scott 1986). If the market is stable, then the firm will be more likely to be vertically integrated. However, if the market is

³ Readers should be mindful that this framework is only one of several frameworks—a framework that draws from neoclassical literature—of examining industrial organization. There are other frameworks such as political economy, critical theory, and historic approaches toward analyzing industrial organization in a certain locale.

unstable then the firm will be more likely to be vertically disintegrated. Foxconn's production process resembles a vertically integrated model, in which most of the products that make up the final product are made in-house. The electronics manufacturing industry, on the other hand, can be described as a vertically disintegrated industry, in which various subcontractors are involved in producing the finished products consumers buy.

The gist of industrial organization examines the nature of the firm by looking at its organizational structure. Storper and Walker (1989) elegantly shows that a firm is the basic unit of production under capitalism; it is an organization in which labor, capital, input and output are intertwined together at a micro level. A key point is that the specific make up of a firm's organizational structure, being vertically integrated or vertically disintegrated, has ramifications that determine its business practices. One cannot understand the immense complications, subtle nuances, and dynamic interactions of a firm's actions without first undertaking a comprehensive analysis into its industrial organization.

Section Three: Foxconn's Industrial Organization

An examination into Foxconn's industrial organization is a study into the nature of Foxconn as a firm. In this section, I will examine Foxconn's history, injury compensation, employment of student workers, working day, wage levels, and most importantly, the nature of the industry the company operates in. However, it is important to situate and contextualize Foxconn and the electronics manufacturing industry's role in the world economy in order to understand Foxconn's industrial organization on a deeper level. Doing so will illustrate how and why Foxconn got to China in the first place.

The manufacturing process in the world economy has changed dramatically since the 1970s. According to Knox et. al (2008), prior to the 1970s, the manufacturing process was mostly based within a national boundary framework in which the bulk of manufacturing (and sales) takes place inside a country. The authors argued that transnational corporations have shifted the manufacturing process beyond national boundaries by offshoring manufacturing jobs from the West toward Asia since then. Furthermore, declining transportation costs and reductions of barriers to trade has accelerated the offshoring process of manufacturing activities. Since the 1970s, there has been a drastic decline in transportation costs due to new technologies such as container-based shipping and the bar code tracking system. Additionally, there has been a reduction of trade barriers in the global economy as export-oriented policies have been enacted in places such as Taiwan, South Korea, Singapore, and Hong Kong. These set of events have all contributed to the offshoring of the electronics manufacturing industry.

The offshoring of the electronics manufacturing industry from the West toward China started to intensify in the 1990s. Pecht and Zuga (2009) shows that China attracted

foreign electronics manufacturers by not only providing cheap labor, but also by providing generous tax benefits, technical talent, low manufacturing costs, and lax environmental regulations. Duhigg and Bradsher (2012) make a similar point by arguing that the central reason why electronics manufacturing jobs have been offshored to China is not only because Chinese wages are cheaper. Rather, they argue that the American labor force is no longer suited to the type of work—laborious, strenuous, and repetitive assignments—mass manufacturing requires. In other words, the offshoring of electronics manufacturing jobs over the past three decades is due to a fundamental restructuring of economic structures in the West and China. Western countries have moved into the service sector and higher-end manufacturing jobs while delegating low-end manufacturing jobs to China. It is based upon these macro changes in the world economy that have enabled Foxconn to set up shop in China. The remainder of this section shall analyze Foxconn’s industrial organization and examine reasons for the factory relocations.

I argue that Foxconn’s vertical integration and the highly skewed relationship between the Original Equipment Manufacturers and contract manufacturers are key drivers behind the factory relocations. I will show that Foxconn’s harsh working environment, and the various business strategies it has implemented to cut cost and increase profit is a reflection of the social relationships embedded within the company’s industrial organization. A thorough investigation into Foxconn’s industrial organization will reveal insights into how, and why, the company is relocating its factories in China.

Foxconn is the trade name of Hon Hai Precision Industry Company Ltd.,⁴ which owns the following subsidiaries: Chimei Innolux, Foxconn Technology Group, Foxconn

⁴ A trade name is the name a company uses for commercial purposes, which differs from its registered name. Hon Hai Precision Industry Company Ltd. is the registered company name, but it uses the trade name Foxconn.

International Holdings, Cyber Tan, and Pan-International (Foxconn Website 2011). Hon Hai and its subsidiaries combined together to form the largest electronics contractor in the world. For the purpose of this thesis, I shall use Hon Hai's trade name, Foxconn, as a reference to the company.⁵

Terry Guo and his brother, with an initial capital of \$7,500 (a portion of which was borrowed from their mother) founded Foxconn in 1974 to make plastic switches for black-and-white televisions in Taipei, Taiwan (Dean 2007). The company has since evolved to provide a variety of services that include joint-design, joint-development, manufacturing, assembly, and after-sales services for computers, communication devices, and consumer-electronics. It currently has over forty production sites and Research & Development Centers in Asia, Europe, North America, and South America (Foxconn Website 2011). Together, Foxconn and its affiliates have over 35,000 patents granted worldwide. Foxconn's business model is to provide its clients with a start-to-finish product, which includes molding, component sourcing, manufacturing, and after-sales warranty (Wu 2006). This business model reduces the need for Foxconn's clients the Original Equipment Manufacturers—Dell, Hewlett-Packard, Apple, Sony, Toshiba, and etc.—to hire other contract manufacturers. Once an order has been signed, the company's goal is to ensure that its clients can trust it to take care of the entire manufacturing process, from start to finish (Foxconn Company Website 2011).

