

Akzo Nobel Chemicals
Mexico

Centro de Investigación Laboral
y Asesoría Sindical A.C.

SOMO



> *Werkt in je voordeel*



Centro de Investigación Laboral y Asesoría Sindical A. C.

Report compiled by:

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Company Information

Company Trade Name: Akzo Nobel Chemicals, S.A. de C.V.

Production area: Manufacture and marketing of organic peroxides, AZO compounds, acid chlorides, and additives for polymers.

Products manufactured: “The majority of our initiators are organic peroxides (O-O initiators) which can be divided into peroxi(di)carbonates, ester peroxides, diacyl peroxides, acetyl peroxides, dialkyl peroxides, and hydroperoxides. We also manufacture azo (N-N) and carbon (C-C) initiators. Some organic peroxides can be used in the production of controlled reology polypropylene (CR-PP) and in pharmaceutical applications. (...) Akzo Nobel also sells a complete range of specialised CIRS SpA additives, which include suspension agents (primary and secondary) and polyvinyl alcohol. These products are offered under very well known brand names such as Noxol, Dcloud, Hypol and Active. These additives are used primarily in the PVC industry and in production of styrene and acrylic (co)polymers.”¹

Brands marketed: Butanox, Cadox, Laurox, Trigonox, and Perkadox

Location: municipality of Los Reyes-La Paz, state of Mexico

General Manager: Ricardo Castanedo Saint Martin

Brief History: “In 1992 Hexaquimia changed its name to Akzo Chemicals, S.A. de C.V. Later in 1994, following the fusion of Nobel Industries, the company again changed its trade name to that it holds today: Akzo Nobel, Chemicals, S.A. de C.V.”

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Union: *Sindicato Revolucionario de la Industria Química Similares y Conexos de la Republica Mexicana (SRIQSCRM)*, member of the *Confederación de Trabajadores Democráticos (CTD)*

General Secretary: Víctor M. Flores Trueba

Address: Poniente 17 No. 454, Col. La Perla, Nezahualcoyotl, State of Mexico.

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¹ Official web page of Akzo Nobel: <http://www.akzonobel.com.mx/quimicos.htm>

Introduction

This report was elaborated through interviews with delegates of the “Revolutionary Union of the Chemical Industry and Allied Workers of the Mexican Republic” (*Sindicato Revolucionario de la Industria Química Similares y Conexos de la República Mexicana* —SRIQSCRM), head bargaining agent in Akzo Nobel Chemicals, and with the General Secretary of the Confederation of Democratic Workers (*Confederación de Trabajadores Democráticos* — CTD). The interviews took place in October 2005 and January 2006.

General Characteristics of the Company

The distinct operations of Akzo Nobel in Mexico correspond to three groups of products: pharmaceuticals, coatings, and chemicals. The following table presents the companies we know to be currently operating.

Table 1: Akzo Nobel Companies in Mexico

Company	Location	Division
Intervet	Santiago Tianguistenco, State of Mexico. Santa Clara, State of Mexico.	Pharmaceutical
Laboratorios Organon	Azcapotzalco, Mexico City	Pharmaceutical
Akzo Nobel Chemicals	Los Reyes La Paz, State of Mexico	Chemical
Akzo Nobel Industrial Coatings México	Municipio de García, Nuevo León.	Coatings
Akzo Nobel Comex	Tlanepantla, State of Mexico.	Coatings
Akzo Nobel INDA	Monterrey, Nuevo León.	Coatings

This report will address various aspects regarding labour relations and corporate social responsibility in Akzo Nobel Chemicals.

Employment

Those interviewed regarding Akzo Nobel Chemicals observed that company production volume has increased in recent years in response to the market and to increased company production capacities, although they could not provide precise figures.

Approximately 180 people work for Akzo Nobel Chemical. The base workforce has been maintained at the same number over the past five years, totalling 102 unionised workers, all of them male.

