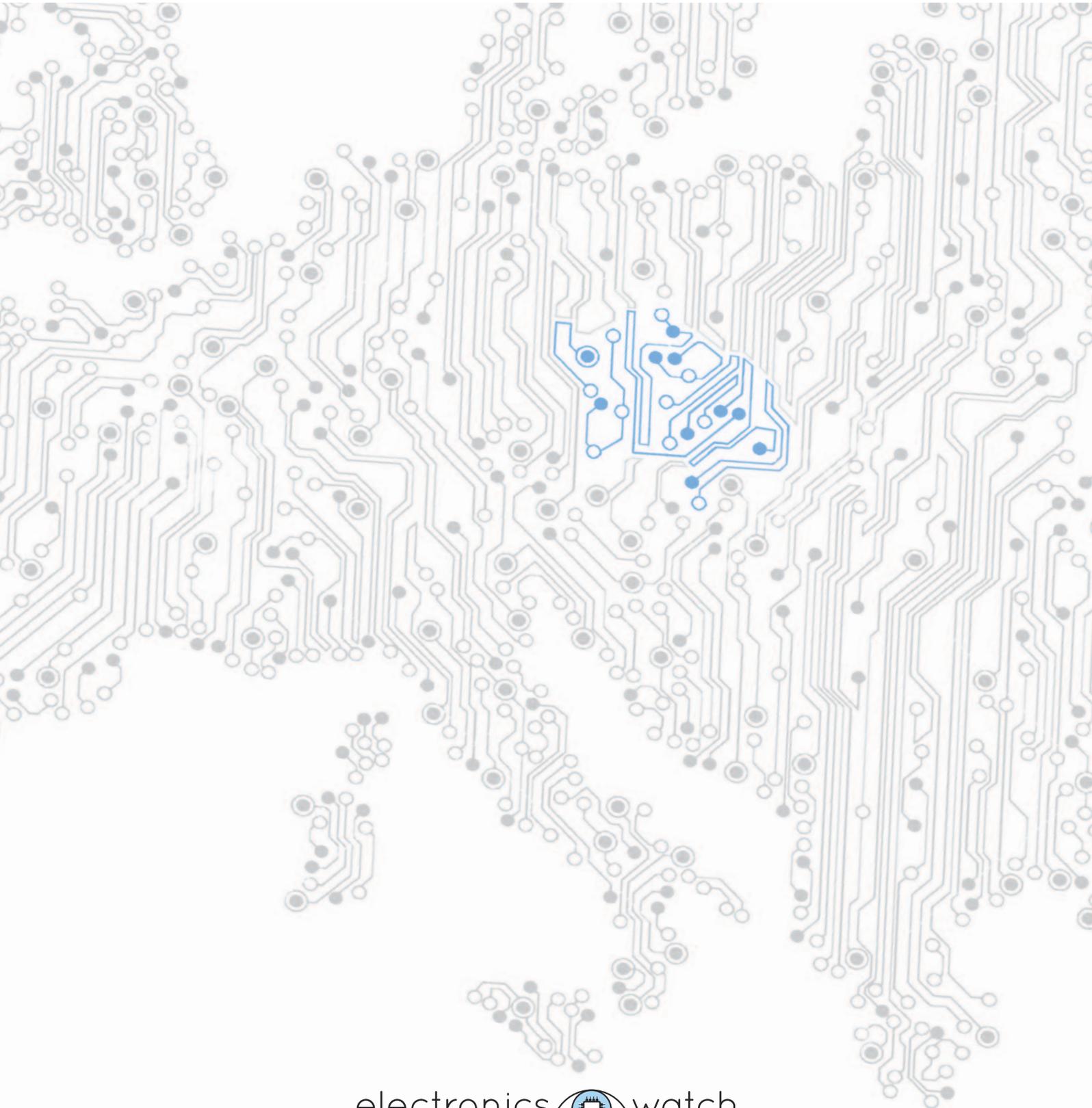


Compliance Report

Foxconn in Pardubice, Czech Republic

Contributing organisation: MKC Praha, o.p.s.

April 2017



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Electronics Watch is an independent monitoring organisation that assists public sector buyers to meet their responsibility to protect the labour rights of workers in their global electronics supply chains more effectively and less expensively than any single public sector buyer could accomplish on its own. Electronics Watch works with an international network of local civil society organisations that conduct worker-driven monitoring, with the goal of strengthening workers' own voices to report on and address labour and safety issues in their factories. MKC Praha conducted the research and monitoring for this compliance report. The compliance report also builds on the research findings on Foxconn's management practices in its European plants by Dr. Andrijasevic, University of Bristol, and Dr. Devi Sacchetto, University of Padua.

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“For a month I have been hearing about the reduction of the workforce coming in April. There will be a list issued with names of persons who will lose their jobs. I was told I was not going to be on the list but I want to see it, not just hear it. Some people are saying they’ll be going home or find a different job. Xawax (the subcontractor at Foxconn) might offer some people a different job in Panasonic, but what if someone doesn’t want to work there. Can they refuse? I want to know one month in advance. This shouldn’t happen from one day to the other that they tell us if there’s a job or not. I need to plan.”



“A person who has been here for six years said that he has not seen such a reduction in workforce during the time he has been here. Some people are not sure where to go. They look for security, they may be 47 or 50 years old. In some jobs they don’t employ people who are over 40. Next week a list of persons to be fired will be issued. What happens with people that go to Bulgaria? If they can’t find a job fast, they need to orientate themselves, they need some money to find a new job. I don’t know what documents from my Czech employer I’d need to get unemployment benefits in Bulgaria.”

*Bulgarian indirect worker in
Foxconn, Pardubice, March 26,
2017. The worker has received
no information about any social
security paid in 2016.*

Executive Summary

This report is a follow-up to the April 2016 Factory Risk Assessment: Foxconn at Pardubice, Czech Republic (Electronics Watch Risk Assessment) and the Hewlett Packard (HP) findings reported in July 2016 and December 2016. It assesses labour rights compliance in Foxconn's Pardubice factory based on Czech labour law, ILO and EU labour standards binding on the Czech Republic, and the HP Supplier Code of Conduct. Part I offers an overview of the investigatory findings, which are explained in detail in the body of the report. Annex I includes a simplified but comprehensive review of findings as well as recommendations for improvements.

Foxconn's most important customers are HP for desktops, servers, and data centres, and Cisco, for routers, switches, and servers. Foxconn employs about 5,000 workers in the cities of Pardubice and Kutná Hora in the Czech Republic. About 1,000 mostly east European migrant workers are employed indirectly in Pardubice, but they are worried about being replaced by Mongolian workers employed directly by Foxconn. Some 30-50 Mongolian workers are arriving weekly during the time of this writing, adding to more than 200 Mongolian workers already at the factory.

The report findings are based on 29 in-depth, semi-structured interviews, documentary evidence, consultations with legal experts, and direct observations of workers' dormitory conditions. The report addresses the risk areas identified in the Electronics Watch Risk Assessment, including remuneration, freedom of association, working hours, disciplinary practices, the conditions in dormitories, and the conditions on buses transporting workers to and from the factory. It compares the conditions of workers who are employed directly by Foxconn and migrant workers employed through an indirect employer. The legal relationship between Foxconn and its on-site indirect employers is also the subject of analysis.

The report notes certain improvements in working conditions compared to the Electronics Watch Risk Assessment and earlier reports. Foxconn has expanded the eight-hour shifts which many workers prefer over the physically demanding 12-hour shifts. The company has also addressed indirect workers' income insecurity, caused by production fluctuations, by guaranteeing to pay a certain number of working hours irrespective of the number of hours actually worked. However, the guarantee appears to be offered mostly to new temporary workers, and not available to all indirect employees.

The core issues remain the precarious employment and income insecurity of the indirect workforce, their unpredictable working hours and late shift notifications, and their lack of information concerning their own wages and bonuses. There is also evidence of discriminatory practices against the new Mongolian workforce and against trade union members. Overall, the report suggests the following key initiatives to improve working conditions in the factory:

- Addressing all issues of legal compliance, including core discrimination issues against migrant workers and trade union members.
- Providing stable and predictable working hours, income security and higher wages overall.
- Working with the factory union and the NGO, Most Pro, to inform workers about market developments and production planning, and to ensure workers can voice complaints without fear of retaliation.

Part I - Summary of Findings

1. Indirect Employment

Indirect employment ranges from 30 to 50% of manual workers at Foxconn's Pardubice plant. The indirect workers include temporary workers hired under an Agreement to Complete a Job for a maximum 300 hours per calendar year, as well as workers with regular employment contracts.

Based on the available evidence the relationship between Foxconn and its on-site indirect employers do not meet the criteria of legal outsourcing, which include the indirect employer acting independently to assign daily tasks to workers and planning its own production. The relationship between Foxconn and its indirect employers is similar to the relationship between other companies which the Czech Labour Inspectorate has characterised as "hidden" temporary work agency (TWA) employment.¹

TWA employment would require the direct and indirect workers to enjoy equal wage and working conditions for comparable work based on Section 309 (5) of the Czech Labour Code. Today direct and indirect workers are unequal in several important respects in Foxconn's Pardubice factory. It would be up to the Czech courts to determine whether or not the indirect employer at Foxconn is in fact a temporary work agency or a subcontractor.

2. Wages and Benefits

Electronics Watch was not able to confirm whether or not direct and indirect (migrant) workers receive equal wages because the indirect workers do not receive payslips that contain all the legally required information about gross wages and deductions. However, it appears that wages of indirect workers have improved compared to their wages as reported by academic researchers in the Electronics Watch Risk Assessment.

Benefits are not provided equally for direct and indirect workers with regard to sick pay and holidays according to the available evidence. Because of the lack of information on the payslips of indirect workers, it is not possible to determine if their employer has made all requisite social insurance contributions.

The indirect workers interviewed report that they were not paid premiums for Saturdays, Sundays, most holidays, and night shifts in violation of the Czech Labour Code. A substantial number of workers also stressed that they do not understand the bonus system or complained that it was not fair.

¹ See, 2016 annual report of the labour inspection, http://www.suip.cz/_files/suip-c085ec2e0f1a65b893da601189ebc3bb/rocnni-program-kontrolnich-akci-suip-na-rok-2016.pdf.

3. Working Hours

While Czech labour law allows for great flexibility for the employer in the area of working hours, Electronics Watch found evidence of breach of HP's standard for the maximum length of the working week and frequent late notifications of shifts. Both direct and indirect workers complained about late shift notices, which, for the indirect workers, sometimes arrives less than 24 hours before the start of the shift in violation of workers' employment contracts. Researchers did not have access to sufficient information regarding the scheduling of working hours and could not determine whether or not overtime was correctly compensated. Some direct workers report increased use of eight-hour shifts, which they welcomed. Still, 12-hour shifts, which workers say negatively impacts their health, private and family life, is the norm for the majority of the operators.

4. Disciplinary Practices

Indirect workers report 1,000 CZK fines for unannounced absences and for refusing extra shifts.

Researchers also identified informal ways of disciplining workers. This included disciplinary and discriminatory practices targeting women workers from Mongolia who report being told not to become pregnant during their first year of work or be ill. In general workers perceived discipline to be harsher against non-EU migrant workers who are more vulnerable because of their precarious legal status in the country.

Workers also reported that supervisors would sometimes shout at them or use racial slurs to make them work faster and attain high production quotas.

5. Conditions in Dormitories and Access to Housing

Workers' testimonies and documentary evidence indicate that conditions in the dormitories do not meet the requirements in the HP Supplier Code of Conduct. Workers complained primarily about privacy, cleanliness, and insufficient showers in certain dormitories.

Workers also report administrative fines for behaviour such as smoking in the dormitories, which raises the risk of disciplinary wage deductions imposed on workers outside of work. There does not seem to be any process in place for workers to contest or negotiate the imposition of fines for behaviour in the dormitories, leaving the system open to abuse. Furthermore, at Hůrka dormitory, the stipulation that inhabitants pay for pest control themselves appears punitive to workers, given the high fluctuation of inhabitants.

Alongside Pardubice's rising rents and high demand for rental accommodation, indirect workers' uncertain working hours and unstable pay present a barrier to accommodation outside the dormitories.

Mongolian workers in particular stressed that discrimination against “foreigners” by landlords has made it more difficult for them to access private rental accommodation.

None of the dormitories appear to provide accommodation for children, which precludes the possibility of a family life with children for workers living in dormitories. Researches did not find a written ban against children, but workers report being told that dormitories do not host children.

6. Transportation

Indirect workers traveling to and from work report continued overcrowding on the buses, which has caused them to fear for their safety.

7. Interpreters

Interpreters have a key role at Foxconn because of the large number of languages of the workforce. However, migrant workers report a lack of interpreters in general and a lack of experienced interpreters especially. Workers also say that they fear that they cannot rely on interpreters in case of conflict with their supervisors.

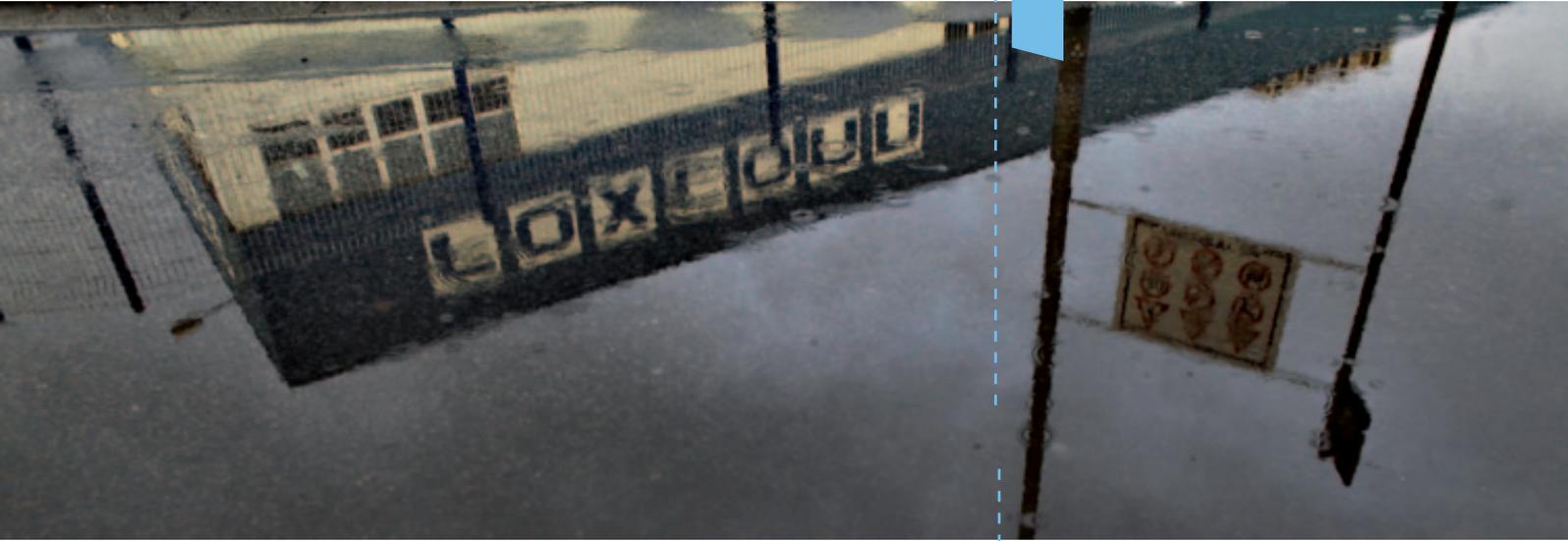
8. Freedom of Association

Some trade unionists report being told by their supervisors that they would not be able to advance in their careers within the factory because of their membership in the union.

Trade union leaders report that they do not have access to interpreters to speak with indirect workers or direct migrant workers who do not speak Czech. The trade union does not currently have an independent Mongolian translator for the growing Mongolian workforce. Given the workers’ fears of losing work and therefore residency, an independent translator to facilitate communication between migrant direct workers and the union is vital.

The indirect workers who face permanent job insecurity do not have access to an independent organisation that can represent and protect their interests.

Part II—Introduction



*Foxconn in Pardubice, Czech Republic.
Photo: Václav Vašků*

This report assesses the state of labour rights compliance in Foxconn's Pardubice factory in the Czech Republic. Foxconn is Czechia's second largest exporter² and an important private employer.³

The report builds on the Electronics Watch Risk Assessment of April 2016 and focuses on the main risk areas identified therein. It also takes into account HP's response to the risk assessment in its July 2016 report, Supply Chain Responsibility: Foxconn Pardubice Investigation – Key findings summary,⁴ and its follow-up in December 2016.

1. Methodology

The evidence in this report is based on offsite worker interviews, documentary sources and in-person observations of dormitories. Experts on labour law were also consulted.

The interviews focused on workers producing desktops and workstations for HP, both operators and workers in supervisory positions. The interviews with indirect workers focused on those employed by Profi Capital (formerly Xawax) rather than on workers employed by Express People, who produce cartridges for HP.⁵

The workers interviewed represent the varied composition of gender, nationalities, and employment conditions at the Foxconn factory in Pardubice. Researchers conducted the interviews outside the work environment and dormitories in settings where workers feel safe. Nevertheless, some of the workers expressed fear of reprisals, and some workers did not participate in the interviews for this reason. Thus, workers cited in this report are anonymous with no specific identifying information.

² See, <http://www.exporterroku.com/info-pro-exportery/clanek/0/59>.

³ Foxconn in Pardubice consists of the following legal entities: Foxconn CZ, Foxconn Global Services Division, Global Services Solutions, Foxconn Technology CZ, and Foxconn Network Technology CZ.

⁴ HP's findings are available to affiliates in a Memorandum on HP's preliminary findings on Foxconn Pardubice (July 15, 2016).