⁵ The name Foxconn has evaded the Western media's attention as recently as 2006 (Frost and Burnet 2007). Foxconn was introduced to the Western audience through a report by the British newspaper *Mail on Sunday* published on 11 June 2006 that reported on the company's production of Apple iPods. Until this 2006 report, Foxconn's name, and the electronics manufacturing industry to an extent, were not on the radar of the Western media, Non-Governmental Organizations, and consumer advocates. Most of the attentions of consumer advocacy groups were focused on the toys, shoes, and clothing apparel industry. The anti-sweatshop movement has only turned its attention on the electronics manufacturing industry in 2003. Frost and Burnet (2007) argue that if the *Mail on Sunday* article was not about Apple's famed iPod, then the article would not have attracted much attention and the name Foxconn would have continued to evade the Western world.

Table One: The history of Foxconn

Year	Milestones	Location
1974	Foxconn was founded to make plastic switches for TVs.	Taipei, Taiwan
1988	Began receiving orders to produce computers in bulk	Built first compound in China (Shenzhen's Xixiang District)
1995	Became leading contractor for computers and laptops	
1996	Began research and development of personal computer products	Established the Longhua Compound in Shenzhen
1999	Began joint-design and joint-development for its products	Constructed the Kunshan Compound
2000	Ventured into making cell phones	Opened its Beijing Research and Development Center
2001	Became the industry leader for all consumer-electronic products	
2002		Established a R&D Center in the Czech Republic
2003	Developed its "e-enabled Components, Modules, Moves and Services (eCMMS) business model	Established Technology Group in Shanghai's Songjiang District
2005	Became the world's leading cell phone manufacturer	
2006	Became the world's leading camera manufacturer	Opened its Tianjin Technology Center
2007		Established compounds in Weian, Langfang, Wuhan, Guangkou, Fengtai Dao, and Nanjing
2008		Opened a R&D Center in Russia
2009	Ventured into a greater diversity of consumer electronics products	Opened up a factory in Mexico

Source: Adapted from Tseng and Lin 2010

Table One traces the history of Foxconn's evolution from a small company making plastic switches for black-and-white televisions to becoming the world's largest electronics manufacturer. The company built its first factory in Shenzhen, China in 1988. In a span of two decades, it has increased its Shenzhen workforce to over 400,000 workers, and it now employs close to a million workers in China (Foxconn Website 2011). In 1995, the company made its first significant achievement by becoming the world's leading contractor for computers. Since then, Foxconn has made major breakthroughs by becoming the world's leading producer of laptops, the largest exporter in China, and the biggest company in Taiwan in 2001, 2003, and 2005, respectively (see

Table One). In 2008, Foxconn has revenue of 61.8 Billion U.S Dollars and made up of 3.9% of total Chinese exports (Foxconn 2009).

A major component of Foxconn’s industrial organization is its business plan for continual company expansion into the near future. The company website has outlined a set of clear guidelines to expand the size of the company (Foxconn 2009). Table One shows that Foxconn has been growing at a tremendous pace by opening up sites all over China, and in other parts of the world, since 2001. Since then, the company has set up businesses in the Czech Republic, Russia, and Mexico. Additionally, it has expanded in China by opening up technology centers in Shanghai and Tianjin; while establishing compounds in Weian, Langfang, Wuhan, Guangkou, Fengtai Dao, and Nanjing. The company’s 2010 factory relocations, from Guangdong toward interior regions, are strong reflections of a major component in its industrial organization—continual business expansion.

Table Two: Foxconn's Subsidiary Groups

Subsidiary Groups	Products	Locations
Consumer and Computer Products Business Group	Desktops, laptops, printers, video games consoles	Shenzhen, Yingtai, Foshan, Taiyuan, Kunshan, Nanning, and Wuha
Integrated Digital Product Business Group	Calculators, MP3, cell phones, iPod, iPhone, iPad	Shenzhen, Taipei, the U.S., Czech Republic
Personal Computer and Enterprise Product Business Group	Computers, notebooks, processors	Shenzhen, Yingtai, Kunshan, Guangkou, Shanghai
Wireless Business Group	Virtually all global brand-name cell phones	Shenzhen, Beijing, Tianjing, Langfang, Hangzhou, Nanjing, Yingtai, Taiyuan
Network Interconnection Business Group	CPU Sockets, Headers, USB Cables	Shenzhen, Kunshan, Weian
Communication and Network Solution Business Group	Wireless communication devices	Shenzhen, Zhongshan, Shanghai, Hangzhou
Super Precision Mechanical Business Group	High-tech laser devices	Shenzhen, Foshan, Kunshan, Hangzhou, Taiyuan, Langfang, Yingtai

Component Module Move Service Group	PC servers and processors	Shenzhen, Taipei, the U.S., Czech Republic, Mexico, Australia
Innolux Display Business Group	LCD monitors and Flat-screen Televisions	Shenzhen's Longhua Compound

