

The future of work:
more **voice** for **work** for **better decisions** in the **enterprise**

Friday, October 12th, 2018

Union's engagement with employers and workers in the smart mobile phone GSCs in Brazil

Uma Rani, Research Department, ILO Geneva

Katiuscia, M G, University of Sao Paulo



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Background and Outline of the presentation

- Integration of this sector in GSCs
 - Industrial policy and whether there has been integration of enterprises in GSCs in the smart mobile phone sector
 - Structure of the smart mobile phone sector in Brazil
- Effectiveness of the labour inspection system in ensuring and improving working conditions
- Union's engagement in
 - Establishing dialogue with the employers
 - Improving working conditions

Industrial policy in Brazil

- Informatics law, in 1984, to build, create and develop technologies, requirements of local content and joint ventures
- Since 2002, a number of proactive industrial and technology policies
 - to expand productive capacity of manufacturers of intermediate goods;
 - to develop capital goods, software and semi-conductor industry;
 - to promote learning and gaining competitiveness; and
 - to strengthen the electronics industry
- Efforts to ensure freedom of association, collective bargaining and strengthening of the labour inspection systems

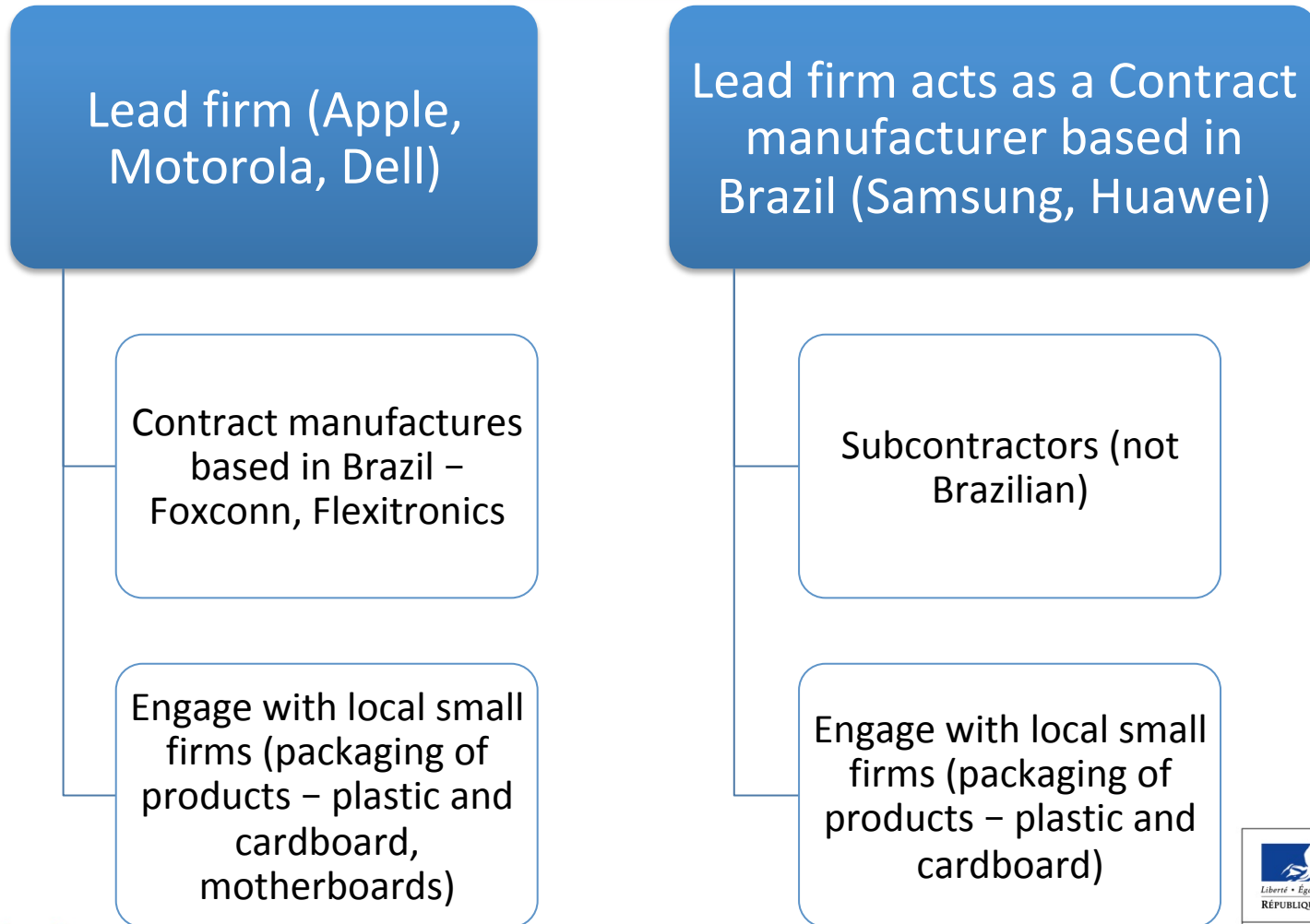
Policies to attract investors to build supply chains in Brazil

