

Research Report
2006

Akzo Nobel
Laboratorios Organon
Mexico

Centro de Investigación Laboral
y Asesoría Sindical A.C.

SOMO



> *Werkt in je voordeel*



CENTRO DE INVESTIGACIÓN LABORAL Y ASESORÍA SINDICAL A. C.

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Introduction

This study forms part of the initiatives promoted in international frameworks such as the Universal Declaration of Human Rights and the Organisation of Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, with regard to corporate social responsibility (CSR), and particularly to recommendations focused on the observance of labour rights. This is a co-ordinated effort among various organisations, and especially between the Federatie Nederlandse Vakbeweging (FNV) and the *Centro de Investigación Laboral y Asesoría Sindical, A.C.*, which together with the co-operation by companies, labour unions and workers, are conducting this work with the objective of verifying labour conditions and company policies on social responsibility. This study attempts to combine recognition of advances made by the company in these areas, with the identification of some of the existing problems, in the interest of incorporating these considerations into a dialogue among social actors.

Methodology

Within the framework just described, this document reports on the performance of *Laboratorios Organon* in labour and social areas. The purpose of the research conducted is to provide a descriptive analysis of what has taken place in the last five years, with regard to various aspects of the company, including its organisation, labour relations, working conditions and policies on social responsibility.

This study was carried out during the course of 2005, through in-depth interviews with the actors involved. To this end, instruments were designed and interviews were requested with national-level administrators and workers.

In particular, *Laboratorios Organon* (previously *Organon de México*) of Akzo Nobel Group was the first company to respond to our request to collaborate in this research. Nevertheless, the research progressed at a very slow pace, since the company took a considerable amount of time to confirm the interviews. It was not until September that the company presented the documents requested and interviews were conducted with administrators, and not until November that interviews with workers took place.¹

During the research study with *Laboratorios Organon*, the company presented substantial information, co-operated in ensuring that interviews were conducted with company personnel, and maintained its willingness to dialogue.

¹ For example, there was a change of Human Resources Director in February, and then, former director Edwin Van Houten left the company at the end of June.

Company Information

The now former director, Edwin Van Houten, was interviewed prior to his departure, and he explained some of the central aspects of the restructuring of the plant. In addition, three interview sessions were held with a group of six workers (three women and three men, with an average seniority of six years), who were selected randomly for the purpose of obtaining opinions from this sector. As well, a survey was conducted with workers at the lowest wage level, and the production plant was toured in order to observe working conditions. Lastly, *Laboratorios Organon* expressed its agreement with the exchange and dialogue regarding the results of the report, and this process has been completed.

Name of Company: *Laboratorios Organon S.A. de C.V.*

Production areas: Services, production and assembling of pharmaceutical products.

Products: Contraceptives, hormonal substitutes, anti-depressives, muscle relaxants.

General Director: Henrik Secher, who began this position in mid-2005.

Name of company headquarters abroad: Organon Holding B. V.

Corporate group abroad to which company belongs: Akzo Nobel N. V.

Location of company headquarters abroad: Arhem, Holland

Year of founding in México: 1955 *Organon Mexicana S.A. de C.V.* In 1959, local production by the *Compañía Química Franco Mexicana S. A. (QFMSA)* began, and in 1976 *Organon* acquired its current facilities from this company.²

Current Trade Union: *Sindicato Nacional CROM de Trabajadores y Empleados del Comercio, Almacenes, Oficinas en General y Escuelas Particulares*

Secretary General: Rodolfo González Guzmán

Affiliated with the *Federación de Sindicatos Unidos CROM of Mexico* and the *Confederación Regional Obrera Mexicana*.

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² *Organon* website: www.organon.com.mx

General Characteristics of the Company

We shall begin this report with a brief introduction on the general characteristics of *Laboratorios Organon* (LO). First, it is important to note that the company's financial growth has been generally positive, with the graph tending to climb steadily with a slight dip in 2004. With regard to profits gained from sale of products and from assembling, we can see dips in 2000 and 2002, and a recovery in 2003 and 2004. Both administration and workers report that production has not diminished, and has in fact increased. The figures on these two topics are the following:

Table 1: Sales and earnings volumes, *Laboratorios Organon* (pesos) (*sic*), 2000-2005

	2000	2001	2002	2003	2004	2005*
Sales (dollars)	435,439,311	526,946,387	546,728,753	677,552,270	788,603,694	816,356,710
Earnings (dollars)	43,420,290	64,240,659	73,232,267	74,272,503	97,679,404	70,670,591

Source: Interview conducted by Luis Antonio Bonifaz with the Department of Human Resources, 21-7- 05, Company Questionnaire, CILAS, A.C. electronic file.

* Partial figures

Restructuring of the Company

We shall now take a look at two important events affecting the company structure.

The first event was the fusion occurring at the end of 2004 with *Química Esteroidal S.A.*, which had produced primary products for *Laboratorios Organon*. *Química Esteroidal S.A.* had been closed in 2003,³ since it was no longer profitable, and thus, the processing of chemical products no longer took place. The corporation decided to transfer its operations to another country, making it necessary to reach a compensation settlement with its personnel. The vital objective of its fusion in 2005 with *Laboratorios Organon* was the administrative need to complete its closing process in legal and financial terms.

The second most important event was a decision by the corporation to split into two companies, establishing one company as the owner of the facilities and machinery, and another company that was given responsibility for personnel. *Laboratorios Organon* was created in January 2005 and is a *maquiladora* (assembly plant) of pharmaceutical products, and *Organón de México* is the owner of the facilities and machinery. This change was a strategy used to rationalise costs, making it possible to decrease the amount of income taxes paid to the Mexican government (by approximately 30%). With its new legal foundations, the company became a service-providing company, and in this way, decreased the impact of taxation on its economic performance.

³ The *Sindicato de Trabajadores y Agentes de Laboratorios y Similares de la República Mexicana* and *Organon* reported that 150 *Quiesa* workers were dismissed and received compensation in accordance with the *Ley Federal del Trabajo* (Federal Labour Law).

This modification implied that in December 2004 all employees were required to formally resign from the former company and be immediately rehired by *Laboratorios Organon*. Later in this report we will address the impact of this change on workers, in terms of profits and remuneration.

Exports and Imports

Significant growth in the company's exports to foreign countries can be documented, with an increase from 10.2% of total production in 2000, to 27.47% in 2005. In the table below we can see the changes over the last five years:

Table 2: Percentage of company's export sales in relation to total sales

2000	2001	2002	2003	2004	2005*
10.27%	8.73%	16.30%	24.59%	25.61%	27.47%

Source: Interview conducted by Luis Antonio Bonifaz with the Department of Human Resources, 21-07-05 Company Questionnaire, CILAS A.C. electronic file.

* *Projected figures for the year.*

According to the official webpage of *Laboratorios Organon* (LO), the company exports to Argentina, Colombia, Costa Rica, Chile, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama, the Dominican Republic and Venezuela. It also does assembly work with hormonal specialities for some multinational companies and Mexican firms.⁴

The percentage of inputs for its pharmaceutical products acquired from foreign companies –especially other companies from the Akzo Nobel Group– is enormous, reaching above 90%, as indicated in the following tables.

Table 3: Percentage of imported inputs in relation to total inputs

2000	2001	2002	2003	2004	2005*
95%	95%	95%	95%	95%	96%

Source: Interview conducted by Luis Antonio Bonifaz with the Department of Human Resources, 21-7-05. Company Questionnaire, CILAS A.C. electronic file.

Projected figures for the year.

A piece of information collected from the interviews with companies is that, beginning in 2005, there was a rise in costs for importing primary materials for manufacturing LO products, primarily from its main supplier, DIOSYNTH (which is part of the international corporation).