⁵ The production of cartridges ceased at the end of 2016.

Interviews and documentary evidence

- Most interviews were conducted from June to September 2016; additional and repeated interviews were conducted through December 2016.
- Interviews lasted one to three hours and addressed general information, work contracts, work time and shift allocation, pay and bonuses, payment of wages, fines and penalties, accommodation and transportation, freedom of association, management and supervision, relations between workers, and auditing and codes of conduct.
- Interviews were conducted in Bulgarian, Czech, Mongolian, Polish, Romanian, and Slovak.
- The 29 interviewees represent the varied composition of the workforce by gender, nationality, length of employment, and position. They include 16 core workers, including five trade union members, and 13 indirect workers.
- Documentary evidence include work contracts, payslips, plans of shifts, and the collective agreement.

Researchers corroborated worker testimonies with documentary evidence, such as work contracts, pay slips, and work shift plans and analysed the evidence against Czech and international legislation as well as the HP Supplier Code of Conduct. The report notes areas of risk where there is not sufficient evidence to determine breaches of law or the HP Code.

2. Definition of Terms

- *Migrant worker(s)* describes a varied group of EU and non-EU workers. Their citizenship, residence status (short term, long-term), language, and/or recruitment by an indirect employer shape their lives both inside and outside the Foxconn plant.
- *Indirect work/employment* describes the employment relations of on-site subcontracting. The report refers to “subcontracting” rather than “temporary work agency employment” though it is not yet clear which type of employment relation accurately describes the situation at Foxconn’s Pardubice factory.
- *Core workers* are direct employees of Foxconn.
- *Supervisors*, as used in this report, are all workers in positions of authority, including group leaders, trainers, and hall managers. Foxconn uses the term specifically to refer to those positioned above group leaders but below hall managers in the workplace hierarchy.

3. Background

Czechia is in the centre of Foxconn's European operations and serves as the company's regional base for Europe, the Middle East, and Africa. Foxconn employs about 5,000 workers, including around 2,000 indirectly,⁶ in Pardubice, and another 1,200 workers, including around 300 indirectly, in Kutná Hora. The Pardubice factory opened in 2000 and the newly-built modern factory in Kutná Hora opened in 2008. Foxconn's most important customers are HP, for desktops, servers, and data centres, and Cisco, for routers, switches, servers.⁷ Past buyers have included Apple, Acer, Compaq and Lenovo.⁸ Foxconn has recently announced the building of a data centre with KKCG⁹ and opened a Prague-based development and research centre.¹⁰ Much of the production of desktops has been based on low-skilled assembly line production; however, the modern Kutná Hora plant as well as current plans involve industrial upgrading.¹¹

Desktop production in halls A, B, C, and D

HP is the most important customer of the Pardubice plant. The nPCEBG (New Personal Computer & Enterprise Product Business Group) division, formerly called CMMSG, is at the centre of this research. It is "the oldest and the largest division" manufacturing "computers and workstations for homes and businesses".¹²

The core of production for HP is concentrated in four production halls (A, B, C, and D), which are managed by three hall managers and 12 supervisors.¹³

Originally, only Halls A and B existed. Hall A was intended for desktops produced in large quantities, and historically relied on indirect and less qualified workers. Today there are also core workers in Hall A. Hall B produced smaller quantities and required a more qualified workforce, mostly core workers. When there were larger orders or there were not sufficient numbers of core workers, indirect workers were employed there too. Later Hall B became a mixed hall with both direct and indirect workers. Hall C was originally used for the production of notebooks before they were moved to Hall D. Subsequently the production of notebooks was moved to China. Today Hall D produces AIO (all-in-ones) mostly with indirect workers. However, the concrete functioning of the assembly lines and the composition of the workforce changes frequently based on production needs.

The role of interpreters

The multinational migrant workforce, with limited or no knowledge of the Czech language, is dependent on interpreters to carry out their work responsibilities. As one indirect operator put it:

The interpreter translates for workers and trainers, workers and line leaders, what is needed for the work to happen, when workers need a day off, an extra allowance, or when they need a new belt or t-shirt.

⁶ This number is rapidly diminishing as this report is being finalised. As of the publication date, April 2017, there may be less than 1,000 indirect workers in Pardubice.

⁷ Čaněk, Marek, "Building the European centre in Czechia: Foxconn's local integration in regional and global labour markets," in *Flexible Workforces and Low Profit Margins: Electronics Assembly Between Europe and China*, Jan Drahokoupil, Rutvica Andrijasevic and Devi Sacchetto, editors, Brussels: ETUI, 2016.

⁸ Ibid.

⁹ See, <http://www.foxconn.com/news/10/40/Foxconn-partners-to-build-data-center-in-Czech-Republic>. See, <http://www.foxconn.com/news/19/40/Foxconn-opens-a-new-development-and-research-centre-in-Prague>.

¹⁰ See, <http://www.foxconn.com/news/8/40/Foxconn-to-digitize-Czech-plants>.

¹¹ See, <http://www.foxconn.cz/czech/onas/foxconn-v-cr-2/cmmsg-2/>.

¹² By the end of this research, Halls C and D were not used.

The interpreter is needed for everything. It's very important to have the right interpreter, not just someone who knows the language. It's important that it's someone who knows how to speak with people, how to deal with people.

However, workers report a lack of experienced interpreters. In addition, interpreters reportedly negotiate power relations in the factory differently for different workers. Some workers reported that a good relation with an interpreter can help an indirect worker get a better job. Other workers stated that they do not trust the interpreters because they do not translate things that supervisors may not want to hear. One worker complained about an inexperienced Mongolian interpreter:

When there was a conflict and the security personnel brought the worker outside, the interpreter did not translate properly what the trainer was saying. [The interpreter] only told [the worker] what to sign.

Outsourcing of cleaning, maintenance and security

In addition to workers in production, there are other groups of indirectly employed workers, such as cleaners, maintenance and security personnel. This work, which used to be done in-house is currently carried out by two companies: Atalian (formerly Kaf Facility) which is responsible for cleaning and M2C (formerly ABL) which handles maintenance of the buildings and security. According to a trade union member, the employees of both companies operating in the factory face precarious working conditions. The cleaning personnel were reported to work seven days a week and 12 hours a day, albeit in several different factories in addition to Foxconn. Some of the security personnel are reportedly not receiving overtime premiums. While the maintenance and security personnel used to be trade union members when they worked for Foxconn, they are no longer trade union members as employees of ABL.

Creating a "just-in-time," flexible workforce

Foxconn's "flexibility regime" includes the following elements:

- Uneven scheduling of working hours, and use of 12-hour shifts primarily for indirect workers.
- Using indirect employment and precarious contracts to adjust the numbers of workers to suit current fluctuating production needs
- Moving workers in between different tasks and production lines.
- Using dormitories to connect workers better to the just-in-time production needs.¹⁴

¹⁴ Andrijasevic, Rutvica and Devi Sacchetto, "Made in the EU: Foxconn in the Czech Republic," Working USA: The Journal of Labor and Society, Volume 17, September 2014: pp. 391-415; Čaněk, Marek, "Building the European centre in Czechia: Foxconn's local integration in regional and global labour markets," in Flexible Workforces and Low Profit Margins: Electronics Assembly Between Europe and China, Jan Drahokoupil, Rutvica Andrijasevic and Devi Sacchetto, editors, Brussels: ETUI, 2016.

Historically, Foxconn has used both EU and non-EU migrant workers in flexible work arrangements. However, recently Foxconn appears to be reducing the number of indirectly employed workers from the EU and replacing them with directly employed non-EU migrant workers, especially from Mongolia. According to a worker close to management, Foxconn expects the Mongolian workers recruited in 2016 and 2017 to be more disciplined and provide "better quality" work than the EU workers from Bulgaria and Romania who tend to

leave, and possibly return, with more ease. Unlike the Mongolian workers, EU workers are legally free to move within the EU labour market and cannot be tied to the employer in the same way as non-EU workers whose residence status is dependent on their particular employer. The new Mongolian workers are also reputed to be faster workers than the older Mongolian workers who have supposedly adjusted their working speed to the “Czech standard” and who may, after five years in the Czech Republic, have attained permanent residency status.

Security and insecurity for different groups of workers

Both direct and indirect workers usually describe manual work in the Foxconn factory in Pardubice as relatively simple, with very low entrance qualification criteria. Learning the job of assembly line operator takes only a few weeks. Thus the factory has become a fallback option for many migrant workers. As one worker explained: “Many people leave. Some return later because they know that they’ll always take them back. Foxconn is everyone’s final stop.”

At the same time, “just-in-time” production, transfer of risks to subcontractors, and cost-cutting mechanisms impact particular groups of workers in different ways. Low level operators, mostly EU migrant workers and new Mongolian workers, complain that management see them as interchangeable, just “numbers” or “machines.” For them flexibility has brought insecurity and high levels of stress. Czechs and Slovaks, usually male, who have regular employment contracts with Foxconn perform tasks as foreman, supervisor, and group leaders, and are more protected from the hazards of flexible employment.

Part III—Investigatory Findings

The investigation focused on possible breaches of Czech law and the HP Supplier Code of Conduct. However, from workers' perspective, addressing legal breaches alone may have limited value as the law accommodates just-in-time flexible production working hours arrangements which may cause them harm. For example, 12-hour shifts, which many workers reported harmful to their health and private lives, are legal in Czechia. Companies can partly avoid premium pay for overtime by the use of uneven scheduling of working hours. Limits set by the law can in some cases be exceeded through separate agreements between the employer and the workers. The power differential between a large company, such as Foxconn, and workers and especially migrant workers with tenuous legal status, is such that the free accord between the employer and employees can be at points questioned.¹⁵ Therefore, this report contains not just recommendations for legal compliance but also recommendations to improve conditions for workers whether or not legal limits are breached (see Appendix I).

Figure 1. Sign at entrance to the office of Foxconn's subcontractor, Profi Capital, reads, "Supplier of Assembly Work." Photo: Electronics Watch.



1. Indirect Employment

Introduction

Indirect work is an important strategy for Foxconn in Czechia to achieve flexibility in the hiring and firing of workers over short periods of time to accommodate just-in-time production needs. There are different understandings of the relationship between Foxconn and its main indirect employers, Profi Capital (Xawax)¹⁶ and Express People. While Foxconn has defined the indirect employers as subcontractors, or "suppliers of assembly work" (see Figure 1), that lease assembly lines in its plants in Pardubice and Kutná Hora, the Electronics Watch Risk Assessment identified Xawax as a temporary work agency, which claims it operates as a computer assembly subcontractor to Foxconn. The risk assessment noted that the subcontractor arrangement may serve to circumvent the intent of the law, which is to provide equal terms to agency workers and core workers who perform comparable work.

The issue is whether the indirect work at Foxconn is outsourcing, understood as "supply of outputs," or temporary work agency (TWA) employment, understood as "temporary allotment of an employee to a user, supply of workforce."¹⁷

The answer to this question would have profound implications for the employment and working conditions of the indirect workers. Czech law follows the EU Directive on Temporary Agency Work (2008/104/EC), which establishes the principle of non-discrimination regarding the essential conditions of work and employment among workers employed by temporary work agencies and those employed by the user company. According to Article 5 (1) agency workers must have

¹⁵ Other reports have described similar challenges of addressing Similar challenges issues were described in the Hungarian electronics sector: Perényi, Zsófia, Rácz, Kristóf and Irene Schipper, *The flex syndrome: Working conditions in the Hungarian electronics sector*, Amsterdam: SOMO, 2012. The authors claim that the work hour accounts are in contravention with the ILO standards (ILO convention 1, art.2, C).

¹⁶ In January 2017 Wincott People bought Xawax. See, <http://www.finance.cz/484409-agentura-wincott-people-koupila-konkurenty-xawax-a-mcroy/>

¹⁷ Tošovský, Adam, *Agenturní zaměstnávání v praxi*, Praha: Wolters Kluwer, 2011, p. 30-31.

the basic working conditions that would apply if they were employed directly by the user company in the same job from the first day of their assignment. These conditions include wages as well as the duration of working time, overtime, breaks, rest periods, night work, holidays and public holidays. Similarly, according to Section 309 (5) of the Czech Labour Code, “the employment agency and the user shall ensure that the working and wage conditions of a temporarily assigned employee are not worse than the conditions of the user’s comparable employee.” In addition, TWA workers could not be employed under the precarious “Agreement to Complete a Job,” which is common at Foxconn’s Pardubice factory.¹⁸ Subcontractors, on the other hand, would not be subject to these limitations.

Finally, Section 309 (8) of the Czech Labour Code allows for limiting the extent of TWA employment in the collective agreement. The trade union has reportedly attempted to negotiate limits on the numbers of indirect workers with Foxconn, but as the company does not consider the indirect workers to be TWA employees, the company refused negotiating this topic.

The question of the character of indirect work has recently become one of the priority areas of investigation for the Czech Labour Inspection,¹⁹ which has reviewed cases of regulatory evasion involving outsourcing, called “hidden” or “blurred” TWA employment.²⁰ Notably, an indirect employer at Foxconn’s Kutná Hora factory was recently fined for “hidden” temporary work employment.²¹

A recent Supreme Administrative Court’s decision regarding the company Rosso Steel involves indirect employment practice similar to the one in Foxconn’s Pardubice factory. The indirect employer in this case claimed to be a subcontractor of the main enterprise. The company leased the production lines from the main enterprise and produced the same goods as the main enterprise. Their final products could not be distinguished from the products of the main enterprise in the warehouse. The subcontractor’s workers were entirely governed by the main enterprise’s production needs and its internal organisation. The court issued a ruling that the indirect employer carried out “hidden temporary agency employment” and the Labour Inspection imposed a fine of 1,000,000 CZK.²²

The Rosso Steel case along with other definitions of outsourcing vs. TWA employment²³ provide a set of criteria that will be used in this report to analyse the character of indirect work in Foxconn’s Pardubice plant. These criteria are summarised in Table 1.

¹⁸ In Czech “dohoda o provedení práce, ” (Agreement to Complete a Job), is a simplified employment relationship with no social and health insurance. It can represent a saving on wage costs up to almost 50% (Tošovský, Adam, *Ibid*, p. 31).

¹⁹ See the Yearly Program of Control Activities of the State Labour Inspection Office for the year 2016, http://www.suip.cz/_files/suip-c085ec2e0f1a65b893da601189ebc3bb/rocnni-program-kontrolnich-akci-suip-na-rok-2016.pdf (accessed August 14, 2016).

²⁰ In Czech, “zastřené agenturní zaměstnání”.

²¹ Personal meeting with a representative of the Ministry of Labour and Social Affairs, 24 August 2016.

²² See, http://www.nssoud.cz/files/EVIDENCNI_LIST/2014/30_A_39_20150604120725.2014_rozsudek_anonymizovany_prevedeno.pdf (accessed August 16 2016).

²³ Tošovský, Adam, *Agenturní zaměstnávání v praxi*, Praha: Wolters Kluwer, 2011, p. 30-31.

Table 1. Main distinctions between outsourcing and temporary work agency employment.

Outsourcing	TWA employment
Indirect employer is independent, plans its own work, allocates tasks to its employees, and determines the number of employees.	Indirect employer is integrated into the production structure of the ordering party.
Indirect employer uses its own material and working instruments at the worksite of the ordering party.	Indirect employer does not necessarily use its own material or working instruments.
Indirect employees produce different outputs than the core employees at the worksite of the ordering party.	Indirect and core employees may produce different or the same outputs.

Findings

Both direct and indirect workers produce HP desktops in Pardubice’s Foxconn plant (nPCEBG Foxconn division). About 1,900 workers—mostly operators on the assembly lines—are employed in this division, of which more than 40% were indirect workers at the time of this research. The percentage of indirect manual workers usually oscillates between 30 and 50%. The indirect workers are not “temporary” only as there are workers among them who have worked for the indirect employer (formerly Xawax, Profi Capital in 2016) for several years.

In order to assess the relation between Profi Capital employees and Foxconn researchers focused on day-to-day operations in the factory as seen by the direct and indirect workers, operators and supervisors. Researchers have not had access to contracts between Profi Capital and Foxconn or other internal rules governing their relationship.

Leased assembly lines, “mixed lines,” “reserves,” specific tasks

On one hand, there are assembly lines where only Profi Capital workers are employed. There are signs for each type of assembly line. The so-called Xawax lines²⁴ received their signs reportedly after a visit of the Labour Inspection in order to formally separate the core Foxconn and indirect Xawax lines. According to a group leader of core workers, “The titles of the lines were never there. They put them there after [a Labour Inspection visit].”

On the other hand, there are also “mixed” assembly lines with both Foxconn and Profi Capital workers. The mixed lines are formally “Foxconn assembly lines.” Core operators do not work on the leased Profi Capital assembly lines. One worker described the functioning of a mixed line:

When it’s necessary, they put in anybody on the line whether they’re from Xawax or not. You just need to finish something on the line. [When] nine persons come to work because the rest is ill, they combine you with Xawax [workers] and you have to have the same productivity as if you were working with your usual workers. However, the Xawax workers may be only learning the job. And nobody cares about that. The assembly line just has to go on.

Furthermore, the explicit function of some Profi Capital workers, called “reserves,” are to replace missing core workers when necessary. They are usually more experienced and better paid than other Profi Capital operators. Profi Capital identifies such workers but the core supervisors also recommend workers who could be promoted to the position of reserves. According to a core group leader:

When there’s a good [Profi Capital] operator, I say automatically that I’d like to have him or her. We [recommend Profi Capital] to make reserves out of them because that person is good and we would have him or her on this or that position.

²⁴ Longerterm workers still refer to Profi Capital by its older name, Xawax. Leased lines X1, X2, and X3 are still called “Xawax” lines.