- In mid-2000s, the government invited foreign companies to invest and set up production plants
- Key Objective: To develop suppliers (supply chains) in electronics and mobile phone sector
- Mechanisms: (i) Provided tax incentives and subsidies; (ii) In 2012, the government reduced the local content for the products to 15% for electronics and smart phones
- Even within the aeronautical sector, where Brazil has an advantage and is a global player, government did not have a policy to develop suppliers until 2014

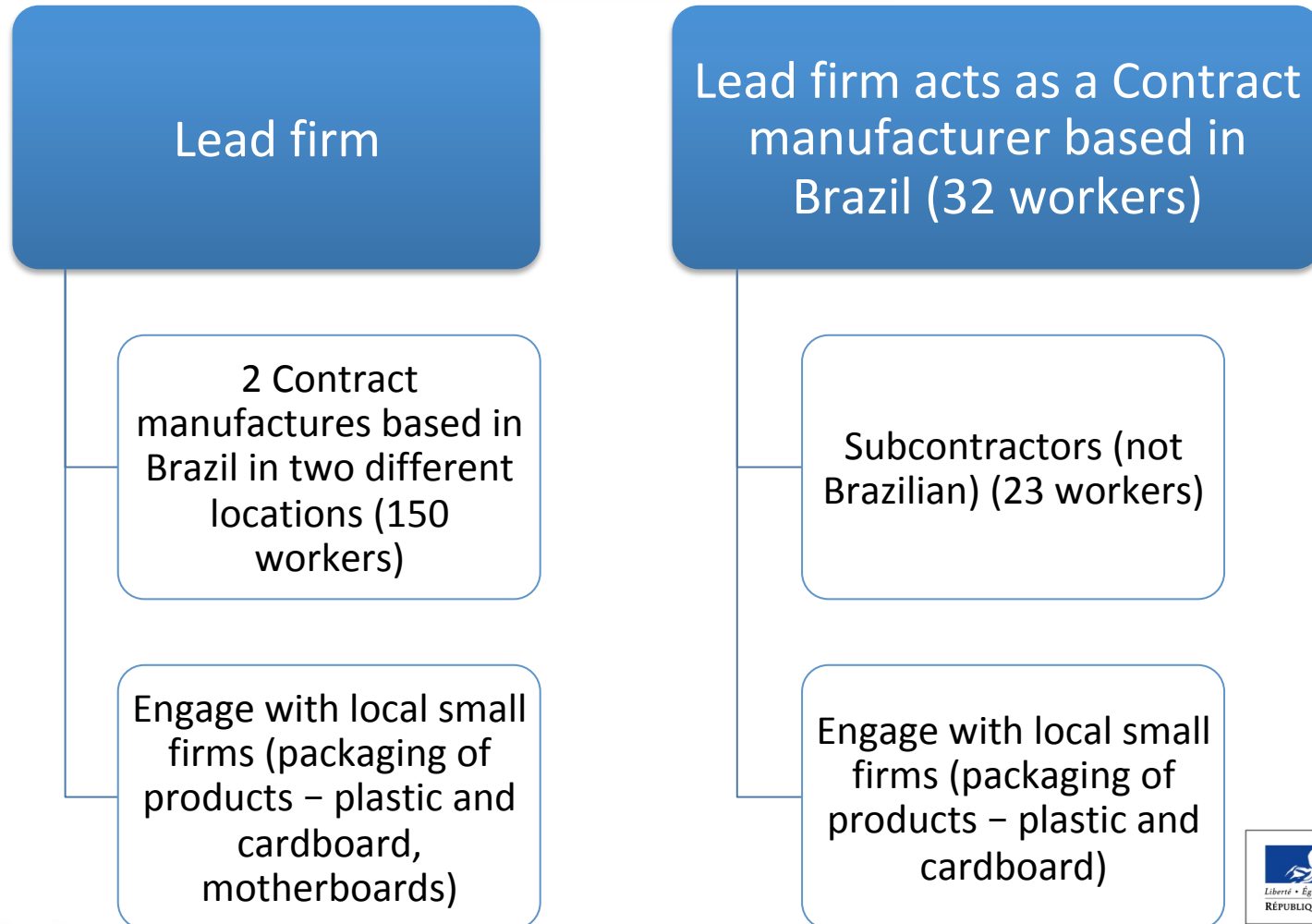
Structure of GSCs of smart mobile phones in Brazil