The number of *trabajadores de confianza* (employees with a position of trust in the company) has slightly decreased, with tasks reassigned to remaining employees. In reference to temporary workers, a total of 15 were reported at the end of 2005, although the company may hire temporary workers as it sees convenient (clause 8 of the Collective Bargaining Agreement or *Contrato Colectivo de Trabajo* — CCT).

Company Administration

It is difficult to characterise operation of the complex issue of decision-making authority and relative autonomy of the local administration vis-à-vis the corporate group. However, the union considers the local administration to have a low level of autonomy.

Areas, which we identified as falling under corporate responsibility, are: product innovations, establishment of work methods, selection of suppliers, use of

subcontracted services, production cuts, and upper-management designation. The local administration makes decisions on aspects including: personnel reductions, wage negotiation policy, plant closures, administrative style, human resources training, and middle-management designation.

Corporate Social Responsibility (CSR)

The union is familiar with the Code of Conduct of the corporation, which has not been adapted or modified and which is available in Spanish. It was not verified whether periodic distribution is carried out of the Code. The CCT and Internal Labour Regulations are considered more important for regulation of relations between company and union.

Those interviewed are unaware as to whether activities are undertaken on the CSR theme among company workers, and they could not name the person responsible for CSR policies. The Human Resources Manager, Ms. Rosa Violeta Acevedo Flores, is most likely the person responsible on the part of the company for monitoring adherence to CSR policies.

Labour issues are not seen to fall under the category of CSR, considering that problems and conflicts which have occurred and which imply violations have not been channelled through this route. There have also been no grievances or suits filed against the company within international entities (ILO, UN, OAS, etc.)

The company disseminates information internally on company policies.

There is no information on company activities to follow up on social responsibility policies and assure adherence to CSR rules.

Conditions in the Supply Chain

The union does not know whether the Code of Ethics is applied to suppliers or subcontractors, or whether Akzo Nobel Chemicals demands compliance with determined labour conditions within said companies. In the same tone, the union also ignores whether the company assumes any responsibility for failure to comply with certain labour conditions in those companies.

Labour Relations

The Union's Organisation

The union acting since 1985 as head bargaining agent of the CCT is the *Sindicato Revolucionario de la Industria Química Similares y Conexos de la Republica Mexicana* (SRIQSCRM). It is an industrial sector union with federal jurisdiction, and any grievances are therefore mediated within the Federal Board of Conciliation and Arbitration in Mexico City.

The union pertains to and integrates a section of the *Confederación de Trabajadores Democráticos* (CTD). It is not affiliated with any international organisation. Víctor Flores Trueba is the current General Secretary of the Confederation, position he has held since 1995, including a renewal of the post. Selection of the national executive committee takes place every six years in February. Union fees are obtained through payroll deductions, which are handed over by the company directly to the union.

According to those interviewed, the union has maintained a co-operative attitude of acceptance and flexibility regarding company objectives and initiatives.

Workers form union representation for the relations with the company. Committees operating in the company include the safety and health committee and others related to production. Those interviewed note that these committees are designated by the company, and sometimes do not function, while others operate under company's control. "For example, Industrial Engineering, does not get involved in internal issues but rather links externally."² Sports and cultural activity groups and the profit-sharing committee and CCT negotiation committee are all organised through the union.

There are some base workers who are unaffiliated to the union, including drivers, warehouse surveillance workers, secretaries, and cafeteria workers. As far as the union is aware, they are not affiliated to any other union.

2005 was a year of tense relations between company and union. The union called for contract review in early 2005, including a proposed wage increase above 5%. The company refused, laying the ground for difficult negotiations. However, on March 4th an explosion occurred of chemical substances being processed in a section of the company, causing the death of two workers running the area. Municipal civil protection authorities suspended operations, and the company took two weeks to evaluate the situation.

The union considers this accident to be the result of negligence of safety regulations, but the company reports it as a circumstantial accident. The families of those who died were compensated through the company's accident insurance policy. Compensation included payment equivalent to three years of wages and certain corresponding benefits.