Employment

It is important to situate *Laboratorios Organon*, which is a medium-sized company, within the national context with regard to employment. To this end, we cite the following assessment of the current situation in Mexico:

⁴ *Organon* website: www.organon.com.mx

“During the presidency of Vicente Fox (2000-6) labour has been even further devalued in economic terms, due to...the increase in unemployment caused by nearly zero economic growth, and job security has further declined due to the increasing labour flexibility in firms. At the same time, social development policies are being progressively cancelled, and tend to be concentrated on the country’s poorest.”⁵

During the period from 2000-2005 there were hardly any modifications in terms of the size of the labour force employed at LO. The lowest point was in 2004 with a total of 284, and the highest point was in 2005 when the total number of employees was 312, a figure that includes base workers, administrative employees and sales representatives working in different states.

Table 4: Total employment

	2000	2001	2002	2003	2004	2005*
Men	171	170	174	168	177	176
Women	132	121	129	116	115	136
Total	303	291	303	284	292	312

Source: Interview conducted by Luis Antonio Bonifaz with the Department of Human Resources, 21-07-05. Company Questionnaire, CILAS, A.C. electronic file.

*Figures up until August 2005.

It is important to mention that the company administration emphasised in interviews that no distinction is made within the company between *trabajadores de base* (base workers) and *trabajadores de confianza*, but there is rather a preference for the company to utilise the concept of “employee” in a general sense, suppose without differences.⁶ It is important to note that although a trade union does not actually operate in the company, the number of unionised workers reported by the company is 62 out of the 312 employees in 2005. The corresponding figures for 2000 to 2005 are presented in the following table:

Table 5: Workers classified as unionised

	2000	2001	2002	2003	2004	2005*
Total	71	61	58	62	63	62

Source: Interview conducted by Luis Antonio Bonifaz with the Department of Human Resources, 21-07-05. Company Questionnaire, CILAS, A.C. electronic file.

The number of registered temporary workers is low, according to the figures provided by the company: 22 in 2000 and 8 in 2005 were the highest figures in the last six years. Although there are only a few workers in this situation, they can be found in the company year after year, and only offered contracts of 3 to 6 months. This is a situation we will address later in this document.

⁵ Interview with Laura Juárez Sánchez, ‘Dramático escenario laboral en cinco años de gobierno foxista,’ *Revista de Trabajadores*, No. 51, UOM, November-December, 2005.

⁶ The *Ley Federal del Trabajo* (Federal Labour Law) states that *trabajadores de confianza* are those who have either a managerial position or a supervisory role or are related to the departments of security and/or finance, and also include those who work in the office headquarters, within the company or in the installations; we understand as employees who have a position of trust within the company; a term alternative can be trust workers, but here we refers to under “trabajadores de confianza”.

Table 6: Average annual number of temporary workers
(Including administrative and office employees)

	2000	2001	2002	2003	2004	2005*
Total	22	Not available	2	3	0	8

Source: Interview conducted by Luis Antonio Bonifaz with the Department of Human Resources, 21-07-05. Company Questionnaire, CILAS, A.C. electronic file.

* *Figures up until August 2005.*

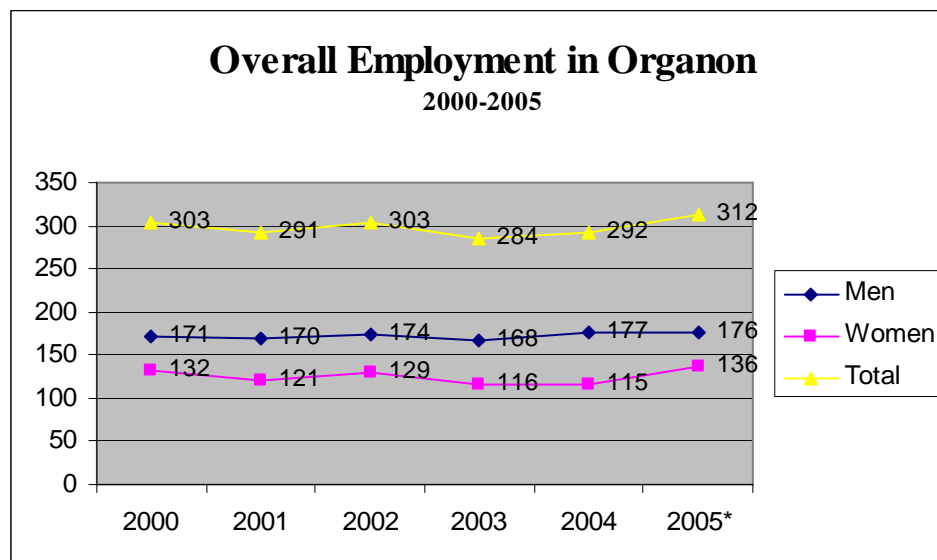
Included in the total count of employees are the sales representatives, who are those in charge of promotion, distribution and sale of LO products. They are not unionised, and are rarely found on the company premises.

Table 7: Sales representatives

	2003	2004	2005
Total	104	102	107

Source: Interview conducted by Luis Antonio Bonifaz with the Department of Human Resources, 21-07-05. Company Questionnaire, CILAS, A.C. electronic file.

Overall, we can see that there is hardly any difference in the company's total employment between one year and the next. There have been no significant lay-offs or substantial increases in personnel in recent years. It is only important to add here that in the transition mentioned earlier, four workers did not accept being re-hired in December 2004, and were given their severance pay by the company. The precise reasons are not clear, but it is known that they are related to disagreements regarding the relationship with the company, in at least one case. In the following diagram, the variations in employment can be observed more clearly:



Company Administration

In terms of decision-making and the autonomy of the local administration in relation to the corporate level, it is difficult to arrive at a characterisation of the company's functioning in this regard, due to the complexity of these matters. Some opinions were obtained, however, and may serve as points of reference for an analysis.

Objectives are established not only at the national level but at the regional level as well. The director is Henrik Secher, who is from Holland, and there are five members on the Board of Directors who are all from Mexico and two of them are women.

From the viewpoint of the local administration, there is a balanced relationship between a certain level of autonomy in their operations, and the intense involvement by the corporate headquarters in key areas. In terms of specific decisions, a considerable number of decisions correspond to the corporate level, in the opinion of the local administration, and these include aspects related to business strategies, technological changes, innovations and modifications in current products; joint investments, fusions and alliances with other companies; plant closings, personnel cuts, production cuts or relocation of facilities; and the designation of top executives and changes in administrative style. Also, the company's annual goals and objectives come from the corporation's hemisphere headquarters.

Some of the decisions assigned to the local level, in line with the company structure, are related to the following: changes in work organisation and establishment of new work methods; designation of middle level managers, labour relations policies and policies on negotiating wages; selection of suppliers, commercial outsourcing agreements, and use of subcontracting; education and training of human resources; and actions to control environmental impact.

From the perception of the workers interviewed, production-related decisions, labour policies, restructuring and other important internal decisions come from the corporate headquarters or at the hemisphere level, and not at the local level. Perhaps this perception comes from a particular style of the explanations given for decisions at the local level, which are attributed to top executives at the corporate level.