In addition, Foxconn supervisors may request indirect workers for specific tasks. A core worker described the process of this request as follows:

When I had the right amount of people that I needed, they came and we could start working. However, when there were too few workers or too much work, I was e-mailing [the supervisor] to send me more persons [from Xawax] ... When two persons did not show up, I had to call to say there were two persons missing and [the Xawax representative] brought those persons within an hour or two.

Hierarchy

The Profi Capital employee structure mirrors the Foxconn hierarchy with group leaders supervising a group of assembly line workers and line leaders supervising the assembly lines. Line leaders are in close contact with Foxconn supervisors.

There is thus a double command structure for the indirect workers, but in the hierarchy of supervisors, Foxconn supervisors are the authority. According to a Foxconn group leader:

We have Foxconn packing where the [group] leader is from Profi Capital. He's [responsible] for the packing ... but it's us who decide. The group leaders must come to me and it must be us who decide. For example he can't punish a Foxconn operator. And when a Profi Capital operator doesn't fulfil the norms, I go to the Profi Capital leader and tell him this person doesn't fulfil the norms.

Another Foxconn group leader reports:

Actually the Czech [Foxconn] supervisor is above the Slovak line leader. There's also a Xawax supervisor but the core employee is above the Slovak, Xawax one. So they'd work in Hall A and you could just tell the supervisor what was happening and he'd go and order what was supposed to change. So the [Xawax] line leaders were just running around.

Analysis of indirect employment

The organisation of production at Foxconn in Pardubice provokes the question, is the indirect employment relationship, which is presented as a subcontracting relation, in fact "hidden" TWA employment? Is Foxconn evading the obligation to provide equal terms to indirect workers and core workers performing comparable work?

Separate work uniforms, separate training of employees (albeit under the same trainers), and different labelling of production lines are designed to distinguish Profi Capital from Foxconn workers. However, the indirect workers are fully integrated into the enterprise organisation of Foxconn. Profi Capital has no economic activity of its

own within the factory, but serves as a part of the Foxconn production process. If there are urgent production needs, Profi Capital workers are assigned to Foxconn production lines and the pretence of two separate companies is put aside. The employees of Profi Capital are subordinated to Foxconn through a system of group leaders and line leaders. Thus, the primary function of Profi Capital is not to produce goods under its own direction, but to provide a flexible workforce, which is the essential role of a Temporary Work Agency rather than a subcontractor.

Even if the lease of production lines were determined to be legal, any lease of subcontractors' workers to Foxconn and vice versa would be illegal. According to the Czech Labour Law, an employer can lease another employer's workers only within the regime of TWA employment. However, the TWA must have permission from the Labour Office to carry out agency work and the TWA workers' must have agreed to be leased to another employer in their work contracts.

Conclusion

- Based on the available evidence the relationship between Foxconn and the indirect employer does not meet the criteria for legal subcontracting, such as independent decision-making and autonomy of the supplier.
- The indirect workforce is large, ranging from 30% to 50% of manual workers. The indirect workers are not just "temporary" workers employed for short periods of time.
- It would be upto the courts to determine whether or not Profi Capital is a TWA or subcontractor in relation to Foxconn in Pardubice.

2. Wages and Benefits

Introduction

Wages is one of the most important issues for workers at Foxconn in Pardubice.²⁵ After a period of wage stagnation during the post-2008 economic crisis, wages have started to rise again in Czechia and the Pardubice region, including in Foxconn, in recent years of economic boom and declining unemployment rates. However, the median monthly wage of operators in the electronics sector, 19,217 CZK, has remained below the general Czech median wage, 23,409 CZK, as of mid-2016.²⁶

The risks identified by the Electronics Watch Risk Assessment in the area of wages concerned mostly indirect workers. Earlier research had reported that indirect workers earn between 0.5 to one EUR less per hour than core workers for comparable work. The risk assessment also noted that the indirect workers were not paid extra for holidays, Saturdays, or overtime. In July 2016 HP reported no difference in remuneration, stating: "Foxconn direct and agent workers receive comparable total compensation." However, HP also reported: "Differences in hourly rate and OT/shift differentials were noted and additional information has been requested from FX to confirm pay equality." In December 2016 HP stated that "Foxconn direct and agent worker[s] receive comparable total compensation," that "FX contracts comply with Czech legal requirements," and that "agency workers are paid overtime, holiday, shift differential and sick leave."

Findings

Wages of direct and indirect workers

Workers' income consists of several components, including the base wage, bonuses, and other benefits (see Table 2, which shows how both Foxconn's direct and indirect (Profi Capital) workers are remunerated).

The monthly gross wages of interviewed direct low-level operators range between 17,000 and 20,000 CZK, with a base wage of 15,400 CZK. They report net wages from about 14,000 to 16,000 CZK. Various premiums can increase the take home wage, and employee benefits, such as reduced prices in the factory canteen and extra holidays, increase the value of the wages.

The indirect low-level operators' wages depend on the number of hours worked during a particular month. The workers interviewed worked from about 75 to 240 hours per month during the time of the research, and reported other periods with even higher numbers of work hours (see section on Working Hours). Workers hired under the precarious Agreement to Complete a Job receive 85 CZK per hour while those with standard employment contracts have a base wage of 10,900 CZK per month. The most important employee benefit for the

²⁵ Čaněk, Marek, *ibid.*

²⁶ See, Informační systém o průměrném výdělků, 1. pololetí 2016, <http://www.ispv.cz> (accessed October 30 2016), information on average income for different occupational groups in the Czech Republic. Electronics industry operators are classified as "CZ-ISCO 82122" under the International Standard of Categorisation of Occupations.

indirect workers is the paid-for accommodation in the dormitories or a 3,000 CZK cash contribution to employees' private housing as long they work at least 150 hours per month; workers who receive less than 150 hours per month get a housing contribution equivalent to 10 CZK per hour worked, or less than half of what they would receive with 150 hours of work. Indirect workers also report that they do not receive a premium for work on Saturdays, Sundays, and most holidays, but only for Christmas and Easter.

Table 2. Wage and benefit composition for direct and indirect workers.

	Foxconn operator (gross wages)	Profi Capital operator (Agreement to Complete a Job) ²⁷	Profi Capital operator (employment contract)
Wages	<ul style="list-style-type: none"> • 14,900 CZK/month gross and 15,400 CZK/month gross after first six months or earlier depending on the decision of the supervisor (according to trade union) • 14,000-16,000 CZK/month net reported by workers 	<ul style="list-style-type: none"> • 85 CZK/hour gross (according to employment agreement) 	<ul style="list-style-type: none"> • 10,900 CZK/month gross (according to employment contract) • 75 CZK/hour net (according to workers)
Bonus	<ul style="list-style-type: none"> • 1,000 CZK/month maximum bonus for tidiness, productivity, lack of damaged material • 1,000 CZK/month maximum bonus for full attendance (4 hours/month for doctor's appointment is allowed) • 1,000 CZK/month maximum for special skills (e.g. ability to work in more positions, forklift use) • 2,000 CZK/month flexibility bonus for 12 hour-shifts with a more flexible notification of shifts (24 hours before its start) according to the collective agreement and contracts 	<ul style="list-style-type: none"> • Unclear to workers 	<ul style="list-style-type: none"> • Some workers report bonuses up to 15 CZK/hour net but they do not know what the bonus is for
Health insurance	<ul style="list-style-type: none"> • Yes, public health insurance 	<ul style="list-style-type: none"> • Commercial health insurance with limited coverage 	<ul style="list-style-type: none"> • Yes, public health insurance
Subsidised food in the canteen	<ul style="list-style-type: none"> • Yes, meal costs 6 CZK for workers on 12-hour shifts and 24 CZK for workers on 8-hour shifts 	<ul style="list-style-type: none"> • No, cost of a meal is 58 CZK 	<ul style="list-style-type: none"> • No, cost of a meal is 58 CZK
Subsidised accommodation	<ul style="list-style-type: none"> • Exceptionally. Newly arrived Mongolian workers in the first three months 	<ul style="list-style-type: none"> • Yes, dormitory at no cost 	<ul style="list-style-type: none"> • Yes, dormitory at no cost • 3,000/month CZK contribution for those living in a flat if they work a minimum of 150 hours/month • 10 CZK/hour worked if they work less than 150 hours per month

	Foxconn operator (gross wages)	Profi Capital operator (Agreement to Complete a Job) ²⁷	Profi Capital operator (employment contract)
Subsidised travel	<ul style="list-style-type: none"> • Yes, contribution to cost of buses from local villages and towns (unknown amount)²⁸ 	<ul style="list-style-type: none"> • Free travel to and from Czech Republic unless workers lose their employment contract • Free buses between the dormitory and factory 	<ul style="list-style-type: none"> • Free travel to and from Czech Republic unless workers lose their employment contract • Free buses between the dormitory and factory
Contribution to the supplementary pension fund	<ul style="list-style-type: none"> • Yes 	<ul style="list-style-type: none"> • No 	<ul style="list-style-type: none"> • No
Holidays	<ul style="list-style-type: none"> • Four weeks paid vacation • An extra two-day holiday for operators per the collective agreement 	<ul style="list-style-type: none"> • No 	Four weeks paid vacation. However, workers in at least one dormitory (Hůrka) cannot stay away for longer than one week or they lose their room and must remove all their belongings.
Time-off work	<ul style="list-style-type: none"> • Three days paid for operators having worked at least one year per the collective agreement 	<ul style="list-style-type: none"> • No 	<ul style="list-style-type: none"> • No
Premiums²⁹	<ul style="list-style-type: none"> • Saturdays: 15% premium • Sundays: 40% premium • Holidays: 500 CZK per day premium and compensatory leave • Overtime on Saturdays: additional 28% premium • Overtime on Sundays and holidays: additional 40% premium • Overtime on regular days: 25% premium • Night shift: 15% premium • Continuous operations premium:³⁰ 5 CZK/hour 	<ul style="list-style-type: none"> • No 	Workers report premiums for work on Christmas and Easter holidays only, but no premiums for work on other holidays or for night shift, overtime, Saturday and Sunday work, or for continuous operations.
Compensation for cancellation of shift in case of accident	<ul style="list-style-type: none"> • 80% of salary 	<ul style="list-style-type: none"> • No known 	<ul style="list-style-type: none"> • 80% of salary if workers remain on the premises

²⁷ An agreement "to complete a job" under Section 75 of the Czech Labour Code cannot exceed 300 hours in one calendar year.

²⁸ The subsidised buses will reportedly be cancelled in April 2017.

²⁹ The Czech Labour Code requires a 25% premium for overtime (Section 114), 10% for night work (Section 116), 10% for work on Saturday and Sunday (Section 118), and compensatory leave for a work on holidays (Section 115).

³⁰ According to the Czech Labour Code, Section 78 g, "continuous operations means operations, which require work to be performed 24 hours a day, seven days a week." All direct Foxconn employees who are part of the "continuous operations" receive the continuous operations premium.

Barriers to the wage comparison of direct and indirect workers

As Table 2 shows, a direct comparison of the remuneration between direct and indirect workers is complicated. First, there are internal differences within both groups. For example, direct workers on 12-hour shifts whose shifts can change more abruptly (notification at minimum of 24 hours before its start) receive a “flexibility bonus” of 2,000 CZK. There are also significant differences between indirect workers employed on temporary “Agreements to Complete a Job” versus those on standard employment contracts. The former have no right to holidays, overtime or holiday premiums, and receive lower quality or no health insurance.

Figure 2. Payslips of indirect workers contain limited information. They do not contain information about taxes, social insurance, holidays, and the gross wage. They do not indicate the purpose of the bonus.

The varied systems of remuneration and workers’ own lack of information further complicates comparisons to ensure all workers are treated equally for comparable work. The payslips of indirect workers interviewed do not contain information about payments of social insurance and health insurance or tax deductions and do not state workers’ gross wages (see Figure 2). Section 142 (5) of the Czech Labour Code requires workers’ payslips to contain “a written itemized pay statement, giving details of individual items of the employee’s wage or salary and the deductions made.”

OSC	Priezvisko a meno	Hodiny	Zaloha	Priplatek	Sukromie	Poistka	Srazka	Výplata 08/2016
Personal number	Surname and name	Hours	Deposit	Bonus	Housing allowance	Insurance	Deduction	Wage/payment

Conclusion

- Wages even for core workers are low. While these workers report a net monthly income of 14,000-16,000, a two-room flat with a simple kitchen costs between 9,000 and 12,000 CZK (see section five on dormitories and housing). Heat, food, and other basic expenses come on top of the rent. Single workers and even couples with children struggle to make ends meet. Financial stress for indirect workers is even greater on account of their lack of predictable hours and income. Yet, there are companies in the area that pay still lower wages.
- Core operators have the following advantages compared to indirect workers with regular contracts:
 - A higher monthly base wage (15,400 CZK vs. 10,900 CZK).
 - Premiums for work on Saturdays, Sundays, and holidays, and for work during continuous operations.
 - A clear and understandable system of bonuses, including a substantial flexibility bonus.
 - Two additional holidays.
 - Three paid days off work extra after one year of employment.
 - Subsidised meals in the canteen.

- Indirect workers with employment contracts have the following advantages compared to core workers:
 - Free dormitory housing or a subsidy towards rental housing, except that newly arrived direct Mongolian workers also receive a subsidy for the first three months.
- Both core workers and indirect workers with employment contracts have considerable advantages compared to indirect workers hired under the precarious “Agreement to Complete a Job.”
- Payslips of indirect workers examined by researchers lack the legally required information. These workers could not know whether or not the employer had made all required social insurance contributions and whether or not they would be covered by sickness and unemployment insurance.

Unclear or unfair bonuses

Many indirect workers reported that they did not understand the bonus system. One indirect worker said:

Everyone says, if you make the norms you will get a good bonus. But it's not exactly that. I see people meet the norms but at the end of the month they have a small bonus, for example 5 or 7 crowns [per hour]. That's not a bonus. I think the bonus is something fake!

A former indirect worker also did not understand the bonus system but did not dare to inquire about it. “I didn’t want to have problems,” he recalled. “Anyway the pay was good.” A direct worker who started working at Foxconn in the spring of 2016 worried that rules for determining bonuses did not apply equally to all: “It’s the foreman who decides about the bonuses,” she said. “I think it’s based on sympathies. When somebody is not sympathetic to him, she doesn’t get anything.”

3. Working Hours

Introduction

Fluctuating demand and just-in-time production results in highly irregular working hours at the Foxconn factory in Pardubice. Late notification of shifts, frequently modified work schedules, and uneven scheduling of work hours is the norm. While working hours for core workers should average 40 or 37.5 hours over a period of 26 weeks, they can fluctuate in any given week.

The Electronics Watch Risk Assessment noted two main risks of legal breaches in the area of working hours: late notification of shifts, when, for example, indirect workers were informed of their shifts on the same day that work was to be done, and the inability of workers to refuse additional hours. In July 2016, HP responded that Foxconn has been providing “a work schedule 1 week in advance,” but that “shorter schedule change notices impacting both direct or agent workers can take place.” HP also reported that “all workers interviewed confirmed all work was voluntary and that work requests including overtime can be declined without fear of reprisal.” Finally, HP noted that it was “working with Foxconn to obtain additional information and determine if corrective action is required.”

This section explains the working hours regime, including shift notifications. The question of workers’ ability to refuse additional hours will be addressed in the section on disciplinary measures.

Findings

Uneven scheduling of working hours

Following Section 78 (1) of the Czech Labour Code, Foxconn distributes the standard weekly working hours of core workers unevenly over a period of 26 weeks to be able to adjust production capacity to demand and to avoid or delay overtime payment. The average number of hours over the 26-week period cannot exceed the standard weekly working hours. However, within that period, hours can vary widely and workers report up to 60 hour work weeks. The working hours for indirect workers may also fluctuate according to the same arrangement, but indirect workers interviewed were not aware of any 26-week settlement period. They report working up to 69 hour work weeks.

Eight-hour versus 12-hour shifts

Indirect workers usually work 12-hour shifts. The majority of the workers interviewed complained about them, citing the difficulty of standing up for 12 hours, and the harm to their biorhythm, private and family life. As one worker said, “I’ve been exhausted, tired. I’ve had a totally disturbed biorhythm. Even after those years I couldn’t get

used to it.” However, a number of the workers also reported that they did “get used to them” because they did not see any other choice or considered 12-hour shifts more advantageous financially.

In August 2016 Foxconn extended eight-hour shifts to about 40% of its operators at the nPCEBG division. Thus the situation of some of the core workers improved. The trade union welcomed the decision. One core worker reported that he changed to the eight-hour shift to be able to manage child care better.

I decided to go for the eight-hour shifts ... I worked morning and night shifts but it wouldn't have been possible to manage if my father wasn't here [to look after our child].

Some of the interviewed core workers, however, chose to remain on the 12-hour shifts as they receive a monthly flexibility bonus of 2,000 CZK for the longer shifts. A core worker from Mongolia reported that they were not allowed to switch to the eight-hour shifts. “They told us that whoever wished could switch to the eight-hour shifts,” the worker recounted. “The manager said so. However, our leader told us that this was not possible.” The worker added, “Anyway I don't care because I don't want the eight-hour shifts”.

The eight-hour shifts can still be extended in times of high production. One core worker described the lack of predictability of working shifts:

These engineers up there [in the office] plan something along the lines that we will have five eight-hour shifts from Monday till Friday. Then I come to work on Monday and they tell us that we will have a 12-hour shift [on that day] and then again three times during that week instead of the eight hour shifts. They just make sure that we don't have more than 60 hours per week.

Abrupt shift changes

Section 84 of the Czech Labour Code provides for the employer's obligation to notify workers with working hours accounts at least one week in advance of shifts. However, the law allows employers and employees to make different arrangements. At Foxconn in Pardubice the union agreed to a 48-hour period for the notification of shift changes. New contracts for the core employees in the nPCEBG division, introduced at the time of research, allowed for the notification of a shift change up to 24 hours before the start of the shift. Mongolian workers newly arrived in 2016 received contracts with such flexible arrangements.

