

Research Report
2006

Philips
Mexicana

Centro de Investigación Laboral
y Asesoría Sindical A.C.

SOMO

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CENTRO DE INVESTIGACIÓN LABORAL Y ASESORÍA SINDICAL A. C.

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INTRODUCTION

This study forms part of initiatives promoted from international frameworks such as the OCDE Guidelines for Multinational Companies in reference to the social responsibility of companies or “corporate social responsibility” (CSR), and is primarily focused on the observation of labour rights within companies. It is a co-ordinated effort among several organisations, in particular between the *Federatie Nederlandse Vakbeweging* (FNV) and the *Centro de Investigación Laboral y Asesoría Sindical A. C.* (CILAS), which together with the co-operation of companies, unions, and their workers in Mexico, carry out this work with the objective to identify labour conditions and social responsibility policies in the companies. The study attempts to combine recognition of progress in these areas and identification of some related problems, and incorporate these considerations within a dialogue among the social actors. The final purpose of the entire process is to contribute to achievement of the highest social and economic objectives as the basis for development for the all workers.

Finally, thanks to all the people that collaborated supporting in the realisation of this project: they are Carmén Valadéz, Yolanda Almanza and Alejandro Pérez in interviews. In processing of facts Diana A Ortega, Ricardo Ramirez, José B. Martínez and Iban Martínez. Claudia Bermudez y Leticia Ruiz in office, also to the Colectivo Tlatolli A.C.

A particular thank you goes to the team of the Centre of Research in Multinational Corporations (SOMO) in The Netherlands, and all trade unions and their workers in all companies.

1. PRODUCTOS DE CONSUMO ELECTRONICO PHILIPS, S.A. DE C.V.

Company Information

The company's corporate name: Phillips Consumer Electronics – Mexico (PCE) S. A. de C. V.

Production areas: Electronics

Products: television assembly

Location: Ciudad Juárez, Chihuahua

Operations started: March 17, 1973

Corporate group abroad to which company belongs: Royal Philips Electronics

Location of company regional headquarters: Sao Paulo, Brazil

Company Address: Magneto Núm. 1320, Parque Industrial Gema, Ciudad Juárez, Chihuahua, phone. (656) 629 09 00, fax ext. 5062

Industrial Manager CE NAFTA: Roger de Moor, from Holland

Started his management in: 2004

Trade Union: Sindicato Industrial de Trabajadores de Maquilas de Ciudad Juárez, Chihuahua

Trade Union Address: Inocente Ochoa no. 444, Colonia Centro, Municipio de Juárez, Ciudad Juárez, Chihuahua; Phone: 615 0001 Fax: 615 0008

Secretary General: Javier Medrano

Methodology

This is the second report on Phillips Consumer Electronics – Mexico (PCE), which is a good example of continuity in the practice of disseminating information to groups of interest in the field of labour relations, such as the *Centro de Investigación Laboral y Asesoría Sindical, A.C.* (CILAS) and *Federatie Nederlandse Vakbeweging* (FNV).

This update is based on documentary information provided by the company itself¹ as well as interviews to company representatives, in this case, the Human Resources manager. The secretary general of the Industrial Trade Union of Maquila Workers of Ciudad Juárez (Sindicato Industrial de Trabajadores de Maquilas de Ciudad Juárez) was also interviewed. A survey of the workers' purchasing power was applied to one group. The company's plants were also visited.

The company's collaboration with this study follows the agreement made with the corporation in Mexico. The survey was carried out at the company's premises in early December, 2005.

¹ The following documents were provided: collective bargaining agreements; information on the company's occupational accidents and diseases; issues of the journals "Expression" and "Últimas"; the Internal Work Regulations, the Code of Behavior and the Business Principles, the community well-being activity program, three labor agreements, fliers and brochures.

General Characteristics of the Company

Productos de Consumo Electrónico (Consumer Electronics) is formally-speaking a large-scale company that produces state-of-the-art televisions. Its headquarters are at Parque Industrial Gema, in Ciudad Juárez, state of Chihuahua. 100 per cent of the investment is Dutch and it is mainly export-oriented. This company has been operating in the region for approximately 33 years, and thus holds a prominent position locally. It has nevertheless been impacted by the important reconfiguration it has been experiencing: in the last five years, its productive capacity has decreased, many of its plants closed down as a result of the corporation's global strategy. In the last decade, it went from an electronics manufacturing complex with ten plants to only one main plant manufacturing televisions.

