We, civil society organisations from India and around the world are highly concerned about the recent spree of retrenching electronics workers in the Sriperumbudur industrial area in Tamil Nadu, India. The trend was set when Nokia India Pvt. Limited, a wholly owned subsidiary of Finish multinational Nokia Corporation, started to lay off workers in April 2014. This had a cascading effect on Nokia’s supplier companies. Now, the jobs of thousands of workers in these factories are at stake. The retrenchment of these workers is taking place against a background of a severe tax dispute between the Indian government and Nokia, as well as the announced relocation of Nokia from India to Vietnam.

Finnish company Nokia set up its largest mobile phone assembling plant in Sriperumbudur in Tamil Nadu, India in 2005. Attracted by the tax concessions offered under the Special Economic Zone Act 2005, resource subsidies and a supply of cheap labour, Nokia found it was profitable to assemble phones in India and sell them globally. In just five years, the plant produced 500 million phones. The Nokia Telecom Park (SEZ) was set up to accommodate five suppliers including Foxconn, Salcomp, Light On Mobile (formerly Perlos), Laird, Wintek, and at its peak, offered employment to over 25,000 workers in total. Other suppliers such as Flextronics and Build Your Dreams (BYD) are located outside the Nokia Telecom Park, providing employment to more workers.

After profiting for eight years, Nokia now faces charges of evading payment of taxes to the Indian Government: 20 billion Indian Rupees ($333 million) to the central government of India, and 24 billion Indian Rupees ($400 million) to the state government of Tamil Nadu. State officials say Nokia avoided taxes by claiming false exemptions, improperly reporting the number of cell phones produced for export and the domestic market, and otherwise failing to submit requisite tax documents over the past several years¹. In September 2013, US-based Microsoft has acquired Nokia, including its worldwide cell phone manufacturing plants for $7.2 billion. Notwithstanding this take-over, the Indian Supreme Court has ruled that the Nokia plant in Sriperumbudur can only be transferred to Microsoft if Nokia deposits in escrow 35 billion Indian Rupees ($583 million) to cover its current and any future liability. Nokia announced it would run the plant on contract for Microsoft for a year and then shut down.

With the global acquisition of Nokia by Microsoft 5,700 workers in India were offered ‘voluntary retirement schemes’ in April 2014. Nokia had already retrenched more than 700 trainee operators through a ‘compulsory retirement scheme’ from the job. Earlier this year, Nokia laid off over 2,000 contract workers. Nokia which once employed 12,000 workers in its factory in South India now has less than 1,000 workers.

The downfall of Nokia in India may be due to the fact that its products are now less in demand as it has not been able to compete with other brands such as Apple and Samsung in the smartphone business. It could also be a strategic decision of Microsoft to shift Nokia’s mobile phone production to Vietnam where labour costs are even lower than in India. The new Hanoi City factory in Vietnam is said to employ up to 10,000 workers and has the capacity to produce 45 million handsets per quarter.²

Consequences for Nokia’s suppliers in India

The slow-down in production in Nokia has had negative consequences for workers in its supplier factories as well.

In a letter dated 12th May 2014 addressed to the Principal Secretary, Labour and Industrial Department Tamil Nadu government, Foxconn International Holding-FIH (formerly Foxconn India Private Limited) stated that it was “compelled to down-size” its manpower “substantially to suit the current requirements of our customer”. Foxconn attributed this to the cut-down of production volumes in the Nokia plant located inside the SEZ. Citing transfer of “burden to their (Nokia) vendors” and “cost down measures in order to save the interest of all stakeholders of the company”, Foxconn stated that it will be able to offer work only to 800 of its current 1,600 workers. The company claims that under the present situation of “uncertain status of orders”, they may end up with over 800 “idle workforce”. At the peak of its production for Nokia, Foxconn hired over 6,000 workers: 3,600 contract workers, 1,000-1,500 trainees and 1,700 permanent workers.

Foxconn announced a voluntary retirement scheme (VRS) on 18th June 2014, and asked workers to avail the scheme within two days by 20th June 2014. Foxconn made a grand announcement of this scheme by offering the workers a compensatory package of 75,000 Indian Rupees lump sum amount along with 10 months’ salary; 1 month notice period salary; leave salary and gratuity. Responding to the package offered by Foxconn, S Kannan, District Secretary (Kancheepuram) of Centre of Indian Trade Unions gave, however, a critical analysis: “Leave salary and gratuity are earned by workers as part of their normal course of employment, it is not a compensation money for ‘retrenching’ them” (emphasis added)³. A back of the envelope calculation shows that through this scheme a worker with 8 years of work will get maximum up to 300,000 Indian Rupees approximately.

Furthermore, 800 electronics workers of the Chinese company Build your Dreams (BYD) which supplies rechargeable batteries for Nokia’s mobile phones went on strike recently to protest the announcement of a voluntary retirement scheme (VRS) by their management. BYD workers who were working for the company for more than eight years have been offered VRS of 50,000 Indian Rupees and two months basic salary. There are around 1,500 permanent workers in the company. Dissatisfied with this package 800 workers went on a sit-in strike. Full of anxiety over their future and frustrated by the management’s attitude, BYD workers on strike

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³ [www.tnlabour.in/](http://www.tnlabour.in/)
stopped management staff from leaving the premises. During the strike, the workers were subjected to abuse by the Chinese management, which had cut down water supply and access to toilet facilities to the protesting workers. One of the Chinese managers was filmed kicking down drinking water cans and food that was meant for the striking workers.

The workers demanded the VRS amount to be raised to 300,000 Indian Rupees in lump sum and eight months’ salary per year of employment. So far the BYD management has resisted the workers’ demands. The New Democratic Labor Federation union (NDLF) is supporting the striking workers and met with the BYD management to negotiate their demands. Through intervention of the labour commissioner’s office the strike has been called off. The management was given time till 30 June last, to finalise the VRS amount. However, even after this deadline the BYD management refuses to offer a higher VRS amount.

Both companies BYD and Foxconn are suppliers of Nokia. Thousands of jobs are at stake and it seems only a matter of time for other Nokia suppliers such as Salcomp, Light On Mobile and Laird to follow the same path.

We, the undersigned urgently call on Nokia India and its new owner Microsoft, as well as on Nokia’s strategic suppliers including Foxconn, Build your Dreams, who have been profiting from tax concessions and other exemptions by the Indian authorities for years to:

- Reconsider the relocation of production to Vietnam and stop the retrenchment of workers in India – to prevent rendering thousands of workers without secure jobs;
- Stop using voluntary retirement schemes as a tool to lay-off workers;
- Pay all taxes due to the Indian Government.

In addition, we are calling upon the State Government of Tamil Nadu to:

- Immediately intervene to stop the closure of factories in the Srbereumbudur area and protect the jobs of thousands of workers;
- Effectively uphold the right of workers to strike and take stringent action against managers abusing workers during strikes.

**Signatories:**

GoodElectronics Network

Asian Network for the Rights of Occupational and Environmental Victims (ANROEV)

Cividep India

Cereal, Mexico

Coalition of Former Workers and Workers of the National Electronic Industry (CETIEN), Mexico
Dr Anibel Ferus-Comelo, Policy Analyst, India

Environics Trust, India

GreenIT.fr, France

Maquiladora Health & Safety Support Network, Berkeley, California, USA

Maquila Solidarity Network (MSN), Canada

Occupational and Environmental Health Network of India (OEHNI)

Suedwind Agentur, Austria

Workers Assistance Center, Philippines