Meanwhile, contract renewal was postponed an additional month beyond the original

² Questionnaire for the SRIQSCRM, interview by Luis Antonio Bonifaz with union delegate, CILAS, 4-October-05, Mexico City.

March 15th deadline, but postures remained antagonistic. The union demanded a 10% raise directly to wages, while the company offered 5% plus a 2% increase in grocery vouchers. Unable to reach an agreement, workers went on strike at 15:00 hours on April 15th. Three hours later, the company director invited the union to resume negotiations respecting the union's terms, and the strike was immediately lifted.

Following conclusion of wage review and after the strike movement, the union notes that the company began to closely follow and scrutinise the conduct of union representatives, in a way interpreted as harassment. The company focused in particular on the union delegate who had served as power-of-attorney for the negotiations, Mr. Juventino Trinidad. In May this worker was accused of placing company operation at risk by failing to follow norms regarding shift changes. His contract and that of the worker who substituted for him were both cancelled. The union interprets this action as "payback" for the strike. However, the situation calmed down when the two affected men opted to sign their papers and accept severance.³

A new conflict emerged between company and union in January 2006 when the company attempted to modify workday schedules in a proposal, which was rejected by the totality of the workforce.

Union Freedom

Workers must affiliate themselves to the head union if the post to be filled is part of production personnel. No case has occurred to date in which the company fires a worker due to disaffiliation to the union, but this rule is established in the CCT.

Those employed in executive and surveillance positions, skilled engineering posts, and *trabajadores de confianza* are excluded from union affiliation. Production, maintenance and laboratory workers are all incorporated within the union.

In 2004 a group of workers attempted to orient the union toward a more radical policy and possibly to form a different organisation. The initiative was blocked by both union and company. The internal process undergone by the union is unknown, but the company's posture was one of clear disagreement.

A union delegate interviewed expressed the opinion that circumstances do exist in which workers are subjected to discrimination for union motives. Examples include wage discrimination against unionised workers carrying out the same tasks as unaffiliated employees, and in job post assignments and allocation of productivity bonuses or incentives. The company labels certain union representatives as "conflictive workers" and union members have been subjected to sanctions and other punishments for their union activities. The firing of two workers noted above is attributed to such policies.

³ The responsibility assumed by the company regarding this now former employee was to issue severance payments in accordance with the LFT: vacations, three months' wages plus 20 days for each year of service, and the corresponding proportion of end-of-the year bonuses and other minor benefits.

Collective Bargaining

The most recent wage and contract review took place in March 2006. The union delegates, who are company workers, and a lawyer participate in the union committee for CCT negotiations. As described above, the last review process was arduous and completed barely within established times.

Access to Information

Company policy indicates that information is disseminated through organisation of events, posters, pamphlets, and notice boards. The company provides information to the union and workers only on formal aspects of daily operation.

Union representatives may enter workplaces to speak personally with workers, and they have permission to do so.

The union does not exchange information with unions at supplier companies, and they do not co-operate among themselves on common issues. The company does not provide information to supplier company unions.

Labour Conditions

Child Labour

There are no workers under age 18 in the company, and no such hiring is practised.

Forced Labour and Discrimination

Situations have existed in which workers are forced to carry out certain tasks in the company. Workers have been threatened with sanctions or punishment and even with being fired if they refuse to carry out certain jobs. There appears to be one plant manager in particular who maintains such an attitude, and reprisals have been taken against determined workers.

Cases have also existed of discrimination against personnel for union affiliation. Unionised workers may not receive equal pay for equal work, or discrimination may take place in task assignment or in contract type in terms of wage and post assignment.

Cases of sexual harassment have existed among work colleagues, but no formal complaints have been filed.

Wages

The company always pays on schedule and on time for all hours worked. The lowest base wage paid by the company is \$98 pesos per day, corresponding to the lowest classification of production operators.

The daily wage scale is presented in the following table by job post classification. The lowest wage is \$98.00 pesos and the highest is \$254.44 pesos per day.

