



International Network on Human Rights & Sustainability in Electronics

Electronics sector hit by economic crisis – Companies to take responsibility

Statement of GoodElectronics Round Table – Jakarta, Indonesia, November 2008.

In all sectors of industry, workers face the dire consequences of the global financial-economic crisis, especially in export-oriented manufacturing sectors. The electronics industry is no exception.

- In China, in the important electronics manufacturing hub of Guangdong province, the situation looks grim. Several factories have already closed down and it is expected that more than 10,000 factories will close before the end of the year, causing hundreds of thousands of workers to lose their jobs. The vast majority of the workers in this sector are migrant workers who will have no option than to return to their poverty stricken home provinces.
- In Indonesia, the government is pushing for a reduction of the minimum wage and bringing down the costs of social security, arguing that the financial crisis demands such measures. Trade unions and labour rights organisations in Indonesia point out that the livelihood of workers in the electronics sector, as well as in other sectors, is under serious threat.

These are but examples; in other countries similar developments are taking place.

As a network committed to labour rights and sustainability in the electronics sector, GoodElectronics calls for solidarity with the workers in this specific sector who are hit by the current crisis. GoodElectronics urgently calls upon companies, as well as upon governments and trade unions, to ensure measures are taken to shield workers from the negative effects of the crisis. Workers' rights, working conditions and living standards should be protected, and lay-offs should be minimised. This is especially relevant for workers employed under precarious conditions, such as part time workers, contract workers etc.

- GoodElectronics is warning for manufacturing companies that lay-off vulnerable workers as an easy means to restore their financial balance and to keep-up their economic activities.
- In case of bankruptcy, transparency and disclosure of accountancy files are required to be able to verify that companies have acted in the interest of their work force.
- Also, in case of factory closure, companies should pay back wages bonuses without delay. In consultation with government authorities, trade unions and other relevant civil society organisations, companies are to ensure fair compensation schemes for their work force.

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- The financial crisis should not be used as an excuse to drop basic environmental standards concerning raw materials or production processes in order to cut expenses.
- In the current crisis, brand name companies should refrain from shoving financial risks down their supply chains. Companies should stay clear of destructive pricing policy or suddenly disrupting existing relations with their suppliers.
- Moreover, brand name companies should promote a socially responsible way of dealing with the economic crisis among their suppliers along the above stated minimum demands.
- Concretely, brand name companies could facilitate the establishment of structural financial deposits to increase the economic stability of their suppliers and to ensure the payment of wages, bonuses and possible compensation in these times of crisis.

Apart from these urgent issues, the financial-economic crisis is revealing a lack of sustainable economic relations throughout the global electronics industry. To a certain extent, the sector is negatively characterised by short term production in which supplier relations and labour are largely dependent on flexible demand. The growth of precarious work (part time work, contract work, daily hiring of workers etc.) is massive, especially in the further tiers of the supply chain.

GoodElectronics stresses that this is the time to establish more sustainable economic relations in the electronics sector. The current situation should be an incentive to all actors to make the sector less vulnerable for changes in the market situation. In particular, brand name companies should make their decisions on the basis of long term considerations, instead of running after short term profit. In addition, brand name companies should establish stable relations with their suppliers on the one hand, and demand that their suppliers establish sound and sustainable business practices on the other hand. In this light, increased transparency regarding the supply chain and the trade flows of raw materials is required.

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For comments or questions, please contact GoodElectronics:
p.overeem@goodelectronics.org