Regarding future plans: "The company's general strategy is to produce and commercialise medicines that are sold under medical prescription and that improve human health and quality of life. The plans for future development are to expand participation in markets, and thus, increase sales." According to the company's website, the strategy is for "the company [to continue] to work toward expanding the market for its specialised products through strategic plans of personnel development within its sales team. There are incentives and rewards for leadership, personal responsibility and team work. LO makes great efforts to promote the cohesion and identification of its employees with the company. It is reported that the high levels of motivation on the part of employees are due to the increased remuneration incentives."⁷

⁷ Organon website: www.organon.com.mx

Corporate Social Responsibility (CSR)

The *Laboratorios Organon* administration understands corporate social responsibility (RSC) as “a moral commitment on the part of the Company to support activities that contribute toward promoting a better society, through the community and members of the community.”⁸ It considers labour issues and philanthropic activities to be part of corporate social responsibility.

The company presented documentation of actions and dissemination of its mission, vision and values, although it did not submit Akzo Nobel’s ‘Code of Conduct,’ and instead referred us to its website. The company administration affirms that employees are aware of the Code. In interviews with workers, while they did not have the ‘Code of Conduct,’ they referred to its contents, specifying that it is related to the company’s ethics, and that it is linked to what are known as “Good Business Practices,” and to the *P & D Dialog* program, strategies for improving performance.

The company has a form entitled “Declaration of Loyalty and Dedication” that it presents to all its employees and that includes standards for behaviour, however the contents of the Code are not included.

The company reports carrying out specific activities regarding the issue of social responsibility, and that employees actively participate. The company states that in some cases these activities are related to labour matters: The activities described are the following:

- Discussion sessions to promote a business ethic within and beyond the firm.
- Informative talks for employees to avoid labour-related accidents.
- Campaigns for vaccinating employees and their family members.
- Activities that promote a sense of social responsibility among employees: events for collecting and donating items for the benefit of associations like *Casa de la Sal* (home for AIDS patients) and *Huesos de Cristal* (for osteoporosis patients), associations involved in the treatment of breast cancer, and orphanages, plus support for hurricane victims in the State of Chiapas (food, toys and money).
- Keeping employees informed of programs in education, safety and sanitation, as well as promoting their participation in the same. Dissemination is carried out through the gazette called the *Punto de Encuentro*.
- Actions toward improving the environment (*Empresa limpia* – Clean Company)

The workers are informed regarding activities by way of fliers that provide information and invite workers to participate. The activities mentioned as the most significant are raffles and donation collections, as well as other social benefit activities. However,

⁸ Interview conducted by Luis Antonio Bonifaz with the Department of Human Resources on July 21, 2005, Company Questionnaire, CILAS, A.C. electronic file.

contrary to the opinion expressed by the company, the workers interviewed do not view labour issues as part of the company's social responsibility policy.

In terms of planning, follow-up and evaluation of corporate social responsibility policies, the company proposes carrying out the following actions:

- a. The development of an annual program in which social responsibility activities are specified. Workers are assured that standards for social responsibility are fulfilled, by way of information regarding the actions in this regard, which is regularly posted on bulletin boards.
- b. There is a donations committee that makes decisions, based on a policy, regarding donations and support (money and in-kind) for associations and institutions. The social responsibility committee is formed by six employees who co-ordinate and motivate other employees to participate in the philanthropic events carried out by the company. Those responsible for monitoring compliance with these standards of social responsibility are: America Gómez Salinas, who heads the Office of the Co-ordination of Communication; Antonio del Real, from the production area; and María Elena Martínez, from the Safety and Sanitation Committee in the production plant.

The company states that no complaints have been made regarding violations of the Business Code; likewise, workers are not aware of any violations of this Code during the last five years. To learn more about the transparency of the company's policy, workers indicate that information is disseminated internally and attention is given to requests formulated by employees with regard to policies, activities and the results of the company's performance. In addition, information is also made public, and requests from social organisations are addressed.

No other independent organisation has verified the fulfilment of the company's policies on social responsibility, other than CILAS.

Laboratorios Organon does not assume responsibility for or exert any control over the labour conditions of suppliers and subcontractors. The administration states that the 'Code of Conduct' has not been provided to supplier firms or subcontracting companies outside the Akzo Nobel Group, and specific labour conditions are not required of them. The company does, however, specify criteria for the quality of products and services.

Labour Relations

Trade Unions

Formally, there is a trade union registered, and it is responsible for labour relations with *Laboratorios Organon* (LO), and for responding to official entities. This trade union is the *Sindicato Nacional CROM de Trabajadores y Empleados del Comercio, Almacenes, Oficinas en General y Escuelas Particulares*. It is a national trade union in the industrial sector, with local jurisdiction. In January 2005, it replaced the trade union formerly registered at LO, the *Sindicato Nacional de Trabajadores y Empleados de las Fábricas y Laboratorios Químicos e Industrias Similares y Conexas*.

Only 62 employees are affiliated with the trade union, signifying 19.8% of the total number of employees. From the company's viewpoint, administrative and office employees do not belong to the trade union, because they are considered *trabajadores de confianza*.

The role of the trade union, in this case, signifies nothing more than what is referred to as a sweetheart contract, and thus the trade union has no real importance in the company. Both the company and the workers have made it clear that the trade union representatives do not carry out any activities with the workers, and that the trade union is what is known as a "yellow union," or company union that only fulfils legal requirements with labour authorities.

Therefore, for example, LO promoted the change from the previous to the current trade union, at the time when the company changed its status, and workers did not participate in that decision. The reason for the change is not clear, but in one of the interviews conducted, it was mentioned that the previous trade union representatives and one of the *trabajadores de base* who attended to trade union matters (official signatures and procedures) were using their positions for personal benefit. It is also important to note that the workers interviewed were not aware of this process, nor did it seem necessary to them that they have such knowledge. Workers have not made any attempts to form a different trade union from the base level.

The company delivers funds to the trade union directly, and there is no reduction in the payroll.

The prevailing labour atmosphere has functioned in such a way so that there have not been any strikes or conflicts between the administration and employees during the last five years, and this includes the times when remuneration were reviewed and also transition periods such as when the company's status was changed.

As well, there have not been any complaints regarding the company filed with the National Contact Point (NCP) for the OECD Guidelines, nor with any other regional, national or state entity. In this sense, what the workers said is that they assume a co-operative attitude in relation to the company's objectives and initiatives.

Collective Bargaining

There is no collective bargaining process, and instead any bargaining takes place at the individual level, since there are direct relations between the employees and the company. Nevertheless, there are certain aspects in which the participation and organisation of workers' committees are needed: the case of profit sharing and the functioning of the savings fund, for example.

There is a collective bargaining agreement, known by its Spanish acronym *CCT*,⁹ and signed by two LO workers, General Secretary Rodolfo González Guzmán and the company. Established in the agreement are the formalities required for such documents, including references to an exclusion clause, the forming of joint committees, the wage scale, etc.

Workers do not know their trade union representatives and do not elect them. Nor are workers familiar with the collective bargaining agreement.

With respect to the existence of the collective bargaining agreement, CILAS sees a paradox inherent in the reality of having a trade union legally established and with an agreement, when there are direct relations between the company and its employees. Also, a number of the clauses in the agreement are regulations that are not enforced (such as collective bargaining and the exclusion clause), and others are different in reality (the wage scale), while in other aspects, workers do participate, such as in industrial safety programs, the sanitation committees and training activities.

The last wage and agreement review took place in June 2005, however performance evaluations and wage increases take place in January.

The company has not proposed at any time that it might abandon the area or the country, as an argument to exert pressure.

Isolated individual conflicts can be detected in relation to individual performance evaluations and decisions regarding wage increases. It is important to remember that bonuses and annual wage adjustments are given on an individual basis, based on evaluations conducted by immediate supervisors. In fact, workers mention the tension that is generated during this stage of individual evaluations, in which each worker receives a score, and based on that score, wages to be received in the upcoming year are determined.