A new area exists which is not included in this wage scale (pharmaceutical department) and to which six workers have been assigned.

Table 2: Wage Scale of Unionised Workers, 2005 (Pesos)

CLASSIFICATION	DAILY WAGE
Production Department	
OPERATOR “AA”	\$254.44
OPERATOR “A”	\$233.70
OPERATOR “B”	\$182.88
OPERATOR “C”	\$156.91
OPERATOR “D”	\$135.41
OPERATOR “E”	\$117.80
OPERATOR “F”	\$98.00
Maintenance Department	
FIRST CLASS MECHANIC	\$250.03
TOOL ELECTRICIAN	\$250.03
AUTOMOTIVE MECHANIC	\$250.03
SECOND CLASS MECHANIC	\$233.70
BRICK LAYER OFFICIAL	\$233.70
MECHANICAL/ ELEC. ASSISTANT	\$182.88
GENERAL ASSISTANT	\$182.88
Laboratory Department	
GENERAL ASSISTANT	\$156.91
WAREHOUSE	\$156.91
FIRST CLASS WAREHOUSE CLERK	\$228.99
TEMPORARY GENERAL ASSISTANT	Minimum Wage

Source: JLCA. Collective Bargaining Agreement *Confederación de Trabajadores Democráticos Akzo Nobel*, State of Mexico.

Work Days

The day shift workweek totals 48 hours, the mixed shift 45 hours and the night shift totals 42 hours per week. Workers must be notified of shift changes at least 24 hours in advance and this is generally the case. However, a former employee of the company affirmed that the company does not respect the maximum workday, moving shifts and demanding hours owed.

The company does not notify ahead of time regarding existence of overtime work. Workers can refuse to work overtime, but they may suffer consequences later such as not being assigned overtime on the following occasion. During high demand season, total overtime laboured among the workforce as a whole is approximately 24 hours per day.

The opinion was expressed that overtime work has contributed to increased accidents in the workplace:

“The work activities include risks, and at the same time demand is imposed to carry out activities in an intensive manner, provoking fatigue in workers. The case of the above-noted accident is an example: despite the fact there were precedents that recovery of the MEK-400 substance separating and destroying the next explosive, was reacting violently, the process was continued. In

addition to the intensity, simultaneous activities are carried out among liquid peroxide personnel (LPP area).”⁴

Workers receive extra payment for overtime work in accordance with terms established in the CCT.

The company attempted to modify the above-noted workweek schedules, proposing to replace them with a system dividing workers into four groups with 12-hour shifts, in periods of three workdays followed by three rest days. The company distributed a memorandum on January 6th notifying of the change, which would be placed into effect starting on January 16. However, the proposal was rejected by the entire workforce and the company was forced to consider worker opinion. The company withdrew the proposal in the following days, and the old schedule was maintained.

Bonuses and Profit Sharing

Profit shares have been distributed in the past five years. The company has provided information on its profits to the workers or union for implementation of profit sharing schemes (as specified in the CCT). However, those interviewed noted that the possibility does not always exist to check the company's data.

⁴ Questionnaire for the SRIQSCRM, interview by Luis Antonio Bonifaz of union delegate, CILAS, 4-October-05, Mexico City.

Benefits

The following table outlines benefits established in the collective bargaining agreement.

Table 3: Benefits and Bonuses specified in the CCT

Attendance bonus ≈ \$15 pesos per week; those with 6 months of perfect attendance receive the equivalent of two days' wages per month
Holidays (15 days)
One rest day for every six work days
Vacations (minimum 6 working days, increasing according to seniority) and vacation premium (75% of corresponding days' wages)
Equipment and game expenses for soccer team
Leave and financial assistance in case of death of direct relative (\$1,000 pesos)
Loan equivalent to one month's wage
Meal of roast pig and grilled lamb on the Day of the Virgin of Guadalupe (December 12 th)
Annual food basket
Productivity bonus of \$300 pesos (2.7 tons/worker) and \$600 (3.5 tons)
Transportation to the plant
Annual seniority bonus ranging between \$80 and \$230 pesos (increasing in 5-year intervals of service)
Payment to the union for cultural activities, equivalent to 60 minimum wages
Additional retirement premium equivalent to 13 days' wages for each year of service
End-of-year bonus (35 days' wages)
Life insurance for workers
Savings fund (13% of wage contributed by each company and worker)
Monthly bonus in the form of grocery vouchers equivalent to 5% of the worker's monthly wage
Educational grants (grants to 8% of personnel of \$160 pesos per month and school supplies for workers; 4 grants for inscriptions and supplies)