Source: Adapted from Tseng and Lin 2010

Foxconn's expansion is tied closely to its vertically integrated business model. Vertical integration involves the fragmentation and specialization of work assignments being carried out within a firm (Scott 2006). In other words, vertical integration occurs when a firm produces its products in-house rather than outsource the work assignments to sub contractors. Table Two shows that Foxconn's vertical integration is a composite of nine major subsidiary groups. It lists each subsidiary group as well as the products and locations of each group. The purpose of Foxconn's vertical integration is to reduce its transaction costs. According to Wu (2006), Foxconn has adopted two key strategies to enhance its vertical integration. First, the company is spending heavily on researching and manufacturing many of the sub components that goes into the final products. Foxconn builds its product components in-house rather than rely on sub-tier suppliers⁶. And second, the company has set up contracts with mining companies located near its factories. This is done to reduce transportation costs by having the raw materials deliver directly to the factories from the mines instead of paying overhead cost to store the materials in warehouses. In a nutshell, Foxconn's vertical integration has decreased its transaction costs and thereby makes it easier for the company to expand its size. The company is expanding by relocating and opening up new factories in China's interior regions.

⁶ However, it does outsource product components manufacturing to specialized suppliers on special occasions. It will outsource to suppliers for certain components only after a rigorous cost-benefit analysis.

Foxconn's Work Environment

A key part of industrial organization is to examine a firm's work environment. Fieldwork from SACOM 2010, 20-Universities Report 2010, and Guangdong field notes 2010 uncover a harsh, demanding, and draconian working environment inside Foxconn factories. Foxconn operates under a just-in-time production model that exerts enormous pressure on workers. In order to fulfill contract quotas within a certain period, Foxconn implemented a working environment that maximizes employee production at the shortest possible time frame. All employees must follow a tight schedule, in which their time for food, sleep, and leisure are precisely calculated, and strictly enforced by management. The following company regulations serve as examples: 1) all dormitory lights are shut off at 11 pm every night, 2) workers are entitled to only one fifteen-minute restroom break per shift, and 3) workers typically enjoy only one day off per week (SACOM 2010). A production-line worker's typical working day last well over ten hours (see Appendix B for a detailed account of a Foxconn employee's working schedule). Additionally, Foxconn workers have to deal with frequent changes between the day and the night shift (SACOM 2010). The former is from 8 A.M. to 10 P.M., while the latter is from 10 P.M. to 8 A.M. A production worker describes the physical toll of the shifts as intolerable.

The assignment of work shifts is not regular. Sometimes, we work in day shifts for one to two months and swap over to night shifts for one to two weeks. Even worse, day and night shifts are sometimes changed two to three times a month. The change of shift is unbearable. It is difficult to adjust our body clock (SACOM 2010).

The work schedule inside Foxconn factories is an expressive reflection of the company's work environment.⁷

⁷ During their day off, Foxconn employees can take advantage of the modern recreation facilities the company has installed throughout its compounds such as swimming pools, weight rooms, restaurants, basketball and badminton courts, and Internet bars. However, most employees reported they only use the Internet bars because they cannot afford the fees to use the other facilities, and they are too tired to use them (20-Universities Report 2010).

In addition to a suffocating working day, Foxconn has implemented other strategies to increase its profit margin. One of the strategies is to employ student workers⁸. The 20-Universities Report 2010 produced empirical evidence showing Foxconn working closely with local vocational schools (but not with four-year universities) to funnel student workers to the company via “student internships”. The evidence comes from fieldwork carried out in Shenzhen’s Longhua and Guanlan compounds, as well as factories in Nanjing, Kunshan, and Wuhan. The report finds there are departments where student workers make up as much as 40% of the total work force. For example, a department in the Longhua compound’s Computer Module Move Service Group employs an estimated 700 to 1,000 student workers out of a total of 2,600 employees. In the Kunshan factory, there are a total of 60,000 employees, in which as many as 10,000 student workers are employed during the summer time. Most student internships last for two months, some last for half a year, and a few last for an entire year. The length of the student internships is fitted to match peak-season work orders (from May to November) that coincide with the busy Western shopping season (in December). A full-time employee interviewed reasoned that it is much cheaper for Foxconn to hire student workers during peak season compared to other temporary (adult) workers (20-Universities Report 2010).

According to the 20-Universities Report 2010, the monthly wage for student workers is the same as regular employees: 1,200 Renminbi (RMB).⁹ Despite the identical wage levels, the report finds a major difference between student workers and regular employees: the latter is required to sign labor contracts. The contract situation

⁸ Ross Perlin’s (2011) book, *Intern Nation: How to Earn Little and Learn Nothing in the Brave New Economy*, provides a sound overview of the state of student workers in the global economy.

⁹ As of May 2012, One U.S. Dollar converts to 6.3 Renminbi

varies amongst the student workers, however. Some student workers reported signing a contract before starting work; some signed a contract only after working for the company for over half a year; and some did not sign a contract at all (20-Universities Report 2010). Findings show that student workers are not entitled to the contract-provided benefits regular employees enjoy because the former are not considered “full-time” employees. However, in terms of workload, wages, and overtime pay, student workers are treated the same as regular workers. Chinese labor laws forbid student workers to work more than eight hours per day and overtime shifts. Empirical findings show that the majority of student workers hired by Foxconn work ten hours a day; additionally, they work an overtime shift during the weekend (20-Universities Report 2010). Foxconn’s employment of student workers is an integral part of its industrial organization.