⁹ Article 386 of the Federal Labor Law establishes that the CCT is "an agreement between one or various workers' unions and one or various company owners or one or various company unions." This Article has been used as one of the keys to understanding how corporate mechanisms have been introduced into labor laws. According to Nestor de Buen, a labor lawyer, "[the article] means that workers themselves do not participate in the discussion, approval and eventual review of a document that should regulate their work life. Trade unions do this exclusively, and at no time does the law even require the approval of the CCT by a workers' assembly." Nestor de Buen, *Ley Federal del Trabajo Comentada*, Porrúa publishers, Mexico, 2002.

When new workers enter the company, they can obtain information regarding working conditions through the company's benefits manual, the individual agreement and internal work rules.

Committees

In LO there are other forms of grouping workers and *trabajadores de confianza*. These groups are functioning, and imply various forms of collective participation, specifically:

- The liaison committee is a group of employee representatives from the sales force, production plant and administrative offices. This committee has the function of communicating between the company and all the employees, serving as a bridge between them, with the purpose of identifying areas of dissatisfaction and opportunities for improvement. In an interview with workers, the following was stated:
“The liaison committee has the function of addressing complaints, observations and suggestions from personnel, although not labour matters. This year Lupita and José were elected by the workers. They have the capacity to speak to supervisors, co-ordinators and managers, to communicate their ideas and proposals.”

The committee is made up of six persons elected annually by direct vote and with candidates selected through a nomination process. This committee meets periodically to address the proposals and suggestions they receive. It is noted that the committee will not function as “a committee for complaints or for labour matters.” Among the current six members of this committee, three are area supervisors and one is a manager. This committee operates in such a way that does not resemble a trade union.

- Other groups are the joint committees operating in the company. These include the training and skill-building committee, the safety and sanitation committee and the profit sharing committee.
- Work teams in production areas.
- Sports and recreational activities groups.

Union Freedom

It can be said that the company has discouraged trade union affiliation, to the extent that labour policies remain free from trade union intervention and seek to maintain a distance from the trade union negotiating the collective bargaining agreement. The former company director, Edwin Van Houten –who directed the company for many years– argued during the course of his interview that it did not serve the company's interest to have a trade union in the company that uses confrontational practices to obtain benefits for the organisation, as is the practice of many corporative trade unions, since this

complicates the performance achieved by the company. For this reason, he said, it is better to have a trade union organisation that abstains from intervening in the company, and to promote other forms of collective action by workers.

Workers' Representation

Despite the limited role given to trade unions, the company has established worker representation, both for complying with legal requirements, and in the joint committees and the liaison committee. In such cases, those designated as representatives are granted permission to fulfil specific functions. They can enter working areas, but only as observers. The company has also indicated that they are not authorised to distribute information to workers while on plant premises. Nevertheless, there have not been any cases of sanctions applied to workers for carrying out such activities within the company.

Access To Information

The company provides information to employees in a timely, regular and relevant manner, according to the opinions expressed in the interviews. The administration's most important communication mechanisms are department meetings, communiqués and fliers posted on bulletin boards. Electronic mail is also used, although this communication method is restricted to certain workplaces. The information provided by the company is in regard to its local development, internal production matters and local activities, plus corporate growth at the global level, although the examples presented were minimal. Workers report that when they request information from the company, they generally receive what they need. Information withheld is "financial or commercial information temporarily classified as confidential."¹⁰

General company meetings are held, although not very frequently, and especially when there is a matter that must be addressed (in 2005 there was only one meeting at the beginning of the year, however previously there were two or three meetings per year).

¹⁰ Interview conducted by Luis Antonio Bonifaz with the Department of Human Resources, on July 27, 2005, Company Questionnaire, CILAS, A.C. electronic file.

Labour Conditions

Child Labour

It is established in the *Reglamento Interno de Trabajo* (Internal Labour Rules) that all workers must be 18 years of age or older. In the interviews conducted, it was commented that there is only one worker who is only 18 years old, and who works the day shift, and that there are no minors working in the company. The workers confirm this information, and state that it is generally true that the company does not hire minors.

Forced Labour and Discrimination

The company has assured that there are no cases of forced labour, and the workers interviewed have also confirmed this. With regard to company policy in this regard, the company assures that “due to the type of company we are, there isn’t any activity that could be considered forced labour,” although this statement is not clearly explained.

The company assures that there have not been any cases of discrimination of personnel for reasons of gender, ethnicity, trade union membership, religion, social origin or political affiliation. The workers interviewed report that they are not aware of any such cases.

We did not detect any differences in wages received for the same work, on the basis of gender, ethnicity, religion, social origin or political affiliation. In none of the interviews conducted or documents analysed did we find evidence of differences in pay received for the same work.

There are 43.9% women (136) and the rest are men (176) at LO. Both genders are distributed across the range of the organisation. There are two female directors and 12 female managers.

The company states that there are no cases in which women have not been hired or have been fired because they were pregnant, although few workers have been hired in recent years. Workers corroborate this information, and even mention the case of a temporary worker who was not fired when she was pregnant.

There have not been any affirmative action activities in the company, and workers corroborate this information: training and development actions are applied to the entire personnel, without being directed at one gender or the other. There have been, however, specific talks for female workers regarding breast cancer and osteoporosis.

According to the company, there have not been any cases of sexual harassment on the job, on the part of co-workers, supervisors or directors. The workers corroborate this information.

Wages

In Mexico it must be acknowledged that wages have suffered a progressive loss of purchasing power for the majority of wage earners over recent decades, through constant devaluation of the currency, increasing inflation and wage ceilings.

“Due to the [government] policy of maintaining and intensifying restraints on wages, wages consistently lagged behind inflation: for example in 2004, the predicted inflation rose from 3.0% to 4.0%, however it was surpassed by real inflation that reached a level of 5.18%, while the increases in minimum, industrial and services wages were 4.2%, 4.5% and 4.5% respectively.”¹¹

There is no doubt that this overall situation affects employees and workers at *Organon*, although only at the lowest levels on the wage scale. The company’s opinion with regard to wages is that, compared to other companies in the sector, the highest wages are comparable, middle-level wages are lower, and wages at the lowest levels are comparatively higher. Nevertheless, the workers interviewed stated that remuneration is comparatively higher at *Organon* than in other companies.

The lowest monthly wages paid by the company in 2006 is 4,287 pesos for level “1a,” equivalent to approximately 142 pesos/day, which is three times the stipulated daily minimum wage. However, this would not permit the head of a family to cover all the minimum necessities of his/her family. As a point of reference for considering this point, we would mention that, according to the *Universidad Obrera de México* (UOM), the current minimum wage received by a worker (46.80 pesos in 2005) will only purchase 26% of the goods in the basic food basket. This means that the minimum wage has lost more than 70% of its value in 1980.¹²

The lowest wage received at *Organon* is much higher –equivalent to three minimum wages –however, according to the UOM's estimate, it should be equivalent to four minimum wages (187.20 pesos) in order to purchase the basic food basket for a worker and his/her family. If we make a comparison with other indicators, the average wage in the manufacturing industry is 194.15 pesos, and in the case of the chemical industry, 222.54 pesos (September 2005).¹³

The company presented information on the wages of its employees, as follows:

¹¹ Interview with Laura Juárez Sánchez, “Dramático escenario laboral en cinco años de gobierno foxista,” *Revista Trabajadores*, No. 51, UOM, November-December 2005.

¹² Interview with Laura Juárez Sánchez, “Dramático escenario laboral en cinco años de gobierno foxista,” *Revista Trabajadores*, No. 51, UOM, November-December 2005.