Source: JLCA. Collective Bargaining Agreement *Confederación de Trabajadores Democráticos Akzo Nobel*, State of Mexico.

Table 4: Benefits allocated through public institutions

Credits for housing purchase through INFONAVIT
Childcare services for workers' children through IMSS
Maternity services through IMSS

Base and temporary workers and *trabajadores de confianza* are all registered in the Mexican Social Security Institute (IMSS). Regarding additional medical coverage beyond IMSS, the company has contracted services in the Santa Fe Clinic to evaluate cases of on-site accidents. This may be interpreted in two ways: as an additional service, or as a way to get around public social security institutions.

There is a cafeteria for *trabajadores de confianza*. Base workers have a room improvised as dining hall.

Labour Conditions

The union notes health problems in certain areas of the plant. Area 3-20 is reported to have problems related to the handling of cyanide and acetone, resulting in vision problems detected such as progressive blindness. A labour audit is needed to measure fumes emitted and detect job risks.

The official web page of Akzo Nobel Chemicals states the following:

“One of our most important objectives is to provide a healthy and safe work environment that guarantees the health and physical integrity of personnel, safeguards property, minimises environmental impacts, favours balance with socio-economic surroundings, (and) facilitates compliance with applicable norms and with principles and codes of integral responsibility. For this purpose, work programs and specific activities are established, developed and implemented in three basic areas of action and follow-up: Personnel Safety, Property Protection, and Process Security. Systems, processes and procedures are applied to administration in Safety and Health matters through our Integrated Administration System and within a Total Quality approach.”⁵
The company notes that “training activities are oriented toward fulfilment of our clients’ expectations and care for the safety of persons, installations and products, as well as the environment.”⁶

However, according to the union, the company carried out few training activities to address job risks and accidents during the 2004-2005 period. This of course changed after the March 2005 accident, following which new safety measures and training courses were established.

The company provides four uniforms and three pairs of boots per year, as well as safety equipment for worker protection.

Environmental Policies

The main toxic wastes reported by Akzo are dimethyl formamide (phosphoric acid), used oil and rags, lead, and other chemical substances. For this reason the company carries out several actions in relation to the environment:

“In order to be able to elaborate, store, and distribute the products of the company, our people receive broad training based on a technology transfer system contracted with MTS (Manufacturing Technology Strategies).”⁷

The company is currently certified under ISO 9001:2000 norms (in aspects related to quality) and ISO 14001 (in environmental aspects).

⁵ Official web page of Akzo Nobel, <http://www.akzonobel.com.mx/seguridad.htm>

⁶ Idem

⁷ Idem.

Despite this, one of those interviewed felt that the company has faced problems in some of the following aspects:

- Environmental pollution affecting the local community; the local neighbourhood has disseminated an initiative calling for closure of the plant for posing a risk;
- Emanation of toxic gases;
- Risks due to handling of dangerous substances;
- High water consumption (water is wasted due to faulty operation of the processing plant).

Reorganisation, Subcontracting, Flexibility, and Temporary Workers

Reorganisation of the Company

Akzo Nobel Chemicals has not participated in any fusion, co-investment, or alliance with any other company, and has not acquired other plants or sold any production or service plant or unit.

The company has implemented new technology with the purchase of machinery and outfitting of new production areas, such as the BPO plant for production of antistatics and chloromethyl, area that implied new hiring in 2003.