A brash, yet subtle, business strategy Foxconn has implemented to increase its profit is to subject employees to work overtime without adequate compensation via an unfair daily production quota system (20-Universities Report 2010). Management cunningly creates specific daily production quotas that most employees cannot fulfill in an eight-hour shift. An employee must stay beyond her regular shift, that is, work overtime with no pay, to fulfill the daily quota. If an employee increases her work pace to meet her daily quota within the regular eight-hour shift, management will increase the quota to slightly outpace the employee's new work pace. 73.3% of respondents from surveys in the 20-Universities Report 2010 (with a sample size of 1,736) reported they averaged at least ten hours per day, and 83.2 hours of overtime per month. According to Article 41 of China’s Labor Law, workers cannot exceed 36 hours of overtime per month (20-Universities Report 2010).

In addition to the unfair production quota system, Foxconn also manipulates

employees' salaries to increase profit. Foxconn announced a 30% wage increase throughout its compounds in response to the string of suicides in 2010; however, the wage increase was not fully implemented. According to SACOM 2010, the majority of the employees received only a 9% total wage increase, from 1,200 RMB to 1,300 RMB. Foxconn's wage formula is calculated as total wage = basic wage + overtime pay + yearly bonuses + special awards bonuses. The 9% total wage increase was made possible by rearranging the wage formula, in which the yearly bonus and special awards bonus were terminated while the basic wage increased. For Foxconn to get away with such an intrepid act as announcing a 30% wage increase, but end up not implementing it is a reflection of its industrial organization.

Foxconn's system of reporting work injuries—a system that is highly biased against workers—is another stark reflection of its industrial organization. One of the main responsibilities of line supervisors and department managers is to provide a safe working environment. Top-level management places a high priority on work-safety issues because it has a direct impact on the company's reputation. Thus, mid-level managers' year-end bonuses and special-award bonuses are tied closely to the work safety record of the unit they oversee. If an injury is reported in a production unit, the supervisor in charge will see his year-end bonus and special awards reduced severely. For example, an injured worker reported that his supervisor's year-end bonus and awards bonus amount to thirty to forty thousand RMB per year. However, if a work injury is reported under his manager's supervision, the manager's bonuses will be reduced to ten to twenty thousand RMB (20-Universities Report 2010). The way the system for reporting work injuries is set up—tying supervisors' bonuses to a safe working environment in order to hold them to greater accountability for work safety—looks good on paper. However, empirical findings show the system to be detrimental to workers

because injuries are often ignored or not reported (See Appendix D for more details).

The suffocating work schedule, unlawful employment of student workers, unfair daily production quota system, manipulation of employee salaries, and ineffective system of reporting work injuries are all integral parts of Foxconn's industrial organization. It is precisely these components of Foxconn's industrial organization that have enabled it to evolve from being a two-person operated firm to become the world's largest electronics manufacturer. However, these components of Foxconn's industrial organization also raise the important issue whether Foxconn is operating a sustainable model in which workers may find the work environment too suffocating and thereby organize themselves to resist company regulations.

Foxconn's industrial organization has enabled it to violate numerous Chinese labor laws, in which the local media, police, and regulators are not holding the company responsible for its actions. Foxconn's gigantic size—propelled by its vertical integration—is able to generate huge revenue for local industries and stimulate economic development in the parts of China where its factories operate. For example, local authorities in Zhengzhou have estimated that Foxconn will create half a million jobs in their jurisdiction (He 2010). In return, the company has used its size as leverage to prevent local agents such as the media and government regulatory departments from intervening in its internal business operation. This then paves the way for the company to relocate and expand inward.

The Nature of the Electronics Manufacturing Industry

The nature of the market Foxconn operates in—the electronics manufacturing industry—is a key reason behind the factory relocations. In the most basic sense, the electronics manufacturing industry is split into two camps, the Original Equipment

Manufacturers and the contract manufacturers (Wu 2006). The former is made up of global brand names—such as Dell, Apple, Hewlett-Packard, Sony, Toshiba, and so on—that own the design, development, and retail portion of the product lifecycle. This camp also controls the overall selection and supply chain management of product components. The other half of the industry is the contract manufacturers made up of relatively little-known companies such as Foxconn, Flextronics, Jabil, Circuit, Celestica, Sanmina-SCI, and so on. Contract manufacturers are responsible for mass production and final assembly of products, as well as management of sub contractors and sub component suppliers. The business model of the electronics manufacturer industry differs little from other industries in which contractors are involved. An Original Equipment Manufacturer (say, Apple) approaches a contract manufacturer (say, Foxconn) with a product design; the two sides negotiate on the price, materials, sub-tier suppliers, and other logistics. The contract manufacturer then becomes the Original Equipment Manufacturer’s “factory” for the duration of the contract (Wu 2006). The key distinction between the two camps is that the Original Equipment Manufacturers operate on the upstream end of the commodity value chain where the bulk of the profits lie. Contract manufacturers, on the other hand, operate on the downstream of the commodity value chain where the profit margin is significantly smaller.