¹³ Data from the Mexican Department of Labor (STPS), in www.stps.gob.mx/

Table 9: Average Monthly Pay for Base Workers

LEVEL	POSITION	AVERAGE PAY
1a	Operator	\$4,287
1b	Packer	\$4,719
1c	Operator	\$5,109
2a	Receiving and packing assistant	\$5,599
2b	Laboratory technician	\$6,454
2c	Tablet technician	\$6,880
3a	Mechanical technician	\$8,128
3b	Electrical technician	\$10,470
4a	Material Storage Supervisor	\$11,944
4b	Supervisor, Tablet Assistant, Quality Control Supervisor	\$12,652
5a	Quality Assurance Supervisor, Documentation Supervisor, Maintenance Supervisor, Production Supervisor	\$20,538

Source: Laboratorios Organon Wage Scale, Mexico, 2005.

Some indicators of the living conditions of workers can be detected through a brief survey applied to the workers at the lowest levels on the wage scale (in the plant this was the case for seven workers, including four men and three women). In most of the cases, they provide the primary economic support for their families, which are composed of between two and seven members, and none of them described their family economic situation as “good.” Only two of them reported having another source of income, but most of them have one other family member working (usually a spouse or sibling) and complementing the family economy. In only two cases there are family members between the ages of 16 and 18 working.

Therefore, in the case of the income received by workers, we can say in general that it is actually higher than minimum wages, although deteriorated by the social context, which keeps wages down. The lowest wages allow for covering at least two-thirds of the basic food basket, and consequently the next levels moving up are able to cover the basic food basket with less difficulty. At the lowest level, the wages received make it possible to maintain a nuclear family if there is assistance from family members. In addition, it is necessary to take into consideration the benefits received by workers. There are various benefits received that make it possible to maintain better living conditions, and we will address them in the following sections. Lastly, we can establish that the company is fulfilling its obligations in terms of paying wages, pay of profit sharing, savings fund, *aguinaldo* (end-of-year bonus), etc., in accordance with the Federal Labour Law.

Work Day

Just as in the previous assessment, we can establish that the company is meeting the legal requirements for work days as established by the Law. The work week consists of 45 hours, distributed in the following manner:

Monday to Thursday: 7:30 to 4:30 in the production plant, and 8:00 to 5:00 for office personnel (with 45 minute lunch break). Friday: 7:30 to 3:15 in the production plant, and 8:00 to 3:45 for office personnel.

With respect to working extra hours, the company regularly gives two days' advance notice when there will be extra hours, and this is positive. Workers are obliged to work the time that is required according to the Federal Labour Law (no more than three hours a day, no more than three days a week), as established in the individual labour agreement. Workers interviewed indicated that they can freely choose to reject the extra hours, when they have an excuse, although they agree it is best to accept them. Extra hours are paid double, as stipulated by the Law. Extra hours are not linked to being a cause of accidents on the job. In addition, the workers interviewed indicate that the company respects the maximum number of hours that can be worked in a day.

Bonuses and Profit Sharing

The company grants a cash bonus to award punctuality, if during the period of a month, he/she does not arrive late more than twice and never misses a day. The amount is equivalent to six times the minimum daily wage (280.80 pesos in 2005).

The company presented information regarding its profits for implementing profit sharing schemes during the last five years (2001-2005). Profit sharing continues to be an important source of remuneration for most employees, however this situation is changing as of 2005.

Now, employees have an annual performance bonus, in the framework of a program entitled the *P&D Dialogue* process, which has become especially important in an attempt to compensate for the future decrease in profit sharing. Let's explain: two of the effects predicted by LO's change of status are: first, that the company will not implement profit sharing, since it has been recently created, as stipulated in Article 126-1 of the Federal Labour Law¹⁴ (this was not mentioned as a possibility in the interviews with the company); and secondly, that profits will decrease enormously since the amount of earnings –from which profits emanate –will decrease significantly, since the company now operates as a services and *maquila* company.

This phenomenon will have a negative effect for 2006, and the company made this clear at the time the change took place. Foreseeing disagreement on the part of the employees, the company proposed an increase in the productivity bonus, to a level of 38% of annual wages.

The proposal was developed locally by the general director's office, in response to the decision made at the corporate level, in an attempt to meet the high-priority objective of decreasing the payment of taxes on earnings. The concerns of the workers at this time are focused on measuring the results of the bonus, together with this year's situation in

¹⁴ There is some doubt as to the fairness of this exception, since if the company obtains a profit, even as a new company or with new production, there should not be any reason to exclude profit sharing for workers.

relation to profit sharing, which is expected to be decreased or non-existent.

The company has explained the annual bonus in this way:

“This bonus is composed of various elements, including the level of the company’s annual sales, as well as even the performance of employees, with the percentage of the bonus being relative to the position occupied by the employees in the organisational chart, specifically the lower the rank, the higher the possibilities for a higher percentage.”¹⁵

The maximum amount of the bonus is 38% of an employee’s fixed wages during a year’s time, and the minimum is 8%. The productivity bonus is granted through a monitoring process reported by the employee and an evaluation conducted by the employee’s immediate supervisor and the respective managers with regard to the performance of each employee. At the end of the year, each employee is called to a meeting in which he/she is individually informed of the evaluation results, and the bonus is assigned on the basis of those results (the annual wage increase is also determined through this same process). This year a new system of registering the advances made by the workers was implemented, and is carried out by workers on a periodical basis.

One concerning aspect is whether employees can achieve an evaluation that allows them to obtain the benefits. In the first evaluation in 2005, 15% of employees surpassed the objectives, 74% met the objectives, 10% were assessed as needing improvement, and 1% as insufficient.

Benefits

The *trabajadores de confianza* and *de base* -as well as temporary workers- are enrolled in the *IMSS*, which provides them with such benefits as medical services, retirement benefits and other social benefits. Workers also have another medical plan for major medical expenses, and they are provided with a directory of clinics and hospitals for receiving services.

Briefly, the following are the monetary and social benefits enjoyed by the employees of *Organon*:

¹⁵ Interview conducted by Luis Antonio Bonifaz with the Department of Human Resources, July 21, 2005, Company Questionnaire, CILAS, A.C. electronic file.

BENEFITS	MANUAL OF BENEFITS¹⁶ (Not included in Collective Bargaining Agreement)
Social Security	In sub-section 15 of the <i>Manual de prestaciones</i> (Manual of Benefits), it is specified that employees will have the right to all the benefits that the IMSS offers.
Life insurance	In sub-section 12 of the Manual of Benefits, it is established that all workers have the right to "... life insurance equivalent to the value of 24 months of wages in case of natural or accidental death."
Maternity and child-rearing benefits	In sub-section 14 of the Manual of Benefits, it is established that "... all males may be allowed two days of leave with pay: the day of the birth of his child and the day his wife leaves the hospital..." Pregnant workers will be granted the benefits stipulated in the Federal Labour Law, which consist of maternity leave prior to and after childbirth, with wages, benefits and medical attention for the mother and her baby.
Childcare facilities.	Through the <i>IMSS</i> .
Cafeteria services	In sub-section 12 of the Manual of Benefits, it is stipulated that the Company will provide to all workers, with a discount of 20% of the minimum daily wage. Breakfast services will also be available upon request.
Employee transportation	Clause V of subsection C of the 'Rules' establishes that all personnel be paid taxi fare after working extra hours.
Pensions/ Retirement funds	In sub-section 12 of the Manual of Benefits, it is mentioned that the company will offer a retirement plan for workers who have reached 65 years of age with a minimum experience of 10 years in the firm.
Programs in support of sport and culture	There are sports activities, however there is no agreement regarding support for such activities.
Profit sharing	The company follows the law as stipulated in the Federal Labour Law, and the previously noted limits are applicable.
Vacation allowances.	Subsection 8 of the Manual of Benefits states: "The employee will receive 60% of the basic salary that he/she is entitled to for legal holidays, and payment of the bonus will be made before Easter vacation."
Housing loans. (<i>INFONAVIT</i> - National Housing Benefit Fund)	Subsection 15 of the Manual of Benefits notes that the company will give a 5% fee out of its integrated salary every two months and the workers will enjoy all the benefits provided by <i>INFONAVIT</i> .