- Policies attracted contract manufacturers or electronics manufacturing service (EMS) companies that are suppliers to lead firms such as Apple, Motorola, Huawei to set up their factories in Brazil
- Contract manufacturers coordinate supply chains and use GSCs to purchase all parts and components
- Policies did not lead to new local poles of technological development or vertical production/ specialisation
- The utilization of EMS model limited any creation of qualified and well-paid jobs or development of sophisticated skills
- Contract manufacturers, thus, are basically assembly units

Structure of smart mobile phone sector



Survey of workers in smart mobile phone sector in Sao Paulo region (N=205)



Economic and social upgrading – Contract manufacturers

- Better employment opportunities for low-skilled workers (retail sector, domestic services) (formalisation process)
 - Permanent with a written contract
 - Health insurance and other benefits
- Entry level skill requirements for jobs were quite low (none or high school)
- On-the-job training (machine operation and “soft skills” such as quality control and team work)
- Acquisition of skills – Most tasks are monotonous.
- Job rotation so that workers could engage in diverse activities and acquire skills
- Whether these skills lead to upward mobility remains a question

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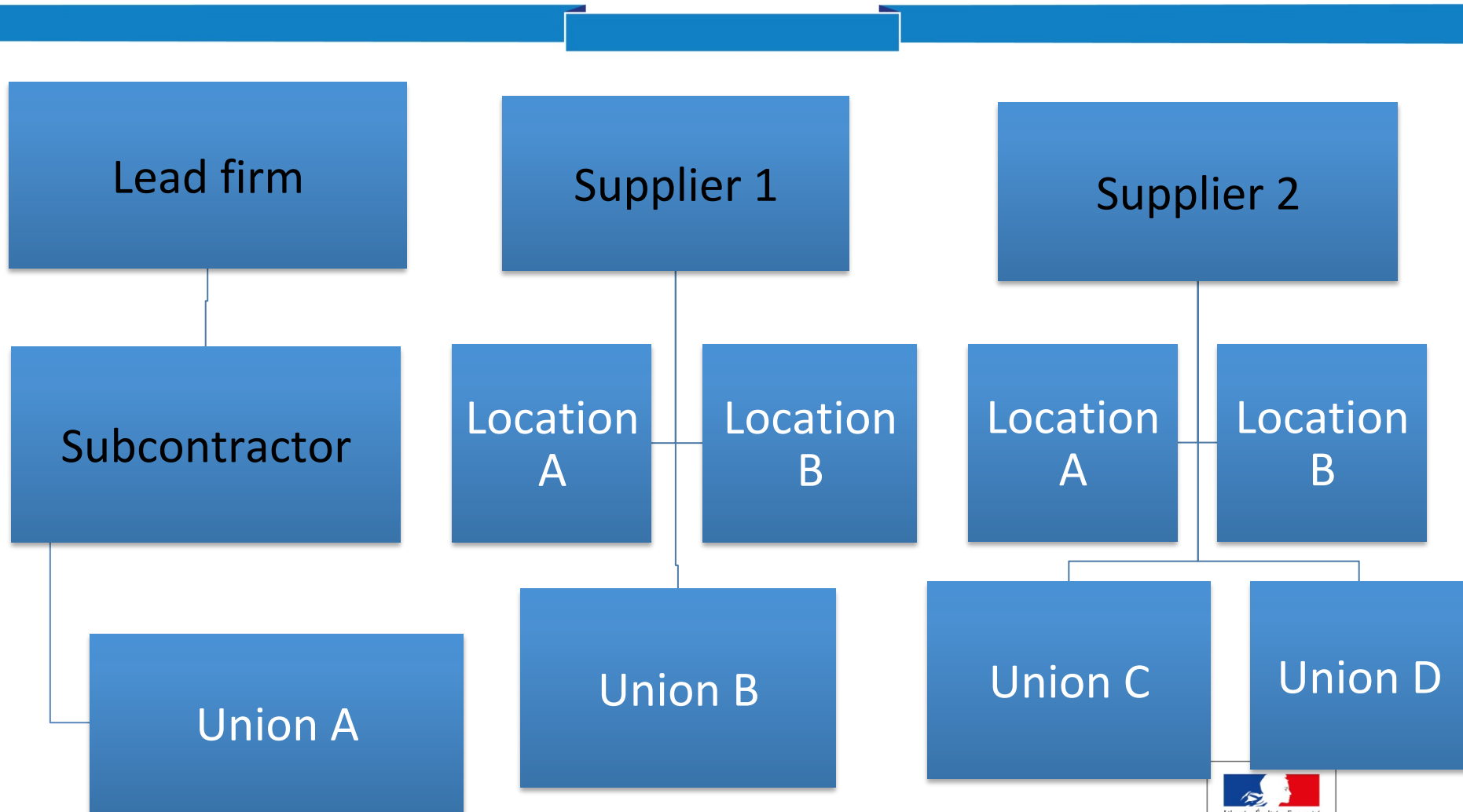


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Challenges for unions in contract manufacturing firms

- Contract manufacturers not compliant with the Brazilian law, which allows for
 - Unionisation in the firms or dialogue with the unions
 - Workers to be provided with transportation and meals
 - Established working hours and breaks between work, not even for using toilets
 - Medical assistance and provides chairs for pregnant women
- Firms also used temporary contracts and hiring of outsourced workers, which was in violation of the law