As a maquila company, most of the production is export-oriented: export sales accounted for over 80 per cent of the total production from the year 2000 to the year 2005. The main destination point is the U.S. market.

Table 1: Export Sales

2000	2001	2002	2003	2004	2005*
90%	90%	80%	85%	85%	80%

Figure foreseen for the year 2005.

Source: CILAS. Company Survey, 30-11-05, Ciudad Juárez, Chih. Mexico.

Temporary imports of inputs dropped from 90% in the year 2000 to 75% in the year 2005.

Table 2: Imports

2000	2001	2002	2003	2004	2005*
90%	85%	85%	80%	80%	75%

Figure foreseen for the year 2005.

Source: CILAS. Company Survey, 30-11-05, Ciudad Juárez, Chih. Mexico.

Employment

Since the most recent economic crises in Mexico, Phillips Consumer Electronics - Mexico (PCE) has been through a gradual decrease in its personnel, dropping from over 7,300 workers in the 1990's to 3,077 by mid-2002. Total employment also showed a tendency to decrease until the year 2004, when it reached 26.1 per cent of the workers it had in the year 2000², as can be seen in Table 3. A piece of information that is interpreted as a sign of recovery is the fact that a 21.2% increase in personnel was noted in the year 2005 in comparison to the year before.

² It is an even greater drop when compared to the peak number of workers in the company in the 1990's (10,000 workers).

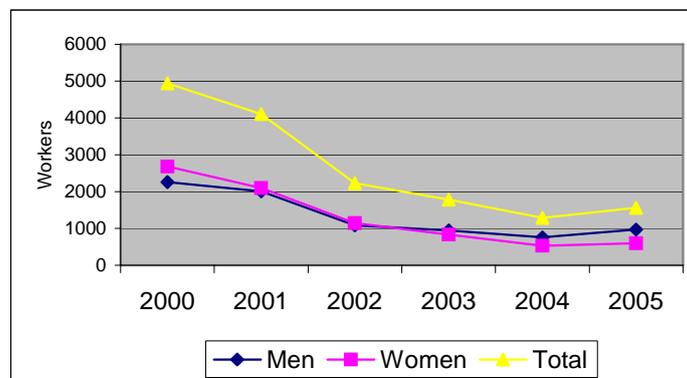
Table 3: Total employment

	2000	2001	2002	2003	2004	2005
Men	2257	2008	1080	946	759	966
Women	2683	2095	1144	835	531	598
Total	4940	4103	2224	1781	1290	1564

Source: CILAS. Company Survey, 30-11-05, Ciudad Juárez, Chih. Mexico.

The current gender composition in the company is 61.7% male workers and 38.3% female workers. In the past, female workers were the majority. Graph 1 clearly shows the global employment trends and the correlation between sex and employment among the PCE workers.

Graph 1: Total Employment in PCE 2000-2005



Upon analysing company information, it was noted that the permanent workers follow the same tendency as total employment in the referred years. They represent 62.2% of the total workers in the year 2005, of which under two thirds are male workers and the rest are female workers.

Table 4: Permanent Workers

	2000	2001	2002	2003	2004	2005*
Male workers	2010	1784	834	723	528	605
Female workers	2538	1975	918	734	377	369
Total	4548	3759	1752	1457	905	974

*Figure up to November, 2005. It includes administrative or office workers³
Source: CILAS. Company Survey , 30-11-05, Ciudad Juárez, Chih. Mexico.

Upon asking the trade union how many workers are affiliated, the union reported that 1,293 workers were unionised, of which 799 are male workers and 494 are female

³ We use the notion of “permanent workers” in agreement with the Mexican Federal Labor Law, i.e., differentiating them from the workers with a position of trust in the company who carry out the following functions: leadership, inspection, surveillance and auditing, in general, and those related to the top executives’ personal work within the company or establishment.

workers. This piece of information does not coincide with the number of permanent workers provided by the company.⁴

Temporary workers are another important group that grew significantly from the year 2002 to the year 2005. In the year 2005, there were 442 temporary workers, representing 28% of the total workers in PCE: 60.4% being male workers and 39.6% female workers.

Table 5: Temporary Workers

	2000	2001	2002	2003	2004	2005*
Male Workers	0	0	121	125	142	267
Female Workers	0	0	160	39	92	175
Total	0	0	281	164	234	442

* Figure up to November, 2005. In another moment of the interviews, we were told that throughout the year 2005 there were 557 temporary workers on average.