Others	
Vacations	Subsection 7 of the Manual of Benefits establishes the vacation days to which workers have a right (the number does not match with the collective bargaining agreement), and the dates on which this benefit can be used.
<i>Aguinaldo</i> (end-of-year-bonus)	Subsection 1 of the Manual of Benefits establishes that workers will be given an annual <i>aguinaldo</i> equivalent to 32 days' wages. (This does not match with the collective bargaining agreement).
<i>Bono de desempeño anual</i> (Annual performance bonus)	Subsection 2 of the Manual of Benefits establishes that the company will give an annual bonus based on an evaluation of the worker's performance made by his or her immediate supervisor.
<i>Premio de puntualidad mensual</i> (Monthly punctuality bonus)	Subsection 3 of the Manual of Benefits establishes that employees who punch a time clock will be awarded a Monthly Punctuality Bonus, which is equivalent to six times a daily minimum wage, if they do not arrive late more than twice in the month.
Savings fund	Subsection 4 of the Manual of Benefits establishes that every worker will have

¹⁶ This is a document that is given to every employee at the time of joining the Company.

	the right to a savings fund, to which both the company and the worker will contribute the same percentage and that shall be given to the worker in the last week of November.
<i>Vales de despensa</i> (Coupons for purchasing basic products)	Subsection 5 of the Manual of Benefits establishes that employees will be given the equivalent to 13% of their wages in coupons.
<i>Seguro de gastos médicos mayores</i> (Major medical coverage)	Subsection 11 of the Manual of Benefits establishes that all workers will have the right to medical coverage for major medical expenses for the worker and those who financially depend on him/her. The Company will pay the fees for the policy.
Acknowledgement of anniversary	Subsection 13 of the Manual of Benefits establishes that after 10 years of working in the company, workers will receive special recognition in money or in-kind, plus a commemorative plaque.
In case of death	Subsection 3 of the Manual of Benefits establishes that in case of death of an immediate family member, workers will be given a two-day paid-leave and two months of current minimum monthly wages. In case of the death of an extended family member, a day's paid-leave will be granted on the day of the funeral.
In case of matrimony	Subsection 14 of the Manual of Benefits establishes that a whole week of paid-leave will be given in the case of matrimony. Also, the worker will also receive a gift with a cost of up to half a minimum monthly wage.
Disability	Subsection 14 of the Manual of Benefits establishes that in the case of a non-professional disability for a period of less than 30 days, the company will pay for the equivalent of 60% of wages to complement the portion covered by <i>IMSS</i> . In this way, workers will receive their entire wages during the period of their disability.
Eye glasses for work	Subsection 14 of the Manual of Benefits establishes that in case of a worker needing glasses to carry out his/her job, after having worked for at least one year in the company, he or she will be paid up to 80% of the current minimum monthly wage to cover the cost of the lens and frame.
<i>FONACOT</i>	Subsection 15 of the Manual of Benefits states that workers will enjoy all the benefits provided by <i>FONACOT</i> .

All the benefits explained in the table above apply to all employees.

Working Conditions

The company has annual training programs for production areas, with priority given to addressing health and safety topics. Some of the topics included in the 2004 program were: accident prevention, risks, handling materials, maintenance, etc. The company indicates that it fulfils the commitments established by official norms in this regard. In the individual labour agreement, it is established that the company has an obligation to provide this type of activities. In 2005, a total of 308 diplomas were granted, verifying labour skills achieved after receiving these training courses.

Reorganisation, Subcontracting, Work Flexibility and Temporary Workers

Reorganisation

The company's change of status is the most important transformation with regard to its restructuring process. The explanation obtained from the company is that the increase in prices for inputs and the need to reduce expenses led to this decision. These factors were to generate a decrease in the company's earnings, which would imply a decrease in the payment of taxes, and profits sharing.

Arising from this situation was the initiative to offer an annual bonus to workers that would compensate –not completely, but to a large extent– for the decrease in profits to be shared.

According to the company: “a new company, *Laboratorios Organon S.A. de C.V.*, was created and is the company that administers the entire operations of the old OMSA and, all its employees and workers were transferred to the new company, with seniority acknowledged and under the same conditions that were applicable in the other company including salary and benefits.”

The company proceeded in such a way as to respect the wage categories and seniority accumulated by the employees. The workers interviewed also agreed with this judgement: “...seniority was respected; four employees left the plant and they were paid a bit more than 100% severance pay and the new agreement was presented.”¹⁷

When the corporate decision to change the status of the company was made, the information was circulated with two months' advance notice (other sources disagree with this, stating that everything occurred in the month of December). Talks were given to the personnel, explaining the legal processes related to labour considerations that would be carried out, and doubts that arose were sorted out.

The occasion called for a general meeting with the General Director, the Human Resources Department and all the company personnel toward the end of November 2004. The General Director explained the situation and requested co-operation in the legal steps to be taken. He mentioned that the trade union agreed with the change, however according to one testimony, no such notification of this situation was given. At the same meeting, a significant portion of the company personnel signed a resignation and a new agreement. For those who remained undecided, they were given a copy of the agreement and additional time to make up their minds.

“Some of us signed immediately (half signed at the time), and others followed suit in the ensuing days. Only a few refused to sign a new agreement and asked for

¹⁷ Interview conducted by Luis Antonio Bonifaz with company workers, July 21, 2005, Workers' Questionnaire, November 31, 2005, CILAS, A.C. electronic file.

their severance pay, which was granted in accordance with the law.¹⁸ Four plant workers, eight office personnel, and 15 medical representatives were mentioned as those who did not sign the agreement.

It was said that the Director's Office was hoping that all the workers would agree, but that if this were not the case, the proposal would be withdrawn, however the company's transition would go forward. Fifteen days after the change was announced, the process was concluded. The majority of the workers were convinced, while four were not willing to sign the new agreement and accepted their severance pay from the company. From the company's viewpoint, the persons who left were not dismissed but rather, they accepted "an alternative offered to personnel not interested in continuing to collaborate in the company." The company states that the four persons were given their severance pay as stipulated in the labour law, and this was confirmed by other sources. No additional plan was negotiated for them.

Subcontracting

With regard to subcontracting, the company continues the same practices used by most companies in Mexico, specifically subcontracting services such as security services, cafeteria, maintenance, cleaning and infrastructure. Currently, the company is not outsourcing any tasks or functions.¹⁹

The performing of these functions by other companies has been established with sufficient anticipation, and it is therefore felt that this situation does not affect the other departments or areas, according to the company and the workers interviewed. The amount of permanent employment has not been affected, nor has a direct change in labour relations been caused in recent years. The trade union and the liaison committee are not involved in any way in these matters.

Labour Flexibility

The flexibility of labour factors is something that does not appear in any of the company's policies. Nevertheless, there are diverse elements that point to this very phenomenon. The company's internal rules permit the transfer of a worker from job to another, as long as there is no effect on the wages received. Such internal rules also establish the obligation that employees work the extra hours required by the company.

¹⁸ Ibid.