Indirect workers may be asked to agree to any kind of shift planning and a notice period of only 24 hours in case of urgent need. They may also have to agree to overtime without any advance notice.

This extreme shortening of the notice period arguably undermines the intent of the law, to allow workers to plan their free time while

being secure in future work hours. In addition short notice periods may circumvent the law on work alerts, which provides workers with extra compensation for the “period during which (they are) in the state of readiness to perform work” of at least 10% of average earnings for a period of standby. The shorter the shift notification period, the less time workers spend on “standby.”³¹

Moreover, workers reported that the indirect employer commonly notified them of extra shifts less than 24 hours in advance. They also reported that planned shifts could be shortened from 12 hours to eight hours or even shorter, or cancelled altogether. In some cases workers reported delayed starting times of the shifts.

During unstable periods it was challenging for workers to adjust to the abrupt planning of shifts. According to an indirect operator:

The planning of shifts changes every day. There is a weekly plan of shifts ... It may change even twice a day. For example I see that I'll have a day shift tomorrow. I prepare a sandwich and in the morning I see it's cancelled. Sometimes I go to sleep during the day as I'm supposed to have a night shift and it's cancelled. You have to watch every hour. It was crazy in July. The plan of shifts for August is good, I know them two or three days in advance. I know for sure how things will be.

Guaranteed pay to offset unpredictable working hours and wage insecurity for temporary workers

Profi Capital (Xawax) has been offsetting some of the insecurity during the increasing production fluctuations by guaranteeing to pay a certain amount of working hours irrespective of the number of hours actually worked. Workers reported this guarantee in June, August, September and later in 2016. For example a job offer published in Slovak in June 2016 on a Xawax.sk facebook page states that the “guaranteed pay is 15,000 CZK for the month of June.”

However, the guarantee appears to be ad hoc rather than a consistent policy offered mostly to the new temporary workers, and not available to all Profi Capital employees. The guarantee may also cause friction between the direct and indirect employees. According to a core worker:

I have to come to work 150 hours per month and [the indirect worker] works may be 100 hours and receives his wage for 200 hours. Why? Why is Foxconn doing it?

Direct workers also complained about shift changes, telling researchers that they learned about shifts with certainty only three days in advance. According to a core worker:

When orders are coming in, they make us work during the weekends. During the week they could cancel a shift and then plan it again. Just

³¹ See Sections 78 (1) h), 95, and 140 of the Czech Labour Code.

this week there's a day shift on Monday, night shifts on Tuesday and Wednesday ...and for Saturday [which was supposed to be off] there is now a planned shift.

Core workers were also concerned with frequent cancelation of shifts. Article 14 of their Collective Agreement gives them the right to a flexibility bonus of 10% per hour if they receive notification as little as 72 hours before the start of this shift. The employment contracts stipulate a 48-hour minimum notification period. However, a shift cancellation between 48 and 72 hours before the start is not compensated in any way. Thus, cancelling a planned shift is cheaper for Foxconn than ordering a shift that has not been planned less than 72 hours in advance. According to core workers, Foxconn tends to announce shifts for almost every weekend when there is a certain probability of higher production demands and cancel them late if production plans change.

Sometimes shifts are canceled even later than 48 hours before their planned start, workers say. Most workers reportedly accept such late cancelations without protest. The few workers who do protest are assigned shifts despite the official cancellation. According to a core group leader a collective protest would be required to change company practice. "If one person refuses to agree, they pay this shift and give work to that particular person," says the core group leader. "All of the workers would have to stand up against it [to have some effect]."

Overtime

Indirect workers' payslips do not indicate whether or not they receive overtime premiums. Workers interviewed were not sure whether or not they receive overtime compensation as working hours may be unevenly scheduled over a settlement period, and they do not know the length of that period. One indirect operator asked the supervisor "why no overtime premiums were paid." The supervisor explained that what is "talked about as overtime is not in fact overtime" and "it doesn't mean you get anything extra." The operator commented: "As he was saying it, the coordinator is possibly right. ... Anyway, I don't want to inquire any further, I'm not courageous enough and don't want to run into any trouble."

"Smoothing out the production fluctuations"

In response to the Electronics Watch Risk Assessment, HP noted it was aware of the problems associated with irregularities in production planning and aimed to "smooth out production fluctuations" together with Foxconn.³² While the trade union representatives interviewed noted a short-term improvement with more time allowed for the cancellation and planning of extra shifts, they did not note any substantial improvement in the planning of production and the time allowed for delivery of product after the placement of the order. Workers generally expressed a concern about lack of access to information about production planning.

³² Memorandum on HP's preliminary findings on Foxconn Pardubice (July 15, 2016) available to affiliates.

Table 3.
Flexible Working Hours

	Foxconn core operator	Profi Capital (Agreement to Complete a Job) ³³	Profi Capital operator (employment contract)
Weekly working hours	37.5 hours/week (for workers on three-shift operation) or 40 hours/week	No weekly working hours in the agreement	40 hours/week
Weekly working hours including overtime reported by workers	Maximum 60 hours/week	Maximum 69 hours/week	
Monthly working hours reported by workers	Minimum of 120 hours and maximum of 200 hours/month	Minimum of 76 hours and maximum of 240 hours/month	
Shifts	8 or 12 hour shifts	<ul style="list-style-type: none"> • Normally 12-hour shifts • Shifts may be shortened pending production needs 	
Uneven scheduling of working hours, and relation to income	<ul style="list-style-type: none"> • 26-week working hour accounts • Stable monthly wages 	Not applicable	<ul style="list-style-type: none"> • The contract states: "Employee agrees to the carrying out of work in one-shift or multiple shift work regime, with or without hour averaging."
Notification of shifts	<ul style="list-style-type: none"> • Minimum of 48 hours by collective contract • Workers report less than 48 hours • 24 hours before the shift for workers receiving a flexibility bonus 	No mandatory shift notification period	<ul style="list-style-type: none"> • Minimum of 24 hours by employment contract • Workers report less than 24 hours
Overtime	<ul style="list-style-type: none"> • Maximum of 8 hours/week and 150 hours/year can be required. • Additional overtime requires consent of workers, but cannot exceed 8 hours per week on average over a period of 26 consecutive weeks. 	No overtime	Employment contract allows overtime in excess of 8 hours/week and 150 hours/year.
Weekly rest periods	Guarantee of 20 weekends when no shift can be planned.	Shifts may be scheduled for Sundays, but this is not common.	Shifts may be scheduled for Sundays, but this is not common.

³³ An Agreement to Complete a Job under Section 75 of the Czech Labour Code cannot exceed 300 hours in one calendar year.

Conclusion

- Czech labour law provides great flexibility for the employer to adjust working hours according to production demand. Yet, there is evidence that Foxconn and the indirect employer exceeds the limits of the law, the HP Supplier Code of Conduct, or employment contracts in the following areas:
 - A work week in excess of 60 hours—indirect workers report up to 69 hours per week.
 - Notifications of shifts less than 48 hours in advance for core workers, and less than 24 hours in advance for indirect workers.
- Indirect workers interviewed lack information about the working hour account system, and do not know the length of the settlement period or whether or not they are entitled to overtime premiums for any period of work.
- Many core workers welcomed Foxconn's extension of the eight-hour shifts to about 40% of its operators at the nPCEBG division.
- Some workers still report negative consequences of the 12-hour shifts on their health, private and family life.

4. Disciplinary Practices

Introduction

Foxconn uses a management system of incentives and discipline to ensure workers meet production quotas or norms. Some interviewed workers were satisfied with conditions at Foxconn, which they described as better than in their home countries, while other workers described Foxconn as a very stressful workplace, where high pressure is exerted on workers to “meet the norms.”

The Electronics Watch Risk Assessment found risk of breaches of the Czech Labour Code regulating wage deductions and monetary penalties. Section 346b of the Czech Labour Code prohibits monetary penalties on workers’ wages for failure to meet employment obligations. Furthermore, Section 4 of the HP Supplier Code of Conduct states: “Deductions from wages as a disciplinary measure shall not be permitted.” The Risk Assessment provided evidence that indirect workers were fined for being late or absent without approval and for making mistakes in their work. In July 2016, HP found that Foxconn made deductions from workers’ attendance bonuses for being as little as five minutes late, but not from workers’ base pay, which would be illegal. In December 2016, HP concluded that there was “no indication of disciplinary wage deductions or disproportional deductions associated with time missed.”

Findings

High production quotas: invectives, racism and disciplinary measures

Some workers reported responsive supervisors who move people to work positions that best suit their abilities, or who motivate workers to meet the production quotas. One worker reported: “When they are slow the leader will help them. When I had [a physical health problem], the leader moved me to a different position.” However, others reported that some leaders and supervisors resort to shouting, threats and insults when workers do not meet the production norms. According to an indirect operator:

The norms are always increasing. People have to meet the norms, or they shout ‘norms, norms.’ If you meet the norm, they increase it again. You have to be careful...They want robots, not people...they’re always threatening, if you don’t meet the norms, then you’ll be fired.

Another indirect worker said similarly: “They prefer a robot to a human ... They are threatening you all the time if you do not fulfill the norms that you will be fired.”

A core worker reported:

*Sometimes it happens that we have to continue working one to three minutes after the beginning of break, so we can finish the production quota. Otherwise, the leader shouts and uses rude curses. He uses words like 'c**t' or rude gestures. He insults us—our hair, posture, and so on. He thinks that we don't understand, but I understood and told the others what it means. Then the leader was angry...I can't even smile at anyone, because the leader would immediately shout at me, to work hard, that I'm paid to work, that the production quota won't make itself...*

A core worker related an incident where a relative was denied leave when she was sick because of production pressure. "They didn't let her leave," she said. "They told her to go to the toilet and throw up [and then come back to work]. The supervisor said this to her. I don't think he has any problems due to this."

Migrant workers interviewed are concerned that certain leaders and supervisors may target them for disciplinary treatment. According to a core worker from Mongolia:

...the supervisor berated me that I'm working too slowly. When I complained that the norm was too high, he told me that if I don't like it, I can 'go home' (to Mongolia). Our boss shouts terribly at us.

Workers from Mongolia complained in particular about one supervisor in Hall A, a former soldier, who regularly resorted to shouting and insulting workers. However, during the course of the research, as these workers increased their output, the behaviour of supervisors in general appears to have improved and the workers found them more respectful. One worker reported: "The superiors behave in a more polite way, they aren't as rude as they were."

Disciplining non-EU workers

Non-EU migrant workers' immigration status could itself exert disciplinary pressure. Workers from non-EU countries have residence permits that are tied to their employment at a specific employer,³⁴ in this case Foxconn. Some new core workers from Mongolia fear losing their jobs, and subsequently losing legal residency in the Czech Republic. According to a Mongolian core worker:

I'm on a line where it's hard not to make mistakes, so I asked the leader to put me on a different position, but he refused. I'm scared that if I make a third mistake I'll be fired. I heard that this happened to one of the new Mongolian workers already. I'm afraid...

Fines and penalties

Workers report that they are not just fined for being late, but also for making mistakes at work, damaging materials or products, having incorrect work clothing, helping colleagues on the line complete their work, and sitting down or resting on the production line during a shift.

³⁴ Non-EU migrant workers are entitled to a period of three months to search for a new job if they are dismissed for any of the reasons stated in Sections 52 a) to e) and Section 56 of the Labour Code. In case of conflict with the employer, this three month protection period may not apply.

Indirect workers report 1,000 CZK fines for an unannounced absence from work. Indirect workers reported that they would be fined for absence also for refusing extra shifts.

If given an extra shift, can you refuse?

No. You need to have a doctor's note, or you will have a 1,000 CZK fine for absence.

For the first breach of work rules, both direct and indirect workers may face a first "disciplinary issue," reduction of a monthly bonus (100-200 CZK), and, if needed, retraining. A repeated mistake during the same day leads to an offense of greater gravity ("IPAN") and a larger bonus reduction (500 CZK). A worker is disqualified from his or her position and reassigned if there are three disciplinary issues in one day.

The system of fines and penalties for refusing extra shifts and for making mistakes in work compounds the stress on workers caused by unpredictable shifts, late shift notifications, and, at times, excessive working hours, as well as their lack of awareness as to which hours should be counted as overtime.

Pregnancy and illness prohibited?

New core workers from Mongolia report that their coordinator told them, during their introduction to Foxconn in April 2016, that they should not fall ill or become pregnant in their first year of their employment at Foxconn. One worker said:

At the training they told us they were expecting from us to learn Czech fast and that we should not be pregnant in the first year or be sick for longer periods of time.

Verbal warnings to Mongolian core workers, not to be ill or become pregnant in the first year of their employment play on workers' fears of losing legal residency status should their employment be terminated. Such a directive extends disciplinary control into workers' personal lives and amounts to discrimination based on both gender and migration status.

Conclusions

- High production quotas lead to a high-pressure work environment, with some supervisors resorting to verbal abuse to spur workers to work faster.
- Indirect workers reported a 1,000 CZK fine for unannounced absences. It is unclear whether this is a deduction from workers' base wage, or withholding of an attendance bonus. Where this fine is incurred for failure to attend additional shifts, it raises concerns about workers' ability to refuse extra shifts.
- Supervisors also use forms of informal discipline particularly against non-EU migrant workers who are more vulnerable to disciplinary pressures because of their precarious legal status in the country.

5. Conditions in Dormitories and Access to Housing

Introduction

Indirect workers and some of the new, non-EU core workers are accommodated in three main dormitories in Pardubice. Conditions vary between these different dormitories in terms of the provision of cooking facilities, toilets and showers, and the number of beds per room.

Profi Capital and Express People cover the costs of dormitory accommodation for indirect workers, and provide a rent subsidy of 3,000 CZK per person per month for indirect workers renting private accommodation if they have worked at least 150 hours in that month. Foxconn covers most of the cost of dormitory accommodation for the first three months of employment of new Mongolian workers. For example, workers reported that in the first three months after their arrival Foxconn paid 3,500 CZK while the Mongolian workers paid 300 CZK of the total monthly 3,800 CZK rent at the dormitory Veselka.

However, private rental housing can be prohibitive for migrant workers. Rents have risen in recent years and average monthly rent for a two-room flat with a kitchen ranges between 9,000 and 12,000 CZK without energy bills. In addition, the usual two months rental deposit as well as a fee paid to the real-estate agent, usually one month's rent, often comes as a surprise. Discrimination by some landlords, who do not want to rent to "migrant workers," makes finding rental accommodation even more challenging for those without a good command of the Czech language.

The Electronics Watch Risk Assessment noted workers' complaints of the state of dormitories based on the evidence of academic researchers and the local trade union. In July 2016 HP announced it found "no non-compliances with dorms." However, HP added that "two agency workers expressed concerns on general cleanliness and privacy" and that the company was "working with FX to address these worker concerns." In December, HP announced that "Foxconn has implemented regular audits of dorms / worker interviews to ensure compliance with FX requirements." The company noted that "some worker feedback on noise levels after 10pm have been reported and FX has taken measures to ensure noise compliance."

According to the Czech Civil Code, there is limited legal protection for persons accommodated in dormitories. The accommodation provider is to keep the accommodation facilities in an appropriate state.³⁵ Laws on the protection of public health also require accommodation providers meet legal standards for hygiene and public health and to abide by operating rules approved by Regional Hygiene Stations.³⁶

Electronics Watch evaluated the state of dormitories based on the standards set out in the Act on Protection of Public Health, and Section Seven of the Health and Safety Section of the HP Supplier Code of Conduct, which states: "Workers are to be provided with

³⁵ Section 2325 of the Act No. 89/2012, Coll.

³⁶ Law on Protection of Public Health, Section 21a, Act no.258/2000, Coll.

ready access to clean toilet facilities, potable water and sanitary food preparation, storage, and eating facilities. Worker dormitories provided by the Participant or a labour agent are to be maintained to be clean and safe, and provided with appropriate emergency egress, hot water for bathing and showering, adequate heat and ventilation, and reasonable personal space along with reasonable entry and exit privileges.”

Findings

Barriers to better housing: indirect workers’ insecure income, and limited assistance to direct workers to find private housing

For indirect workers who do not see their work and stay in Pardubice as temporary only, insecure working hours and consequently unstable pay can present real barriers to finding rented accommodation outside of the dormitories. For example, two interviewed workers, living in private rental accommodation, described the difficulties they faced during months in which they were given less than 150 hours work. Not only did they lose most of the 3,000 CZK rent subsidy from the indirect employer, but these were also months with lower overall pay, making paying the rent much harder. Some workers reported moving back into the dormitories following rent increases by private landlords.

The migrants from Mongolia also found barriers to moving out of the dormitories, including high rents compared to their income, the tight housing market, and discrimination. According to the local NGO, Most Pro, Foxconn did not work towards securing non-dormitory accommodation for new core workers from Mongolia prior to their arrival in May 2016. Furthermore, in the first months after their arrival, Foxconn only gradually provided support in finding accommodation outside of the dormitories.

Children in Dormitories?

Information from the NGO Most Pro indicate that the Veselka, Harmony, and Hůrka dormitories offer accommodation to children under 15 years of age. Electronics Watch researchers did not observe any children in those dormitories. Workers report that the dormitory receptionist tells them that the dormitories do not host children “so that they do not have a problem with the Child Protection Department or the Police. ... such is the custom [of no children at the dormitories].” Migrant workers either have to leave children in their home countries, or bring them only once they have found private housing outside of the dormitories. The latter is, however, not easily accessible to indirect workers because of their low and unstable monthly incomes.