The revenue Foxconn receives from Apple for manufacturing and final assembly make up the least expensive part of a product’s life cycle. Apple typically commands as much as 60% of the profit margins from its products (Barboza 2010). For example, Apple’s iPhone 4 retails for \$600 in the U.S., but the total cost of the materials is only \$187.51. According to Barboza (2010), the bulk of the \$187.51 goes to paying chip suppliers like Samsung and Broadcom for critical components like processors and flash-memory chips. Foxconn takes in only a tiny portion of the \$187.51. The uneven

relationship between the Original Equipment Manufacturer and the contract manufacturer forces Foxconn to operate on a slim-profit-margin model. It is imperative to our study of Foxconn's factory relocations to understand how the unequal and skewed relationship in the electronics manufacturing industry came into place, and why it will not change in the foreseeable future.

Contract manufacturers became key players in the industry during the 1980s. Prior to the 1980s, the Original Equipment Manufacturers used to perform all the tasks that contract manufacturers currently do. However, the former realized they could increase their profit margins if they focus mainly on the higher end of the product lifecycle—namely the design, development, and retail portions—and subcontract the mass production and final assembly tasks to contract manufacturers¹⁰. The basic business model between the Original Equipment Manufacturers and contract manufacturers has remained intact since the 1980s for three reasons. First, the Original Equipment Manufacturers still retain the patent of the product design as well as the retail rights. Second, contract manufacturers cannot produce products under their brand names because the Original Equipment Manufacturers have already established their brands. In other words, electronics contractors do not have the resources and advertisement savvy to compete with the Original Equipment Manufacturers on selling brand-name products. And third, Yeung (2007) argues that there is an entrenched and reciprocal relationship at work between the Original Equipment Manufacturers and the contract manufacturers in the electronics manufacturing industry. The former's task is to enlarge the industry through product innovation and expand the consumer market, and the latter's job is to fill the contracts. Due to these three reasons, the highly skewed relationship between

¹⁰ A telling example is the Taiwanese electronics manufacturing industry. The industry's revenue base draws 91% from contract manufacturing work, while making only 9% from selling brand-name products (Strurgeon and Lee 2004).

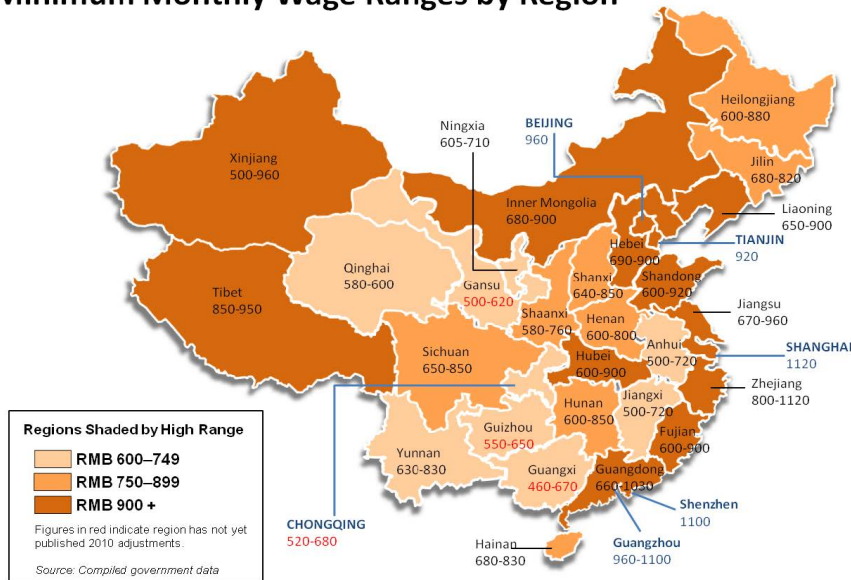
Original Equipment Manufacturers and contract manufacturers has, and will remain intact for the foreseeable future.

I argue that the highly skewed relationship in the electronics manufacturing industry is a key driver behind Foxconn's factory relocations in China. The break down of the money trail for Apple's iPhone 4 (mentioned above) shows that Foxconn receives a tiny amount from the profit for each phone sold. The slim profit margin thus forces Foxconn to find ways to revamp its industrial organization in order to stay competitive. One of the key ways for Foxconn to increase its profit margin is to employ cheap labor, in which China's interior regions has an abundant of. Chan (2010) shows that the rural working-age population in China is 490 million, in which there is a surplus labor pool of 138 million workers.¹¹ Figure Two shows the minimum monthly wage range for Guangdong is 660-1030 RMB, but it is 650-850 RMB, 600-800 RMB, and 600-900 RMB in Sichuan, Henan, and Hubei, respectively—provinces that Foxconn has built major factories in.

Figure Two: China's Minimum Wage Level Across Region

¹¹ Surplus labor is defined as unemployed or underemployed workers in a labor pool.

Minimum Monthly Wage Ranges by Region



Source: APCO Worldwide 2010

In this section, I have showed how, and why, Foxconn has set up its industrial organization the way it does. Foxconn's vertical integration and the nature of the electronics manufacturing industry—two key components of the company's industrial organization—are important factors driving the factory relocations. Foxconn is able to violate Chinese labor laws because the social relationships embedded within its industrial organization have enabled it to do so. The local media and other watch groups are not able to hold Foxconn accountable for its violations due to the sheer size of the company. The nature of the electronics manufacturing industry forces Foxconn to operate on a tight profit margin that result in Foxconn relocating inward to tap into a cheaper labor pool. However, Foxconn's industrial organization is not the only force behind the factory relocations. The social relationships created by the interactions between Foxconn's industrial organization and China's governance structures drive the relocations as well.