¹⁹ There is a conceptual disagreement here, since we understand "outsourcing" as contracting services through other companies, with the aim of totally delegating to such companies specific tasks that were previously performed by the contracting company; and "subcontracting" as contracting a company to supply manufactured parts, sub-products or input pre-processing required by the contracting company for work processes. Another circumstance is that the inputs being acquired outside the company had been previously manufactured by the contracting company. Nevertheless, in the interviews with the company, it classified the services mentioned here as subcontracting. It appears the company uses the concept of outsourcing for more advanced services such as payroll processing, specialized consultation or research and development.

According to workers, there is flexibility in the process of learning, the use of multiple skills, rotation among different jobs (the latter proposed by the company as an ergonomic solution), and the reorganisation of work days and roles of workers. In this context, it is important to mention that the introduction of the new bonus can be expected to lead to the intensification of labour, and this is something that should be assessed from the workers' point of view.

In terms of positive aspects of flexibility, workers report that the company assumes the responsibility for maintaining job security and income stability. In the opinion of the workers interviewed, the company supports wages maintaining their purchasing power (an aspect that should be considered in light of the matters of profit sharing and the bonus), and it views dismissing workers as the last option.

In other areas, a tendency to change fixed agreements toward flexible or temporary agreements has not been verified.

Temporary Workers

The Company uses temporary contracts and by-the-job contracts for operating in the plant, with regular work days. The primary reason that the company employs temporary workers is to “confront greater production demands or the expansion or modification of infrastructure.” In 2005, the Company employed as many as eight temporary workers for production in specific periods; two such workers were employed all through the year. There are hardly any differences in labour conditions for permanent workers and temporary workers; the only differences are with respect to certain benefits, which were not specified by the workers interviewed.

Some temporary workers become permanent workers after having worked in the company for a certain period of time (workers interviewed mention that three of six workers have become permanent workers in the company).

“Only those who have been hired to fill a vacant position that has budget authorisation as a permanent job, generally after 90 days, which is the average duration of temporary contracts.”²⁰

Workers say some temporary workers are hired for six to eight months during the year, while others speak of workers being hired for three-month periods once or twice a year.

From the viewpoint of the company, there are no effects from temporary hiring on job and income stability.

²⁰ Interview conducted by Luis Antonio Bonifaz with the Department of Human Resources, July 21, 2005, Company Questionnaire, CILAS, A.C. electronic file.

Conditions in the Supply Chain

In this chapter we will present some data on *Laboratorios Organon's* Supply Chain.

The main imports of *Laboratorios Organon* for producing the hormonal products are:

- Linestrenol
- Testosterone
- Desogestrel

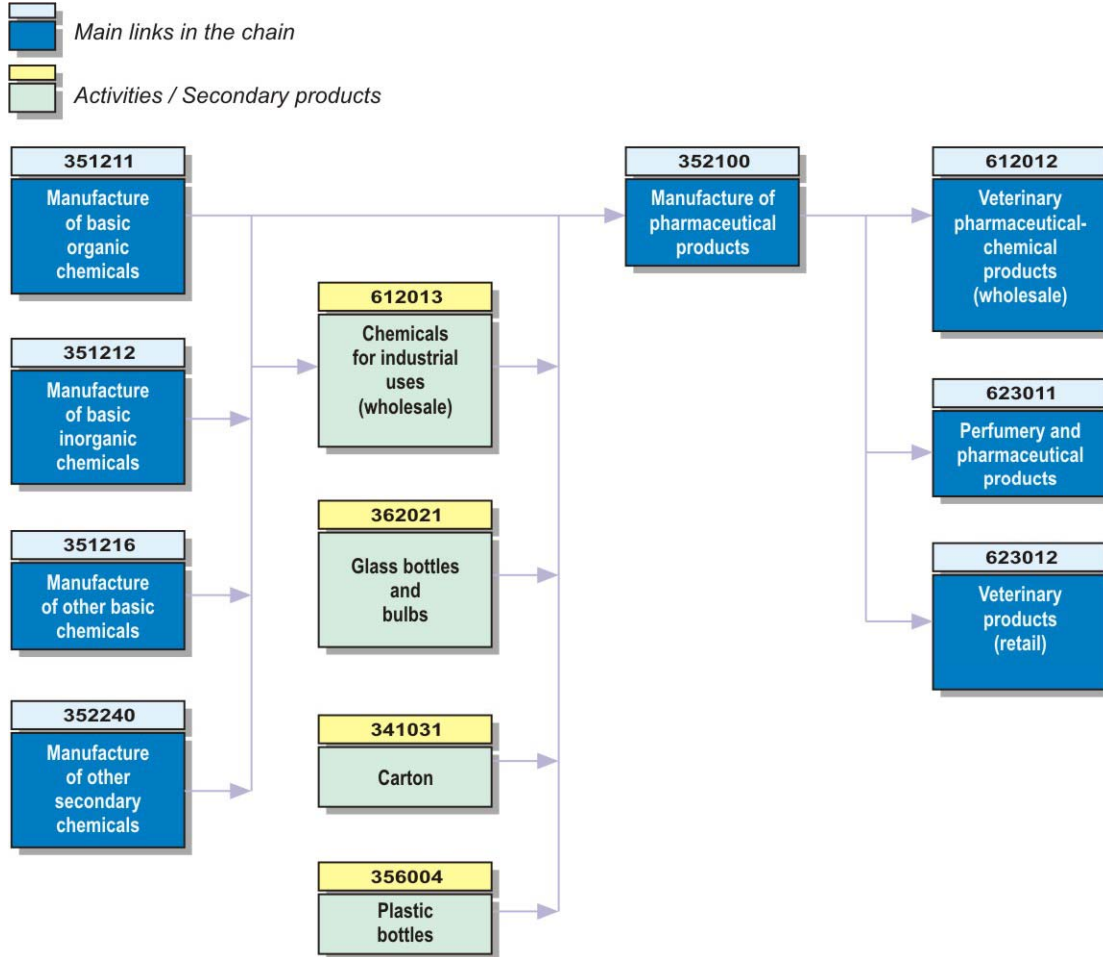
Most of these are imported from other companies in the corporate group, as shown in the report.

The company reports that it checks the quality standards of products, imports, and services coming from suppliers and subcontractors. In the case of continuous failure to comply with the norms, all established contracts are revoked. Company personnel do not regularly visit the facilities of suppliers and subcontractors.

There is no evidence of any co-operation or contact between the workers or the trade union of *Organon* with the trade unions of suppliers. The trade unions of the most important suppliers do not have access to information regarding the main company.

The productive sectors presented in the following diagram operate in the chain of the sector in which *Laboratorios Organon* operates:

CHAIN OF PHARMACEUTICAL PRODUCTS



The three main suppliers of inputs that are located in Mexico are:

Name of supplier	Location	Duration of relationship (years)
1. <i>Becton Dickinson de México S.A de C.V.</i> (now BD)	D.F.	20 years
2. <i>Ferrándiz S.A.</i>	D.F.	5 years
3. <i>Imprenta Reyes Hermanos S.A. de C.V.</i>	D.F.	10 years
Name of Subcontractor		
1. <i>Delta Lab Diagnosticos S.A. de C.V.</i>	D.F.	1 year
2. <i>Roto Pak de México S.A.</i>	D.F.	7 years
3. <i>Integración y Administración de Servicios Empresariales</i>	D.F.	5 years

We have taken brief descriptions of some of these companies from their websites and have summarised them below.