- Unionising workers was difficult as they came from informal activities (retail sector, domestic services), mainly young and women workers

Different Unions operate in these firms



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Unions' engagement with Employer

Lead Firm

Subcontractor

Supplier 1 (Location A)

Supplier 1 (Location B)

- Outsourced companies operated within premises
- Labour suit filed in the court, Labour Inspection in the factory
- Dialogue with Employer after 3 years (Fear of TAC)

- Providing basic working conditions to the workers
- Labour law suit filed
- Challenge in ensuring basic rights, union still not allowed within the premises

- Violation of basic working conditions, hours of work and hiring of temporary and outsourced workers
- Labour suit filed in the court, Strikes for each demand, Labour inspection in the factory
- Company constantly being monitored by Labour Inspectors, and dialogue with Employer after 4 years

- Violation of basic working conditions, hours of work and hiring of temporary and outsourced worker.
- Labour suit filed in the court
- Non-compliance with law, and the process had to be restarted with strikes and Labour inspection before the company decided to comply

Supplier 2 (Location A)

Supplier 2 (Location B)

- Physical and moral harassment, huge turnover of labour, workers basic needs not complied with in accordance to law
- Labour suit filed in the court, Labour Inspection in the factory
- Working conditions improved marginally, Dialogue with Employer after 3 years, Employer still uses drone to monitor union meetings

- Transfer of operations from Lead firms to CM2 (outsourced co.); Rights of workers taken away
- Intervention by lawyer so opened up dialogue with the employer, Labour law suit filed and Labour inspection of the factory
- Workers rights protected but led to dual system with entry of new workers, access to union controlled