Section Four: The Governance Structure in China

Geographers have long argued for the importance of a place-based context in social science inquiries: the location where events occur matter (Agnew 1987; Scott et. al 2002; Sheppard 2002, 2012). A study into Foxconn's factory relocations must pay attention to the particular place where the relocations occurred—China. I argue that the relocations are made possible by the interactions between the Chinese governance structures—at both the central and local level—and Foxconn's industrial organization. The central government has laid the macro foundation for foreign-owned enterprises (such as Foxconn) to operate in China through its reforms and opening since 1978. Amongst the most important central policies enacted to attract Foreign Direct Investment include creating generous tax incentives, a strong infrastructure, and special economic zones. Additionally, the reforms have given local governments considerable freedom to deal with foreign companies within their jurisdictions. This section will examine closely how China's governance structure interacts with Foxconn's industrial organization to create a set of social relationships that became key driving forces behind the factory relocations.

A crucial aspect in this study is examining the role of the central government in shaping China's regional development process. From a region-centric view of economic development, there are two significant aspects in national governments' role in the regional development process; first, there must be a harmonization of regional development policies with national economic goals; second, regional development cannot rely solely upon the self-regulating market (Scott 1998). A strong government is required to harmonize, match, and align policies at the regional level with economic goals at the

national level. A weak government is incapable of achieving this feat. Furthermore, a strong government is needed to check against the pure, and often times, destructive forces of the self-regulating market. According to Scott (1998), the underlying premise of a region-centric view of economic development is for the national government to play an active role in shaping economic development, especially in developing countries such as China.

China's central government is amongst the most powerful regimes in the world. The omnipotent Chinese Communist Party (CCP), a political organization with over 70 million party members (Shambaugh 2009), controls it. Shambaugh shows that virtually every key industry in both the private and public sector in China is controlled by the CCP. The list includes banking, higher education, oil, military, urban planning, auto manufacturing, tourism, and so on. As a result of the extensive reach of the CCP, Beijing is equipped to play a heavy hand in shaping China's national economy. In order to check against the pure forces of the self-regulating market, the central government maintains tight control over both fiscal and monetary policy; places strict restriction of currency flow in and out of the country; and pegs the Chinese currency against the U.S. currency (Naughton 2006). China watchers such as Huang (2008) and Tsai (2006) have dubbed this form of governance "state capitalism." This form of governance has enabled the central government to play an extremely active role in redesigning the Chinese economy from a closed-off economy to an economic powerhouse.

The central government, under the guidance of national leaders such as Deng Xiaoping, Chen Yun, Zhao Ziyang, and Hu Yaobang implemented three critical policies to open up China's economy starting in 1978. First, it harmonized regional development policies with national economic goals by decentralizing production quotas at the regional level through a system known as the Household Responsibility System. Second, the

central government opened up four original Special Economic Zones—Shenzhen, Zhuhai, Shantou, and Xiamen—in Guangdong and Fujian Province to attract Foreign Direct Investment. (It is no coincident that Foxconn’s biggest factory compound, Longhua, is located in Shenzhen, one of the original four special economic zones.) And third, the central government implemented key policies to build up the manufacturing industry by improving the infrastructure, revamping the tax system, and relaxing labor migration. As a result, Foxconn has reaped enormous benefits from China’s strong infrastructure, generous tax rates¹², and the prodigious migrant labor pool. The central government has set the macro foundation for Foxconn to operate in China, but local governments have played an equally important role in shaping Foxconn’s business operation.

China’s economic reforms since 1978 have given much lead-way for local governments to shape economic development within their jurisdictions. Landry (2008) shows that China is one of the most decentralized regimes in the world, in which local governments' revenue expenses take up 70% of the total government budget. Additionally, the decentralized governance structure at the local level has created an environment that pushes local governments to compete fiercely with each other to attract Foreign Direct Investment (FDI). Whiting’s (2000) research of the cadre evaluation system shows that one of the most important criteria for promotion is for local officials to increase the Gross Domestic Product of the jurisdictions they oversee.

The competition to attract FDI at the local level is most clearly exemplified by Foxconn’s relocations. Dean and Baker (2010) reported that the Chengdu, Zhengzhou, and Wuhan governments all gave considerable tax breaks to lure Foxconn to relocate to

¹² For example, Foxconn paid 599 million RMB in taxes for the 13 billion U.S. dollars worth of goods it exported in 2009. In contrast, Huawei, a mainland telecommunications manufacturer, who exported 12 billion U.S. dollars worth of goods, had to paid 2 billion RMB in taxes (He 2010).

their cities because local governments in the interior recognize that low wages may not be enough to attract the company. Additionally, local authorities made other efforts to attract Foxconn by providing land to build production sites, and offering assistance to help recruit local workers. The Zhengzhou government, for example, established a new labor-recruiting agency specifically aimed to help Foxconn hire local workers in Zhengzhou and its surrounding suburbs (He 2010).