Veselka dormitory



*Veselka dormitory bedroom.
Photo: Photo: Václav Vašků*



*Several showers at the Veselka dormitory were out of order in the summer of 2016.
Photo: Electronics Watch*

According to Electronics Watch researchers' observations and worker testimonies, Veselka, along with the Hůrka dormitory, is one of the dormitories with the lowest hygiene standards. It is in a neglected state though some repairs have taken place since the beginning of this research. Its advantage is its location in the centre of Pardubice with shops and other services within walking distance. Veselka mainly accommodates core workers from Mongolia, with a small number of Romanian indirect workers.



*The kitchen at the Veselka dormitory contains only a few hot plates.
Photo: Electronics Watch.*

There are three floors with about 40 persons on each floor, two to four persons per room of no more than 15 square meters. In the summer 2016, one floor, which housed Mongolian workers, only had two functional showers for women and two for men. There were four toilets per floor (two for women, two for men). Workers complained that the toilets and showers quickly became dirty despite being cleaned daily by dormitory janitors. Furthermore, they had to wake up earlier to be able to wash before going to work because of the limited facilities. While workers' bed linen is changed once every two weeks, workers pay 20 CZK for a load of laundry. There is a single kitchen on each floor containing only a microwave oven and three hot-plates. Workers must rent their own refrigerators. Some inhabitants complained about the difficulties of cooking in such circumstances. Insufficient kitchen facilities can mean workers have to buy more expensive, ready made and dry foods, increasing the cost of living.

Hůrka dormitory

The Hůrka dormitory, a former army barrack, is the largest dormitory and one with an apparently poor reputation for the quality of accommodations amongst its residents and residents of the surrounding area. It is physically and socially segregated on the outskirts of Pardubice and isolated from the main local residential area.³⁷ At the same time its inhabitants reportedly appreciate that accommodation has been provided and paid for by their employer. Some workers value the quieter parts of the dormitory. The dormitory also allows workers to make friends among compatriots speaking the same language as well as other workers.

³⁷ See also, http://migraceonline.cz/doc/metodika_prevence_segregace_a_podpory_integrace_dvoustrany.pdf, a research report on Hůrka dormitory.



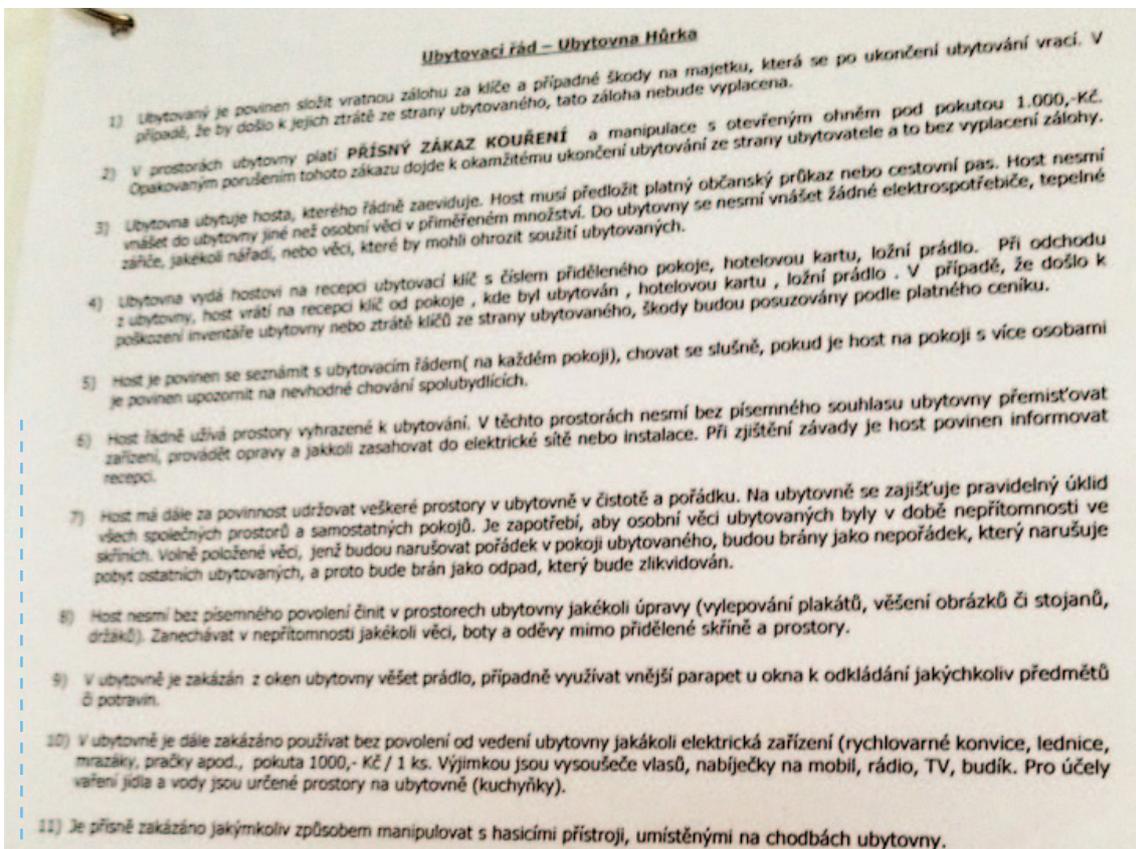
The Hůrka dormitory
Photo: Electronics Watch

The five blocks of dormitories can host hundreds of inhabitants. Currently mostly Profi Capital workers (working in Foxconn and other places) live there, including Romanian, Bulgarian, Slovak, Polish and Vietnamese nationals. Most rooms house between two and four workers, causing some workers to complain about privacy and noise. The dormitory personnel reportedly interfere with workers' privacy. According to one worker at the Hůrka dormitory:

When the dormitory manager comes, he knocks only once and then opens the door. It isn't very nice—what if I was undressed? It happened to me once that I just had boxer shorts on. When someone doesn't go to work, the team leader calls the coordinator who calls the dormitory, and the dormitory manager goes to the room to see if the person is or isn't ill, or God forbid hasn't died.



A small kitchen with two hot plates and a small fridge for every three or four rooms at Hůrka dormitory.
Photo: Electronics Watch.



The first 11 of 19 rules of the Hůrka Dormitory. Photo: Electronics Watch

The inventory of the rooms is old and not always functional. For rooms on the first to third floors, there is a small shared kitchen with two hot plates and a small fridge for every three or four rooms. On the fourth floor, all workers share one kitchen, containing two fridges, two sinks, and two ovens with four hot plates. It costs 80 CZK for one load in a washing machine, which forces the workers (usually women when there is a couple) to wash by hand.

The dormitory rules, posted in the buildings, and confirmed by worker interviews, include an extensive system of fines for poor behaviour:

- Smoking is restricted to areas on certain corridors and stairwells, and forbidden in rooms. Violations are punishable with a 1,000 CZK fine.
- Housing people from outside the dormitory in one's room is subject to a 2,000 CZK fine.
- Sleeping in beds without sheets can result in a 500 CZK fine.
- Using electronic devices without permission is punishable with a 1,000 CZK fine.

Furthermore, the rules state that inhabitants must pay for pest control should any pests, including bedbugs or flees, be discovered. This is a policy which could discourage reporting of pests, and therefore any necessary improvement of hygiene conditions in the dormitory. It may be unlawful for dormitory owners to pass these costs on to inhabitants given that the Act on Protection of Public Health stipulates that owners are responsible for the cost of pest control.

According to worker interviews, the indirect employer administers any fines incurred for breach of dormitory rules by deduction from workers' wages. Their testimony appears to contradict HP's findings, reported in July 2016, that fines and wage deductions do not occur for workers' behaviour in the dormitories.

Harmony Hotel and DS Dormitories

Workers interviewed consider the Harmony hotel dormitory to be the best dormitory because of its relatively central location, comfort and cleanliness. Harmony houses workers from Profi Capital and Express People (mostly Romanian, Bulgarian, Polish, and Slovak workers). Rooms typically have four beds, though there are also two person rooms for couples. Cooking facilities—a sink, kitchen cupboards, refrigerator and two hob plates—are included in the bedroom. Each room has a separated bathroom, with a toilet, sink and shower. The receptionist may come and check on the room at any time, according to workers.

Some workers have complained about the number of people sharing each room. Personal space is very sparse in the four person rooms. With beds taking up most of the space, there is virtually no room left for activities other than sleeping or sitting on one's bed.

The DS dormitory is similar to Harmony, albeit smaller. It offers a slightly lower quality of accommodation.

Combining work shifts and life at the dormitory

Every worker needs to find a way to combine the long 12-hour shifts and the time in between shifts dedicated to rest, food preparation, washing and other daily obligations. As one worker put it:

Well, I prefer the night shifts. I had to get used to it but after the night shift I sleep until 2pm, then I cook for work and get ready for the night shift. Whereas for the day shift I wake up at 4am and go to bed only at 10pm, which is too long to be on one's feet.

Organising one's life at the dormitories is dependent on the negotiations with colleagues staying in the same room or sharing the facilities. Being on alternate day or night shifts is particularly difficult for roommates, as is the inclusion of cooking facilities in the same room as beds (in the Harmony dormitory). While inhabitants' being on different shifts reduces the strain on limited cooking facilities, showers and personal space, it increases the likelihood that people will disturb each other's sleep. While some are sleeping, others might need to prepare food or get ready for work. This can strain relations amongst inhabitants.

Table 4. Dormitory Conditions

Name	Persons Per Room	Kitchens and Showers	Inhabitants working in Foxconn	Key Findings
Veselka Dormitory (200 beds)	<ul style="list-style-type: none"> • 2 – 4 persons per room. • Possibility of negotiating 2 person rooms for couples. 	<ul style="list-style-type: none"> • 1 kitchen, 4 showers and 4 toilets shared by 40 people on one floor • Not all functional at the time of research. 	Mongolian core workers, amongst others.	<ul style="list-style-type: none"> • Insufficient provision of kitchen equipment and toilets. • Complaints about cleanliness.
Hürka dormitory (970 beds)	<ul style="list-style-type: none"> • 2 – 4 persons per room • 2 person rooms for couples 	<ul style="list-style-type: none"> • 1st to 3rd floors have a kitchenette, toilet and shower shared between three rooms or within each room. • 50 people on the 4th floor share one kitchen, showers and toilets. 	Indirect workers from Profi Capital, mostly Bulgarians, Romanians, Slovaks, Poles, Vietnamese.	<ul style="list-style-type: none"> • High fines for behaviour in the dormitory, administered by work agencies. • Dormitory rules state that inhabitants will pay for costs of pest control • Complaints about lack of personal space • High cost of laundry facilities • Insufficient provision of kitchen, shower and toilet facilities for some rooms.
Harmony Club Dormitory / Hotel (680 beds)	<ul style="list-style-type: none"> • Typically 4 people per room. • Some 2 person rooms for couples. 	Cooking facilities are provided within each room. Each room has a separate toilet and shower.	Indirect workers from Profi Capital and Express People, mostly Bulgarians, Romanians, Poles, Slovaks, Vietnamese.	<ul style="list-style-type: none"> • Over-crowded rooms and lack of personal space.



*Harmony Hotel.
Photo: Electronics Watch.*

Dormitory in Křižčej

The dormitory is located in a village about 12 kilometers outside Pardubice. A number of Mongolian core workers were accommodated there for about four months, before being moved to Veselka. Compared to Veselka dormitory, this dormitory provides more comfortable accommodation; however, it is in an isolated location, with workers having to rely on a limited number of buses per day.

Other dormitories and accommodation

There are also other dormitories and accommodations where indirect and direct workers are staying (e.g. Trim hotel, Hotel Labe). Express People also offers accommodation in a few flats located in the Dubina district in Pardubice, close to the Hůrka dormitory. There are usually four persons in one flat.

Conclusion

- Workers complain primarily about privacy, cleanliness, and insufficient showers in the dormitories.
- Alongside Pardubice's rising rents and high demand for rental accommodation, insecure employment, variable working hours, and consequently unstable pay present a real barrier to indirect workers finding accommodation outside the dormitories.
- Mongolian workers in particular complain that discrimination against "foreigners" by landlords has made it harder for them to access private rental accommodation. Foxconn does not appear to have sufficiently assisted the Mongolian core workers who arrived in May 2016 to find housing in rented flats.
- None of the dormitories appear to provide accommodation for children, which precludes the possibility of family life with children for workers living in dormitories.
- The indirect employer's administration of a variety of fines for breach of dormitory rules creates a risk of disciplinary wage deductions for workers' behaviour outside of work. There does not seem to be any process in place for workers to contest or negotiate the imposition of fines for behaviour in the dormitories, leaving the system open to abuse.
- At Hůrka dormitory, the stipulation that residents pay for pest control themselves seems punitive, given the relatively high fluctuation of residents.

6. Transportation

Introduction

The indirect employers, Profi Capital and Express People, provide workers with a free bus transporting them from the dormitories to Foxconn. For Profi Capital workers, one bus leaves from Hotel Harmony, stopping en route to pick up people from Hotel Labe. This bus makes two trips, dropping off the first group of workers at Foxconn before returning to Harmony and repeating the journey. A second bus leaves from Hůrka and goes directly to Foxconn. Mongolian workers at the Veselka dormitory take public transportation.

The Electronics Watch Risk Assessment noted that some workers expressed concerns about overcrowding on the buses and feared for their safety while travelling in the buses. In July 2016, HP reported that workers' bus schedule preferences resulted in the second morning bus leaving for Foxconn and first evening bus returning from Foxconn being overcrowded. HP reported that they have been working with Foxconn to correct this problem, concluding that: "Foxconn successfully implemented changes in bus transportation and the capacity of buses is now controlled. Employees are not reporting any delays or late arrival to workplace related to transportation. No negative feedback from employees at this time." HP has not disclosed what changes have been made by Foxconn.

Findings

The findings of Electronics Watch's ongoing monitoring, conducted after HP reported remediation of the problem, contradict HP's conclusions. Worker interviews, conducted for this report, have continued to identify overcrowding on the buses as a problem. An Express People employee said:

These are agency buses [that are] totally historical. It looks like a box of sardines. You're afraid sitting there. The agency should pay something to the workers for the courage of sitting there.

While one Profi Capital worker said that there was not a problem with the bus, another worker described travel by bus as a scary experience.

The driver drives very fast, and breaks very quickly. People at the back of the bus go flying forward. I don't like the way the driver drives. People could be injured by this. We don't have anywhere to hold on...The bus is full. The doors can't close because there's too many people.

Two indirect workers living in a privately rented flat took public transportation to and from Foxconn. Another indirect worker interviewed stated that the workers sometimes pay to take public transportation to avoid the overcrowded agency bus, a cost which neither Foxconn nor the indirect employer reimburses. This cost could amount to 30 CZK, almost half an hour's wage, for one journey. While the bus transporting workers to and from Hotel Harmony

makes two round trips, workers tend to opt for a particular bus time, meaning that numbers are not evenly split. One indirect worker explained their preference when travelling to the factory:

“Every time I take the first bus. You have time for coffee, to talk with some people. Earlier is better. Sometimes the second bus is late, then you don't have enough time to go to the bathroom, to change into your work clothes.”

A safe journey home?

Electronics Watch researchers observed agency buses leaving Foxconn at the end of a 6:00 to 18:00 daytime shift on a December day in 2016. Buses departed from Foxconn at 18:05, 18:20 and 18:25. Workers waited for the later buses in two separate groups, which indicates they were headed to different dormitories (Hůrka and Harmony/Labe). The 18:05 bus, leaving so soon after the end of a shift, was not overcrowded. The driver did not wait for the bus to fill up, with some people running to try to catch the bus in time. The 18:20 bus was extremely full, with people squashed together right up to the doors. The 18:25 bus was full, not overcrowded, but with people standing.

With the earlier bus time difficult for workers to catch so soon after the end of the shift, workers were left standing waiting for the later buses, which were subsequently overcrowded. This demonstrates that the problem does not lie solely in workers' preferences for particular bus times. If there were more buses provided, rather than making round trips, the problem of overcrowding would be solved.



Agency bus leaving Foxconn at 18:20.
Photo: Electronics Watch.

Conclusion

Overcrowding on the buses is not only an uncomfortable experience for workers travelling to and from work, but has caused workers to fear for their safety. The situation on the buses is time-specific and dependent on the number of indirect workers.

7. Freedom of Association

Introduction

The trade union “ZO OS Kovo Tesla Pardubice” has been representing workers in the Pardubice plant since Foxconn bought the former Tesla electronics company in 2000. Five to ten percent of core employees are trade union members. Negotiations of a new company collective bargaining agreement between representatives of the trade union and Foxconn, which will supersede the collective agreement valid from May 2014 to March 2017, are planned for the beginning of 2017.³⁸

The April 2016 Electronics Watch Risk Assessment reported the concerns of a trade union member that Foxconn pressures indirect workers not to join the union to the detriment of both core workers and indirect workers. The trade union member stated: “Foxconn uses agency workers to divide and rule. ... If you do not comply your job may go to an agency worker. And agency workers do not dare to complain. They are afraid to join the union. If they join, they will be gone the next day.” In July 2016 HP reported that “workers interviewed indicated they were informed / allowed to join union without fear of reprisal.”

Findings

Electronics Watch carried out five interviews with trade union members and one with an ex-Foxconn worker who had been a trade unionist. The trade union has had a relatively stable membership over the past years in spite of the fluctuations of the total workforce with a larger blue-collar than white-collar membership. While some migrant Mongolian core workers are union members, most of them considered the trade union as only “Czech” and “for Czechs.” The trade union has posted information on worker rights in multiple languages on its board in the corridor outside the office of Profi Capital (see Figure 3) but does not have access to an interpreter to reach the growing Mongolian workforce. Overall, the interviews confirm that in case of dissatisfaction workers are more likely to “exit” (leave the factory) than use their “voice” through the trade union.