Source: CILAS. Company Survey, 30-11-05, Ciudad Juárez, Chih. Mexico.

The smallest group of workers in PCE is the workers who enjoy a position of trust within the company (*trabajadores de confianza*) who represent 9% of the total, remaining within the range between 160 and 140 workers in the last three years

Table 6: Workers with a position of trust within the company (*trabajadores de confianza*)

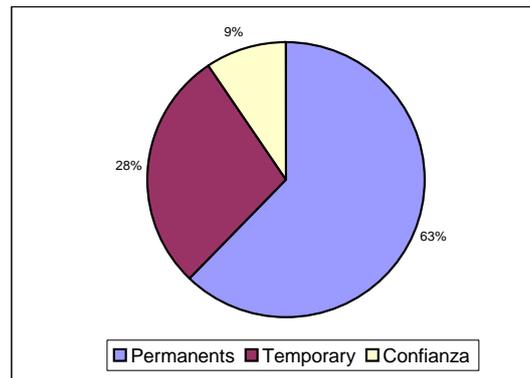
	2000	2001	2002	2003	2004	2005*
Male Workers	247	224	125	98	89	94
Female Workers	145	120	66	62	62	54
Total	392	344	191	160	151	148

* Figure up to November, 2005.

Source: CILAS. Company Survey, 30-11-05, Ciudad Juárez, Chih. Mexico.

⁴ Interview to the Human Resources management, by Alejandro Pérez, CILAS, 30-11-05, Ciudad Juárez, Chih. Mexico.

Graph 2: Composition of Workers per Type of Workers in PCE, 2005



Company Management

The local management is of the opinion that there is an intermediate degree of autonomy with respect to the corporation, whereas the trade union is of the opinion that it enjoys a high level of autonomy vis-à-vis the corporation.

10% of the top executives of the local management are of Mexican origin. The company's main annual objectives and goals are decided locally and at the level of the Latin American corporation.

The main decisions taken at a corporate level are: co-investments with other companies, mergers with other companies, purchase of industrial plants, joint ventures, strategic alliances, the creation of new plants, plant closure, and relocation.

The following decisions are taken at the level of the Latin American region: business strategy, innovations or changes to current products, development of new products, changes in technologies, outsourcing trade agreements, the use of subcontracting, appointment of top executives, production cuts.

The decisions taken at a local level have to do with the establishment of new work methods, changes in work organisation, wage bargaining policy, human resource training, and the appointment of middle level managers.

The decisions taken between the corporation and the company relate to selecting suppliers, actions to control environmental impact, changes in management styles, labour relations policy and policies to reduce the size of the labour force.

The company's strategy, in their own words, is "to be a centre of world-class manufacturing and supply of CRT, LCD and plasma televisions for North America and specific markets in South America". The trade union's strategy is, "to keep the workers informed about any changes related to production or to the negotiations between the trade union and the company".⁵

Plans for future development are "that the business grow in the manufacturing and supply of plasma and CRT televisions. The aim for the year 2004 was to reach sales

⁵ Interview to Management, Op cit.

for 200 million dollars in order to recover from the year 2003”.⁶ With regard to these plans, the trade union is of the opinion that it is necessary “to keep the company competitive, aiming at a decrease in operation costs, and investing in training the workers”.⁷

⁶ Ibid.

⁷ Interview to the Human Resources Management by Alejandro Pérez, CILAS, 30-11-05, Ciudad Juárez, Chih. Mexico.

Corporate Social Responsibility (CSR)

The local management understands the company's social responsibility as, "The responsibility we have to participate and contribute to the community's well-being".⁸ For the company, labour issues are part of social responsibility. The trade union coincides with this perspective. The company also includes philanthropic activities as part of the social responsibility policy.

Both the management and the trade union in interviews stated that they knew the code of ethics and the General Business Principles. Regarding the question whether the contents had been adjusted to the local context, the company stated that "since Philips has a code of ethics for different countries throughout the world, we kept what is of general application and placed greater emphasis on national and local issues".⁹

The following examples of activities responding to this emphasis were given in interviews with both company management and trade union:

- Support to the following local institutions and projects: schools, assistance programs, firemen, the Red Cross (by carrying out an ecological revision of their vehicles), foot ball training centres and sports activities, the Philips tournament cup, the public assistance institution called CRAEMA, summer camps, family day, award to the outstanding student at the Philips University, environmental prevention, creation of a library, child care centre, old people's home, medical consultation;
- A mobile mammography unit was donated to screen for breast cancer.
- Program to link up with the Community 2005;
- Donations to municipal institutions (fire station, public security); collections to help philanthropic institutions; open door family feasts at the company.