Becton Dickinson de México

BD (previously *Becton Dickinson de México*) is a worldwide leader in design and distribution of basic sanitary devices and systems and services that contribute in maintaining health and well-being. It was founded in 1897 and incorporated in 1906. It is

quoted in the New York stock market since 1963 under the symbol BDX. BD produces and distributes health auxiliary products and employs 22,000 people around the world, in more than 107 installations in 46 countries. BD is the biggest producer of disposable hypodermic products. This includes syringes for insulin. It also leads the development of devices to protect healthcare professionals and patients from accidents involving sharp tools. It is a leader in clinical diagnosis of infectious diseases, advanced cellular analysis, “real time” exams in medical facilities and culture of tissues for laboratories.

Head office:

Monte Pelvoux No. 111, Col. Lomas de Chapultepec, 11000 México, D.F.

Switchboard: (55) 59-99-82-00, Fax: (55) 59-99-82-73

<http://www.bd.com/mexico/>

Ferrándiz

FERRÁNDIZ, sociedad anónima was founded by Gregorio Miranda Rueda in 1973. Now it produces folding boxes, instructive manuals and labels for the pharmaceutical and cosmetics industries.

We use offset printing. We have a “print design and development department” that uses Mac and PC computers. We provide advice on presentation, image and design of prints, materials, type of ink, colours and finishing. All this planning will grant quality at a lower cost.

We have the Certificate of Norm *ISO 9002/ NMX CC-004* from *SICAMET, S.A. DE C.V. Reg. SIC400* as a reliable supplier. We will soon finish the quality project to obtain the *ISO 9002* Certificate.

General Manager: Javier Miranda García

David R. Scott #203, Col. Pedregal de las Águilas, Deleg. Tlalpan, C.P. 14439, México, D.F. Apartado Postal 22336.

Tel: 5655-0565, Fax: ext. 234

ferranduz@ferrandiz.com.mx

Imprenta Reyes Hermanos, S.A. de C.V.

Imprenta Reyes Hermanos, S.A. de C.V., was created in 1967 under the guidance of Mr. Francisco Reyes Coca. As time went by, Mr. Reyes Coca reinvested resources in modern machinery and top technology. All the specialisation that we gained in the production of foldable boxes, gave us the experience, knowledge and flexibility to offer quality service at competitive costs. We offered services to the pharmaceutical industry and later to perfumery and cosmetics industry as well as to the general industry.

We were certified as Valid Suppliers of the Approved Group of Suppliers of the Pharmaceutical Industry (May 2000, June 2002 and June 2004). We received different awards from the *Unión de Industriales Litógrafos A.C.* such as the *Premio Nacional de Artes Gráficas 95, 98* and *Mención Especial de Calidad en el IV Congreso*

Latinoamericano de Productos Gráficos “Teobaldo de Nigres”, in Punta del Este, Uruguay (1997), of the Confederación Latinoamericana de la Industria Gráfica (CONLATINGRAF).

Toward the top of the production chain, the primary companies that purchase their products are *Autrey, Saba* and *Marsan*, in addition to *Organon*.

General Director: Francisco Reyes Coca

Av. Tláhuac No. 4676, Col. Ex-Hacienda de San Nicolás Tolentino, 09850 México, D.F.

Tels: (5) 656-15-84 y 656-17-84, Fax: (5) 695-46-34

<http://www.imprentareyeshermanos.com.mx/>

The main products of *Laboratorios Organon* are the following:

Product	Components	Medical use
Esmeron®	rocurony bromine	Anaesthesia
Cerazette®	Desogestrel	Contraception
Implanon®	Etonogestrel	Contraception
Marvelon®	desogestrel, etinilestradiol	Contraception
Mercilon®	desogestrel, etinilestradiol	Contraception
Multiload®	intra-uterine copper device of 375mm	Contraception
Novial®	desogestrel, etinilestradiol	Contraception
Orgalutran®	Ganirelix	Fertility
Pregnyl®	hCG	Fertility
Puregon®	beta folitropine	Fertility
Inyección de Puregon®	beta folitropine	Fertility
Andriol®	testosterone undecanoate	Menopause & Andropause
Dilena®	estradiol valerate + medroxiprogesterone	Menopause & Andropause
Livial®	Tibolone	Menopause & Andropause
Ovestin®	Estriol	Menopause & Andropause
Sandrena®	Estradiol	Menopause & Andropause
Bredon®	Oxolamine	Other
Deca-durabolin®	nandrolone decanoate	Other
Metrigen®	estradiol benzoate and progesterone	Other
Sostenon 250®	propionate, fenilpropionate, isocaproate and testosterone decanoate	Other
Remeron SolTab®	Mirtazapine	Central Nervous System
Tolvon®	Mianserine	Central Nervous System

Conclusion

During the course of our research work, we were able to appreciate many positive aspects in the functioning of *Laboratorios Organon*, and these include: creation of employment and economic wealth; working conditions, labour atmosphere, and safety and sanitation considered to be good; various worker benefits; a human relations policy and compliance with various legal requirements, etc.

We have referred to some of these elements elsewhere in this report and if some of them have been omitted, perhaps it was because these were taken for granted. Having said this, we will now take a look at some problematical aspects of the company's functioning from the viewpoint of a Company Monitor –aspects that we believe require attention from the different parties involved.

On the company's change of status

Although the transformation of *Laboratorios Organon* from a production company into a service-providing company makes sense within a certain corporate logic (and takes advantage of an odd fiscal policy of the Mexican government), it also implies a nominal reduction in company earnings that will have a direct effect on workers' remuneration, particularly on profit sharing. This is negative, in and of itself, particularly if the general decline in the wages of employees and workers is acknowledged

In this context the company's decision to increase the annual performance bonus was a positive attempt to compensate for the imminent decrease in profit sharing. Nevertheless, a likely effect of this measure is that its implementation will lead to intensified competition among employees for obtaining the full bonus.

In addition, although the process of changing the company's status produced few direct confrontations, there was still an atmosphere of economic and moral tension in the process of personnel resigning and being rehired, especially because of the brief amount of time given for making a decision, the lack of options for employees as a group, and further intensified by the risk of joining the ranks of the unemployed.

On trade union freedom

The fact that there is a sweetheart contract does not speak well for the right to trade union freedom at this company. Clearly, it is not up to the company to promote the forming of an authentic trade union, and this is instead a task for employees and workers (who seem to have abandoned this option). It is up to the company, however, to eliminate certain obstacles to the free determination of employees to select the organisation that represents them.

On collective bargaining

We can see from the previous point that one of the issues that must be addressed by *Laboratorios Organon* is the right to collective bargaining. The fact that there are various forms of representation for workers and different mechanisms of communication, and the

evaluation of the company as a company that pays well, do not however take the place of the right of workers to collectively take a position in relation to decisive aspects of improving their working conditions.

In this regard, the company is responsible for having opened the way to a *sindicato blanco* (white union) and workers are responsible for not having taken initiatives in this area, whether forming an alternative or demanding that the trade union function as it should.

On corporate social responsibility (CSR) policies

With regard to CSR policies, it would seem that there is very little knowledge in the company of the basic documents that the Akzo Nobel Group has developed on this issue, and there seems to be even less knowledge in the offices responsible for responding to complaints. No evidence was presented that the “Code of Conduct” or similar materials have been disseminated, and this is therefore considered to be an area that demands attention. The company did present evidence of activities designed to give employees some elements for ethical behaviour in diverse settings, however this area has not been addressed with what is available.

On productivity bonus

As mentioned earlier, the bonus could contribute toward recuperating prior remuneration levels, but there is a fragile element involved here: specifically that obtaining the bonus depends on the evaluation by the employees’ immediate supervisors and with what appears to be broad discretionary participation on the part of company management, and furthermore without clear mechanisms for expressing disagreement with the results of the evaluation. The opinions gathered from workers reflect their concern and fear toward the evaluation process.