A choice between the union and career advancement?

Several trade union members reported that management had told them their careers would suffer because of their trade union membership. One trade union member said, “I was told independently on two occasions that I could not proceed [to a new position] due to my membership in the trade union committee.” Another trade union member said that he was targeted for his trade union activity and was on a “black list,” a list of “undesirable” individuals. He was offered a lower-ranking position in the factory and then agreed to leave. Electronics Watch was not able to corroborate the existence of a black list.

³⁷ All the legal entities of Foxconn must agree to and sign the new agreement. These entities are Foxconn CZ, Foxconn Global Services Division, Global Services Solutions, Foxconn Technology CZ, and Foxconn Network Technology CZ.

Indirect workers, insecurity, and freedom of association

A minority of the interviewed indirect workers knew about the trade union at Foxconn, and those who did know about it believed the trade union represents only core workers. One Romanian migrant worker commented: "If I were in Romania, I would feel safer," explaining that in Czechia and at Foxconn he felt like an "outsider" without any knowledge of the local language and without access to potential support mechanisms, such as the trade union and the state labour inspection. Only two of the indirect workers believed the union could potentially help to improve their conditions. One of them said: "We only have a few hours [of work this month]. The trade union could help ... People are desperate."

Furthermore, most of the interviewed indirect workers reported that they are afraid to talk freely and openly about their concerns with the supervisors for fear of losing their jobs. According to a Bulgarian indirect worker:

I would like to say that I and all Bulgarian workers fear dismissals. If they at least told us a month in advance. They tell us on Thursday that on Sunday you go to Bulgaria, that your contract is over. It doesn't matter if you have a temporary contract or an open-ended one. They can dismiss you any time. They call you into the office and tell you that you must sign an agreement about the end of the contract. You can't refuse. They'll make you [sign it].

Mongolian workers, though core workers, also stated that they were reluctant to voice concerns for fear of losing their jobs and therefore legal residency.

Conclusion

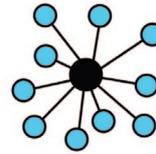
- Trade union members expressed concern that their careers would suffer as a result of their union membership.
- For Mongolian core workers and indirect workers vulnerability and fear of losing their jobs results in their reluctance to voice concerns about their workplace and jeopardises their associational rights. Employment security and freedom of association are strongly linked.
- The trade union lacks capacity to communicate with the new Mongolian workers who do not speak Czech.

Annex I: Summary Findings and Recommendations

This symbol means that the issue poses serious, ongoing, or imminent harm to workers' health, livelihood, or wellbeing and must be addressed urgently to mitigate or prevent such harm. These issues may also be indicators of core issues (see below).



This symbol indicates core issues that cause or contribute to violations of labour rights or safety standards and/or unsafe and poor working conditions. Core issues include, but are not limited to, reprisals against workers who complain or seek to make their voice heard and violations of the ILO core labour standards, which consist of a set of enabling rights that create the conditions for workers to promote and realise decent conditions at work.



This symbol refers to conditions and practices that breach legal requirements at the site of production.



This symbol refers to conditions and practices that harm workers, but are not illegal. They may or may not be violations of voluntary codes or other standards.



This symbol means that the issue has been identified in previous research or monitoring reports and appears to be uncorrected.



		Issue ¹	Urgent or core	Repeat?	Legal issue?	Improvement recommendations and pertinent law or code ²
1. Indirect Employment	1.1.	Indirect employers may not meet criteria for legal outsourcing. Instead of subcontractors to Foxconn they may be temporary work agencies. If so, the indirect workers must receive equal terms as core workers performing comparable work.				<ul style="list-style-type: none"> Assess the legality of the on-site subcontracting and ensure compliance with Czech law. Review Czech jurisprudence, such as the Rosso Steel case. Section 309 (5) of the Czech Labour Code states: “the employment agency and the user shall ensure that the working and wage conditions of a temporarily assigned employee are not worse than the conditions of the user’s comparable employee.”
	1.2.	Indirect employment ranges from 30-50% of manual workers. Indirect workers do not enjoy the same conditions with regard to wages, benefits, and working hours as direct workers.				<ul style="list-style-type: none"> Limit the use of indirect employment by promoting long-term core employment and offer vacant positions to indirect workers to the greatest extent feasible.
2. Wages and Benefits	2.1.	Indirect workers’ pay slips do not contain legally required information.				<ul style="list-style-type: none"> Section 142 (5) of the Czech Labour Code requires workers’ payslip to contain “a written itemized pay statement, giving details of individual items of the employee’s wage or salary and the deductions made.”
	2.2.	Indirect workers say they are not paid premiums for work on Saturdays, Sundays, holidays and night shifts.				<ul style="list-style-type: none"> The Czech Labour Code requires a 10% premium for night work (Section 116), 10% for work on Saturday and Sunday (Section 118), and compensatory leave for a work on holidays (Section 115).
	2.3.	Workers may not understand the bonus system or complain it is not fair.				<ul style="list-style-type: none"> Provide all workers with complete information about the bonus system, and give workers the opportunity to contest the system through the trade union.
	2.4.	Wages even for core workers are low. While these workers report a net monthly income of 14,000-16,000 CZK. Single workers and even couples with children struggle to make ends meet. Financial stress for indirect workers is even greater on account of their lack of predictable hours and income.				<ul style="list-style-type: none"> All workers should earn a living wage. Electronics Watch defines a living wage as a “take home” or “net” wage (excluding any taxes, bonuses, allowances, or overtime wages) earned during a country’s legal maximum work-week (not exceeding 48 hours), which is sufficient to pay for the basic needs (housing, energy, nutrition, clothing, health care, education, potable water, childcare, and transportation) of a family of four people, and includes an additional 10% of the cost of basic needs as discretionary income.

¹ These issues are described fully in the body of the report. While the report refers to workers who report these issues, or to other evidence, this table omits the evidence for the sake of brevity.

² The recommendations are based on the Czech legal code and the HP Supplier Code of Conduct, where applicable, as well as consultations with direct and indirect workers and the trade union.

		Issue ¹	Urgent or core	Repeat?	Legal issue?	Improvement recommendations and pertinent law or code ²
3. Working Hours	3.1.	Indirect workers may work in excess of 60 hours per week.				<ul style="list-style-type: none"> The HP Supplier Code of Conduct states: "...a workweek should not be more than 60 hours per week, including overtime, except in emergency or unusual situations." Workers' base wages should be sufficient to cover their basic needs (a living wage) without overtime.
	3.2.	Indirect workers are sometimes notified less than 24 hours before the start of a shift, and direct workers sometimes less than 48 hours before the start of a shift in violation of contract terms for workers not on the flexibility regime.				<ul style="list-style-type: none"> Section 84 of the Czech Labour Code allows employers and employees to agree on short shift notification periods. In the present case the periods agreed by contract are, for core workers: no less than 48 hours before the start of their shifts, except those on flexible work arrangements, who must receive notice no less than 24 hours before the start of their shifts; for indirect workers, at least 24 hours before the start of their shifts.
	3.3.	Twelve-hour shifts may have deleterious effect on workers' health, private and family lives.				<ul style="list-style-type: none"> Expand the use of eight-hour shifts.
	3.4.	Indirect workers especially face severe insecurity—they cannot know their hours from month to month and cannot rely on receiving sufficient income to maintain their livelihood.				<ul style="list-style-type: none"> Share information on market developments and demand forecasts with both direct and indirect workers. Take all possible steps to provide secure employment and stable salaries for all workers. Expand long-term employment. Vacant positions should be offered to candidates currently working indirectly for Foxconn when possible.
4. Disciplinary Practices	4.1.	Supervisors have told women workers from Mongolia not to become pregnant during their first year of employment and not to be sick. Supervisors may shout at workers or use racial slurs to make them work faster.				<ul style="list-style-type: none"> Section 16 of Czech Labour Code states: "Any form of discrimination in labour relations is prohibited." The HP Supplier Code of Conduct states: "There is to be no harsh or inhumane treatment, including ... verbal abuse of workers; nor is there to be the threat of any such treatment" Cease verbal abuse against workers, and cease threats against women migrant workers not to get pregnant or sick. Consult with the union to ensure manageable production quotas.
	4.2.	Indirect workers may be fined 1,000 CZK for unannounced absences or for refusing extra shifts.				<ul style="list-style-type: none"> Ensure indirect workers know their rights and obligations with regards to working time. Overtime needs to be ordered only exceptionally.

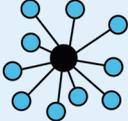
¹ These issues are described fully in the body of the report. While the report refers to workers who report these issues, or to other evidence, this table omits the evidence for the sake of brevity.

² The recommendations are based on the Czech legal code and the HP Supplier Code of Conduct, where applicable, as well as consultations with direct and indirect workers and the trade union.

		Issue ¹	Urgent or core	Repeat?	Legal issue?	Improvement recommendations and pertinent law or code ²
5. Conditions in Dormitories and Access to Housing	5.1.	Insufficient showers, toilets, and cooking facilities in certain dormitories, and crowded facilities.				<ul style="list-style-type: none"> The HP Supplier Code of Conduct states: "Workers are to be provided with ready access to clean toilet facilities, potable water and sanitary food preparation, storage, and eating facilities. Worker dormitories ...are to be maintained to be clean and safe, and provided with ... hot water for bathing and showering... and reasonable personal space along with reasonable entry and exit privileges."
	5.2.	Administrative fines for behavioural infractions, such as smoking. In the Hůrka dormitory workers must pay for pest control.			 	<ul style="list-style-type: none"> If the fines are administered as salary deduction they violate Section 147(3) of the Czech Labour Code. Abolish the system of fines for breach of dormitory rules until workers have the capacity to contest the fines because of the risk of misuse by the employer and dormitory provider. Cancel the disproportionate request that inhabitants cover the cost of pest control. The Act on Protection of Public Health states that owners are responsible for cost of pest control.
	5.3.	None of the dormitories appear to provide accommodation for children.				<ul style="list-style-type: none"> Provide dormitory accommodations for workers with children.
	5.4.	Indirect workers' uncertain hours and unstable pay are barriers against housing outside the dormitories. Landlord discrimination against migrant workers has made it more difficult for them to find housing.				<ul style="list-style-type: none"> Provide a rent subsidy to indirect workers irrespective of the number of hours worked. Plan the accommodation of non-EU migrant workers prior to their arrival and assist them afterwards.
6. Transportation	6.1.	Overcrowding on buses causes some workers to fear for their safety.				<ul style="list-style-type: none"> Assess the safety provisions on buses respecting the maximum number of passengers for safe travel. The assessment should take into account workers' fears of arriving late for work, should they wait for the second bus, and preference for arriving home earlier following a long 12-hour shift. Consider providing more buses, rather than fewer buses which make multiple trips. The use of one bus to make two trips may put pressure on drivers to drive too fast, which may pose a risk to the safety of passengers and other road users. Report and discuss changes in the bus service with workers to ensure remedies are effective in solving workers' transportation problems.

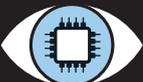
¹ These issues are described fully in the body of the report. While the report refers to workers who report these issues, or to other evidence, this table omits the evidence for the sake of brevity.

² The recommendations are based on the Czech legal code and the HP Supplier Code of Conduct, where applicable, as well as consultations with direct and indirect workers and the trade union.

		Issue ¹	Urgent or core	Repeat?	Legal issue?	Improvement recommendations and pertinent law or code ²
7. Interpreters	7.1.	Workers fear that they cannot rely on interpreters in case of conflict with their supervisors.				<ul style="list-style-type: none"> • Provide quality interpreters for all workers who need them as well as written translations of work instructions in all relevant languages.
8. Freedom of Association	8.1.	Trade unionists report being told they cannot advance in their careers because of their union membership.				<ul style="list-style-type: none"> • The right to associate and establish trade unions is enshrined in Article 27 of The Charter of Fundamental Rights and Basic Freedoms (1992) of the Czech Republic. • ILO's The Freedom of Association and Protection of the Right to Organise Convention (No. 87) and The Right to Organise and Collective Bargaining Convention (No. 98) are also binding on the Czech Republic. • These laws establish that an employer may not discriminate against his or her employees, or put them in any disadvantage, in connection with their trade union membership or activities.
	8.2.	Indirect workers who face job insecurity do not have access to an independent organisation that can represent their interest. Few Mongolian core workers are members of the trade union.				<ul style="list-style-type: none"> • Provide resources for the trade union to recruit an independent Mongolian translator. • Communicate workers' associational and other rights to all workers, and provide such information to migrant workers in their native languages. This information should be distributed through the trade union and the local NGO Most Pro, and it should also be posted conspicuously in workers' dormitories.

¹ These issues are described fully in the body of the report. While the report refers to workers who report these issues, or to other evidence, this table omits the evidence for the sake of brevity.

² The recommendations are based on the Czech legal code and the HP Supplier Code of Conduct, where applicable, as well as consultations with direct and indirect workers and the trade union.

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Responsible public procurement.
Rights of electronics workers.

Compliance Report Update

Foxconn in Pardubice, Czech Republic

Main brand: HP

Products: Desktops and work stations

December 18, 2017

1. Introduction

Electronics Watch has monitored and reported on labour standards compliance at the Foxconn factory in Pardubice, Czech Republic, since April 2016. The factory makes HP desktops and work stations that several Electronics Watch affiliates buy through resellers. During this period of time, Electronics Watch has worked with HP, Foxconn, and worker representative organisations, including the trade union at Foxconn, ZO OS Kovo Tesla Pardubice, and Most Pro, a community-based non-profit organisation in Pardubice that provides services to migrant workers, to address labour rights breaches and improve conditions in the factory. The present report assesses the progress that has been made and challenges that remain. HP has reviewed a draft of Electronics Watch's findings presented in this report and Electronics Watch has also reviewed HP's findings in detail. Thus, this report accounts for HP's findings, notes areas of concurrence, as well as areas where HP's and Foxconn's remedies are not yet sufficient to address workers' problems.

MKC Praha, o.p.s. is the Electronics Watch monitoring partner for this case.

Reader orientation

- To see specific recommendations for affiliates, go to Section 4.
- To follow the progress in this case issue by issue in summary form, go to Section 6, the monitoring table. The table summarises the Electronics Watch findings and recommendations for improvement and provides an update as of November 2017.
- For an in depth explanation of all the issues listed in the monitoring table, please refer to Electronics Watch Compliance Report, "[Foxconn in Pardubice, Czech Republic](#)," April 2017.
- For a summary of international, EU, and local regulation pertinent to this case, please refer to "[Factory Risk Assessment: Foxconn in Pardubice, Czech Republic](#)," April 2016. This report is only available on the affiliates' intranet site.

Facts at a Glance: Foxconn in Pardubice, Czech Republic

- Foxconn is the world's largest electronics manufacturing service provider and makes computer, communications and consumer products for many of the best-known electronics brands. Foxconn is the trading name of Hon Hai Precision Industry Company, based in Taiwan.
- Foxconn CZ operates two plants in the Czech Republic, one in Pardubice, a town of 100,000 inhabitants, located 100 kilometres east of the capital, Prague, and one in Kutná Hora. The Pardubice factory opened in 2000 and serves as the company's regional base for Europe, the Middle East, and Africa. The factory in Kutná Hora opened in 2010.
- There are about 4,000 workers at the Pardubice facility. About 24% of the workers were temporary indirect workers from Eastern Europe as of June 2017. At the time of the Electronics Watch original risk assessment in April 2016 about 40% of the workforce were indirect temporary workers. According to earlier reports, temporary workers could increase to 60% of the total in periods of high demand.¹ These workers have been partially replaced by workers from Mongolia hired directly by Foxconn.
- Foxconn CZ's most important customers are HP for desktops, servers, and data centres, and Cisco for routers, network switches, and servers. Other products include video conferencing equipment and SAN (storage area networks) switches for data warehousing of large enterprise computing centers. Past buyers have included Apple, Acer, Compaq and Lenovo.
- The trade union at Foxconn is part of the Czech Metalworkers' Federation, KOVO, and represents workers in both the Pardubice and Kutná Hora plants.
- Agency employment, common in the Czech Republic, means that an employment agency temporarily assigns its employees to another employer, the "user," to perform work. Foxconn relies mostly on the temporary work agency, Xawax, to supply workers for the Pardubice plant. Xawax recruits workers from Slovakia, Bulgaria and Romania via online and newspaper advertisements, organises their international and local transportation, provides accommodation in dormitories, organises and manages their workers inside the factories, and finally repatriates the workers back to their countries of origin when they are no longer needed. Xawax serves as an independent subcontractor to Foxconn, not merely a temporary work agency, an arrangement that is reportedly being investigated by the Czech labour inspectors.

¹ Andrijasevic, Rutvica and Devi Sacchetto, "Made in the EU: Foxconn in the Czech Republic," WorkingUSA: The Journal of Labor and Society, Volume 17, September 2014: pp. 391-415.

2. Process and Organisational Relations

2.1. Influence of Affiliates

The progress that has been made in this case is related to the involvement of Electronics Watch affiliates and their engagement with contractors. Affiliates requested HP suppliers to disclose names and locations of factories that make the products they buy and learned that HP desktops and work stations are made in the Foxconn factory in Pardubice. Affiliates then reported this disclosure to Electronics Watch, which initiated an investigation upon receiving a worker complaint of possible labour rights breaches. Electronics Watch reported investigatory findings to affiliates, who, in turn, acted on Electronics Watch recommendations and expressed their concern about labour rights breaches at the factory to their HP contractors. HP then took action to investigate and address the concerns.

2.2. Electronics Watch's Relation to HP and Foxconn

Following Electronics Watch's compliance report on Foxconn in Pardubice in April 2017, HP offered to bring together Electronics Watch with Foxconn to facilitate a common understanding of the conditions at the site and to discuss the steps forward.