In addition to tax incentives and land grants, the local governance structure has enabled Foxconn to establish working relationships with high-ranking local officials. This has created a strong, but closed-door feedback mechanism between Foxconn and local governments in managing the company's factory relocations. The company's size generates economic growth and creates employment opportunities for local governments while the decentralized nature of China's governance structure at the local level has authorized local officials to offer considerable perks and incentives to attract Foxconn to their jurisdictions. Through open access to local officials, Foxconn has managed to negotiate a set of terms that prevent the local police force, media, and labor-rights-advocacy groups from intervening with its policies, operation processes, and treatment of employees. The relationship between Foxconn and local governments has given the company absolute control over its business operations and management of workers with little regard to the rule of law.

China's governance structure is connected to Foxconn's industrial organization in the following sense. On the one hand, Foxconn's industrial organization propels it to request that local authorities not interfere with its internal affairs. On the other hand, China's governance structure has created an environment that entices local governments to turn a blind eye towards Foxconn's labor violations in exchange for generating economic growth at the local level. In a nutshell, Foxconn's factory relocations are made

possible by China's governance structure. At the central level, the government, through the 1978 reforms, laid out the macro foundation to attract Foxconn to set up operation in China. Central policies have created generous tax policies, a strong infrastructure, special economic zones, and a large migrant-labor pool. At the local level, China's governance structure has created a set of social relationships in the form of a strong, but obscure, feedback mechanism between Foxconn and local governments in managing the company's factory relocations.

Section Five: Coda

Marx (1849), with dynamite flowing out of his pen, argues that the entire capitalist mode of production boils down to a set of social relationships that facilitate the exchange of capital and labor. The two-fold framework I developed takes a similar approach by paying particular attention to the social relationships driving Foxconn's factory relocations. More specifically, the way Foxconn's industrial organization and China's governance structure is set up have produced three sets of social relationships powering the relocations. First, the nature of the electronics manufacturing industry forces Foxconn to operate on a tight profit margin, which then compel it to relocate inward to seek out lower-wage labor. Second, Foxconn's vertical integration plays a vital role in making it the world's largest electronics contractor. In return, the company has used its size to coax local authorities to turn a blind eye toward its labor violations. And third, China's governance structure pushes local governments to cater to Foxconn in exchange for local GDP growth. Through a systematic study of these social relationships, I have come to a better understanding of how, and why, Foxconn is relocating its factories from the east toward the west in China.

I started by examining Foxconn's industrial organization—a study into the nature of Foxconn as a firm. I surveyed the company's history, work environment, working schedule, wage level, business model, and most importantly, the nature of the market it operates in. Terry Guo founded Foxconn in the 1970s to make television switches. Since then, the company has evolved to become the world's largest electronics manufacturer that produces Apple iPhones, Dell Desktops, Toshiba Laptops, Sony Cameras, Hewlett-Packard printers, and so on. The nature of the market Foxconn operates under is the

electronics manufacturing industry, in which the relationship between the Original Equipment Manufacturers and contract manufacturers is highly unequal. The former enjoy the bulk of the profit from owning and controlling the design and retail portion of the product's life cycle. The latter, on the other hand, operates under a tight profit margin by producing products in bulk.

Foxconn has designed its industrial organization based upon the highly skewed relationship in the electronics manufacturing industry. The unequal relationship has shaped Foxconn to squeeze as much out of its laborers as possible by implementing a strict and harsh working environment. Foxconn not only controls its employees' daily schedule from morning to dawn, but it also devises other ways to increase its profit margin. The company works closely with local vocational schools, labor agencies, and even government departments to channel uninformed students into the company as "student workers." Additionally, company management forces employees to work overtime without pay by setting the daily production quota in a way that they cannot complete in a regular eight-hour shift. Moreover, Foxconn's system for reporting work injuries is biased against workers.

Another major component of industrial organization is concerned with examining factors causing firms to be vertically integrated or vertically disintegrated. Foxconn is vertically integrated as it carries out its production process in-house. Vertical integration involves the logic of agglomeration to decrease transaction costs through minimizing transaction costs. Through its vertical integration, Foxconn minimizes transport costs through effectively facilitating information, technology, labor, and capital flows within all nine of its subsidiary groups. Furthermore, Foxconn's vertical integration enables it to achieve large economies of scale and scope, which has turned the company into the world's largest contract manufacturer. Foxconn's size can generate high economic

growth for local governments. As a result, the company has used its size as leverage in its negotiations with local authorities.

The second part of my framework is to connect Foxconn's industrial organization to China's governance structure. The multifaceted interactions between Foxconn's industrial organization and China's governance structure have created a set of social relationships in the form of a strong, but non-transparent, feedback mechanism that serves as a key driver behind the relocations. The central government in Beijing continues to set national targets through its five-year plans, but local governments have gained freedom to experiment locally through the reforms of the past three decades. This is seen clearly through Foxconn's factory relocations. Local governments in China have given Foxconn considerable tax incentives and open access to top local officials to attract the company. On the one hand, Foxconn's industrial organization propel it to request the local authorities to not interfere with the company's internal affairs. On the other hand, China's governance structure has enticed local governments to turn a blind eye towards Foxconn's labor violations.