The Human Resources Manager, Ms. Rosa Violeta Acevedo Flores, has suggested the possibility that the company might relocate to another location, but it has been interpreted as a pressure tactic in the context of collective bargaining agreement negotiations.

Subcontracting

During the past five years the company has subcontracted services in the following areas:

- Surveillance
- Cafeteria
- Maintenance
- Cleaning
- Infrastructure
- Payroll assistance and activity audits

The union suggests that some of these subcontracted activities are a waste of resources, considering they fulfil tasks, which could be carried out by company personnel.

The union has no relations with unions at supplier or subcontracting companies.

Work Flexibility

In the past five years the company has applied labour flexibility actions⁸ through:

- Shift changes
- Job post rotation
- Reorganisation of work days
-

The effects of these actions have not been thoroughly evaluated, but they usually result in excess wear on the workers.

⁸ We consider the following actions among others within the concept of work flexibility: learning multiskills, worker versatility, new contracting options, performance evaluation by team, work in quality circles, piecework payment, job-post rotation, workday or worker role reorganization, etc.

Temporary Workers

The company has resorted to hiring temporary workers, but they are few: has been maintained at the same number over the past five years, 15 at the moment of research; they are hired only occasionally and sporadically. Temporary workers are hired to address increased production demands and to substitute absent personnel. The average duration of temporary worker contracts is five months. These workers are not entitled to participate in the savings fund, they do not receive grocery voucher bonuses, and they occupy the lowest classifications on the wage scale.

According to the collective contract, temporary workers have preference in the case of job openings (clause 5, CCT). Following completion of three months of service they are considered permanent unless they were expressly hired for a specific task or fixed time period (clause 9, CCT).

In 2003, the union was able to achieve the permanent hiring of 13 out of 15 temporary workers. The attitude of permanent workers toward temporary workers is one of acceptance, but this varies depending on the type of supervisor.

One person interviewed reported the firing of a temporary worker for demanding wage compensation for having carried out work equal to permanent workers, while receiving a lower wage.

Conclusions

This brief document has presented information on the labour and CSR situation at Akzo Nobel Chemicals. Below we present the points with which the union representatives concluded their interviews and which summarise some of their main concerns:

- There is disinformation and lack of implementation inside the company on issues related to labour aspects of Akzo Nobel CSR policy;
- A series of repressive policies has been implemented toward the union;
- Unsafe conditions exist in production areas which represent a danger for company employees;
- Health problems generated by poor conditions in the workplaces need to be identified;
- Increases have been imposed in work burdens and working hours, with corresponding repercussions on worker health and additional risks generated.

Annex 1

OUR VALUES⁹

Our Company

Akzo Nobel is a multicultural company. We guide the market and carry out technology-based work to serve customers throughout the world, with healthcare products, coatings, and chemicals. Akzo Nobel directs its diversified activities through business units, which report directly to the Board of Administration. We maintain a portfolio of products with a leadership position in important market segments.

Our People

Akzo Nobel considers people to be its most important resource. We promote leadership, individual responsibility, and team work. Our employees are professionals whose business conduct is oriented toward results and guided by personal integrity. They strive for the success of their own units, to the benefit of Akzo Nobel as a global company. In exchange, our employees can rely on opportunities for individual and professional development in an international work environment. We offer them gratifying and challenging jobs with room for initiative.

Our commitments

We will focus our efforts toward the success of our clients. We will provide competitive benefits to our stockholders in exchange for their investments. We will create an attractive work environment for our employees and we will direct our activities in a socially responsible manner.

Our Ambition

To be the first option of our customers, stockholders and employees, and to be a respected member of society.

⁹ Official web page of Akzo Nobel, <http://www.akzonobel.com.mx/valores.htm>

Annex 2

PRIMARY INPUTS OF AKZO NOBEL CHEMICALS

- 2-ethyl hexoic neodecanoic acid
- Sodium cyanide
- Chloroformate
- Benzoyl chloride
- Hydrazine hydrate