Electronics Watch welcomed this opportunity for dialogue to address the problems at the factory. The Electronics Watch director travelled to Pardubice 29-30 June 2017 to observe an HP audit of the factory and to take part in meetings to develop shared understandings of problems and solutions. At the meetings the HP lead auditor presented conclusions about code of conduct breaches and corrective actions and discussed some of the evidence reviewed. The full evidence was presented to Electronics Watch five weeks after the assessment.

While Electronics Watch appreciates these efforts of transparency and collaboration, we regret that Electronics Watch monitoring partner, MKC Praha, was not permitted to be present at the meetings. Electronics Watch believes it is vital for local monitoring partners to be given access to workplaces in their regions both to facilitate independent verification of compliance information and to advance social dialogue through which problems can be identified and addressed in a timely manner.

Following the meetings Electronics Watch has been able to maintain contact directly with Foxconn. Electronics Watch has reported ongoing concerns with dormitory conditions to Foxconn. As of November 3, 2017, Foxconn reports that the firm has taken "multiple steps forward" and that it is cooperating with the dormitory providers "to find the way how to improve living conditions." Foxconn also reports plans for reconstruction of some of the dormitories. However, Foxconn has declined to report details of its own dormitory audit findings citing their non-disclosure agreement with the dormitory providers.

2.3. The trade union's relation with Most Pro and with Mongolian Workers

Academic reports on this Foxconn factory have noted earlier that the trade union is primarily for Czech workers and has not addressed concerns of migrant workers. The Electronics Watch monitoring process has resulted in communication between the trade union and Most Pro. Through Most Pro, the trade union has been able to learn about the specific concerns of the recent Mongolian Foxconn workers and how it can support these workers.

2.4. The Public Sphere

On December 11, 2017, The New York Times published an investigatory report on Foxconn's Pardubice factory. Similar to Electronics Watch, The New York Times focused on the working conditions of migrant workers employed through subcontractors and highlights worker reports of short shift notification periods, "leaving them constantly on call." Electronics Watch reports progress in this area (see below). The article also cites worker testimony of misleading or false recruitment promises, though it does not specify whether or not those are issues for workers at Foxconn or the nearby Panasonic factories.

3. Developments in Labour Rights Compliance

3.1. Improvements

Improved production planning. Improved production planning has allowed Foxconn to better predict when shifts are needed and decreased the need for sudden weekend shifts. Foxconn's direct workforce do not report shift changes within the required 48-hour notification period. However, Electronics Watch remains concerned that despite these improvements indirect workers continue to report shift changes less than 24 hours in advance. HP confirms this risk. Electronics Watch recommends HP and Foxconn to continue to address root causes of this problem through production planning.

Guaranteed pay. A minimum guaranteed income for temporary indirect workers provides them with some security in the face of unpredictable hours.

Expansion of the eight-hour shift. Foxconn introduced the Fix/Flex shift choice for direct workers in August 2016. The Fix shift is a consistent eight-hour shift preferred by many workers compared to the physically demanding 12-hour shifts which are also difficult to combine with family life. Core workers can choose the 12-hour shift and receive a Flex premium of 2,000 CZK/month (approximately €78, or about 14% of the gross wage). Unfortunately, the Fix shift is not available to the indirect workforce who must work 12-hour shifts. Electronics Watch also has not been able to verify a comparable Flex premium for indirect workers.

Increasing direct employment. Foxconn has increased the share of the workforce employed directly and decreased the share of indirect employment. As of June 2017 the indirect workforce were 24% of the total 4,000 workers. Earlier academic reports had cited as much as 60% temporary indirect workers during peak production periods. Electronics Watch supports this development for several reasons: direct employment is more secure; long-term employment creates management incentive to solve problems rather than cycle through temporary workers; and workers directly employed by Foxconn have access to the trade union. However, Electronics Watch continues to emphasize the need for support for indirect workers, who should be offered vacant positions to the greatest extent feasible. While it is difficult to estimate how many of the indirect would want direct employment with Foxconn if offered, reportedly only 27 indirect workers had received job offers with Foxconn as of June 2017.

3.2. Key Remaining Concerns

Hidden temporary agency employment and unequal working conditions for indirect workers. Electronics Watch has long argued that the indirect employers at Foxconn, including Xawax,

may not meet the criteria for legal outsourcing. Though they are classified as subcontractors, there is a strong case that the indirect employers should be defined as temporary work agencies. While HP has concluded that Xawax is operating as a legitimate subcontractor, Electronics Watch has learned of an ongoing investigation of the Czech labour inspectors to determine if Xawax is providing "hidden temporary work agency employment" from a confidential source.

As temporary work agencies, Xawax and other indirect employers would be legally required to provide their employees with working and wage conditions equal to those Foxconn provides its own direct employees for comparable work. Electronics Watch strongly recommends that HP and Foxconn ensures equal conditions for indirect and direct workers independently of the finding of the Czech labour inspector. While HP has determined that the total compensation packets for direct and indirect workers are equal,² conditions must also be equal with regard to working hours, work leaves, and holidays. Equal conditions for comparable work is a core principle of non-discrimination.

Excessive working hours for indirect workers. HP found that indirect workers report hours in excess of the Czech legal limit of 48 hours/week, and that some workers report hours in excess of the RBA limit of 60 hours/week. HP recommends that Foxconn works with Xawax to implement system controls for overtime to ensure compliance with Czech working hour requirements. Electronics Watch recommends that HP investigates and reports the impact of its own delivery schedule on working hours, and whether or not this schedule and associated policies and practices create the conditions under which the goods can be produced in compliance with working hours and overtime standards and regulations.

Difficult to access wage information for indirect workers. Indirect workers have reported to Electronics Watch that they cannot understand their payslips either because it contains too little information or because it is written in Czech. HP has confirmed this finding, but notes that Xawax provides full pay slips to workers on request. HP further reports that Xawax has committed to providing the comprehensive payslip to workers by January 21, 2018, along with training on the elements of the payslip. Electronics Watch first reported on this problem in April 2017 and regrets the long delay to remedy the situation. HP claims that the time is warranted because modifications to the existing IT systems and worker trainings are required.

Dormitory conditions. While Electronics Watch has noted improvements in the Veselka dormitory, Electronics Watch monitors have also directly observed and documented inadequate and dysfunctional facilities which may result in diminished quality of life for workers who reported they work for Foxconn. While Foxconn has reported to Electronics Watch that it is working with the dormitory providers to find ways to improve living conditions, and that some of

² Electronics Watch has been unable to verify equal compensation packets as indirect workers were not able to provide their complete payslips to Electronics Watch

the dormitories have approved plans for reconstruction, Foxconn has not reported the findings of its own dormitory audits to Electronics Watch, citing its non-disclosure agreement with dormitory providers.

4. Recommendations for Affiliates

Affiliates engagement with contractors will help to ensure continued improvements at the Foxconn factory. Electronics Watch recommends that affiliates express appreciation to HP for its commitment to improve conditions and working transparently with Electronics Watch, but also insist that continued progress is necessary. Specifically, affiliates should communicate to HP:

- **Ensure equal conditions for comparable work.** This is a core principle of non-discrimination. The indirect workforce, whether they are formally classified as employees of a subcontractor or temporary work agency, must receive equal pay and conditions for comparable work as the core workforce. HP currently seeks to ensure that the total compensation packets are equal. HP must also ensure that other conditions of work, including hours, vacation, and work leaves are equal. HP should base its assessment on the “Methodology of the Labour Inspection comparing the conditions of core and temporary agency workers.”³
- **Assess and report on the impact of its own production planning and delivery schedule on working hours and shift changes for the indirect workforce.** HP has taken positive steps in this direction by improving production planning to allow Foxconn to better predict when shifts are needed and reduce late shift changes. However, it is not clear whether or not those improvements are sufficient. Excessive and illegal working hours for the indirect workforce remains a concern, as does continued late shift changes. HP should therefore continue this assessment of the impact of its own business practices on the working conditions at Foxconn and report it to Electronics Watch and affiliates.
- **Express explicit and strong support for workers’ associational rights.** Electronics Watch believes that workers’ ability to report on problems in their workplace without fear of reprisals and negotiate with management is key to sustainable improvements in working conditions. An independent and democratic trade union fosters workers’ collective voice. At Foxconn in Pardubice there is a trade union which should be seen as a resource for ongoing monitoring and improvement of working conditions. Foxconn should also ensure workers understand their legal right to join the union. The Czech Republic has ratified The Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87) and The Right to Organise and Collective Bargaining Convention, 1951 (No. 98). The right to associate and establish trade unions is enshrined in Article 27 of The Charter of Fundamental Rights and

³ “Methodology of the Labour Inspection comparing the conditions of core and temporary agency workers,” (Metodický pokyn generálního inspektora SUIP č. 2/2016, 2). March 2016, accessible at <http://www.suip.cz>.

Basic Freedoms (1992) which is an integral part of the Constitution of the Czech Republic.⁴ According to Article 27 of The Charter, “everyone has the right to associate freely with others for the protection of his (sic) economic and social interests.”⁵ Foxconn should clearly and conspicuously communicate workers’ legal right to join the trade union through notices in the workplace and in workers’ dormitories in workers’ native languages, and should be clear that it considers the trade union to be a resource for the factory. HP should reinforce this recommendation to Foxconn.

⁴ Constitution of the Czech Republic, 16 December, 1992, accessible at <http://www.ilo.org>.

⁵ Charter of Fundamental Rights and Freedoms, as amended by constitutional act Nr. 162/1998 Coll., <http://spsc.prf.cuni.cz/aj/2-93en.htm> (accessed April 9, 2016).

- **Confirm that indirect workers receive their full payslip** (without having to request it), including all information required by law, and that they understand their payslips.

5. Electronics Watch’s Next Steps

Electronics Watch will continue to monitor improvements at the factory and report significant developments to affiliates. Electronics Watch has also recently learned that the factory is a sub-tier supplier to other major brands, and will further research the supply chain relationship between these brands and Foxconn in Pardubice, and seek to work with them to ensure further improvements in the factory.

6. Monitoring Table

This symbol means that the issue poses serious, ongoing, or imminent harm to workers' health, livelihood, or wellbeing and must be addressed urgently to mitigate or prevent such harm. These issues may also be indicators of core issues (see below).



This symbol indicates core issues that cause or contribute to violations of labour rights or safety standards and/or unsafe and poor working conditions. Core issues include, but are not limited to, reprisals against workers who complain or seek to make their voice heard and violations of the ILO core labour standards, which consist of a set of enabling rights that create the conditions for workers to promote and realise decent conditions at work.



This symbol refers to conditions and practices that breach legal requirements at the site of production.



This symbol refers to conditions and practices that harm workers, but are not illegal. They may or may not be violations of voluntary codes or other standards.



This symbol means that the issue has been identified in previous research or monitoring reports and appears to be uncorrected.



		Issue ⁶	Urgent or core	Recurrent?	Legal issue?	Improvement recommendations and pertinent law or code ⁷	Outcomes: November 2017
1. Indirect Employment	1.1.	Indirect employers may not meet criteria for legal outsourcing. Instead of subcontractors to Foxconn they may be temporary work agencies. If so, the indirect workers must receive equal terms as core workers performing comparable work.				<ul style="list-style-type: none"> Assess the legality of the on-site subcontracting and ensure compliance with Czech law. Review Czech jurisprudence, such as the Rosso Steel case. Section 309 (5) of the Czech Labour Code states: "the employment agency and the user shall ensure that the working and wage conditions of a temporarily assigned employee are not worse than the conditions of the user's comparable employee." 	<p>HP reports: Xawax is operating as legitimate subcontractor of Foxconn, and the total compensation packet (all aspects of salary and bonuses) for Foxconn and Xawax employees are equal based on EICC guidelines.</p> <p>Electronics Watch recommends HP and Foxconn ensure equal working and wage conditions based on the standards in Czech law.⁸ The conditions required to be equal go beyond the compensation packet, and include working hours, work leaves, holidays, and more. HP's own policy on foreign migrant workers also requires equal treatment for foreign migrant workers and local workers in terms of "regular and overtime hours, shift arrangements, holidays, insurance and any other benefits" in addition to equal wages for the same job. Notably, HP has also found that "there is a working hours difference given no 8-hour shift is available to indirect workers." Thus, it appears HP does not comply with its own policy on foreign migrant workers.</p>
	1.2.	Indirect employment ranges from 30-50% of manual workers. Indirect workers do not enjoy the same conditions with regard to wages, benefits, and working hours as direct workers.				<ul style="list-style-type: none"> Limit the use of indirect employment by promoting long-term core employment and offer vacant positions to indirect workers to the greatest extent feasible. 	<p>HP reports: Foxconn has made strides moving from an indirect to an indirect workforce. In June 2017, indirect workers were 24% of the entire workforce. Foxconn also provides job assistance for formerly indirect workers.</p> <p>Electronics Watch supports the move to a workforce employed directly by Foxconn, while continuing to emphasize the need for support for indirect workers, who should be offered vacant positions to the greatest extent feasible. While it is difficult to estimate how many of the indirect would want direct employment with Foxconn if offered, reportedly only 27 indirect workers had received job offers with Foxconn as of June 2017. During the same period of time Foxconn brought in hundreds of migrant workers from Mongolia.</p>

⁶ These issues are described fully in the body of the report. While the report refers to workers who report these issues, or to other evidence, this table omits the evidence for the sake of brevity.

⁷ The recommendations are based on the Czech legal code and the HP Supplier Code of Conduct, where applicable, as well as consultations with direct and indirect workers and the trade union.

⁸ "Methodology of the Labour Inspection comparing the conditions of core and temporary agency workers," (Metodický pokyn generálního inspektora SUIP č. 2/2016, 2). March 2016, accessible at http://www.suip.cz/_files/suip-e035a55e958114124f3e0aa506df1cad/07032016115824.pdf.

		Issue ⁶	Urgent or core	Recurrent?	Legal issue? 	Improvement recommendations and pertinent law or code ⁷	Outcomes: November 2017
2. Wages and Benefits	2.1.	Indirect workers' pay slips do not contain legally required information.				<ul style="list-style-type: none"> Section 142 (5) of the Czech Labour Code requires workers' payslip to contain "a written itemized pay statement, giving details of individual items of the employee's wage or salary and the deductions made." 	<p>HP reports: Xawax provides "a short pay slip that contain limited information only," but full pay slips are available on request. Some workers reported that they cannot understand their payslip either because it contains too little information or because it is written in Czech. HP recommends that Foxconn should ask Xawax to distribute the full pay slip to all workers and explain the elements of the payslip in several languages. Xawax has committed to providing the comprehensive payslip by January 21, 2018, along with training on the elements of the payslip.</p> <p>Electronics Watch supports HP's recommendation and action, but regrets the long delay before indirect workers will receive their comprehensive payslips. The delay is difficult to understand given that the more comprehensive payslips reportedly already exist. The delay also means that many indirect workers will not receive remedy, as they may have already moved away from Foxconn by January 2018. HP claims that the time is warranted because modifications to the existing IT systems and worker trainings are required.</p>
	2.2.	Indirect workers say they are not paid premiums for work on Saturdays, Sundays, holidays and night shifts.				<ul style="list-style-type: none"> The Czech Labour Code requires a 10% premium for night work (Section 116), 10% for work on Saturday and Sunday (Section 118), and compensatory leave for a work on holidays (Section 115). 	<p>HP reports: The Xawax premium payment for work on Saturdays, Sundays, holidays, and night shift is incorporated into a "flexibility premium" of 7,50 CZK/hour. However, workers do not understand how the premium is incorporated into their salaries. HP recommends that Foxconn asks Xawax to explain the elements of the pay slip in several languages.</p> <p>Electronics Watch supports HP's recommendation and reiterates the need for Xawax to be fully transparent about workers' remuneration. Electronics Watch cannot verify whether or not these premiums are paid as long as the indirect workers cannot provide Electronics Watch monitors with their complete pay slips.</p>

⁶ These issues are described fully in the body of the report. While the report refers to workers who report these issues, or to other evidence, this table omits the evidence for the sake of brevity.

⁷ The recommendations are based on the Czech legal code and the HP Supplier Code of Conduct, where applicable, as well as consultations with direct and indirect workers and the trade union.

		Issue ⁶	Urgent or core	Recurrent?	Legal issue?	Improvement recommendations and pertinent law or code ⁷	Outcomes: November 2017
2. Wages and Benefits	2.3.	Workers may not understand the bonus system or complain it is not fair.				<ul style="list-style-type: none"> Provide all workers with complete information about the bonus system, and give workers the opportunity to contest the system through the trade union. 	<p>HP reports: Foxconn workers understand the bonus system, but several Xawax workers reported that they do not understand it. HP recommends that Foxconn asks Xawax to explain the elements of the pay slip in several languages.</p> <p>Electronics Watch supports HP's recommendation.</p>
	2.4.	Wages even for core workers are low. While these workers report a net monthly income of 14,000-16,000 CZK for a two-room flat with a simple kitchen costs between 9,000 and 12,000 CZK. Single workers and even couples with children struggle to make ends meet. Financial stress for indirect workers is even greater on account of their lack of predictable hours and income.				<ul style="list-style-type: none"> All workers should earn a living wage. Electronics Watch defines a living wage as a "take home" or "net" wage (excluding any taxes, bonuses, allowances, or overtime wages) earned during a country's legal maximum work-week (not exceeding 48 hours), which is sufficient to pay for the basic needs (housing, energy, nutrition, clothing, health care, education, potable water, childcare, and transportation) of a family of four people, and includes an additional 10% of the cost of basic needs as discretionary income. 	<p>HP reports: The question of a living wage is discussed within EICC and beyond the scope of this assessment.</p> <p>Electronics Watch supports EICC discussions of a living wage standard, but encourages Foxconn and other employers to move independently towards higher wages in the industry.</p>
3. Working Hours	3.1.	Indirect workers may work in excess of 60 hours per week.				<ul style="list-style-type: none"> The HP Supplier Code of Conduct states: "...a workweek should not be more than 60 hours per week, including overtime, except in emergency or unusual situations." Workers' base wages should be sufficient to cover their basic needs (a living wage) without overtime. 	<p>HP reports: Some indirect workers report hours in excess of the Czech legal limit of 48 hours/week, and some report hours in excess of the EICC limit of 60 hours/week. Xawax's overtime system provides a warning if hours exceed 60 hours/week but not if hours exceed 48 hours/week. HP recommends that Foxconn works with Xawax to implement system controls for overtime to ensure compliance with Czech working hours requirements. HP will also require monthly working hour reporting for Xawax starting in October 2017.</p> <p>Electronics Watch supports HP's recommendation and extra monitoring to ensure compliance with legal limits on working hours. Electronics Watch also encourages HP to investigate and report the impact of its own delivery schedule on working hours, and whether or not this schedule and associated policies and practices create the conditions under which the goods can be produced in compliance with working hours and overtime standards and regulations.</p>

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⁷ The recommendations are based on the Czech legal code and the HP Supplier Code of Conduct, where applicable, as well as consultations with direct and indirect workers and the trade union.