Studying Foxconn's factory relocations is important because it provides insights into the trend of capital and labor flow from China's coastal provinces toward the interior regions. A larger and more important question remains unanswered, however. Is Foxconn's factory relocations an isolated case, or is it a start of a new epoch in China's development in which other transnational corporations will follow Foxconn's lead by relocation their capital and labor assets toward the interior? It is my sincere hope that this work can spark a debate on this momentous topic, but I do realize that this is only one case study. Additional research on other transnational firms' industrial organization in China will be needed in order to determine to what extent China's economic development

is following that of Western countries.¹³

¹³ I shall end my thesis on this footnote. The goal of all inquiry, research, and work in the social sciences should aim to describe, analyze, and connect empirical findings with theories in order to produce scholarship that further increases our knowledge set to make our society a more equal and a more perfect place. Through the course of reading and rereading the eighty-plus-page Guangdong field notes 2010, a particular quote by a female employee from Yunnan, describing the discrimination she faces as a migrant worker working for Foxconn in Guangdong, stands out as a telling example of the stark inequalities rooted in our world. “I am thirty years old, I came out [to work as a migrant worker] when I was twenty; got married, had a kid, and lived at home for several years [before migrating out to work again]...I feel that the locals here do not respect outsiders, I do not even feel them showing me the most basic level of respect [from one human being toward another human being]...I am deeply hurt by this.” If we, as social scientists, can contribute to potential solutions, no matter how big or small, direct or indirect, that can chip away at these kinds of heart-wrenching and poignant discrimination, then the effort, dedication, and hard work we put into our scholarship shall be worth it.

Appendixes

Appendix A: Foxconn Suicides

In 2010, Foxconn made headlines around the world due to employee suicides. From January 2010 to August 2010, seventeen Foxconn employees, age 17-25, attempted suicides by mostly jumping off buildings. Four survived with injuries and thirteen died. Fourteen out of the seventeen cases occurred in Foxconn's Longhua and Guanlan compound in Shenzhen, Guangdong. After the spate of suicides, Foxconn required each employee to sign a contract pledging not to commit suicide (20-Universities Report 2010). According to the report, the contract has a clause that prevents families of potential victims to seek compensation beyond the amount required by law. The suicides have stirred an on-going debate between Foxconn and labor-advocacy groups. On one side, Foxconn argues that the suicides were a result of problems associated with individual victims' psyche. On the other side, labor-rights groups like SACOM (2010) and Chinese labor scholars Chan and Ngai (2010) argue that Foxconn's unbearable work environment was the main driver behind the suicides.

Appendix B: An Employee's Working Schedule

Xiao Xu, a male employee born in 1988, with a rural *hukou* from Hebei, describes his typical working day as waking up at 7 A.M, arriving at his production unit by 7:30 to be ready for work (he officially starts at eight, but Foxconn employees are made to arrive early in order to attend mandatory morning meetings that last twenty to thirty minutes). Xiao Xu takes a ten-to-fifteen-minutes break at 10 A.M, an hour-long lunch break at noon, another ten-to-fifteen-minutes break at 3 P.M, gets off at 5 P.M, and then starts overtime from 6 P.M. to 8 P.M. (Guangdong field notes 2010). Prior to June 2010 (before the string of suicides), Foxconn employees averaged around eighty hours of overtime per month—two hours each day from Monday to Friday, and ten hours on Saturday. According to Xiao Xu, Foxconn reduced his and his fellow workers' overtime to thirty-six hours per month in response to greater scrutiny from both international and local organizations after June 2010. The new overtime hours complies with the overtime limit set by Article 14 of China's Labor Law. Xiao Xu reported that he and other employees would rather have more overtime than less overtime, however. His monthly salary, typical of a production-line worker, is 1,200 RMB. But, his monthly salary reaches 2,000 RMB if he works eighty hours of overtime.

Appendix C: An Employee's View on the Wage Increase

Wang Feng, a male production-line worker born in 1991, with a rural *hukou* from Jiangxi, reported that the slight increase in total wage has increased the work pressure for him and his colleagues in their unit (Guangdong field notes 2010). According to Mr. Wang, he was able to enjoy two ten-to-fifteen-minutes breaks during his shifts before the wage increase; however, after the wage increase, he gets only one break and sometimes no breaks at all. Mr. Wang did reported hearing about Foxconn's militaristic management culture and harsh working environment from former employees before he joined the company (Guangdong field notes 2010). Nevertheless, he joined Foxconn because the other factories are not much better. Most factory jobs in China's export sector have similar wages and working conditions. Migrant workers like Mr. Wang have few good choices of firms to choose from that provide an adequate and decent working environment. Interviewees generally agreed that Foxconn's working environment is strict and harsh; however, they have expressed preference of Foxconn over other smaller

factories in the Pearl River Delta Region. “The media are biased, Foxconn is much better than smaller factories,” says Xiao Yuan, a production-line worker born in 1990 in Guangxi (Guangdong field notes 2010).

Appendix D: An Employee's Injury

There were several reported cases of employees suffering an injury in the work place, but they had to pay the medical bills themselves because their supervisors argue that the injuries were the workers' fault (Guangdong field notes 2010). Xiao Lu, a male production worker in his early twenties, suffered a respiratory injury from work. However, his supervisor reported to higher authorities as an illness instead of an injury (Guangdong field notes 2010). According to Article 12 of Guangdong Province's Work Injury and Compensation Law, all firms and factories must report work injuries to insurance agencies within twenty-four hours. Line supervisors and department managers inside Foxconn is clearly violating this law as they do not report injuries at all, blame workers for getting injured, or change injuries to illnesses.

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