- Absolutely no negotiation with the employer in the initial phase
- Courts and labour inspection more effective
- Negotiation with employer continues to be limited

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Union's engagement with workers

	Union A		Union B		Union C	Union D
	Lead firm	Subcontractor	Supplier 1 Location A	Supplier 1 Location B	Supplier 2 Location A	Supplier 2 Location B
Member of a union	68.8	47.8	17.3	50.0	52.6	65.7
Union Services						
Bargaining	43.8	30.4	23.1	16.7	47.4	24.3
Recreation	34.6	39.1	23.1	26.2	47.4	40.5
Legal	26.3	43.5	13.5	9.5	15.8	40.5
Training	5.4	-	7.7	4.8	-	13.5
Discount coupons	2.4	-	-	-	10.5	8.1
Health	10.2	-	13.5	14.3	-	13.5

Workers' responses with regard to Union's support towards their concerns

	Union A		Union B		Union C	Union D
	Lead firm	Subcontractor	Supplier 1 Location A	Supplier 1 Location B	Supplier 2 Location A	Supplier 2 Location B
Approach unions when faced with problems	53.1	87.0	49.0	43.9	94.7	74.3
To file a law suit in case of problems	68.8	78.3	51.9	56.1	63.2	74.3
When fired or punished for participating in union activities	46.9	21.7	7.7	20.0	22.2	28.6
Management's attitude towards trade unions						
In favour of TU membership	6.3	0.0	19.2	15.0	5.3	11.4
Not in favour	50.0	65.2	19.2	25.0	47.4	40.0
Neutral	25.0	13.0	40.4	35.0	42.1	37.1
Don't know	18.8	21.7	21.2	25.0	5.3	11.4

Freedom of association and collective bargaining

- Discussions with the Unions
 - Union A: Intimidation for those engaged in union activities, there is dialogue but just to maintain relations
 - Union B and C: High confrontation with the companies in the past and reported that the dialogue had currently improved
 - Union D: It is neither easy or nor difficult to negotiate with the company, it is a kind of statusquo. There is no campaign against the union, but access to the facilities is controlled

Workers responses' with regard to Unions' negotiation in collective bargaining

	Union A		Union B		Union C	Union D
	Lead firm	Subcontractor	Supplier 1 Location A	Supplier 1 Location B	Supplier 2 Location A	Supplier 2 Location B
Collective bargaining agreement	56.3	39.1	32.7	40.5	42.1	45.9
Unions engage in CBA (for Union members)	93.8	56.5	75.0	80.5	89.5	88.2
Unions improving working conditions	86.7	87.0	79.6	89.7	73.7	62.9
Strikes or other labour protest activities	80.6	59.1	68.0	64.9	42.1	64.7
Impact on wages	12.5	4.3	11.5	4.8	5.3	8.1
Impact on profit sharing	15.6	56.5	23.1	23.8	5.3	24.3

Workers' responses with regard to Unions' addressing harassment and abuse at workplace

	Union A		Union B		Union C	Union D
	Lead firm	Subcontractor	Supplier 1 Location A	Supplier 1 Location B	Supplier 2 Location A	Supplier 2 Location B
Sexual harassment	6.3	78.3	34.6	47.6	10.5	24.3
Discussion with trade union	56.3	0.0	17.3	7.1	36.8	16.2
Verbal abuse	31.3	43.5	36.5	50.0	31.6	32.4
Discussion with trade union	56.3	17.4	13.5	14.3	52.6	29.7
Physical and Moral harassment	62.5	60.9	59.6	78.6	36.8	48.6
Discussion with trade union	25.5	4.3	1.9	0.0	5.3	10.8

Conclusions

- Absence of GSCs but contract manufacturing in smart mobile phones has led to...
 - Improvements in wages and other benefits
 - Formalisation of workers
 - Acquisition of skills (with limited upward mobility)
- Little heterogeneity in union practice, reliance on MoL, and Judicial system rather than through negotiations with employers
- Effective labour inspection has ensured protection of the workers