		Issue ⁶	Urgent or core	Recurrent?	Legal issue?	Improvement recommendations and pertinent law or code ⁷	Outcomes: November 2017
3. Working Hours	3.2.	Indirect workers are sometimes notified less than 24 hours before the start of a shift, and direct workers sometimes less than 48 hours before the start of a shift in violation of contract terms for workers not on the flexibility regime.				<ul style="list-style-type: none"> Section 84 of the Czech Labour Code allows employers and employees to agree on short shift notification periods. In the present case the periods agreed by contract are, for core workers: no less than 48 hours before the start of their shifts, except those on flexible work arrangements, who must receive notice no less than 24 hours before the start of their shifts; for indirect workers, at least 24 hours before the start of their shifts. 	<p>HP reports: The labour union has confirmed that the need for shift changes on short notice has decreased due to better production planning. The HP planning system has also decreased the need for sudden weekend shifts. No Foxconn workers reported shift changes with less than 48-hour notice; however, some Xawax workers still reported shift changes less than 24 hours in advance. There appears to be a non-documented, unofficial rule that Xawax workers can refuse a shift that was changed on short notice. HP recommends that Foxconn asks Xawax to make this unofficial rule official and to inform workers that they can refuse shifts with short notices without reprisal.</p> <p>Electronics Watch confirms the improvement in shift notifications and weekend work reported by the labour union at Foxconn, and supports HP's recommendation. Electronics Watch also supports the work of HP and Foxconn to improve production planning and, thus, address systemic issues underlying the shift notification problems for workers. However, Electronics Watch remains concerned that despite these improvements indirect workers continue to report shift changes less than 24 hours in advance of the start of the shift and encourages HP and Foxconn to continue to address root causes of this problem.</p>
	3.3.	Twelve-hour shifts may have deleterious effect on workers' health, private and family lives.				<ul style="list-style-type: none"> Expand the use of eight-hour shifts. 	<p>HP reports: Workers employed directly by Foxconn may work on either the "Fix" 8-hour schedule or the "Flex" 12-hour shift schedule. However, Xawax workers can only work the 12-hour shift. HP recommends that Foxconn asks Xawax to introduce an eight-hour shift as an alternative to their workforce.</p> <p>Electronics Watch supports the HP recommendation. In addition, further expansion of the eight-hour shift for core workers should be discussed with the trade union.</p>

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		Issue ⁶	Urgent or core	Recurrent?	Legal issue?	Improvement recommendations and pertinent law or code ⁷	Outcomes: November 2017
3. Working Hours	3.4.	Indirect workers especially face severe insecurity—they cannot know their hours from month to month and cannot rely on receiving sufficient income to maintain their livelihood.	 			<ul style="list-style-type: none"> • Share information on market developments and demand forecasts with both direct and indirect workers. • Take all possible steps to provide secure employment and stable salaries for all workers. • Expand long-term employment. Vacant positions should be offered to candidates currently working indirectly for Foxconn when possible. 	<p>HP reports: Foxconn is offering outplacings programs as well as internal opportunity programs. From June 2016 to June 2017 Foxconn had offered 27 indirect workers a direct work contract with Foxconn. HP recommends that Foxconn continue to make workers aware of job opportunities and vacancies.</p> <p>Electronics Watch notes that insecurity is a multifaceted problem, requiring multiple approaches, including those listed by HP. Electronics Watch would also like to call attention to another area of improvement, namely, a minimum guaranteed income for workers, independently of the number of hours they receive. This guarantee, reported as an ad hoc benefit in the Electronics Watch compliance report, provides some security to indirect workers in the face of unpredictable hours. The labour union reports that this guarantee is now offered to all temporary indirect workers.</p>
4. Disciplinary Practices	4.1.	Supervisors have told women workers from Mongolia not to become pregnant during their first year of employment and not to be sick. Supervisors may shout at workers or use racial slurs to make them work faster.				<ul style="list-style-type: none"> • Section 16 of Czech Labour Code states: “Any form of discrimination in labour relations is prohibited.” • The HP Supplier Code of Conduct states: “There is to be no harsh or inhumane treatment, including ... verbal abuse of workers; nor is there to be the threat of any such treatment” • Cease verbal abuse against workers, and cease threats against women migrant workers not to get pregnant or sick. • Consult with the union to ensure manageable production quotas. 	<p>HP reports: The Foxconn Code of Conduct and accompanying employee trainings prohibit discrimination; workers do not report discrimination or inhumane treatment, non-discrimination rules are posted on several notice boards; and workers can file confidential and non-confidential grievances to management. HP recommends that Foxconn update its Code of Conduct to be aligned with the EICC Code on discrimination.</p> <p>Electronics Watch notes that workers who reported verbal abuse to Electronics Watch monitors may not have been interviewed by HP auditors, and others may have been reluctant to report such behaviour in the presence of Foxconn personnel or what they thought may have been Foxconn personnel. Offsite interviews in settings workers consider safe, or a well-designed worker survey, guaranteeing anonymity, are necessary to investigate sensitive topics such as verbal abuse.</p>

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4. Disciplinary Practices	4.1.	Supervisors have told women workers from Mongolia not to become pregnant during their first year of employment and not to be sick. Supervisors may shout at workers or use racial slurs to make them work faster.				<ul style="list-style-type: none"> Section 16 of Czech Labour Code states: "Any form of discrimination in labour relations is prohibited." The HP Supplier Code of Conduct states: "There is to be no harsh or inhumane treatment, including ... verbal abuse of workers; nor is there to be the threat of any such treatment" Cease verbal abuse against workers, and cease threats against women migrant workers not to get pregnant or sick. Consult with the union to ensure manageable production quotas. 	<p>Pregnancy remains an issue of concern for Mongolian workers. In interviews with Mongolian workers in July 2017 Mongolian workers affirmed that they had been told not to be pregnant during their first year, but now also understood the reason for this message: women only have the right to maternity leave after 270 days of employment, and men only receive paternity leave after one year of residency in Czechia. They remained concerned because of lack of access to general practitioners and. They were worried about losing their residency should they lose their job because of pregnancy.</p> <p>Most Pro reports meetings between the City of Pardubice and Foxconn to address Mongolian workers' concern about pregnancy. Most Pro reports that in July 2017 the City offered Foxconn the use of an office and a doctor for its workers, and asked Foxconn to pay for rent for two days per week.</p> <p>Although this is not a Code of Conduct issue, Electronics Watch encourages both Foxconn and HP to address Mongolian workers' concerns about pregnancy and access to medical care, and to work with community organisations such as Most Pro to develop solutions that meet workers' needs. Foxconn should also carefully explain the social benefit system rather than simply advising women not to become pregnant.</p>
	4.2.	Indirect workers may be fined 1,000 CZK for unannounced absences or for refusing extra shifts.				<ul style="list-style-type: none"> Ensure indirect workers know their rights and obligations with regards to working time. Overtime needs to be ordered only exceptionally. 	<p>HP reports: Foxconn provides a 1,000 CZK incentive bonus for productivity and quality work. This bonus can be reduced for unexcused absences or other violations. But bonus reduction is not the same as a disciplinary fine.</p> <p>Electronics Watch take note of this explanation.</p>

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		Issue ⁶	Urgent or core	Recurrent?	Legal issue? 	Improvement recommendations and pertinent law or code ⁷	Outcomes: November 2017
5. Conditions in Dormitories and Access to Housing	5.1.	Insufficient showers, toilets, and cooking facilities in certain dormitories, and crowded facilities.				<ul style="list-style-type: none"> The HP Supplier Code of Conduct states: "Workers are to be provided with ready access to clean toilet facilities, potable water and sanitary food preparation, storage, and eating facilities. Worker dormitories ...are to be maintained to be clean and safe, and provided with ... hot water for bathing and showering... and reasonable personal space along with reasonable entry and exit privileges." 	<p>HP reports: The dormitories have sufficient showers, toilets and cooking facilities, but nevertheless do not fully meet the minimum requirements of the EICC Code of Conduct. For example, only one dormitory out of five had smoke detectors in both halls and bedrooms, and none of the dormitories had proper documentation regarding cleaning, preventive maintenance, and pest control. HP recommends that smoke detectors be installed in all bed rooms and hallways.</p> <p>Electronics Watch notes improvements in the Veselka dormitory documented in the compliance report, concurs that smoke detectors must be installed, and adds that all dormitories should have up to date documentation regarding cleaning, preventive maintenance, and pest control.</p> <p>Electronics Watch further recommends that Foxconn and HP carefully monitor and report on the state of repairs of showers, toilets and cooking facilities and ensure they are fully functioning in all rooms and hallways at all times. Electronics Watch has directly observed and documented inadequate and dysfunctional facilities which may result in diminished quality of life for workers who reported they worked for Foxconn. While Foxconn has reported to Electronics Watch that it is working with the dormitory providers to find ways to improve living conditions, Foxconn has not reported the findings of its own dormitory audits to Electronics Watch, citing its non-disclosure agreement with dormitory providers.</p>

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		Issue ⁶	Urgent or core	Recurrent?	Legal issue?	Improvement recommendations and pertinent law or code ⁷	Outcomes: November 2017
5. Conditions in Dormitories and Access to Housing	5.2.	Administrative fines for behavioural infractions, such as smoking. In the Hůrka dormitory workers must pay for pest control.			 	<ul style="list-style-type: none"> If the fines are administered as salary deduction they violate Section 147(3) of the Czech Labour Code. Abolish the system of fines for breach of dormitory rules until workers have the capacity to contest the fines because of the risk of misuse by the employer and dormitory provider. Cancel the disproportionate request that inhabitants cover the cost of pest control. The Act on Protection of Public Health states that owners are responsible for cost of pest control. 	<p>HP reports: Fines for behavioural infractions in dormitories may be deducted from workers' salary, but only with workers' consent in case they cannot pay the fines directly. The Hůrka dormitory does charge workers for pest control in case the pests are proven to be workers' responsibility.</p> <p>Electronics Watch notes that rules posted in the Hůrka dormitory states: "In case of finding out of any pest (fleas, bed bugs, etc.) in the room, all DDD-related jobs will be charged to the persons living in the room." There is no mention of charging workers only if the pests are proven to be their responsibility.</p> <p>Moreover, this system of fines is risky, and can be abused by unscrupulous administrators, when workers do not have an effective means of challenging a determination that they violated a behavioural rule or brought pests to a dormitory. Pests may be caused by lack of access to sanitary facilities and poor living conditions. A fine on top of such conditions appears punitive. Therefore, Electronics Watch continues to recommend that the system of fines for breach of dormitory rules should be abolished until workers have the capacity to effectively contest the fines.</p>
	5.3.	None of the dormitories appear to provide accommodation for children.				<ul style="list-style-type: none"> Provide dormitory accommodations for workers with children. 	<p>HP reports: The EICC Code of Conduct does not require accommodation for children in workers' dormitories. This issue is therefore beyond the scope of this assessment.</p> <p>Electronics Watch recommends that Foxconn works with the trade union and community groups, such as Most Pro, to address workers' housing needs, including the need to accommodate children, as separation from their children severely impacts workers' quality of life.</p>

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5. Conditions in Dormitories and Access to Housing	5.4.	Indirect workers' uncertain hours and unstable pay are barriers against housing outside the dormitories. Landlord discrimination against migrant workers has made it more difficult for them to find housing.				<ul style="list-style-type: none"> • Provide a rent subsidy to indirect workers irrespective of the number of hours worked. • Plan the accommodation of non-EU migrant workers prior to their arrival and assist them afterwards. 	<p>HP reports: This issue is outside the scope of the assessment as Foxconn has no control over landlords in Pardubice.</p> <p>Electronics Watch notes that Foxconn, while it does not control landlords, can and should take steps to facilitate workers' access to housing, as recommended. The housing market will not easily adjust on its own to hundreds of new workers within a short period of time without the active intervention of the employer. Foxconn has reported to Electronics Watch that it "would like to increase (the) effort of (the) Mayor's office to solve (the) housing situation in Pardubice," and that it is in dialogue with the Mayor's office. However, Foxconn has not reported on this work in any detail.</p>
6. Transportation	6.1.	Overcrowding on buses causes some workers to fear for their safety.				<ul style="list-style-type: none"> • Assess the safety provisions on buses respecting the maximum number of passengers for safe travel. The assessment should take into account workers' fears of arriving late for work, should they wait for the second bus, and preference for arriving home earlier following a long 12-hour shift. • Consider providing more buses, rather than fewer buses which make multiple trips. The use of one bus to make two trips may put pressure on drivers to drive too fast, which may pose a risk to the safety of passengers and other road users. • Report and discuss changes in the bus service with workers to ensure remedies are effective in solving workers' transportation problems. 	<p>HP reports: The buses are not overcrowded. Workers did not report a concern, and auditors who tested the buses counted about 30 people standing with all seats occupied, while the bus has capacity for 70 people standing.</p> <p>Electronics Watch did not independently verify this finding but accepts it. Electronics Watch observations are from an earlier period when Foxconn used many more indirect workers in need of bus services.</p>

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7. Interpreters	7.1.	Workers fear that they cannot rely on interpreters in case of conflict with their supervisors.				<ul style="list-style-type: none"> Provide quality interpreters for all workers who need them as well as written translations of work instructions in all relevant languages. 	<p>HP reports: Workers can rely on their interpreters in case of conflict with supervisors. The Foxconn VISA team provides fulltime support personnel for foreign migrant workers, two Mongolian translators are available for each shift, training is provided in workers' native languages, and there are both confidential and non-confidential grievance mechanisms available to workers. However, four out of seven workers interviewed did not know about Foxconn's grievance possibilities and only one out of the seven workers knew about all grievance mechanisms. One indirect worker said he/she could not complain to Foxconn directly. HP recommends that Foxconn ask Xawax to inform all their workers about means to place grievances to Foxconn management.</p> <p>Electronics Watch notes that both Xawax and Foxconn should educate workers about available grievance mechanisms. Moreover, these grievance mechanisms should be evaluated in light of the guidance for effective and accessible grievance mechanisms established in the UN Guiding Principles for Business and Human Rights.</p>
8. Freedom of Association	8.1.	Trade unionists report being told they cannot advance in their careers because of their union membership.				<ul style="list-style-type: none"> The right to associate and establish trade unions is enshrined in Article 27 of The Charter of Fundamental Rights and Basic Freedoms (1992) of the Czech Republic. ILO's The Freedom of Association and Protection of the Right to Organise Convention (No. 87) and The Right to Organise and Collective Bargaining Convention (No. 98) are also binding on the Czech Republic. These laws establish that an employer may not discriminate against his or her employees, or put them in any disadvantage, in connection with their trade union membership or activities. 	<p>HP reports: Based on documentary review, interviews with management and with five workers, there is no evidence of risk that workers who are trade union members are discriminated in advancing their careers.</p> <p>Electronics Watch notes that discrimination against union supporters is not easily detectable through documentary review or even worker interviews. Discrimination usually does not leave a trace in documents, and a random selection of a small number of workers is not a reliable means of finding evidence of discrimination that may directly impact only a few workers. Electronics Watch therefore reiterates its recommendation that Foxconn should clearly and conspicuously communicate workers' legal right to join the trade union through notices in the workplace and in workers' dormitories in workers' native languages, and should be clear that it considers the trade union to be a resource for the factory.</p>

		Issue ⁶	Urgent or core	Recurrent?	Legal issue?	Improvement recommendations and pertinent law or code ⁷	Outcomes: November 2017
8. Freedom of Association	8.2.	Indirect workers who face job insecurity do not have access to an independent organisation that can represent their interest. Few Mongolian core workers are members of the trade union.				<ul style="list-style-type: none"> • Provide resources for the trade union to recruit an independent Mongolian translator. • Communicate workers' associational and other rights to all workers, and provide such information to migrant workers in their native languages. This information should be distributed through the trade union and the local NGO Most Pro, and it should also be posted conspicuously in workers' dormitories. 	<p>HP reports: There is no risk that workers do not have access to an organisation who can represent their interests. Information about the union and non-discrimination are posted on several notice boards. Incoming workers are required to take an introductory training in which they are informed about their freedom to join or not to join the union.</p> <p>Electronics Watch encourages HP and Foxconn to probe deeper about the question of access to the trade union. Despite the notices and trainings referenced above, only a small minority of migrant workers are members of the trade union. For example, there is still a language barrier between the trade union and new Mongolian workers. As recommended earlier, the trade union should have access to an independent translator, not one associated with Foxconn.</p>

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