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Greening the Media

When Solidarity Guides Consumption

Egoism and consumerism vs. solidarity and sustainability, part 2

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In our last column we contrasted the health risks faced by electronics workers in developing economies with those experienced by users of electronic devices in affluent countries. There is, at first sight, a major disconnection between the toxic realities on the factory floors where smartphones, tablets, and flat-screen TVs are made and the consumer societies where they are sold. That divide is certainly geographical: most TVs are made in Mexico, VietNam, and China, and most tablets and smartphones in China; most consumers, meanwhile, are located thousands of miles away in the US, Japan, and Europe.¹

Despite these vast distances, compelling stories about workers in far-flung locations around the world are readily available to digital consumers—[one or two searches](#) and you can read about their lives on the very screens those workers built. But the sense of connection between, say, workers in Tijuana and high-tech consumers living just across the border in San Diego is extremely fragile, if it exists all. Both sides would have to encourage like-mindedness and feelings of solidarity before realizing that the fortunes of factory workers and American consumers are entwined.²

Such solidarity is not easily achieved. It is hard to comprehend the way each side constitutes the other's place in the world, as lived experiences and collective identities. It is a relationship that is at once interdependent and discordant, a dialectic that strains to become obvious under economic conditions that censor awareness of it.

One of the conditions inhibiting solidarity is the way price is determined by financial rules set up between brands like Apple and electronics manufacturing services (EMS) like Foxconn, the Taiwanese company that runs huge factories in China where Apple products are made. [In a recent study](#), electronics industry consultant Anthony Harris detailed how the pricing game is rigged against workers and consumers alike.³

These rules ensure a percent mark-up of price at each stage, from factory floor to retail store. At the start of the supply chain is the EMS selling price, which combines manufacturing costs (including labor) and materials costs (determined by the brand company) plus a small profit that's usually no more than 3 percent of the factory-selling price.

On top of the EMS selling price, brands like Apple are assured a price mark-up of 30 percent to pay for "costs of development, shipping, distribution, marketing." The brand company can add a further 30 percent on top of that for its profit margin. Such percentage mark-ups compound price increases at each stage up to the retailer's cut, taxes, and internet provider contracts. In the end, the total price for a smartphone or other gadget can be five times or more than the EMS selling price.

Factory labor costs in this example amount to about 0.5 percent of the final retail price, meaning that the total amount paid for workers to make a \$500 device is about \$2. That's not \$2 for each employee; it's the collective share for all the labor in the device.

Harris illustrates how the percentage mark-up model works by considering what happens if workers were given a hypothetical 100 percent pay raise of \$2. This would increase the factory price by \$2, but after mark-ups consumers would pay about \$545. That's \$45 more from consumers after a \$2 raise because the brand company, distributor, retailer, tax authority, etc. are guaranteed the remaining \$43 to divvy up. It's tails I win, heads I win for the brand companies (not to mention government tax authorities and retailers).

But the very same business model gives EMS companies very little incentive to raise wages or improve working conditions. Their profit margins are small, though they can finagle increased revenue in dealings with their suppliers without increasing their selling price. But with labor costs making up 40 percent of the selling price, factory owners would rather hold wages as low as they can while speeding up the pace of work as much as possible. There is built-in tension between the EMS and the brand companies in this business model—a model designed for Apple by Tim Cook, who is now the company's chief.⁴

In a distressing example of how this tension causes worker mistreatment, Harris reports that when Apple abruptly demanded that screens be changed on the first iPhones, Foxconn roused 8,000 workers out of bed in the middle of the night, gave them tea and biscuits, and within 30 minutes pressed them into an unexpected 12-hour shift. Foxconn ramped up production over four days until 10,000 units with new screens were finished per day. As far as we know, this rapacious exploitation cost Apple nothing but earned them millions.

Faced with a global political economy that condones such a business model, proponents of solidarity between electronics workers and digital consumers have big ambitions. They aim to eliminate the estrangement between worker and consumer, awaken consciousness of the political and economic ties that bind them, and install resolute ethical commitments to building a new kind of bond based in mutuality, justice, and equality that stretches across the global supply chain of electronic goods.⁵

As consumers, we should support a solidarity-based consumerism. The alternative is the status quo where profits are beat out of the lives of electronics workers while consumers pay a premium to keep the mark-ups feeding those profits. To the egoistic consumer, we say it's time to stop blaming higher wages for higher prices. Instead, ask Apple, the most valuable company in the world, to lower its prices and pay good wages directly to factory workers who make their i-Things. Trust us, they won't go broke.

1. http://goodelectronics.org/publications-en/Publication_4221/at_download/...

2. <http://goodelectronics.org/publications-en/report-paying-the-price-for-f...>

3. Anthony Harris, *Dragging Out the Best Deal. How Billion Dollar Margins Are Played Out on the Backs of Electronics Workers*, Amsterdam: GoodElectronics, 2014. http://goodelectronics.org/publications-en/Publication_4109/at_download/...

4. Walter Isaacson, *Steve Jobs*. (Simon & Schuster, 2011), pp. 360-61.

5. <http://goodelectronics.org/>



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