According to the trade union, the company does implement mechanisms to follow-up and evaluate compliance with CSR policies. The Ethics and Human Resources Responsibility Committee is in charge of ensuring that social responsibility norms are followed; the follow-up and evaluation of the CSR policies is sent to the corporation, as a social responsibility report.

In the last five years, there have been no complaints or accusations of violations to the company's code of ethics. Three suggestion boxes were set up and a team to see to the suggestions was created. The results were nonetheless not detailed.

There was only "one incident in the monitor plant approximately four years ago, in which a female worker reported sexual harassment by a male worker. Once it was investigated, it was concluded that the accusation did not proceed since in fact there was a relationship between the two people involved and when conflict emerged in the

⁸ *Ibíd.*

⁹ *Op cit.*

relationship, the female worker used it as a means to take reprisal against her partner”.¹⁰

The local management knows the international labour standards included in the code of ethics: child labour, non-discrimination, rules regarding working hours, etc.

The trade union stated that the workers knew the Code of Ethics and the Business Principles and that they received this information in different moments.

The company stated that the local CSR policies and their implementation are transparent, since it disseminates and tends to applications for information about these policies, activities and the results achieved within the plants. Besides, the company assured that it sees to the workers’ applications for information regarding policies, activities and results.

There is an external dissemination policy regarding CSR activities and applications for information from both individuals and organisations are also responded to.

Suppliers

The company does not take on responsibility for the labour conditions of subcontractors and suppliers, nor does it exercise any direct intervention in their labour conditions. Although the company does not impose any CSR conditions on suppliers and subcontractors, it does demand that they comply with certain conditions: suppliers and subcontractors are informed about the code of ethics and are asked to follow it. The company also demands that they comply with the labour conditions as established in the Federal Labour Law and the corresponding Mexican laws. There is no information regarding whether or not there is any follow-up in this area. Nonetheless, as follows we present examples of actions in this field that the company mentioned.

In the year 2005, a Sustainability Workshop was carried out with key suppliers, aimed at disseminating the company’s sustainability policy comprising the following themes: the environment, health and safety, child labour, forced work, unionisation, collective bargaining and discrimination. The company also informs suppliers about the sanctions that might proceed if they do not comply with these norms.

The company stated that the quality standard of the inputs delivered by both suppliers and subcontractors are checked by PCE. In this instance, the effects on the trade relation due to non-compliance with the quality standards are clearly established, which in extreme cases might even reach the cancellation of the contract. PCE personnel pay regular visits to these companies in order to ensure these standards are being followed.

On the other pole of the chain, PCE’s large-scale clients, such as Wal Mart, also apply their own CSR policies and they demand PCE also comply with social responsibility policies. The interviewees noted that “Wal Mart, our main client, performs periodical

¹⁰ Interview to Secretary General of the SITM, by Alejandro Pérez, CILAS, 30-11-05, Ciudad Juárez, Chih. Mexico.

exhaustive audits in order to ensure that we are complying with the labour standards they have established”.¹¹

¹¹ Interview to the Human Resources manager, by Alejandro Pérez, CILAS, 30-11-05, Ciudad Juárez, Chih. Mexico.

Labour Relations

The company has entered into a certified agreement with the following trade union: Sindicato Industrial de Trabajadores de Maquilas (SITM) a union with headquarters in Ciudad Juárez, on the Northern border of Mexico, affiliated to the Confederation of Mexican Workers (Confederación de Trabajadores de México - CTM). Since it is an industrial trade union with local jurisdiction, any legal issues are settled at the Local Labour Relations Board in Ciudad Juárez. Javier Medrano, the union's secretary general, started his mandate in March 2002 and will conclude it in March, 2008. There have been no attempts to form another trade union or for another trade union to challenge certification. Neither administrative workers nor office clerks belong to the trade union. It can be stated that the workers affiliated to the union participate actively through the different commissions required in the plant; the election process to participate in these commissions is defined by the trade union itself, without the company's intervention.

Trade Union Freedom

The SITM holds the certification of the collective bargaining agreement and is the only union the company's workers can join; Only administrative workers can work for PCE without affiliating to the trade union. In fact, the collective bargaining agreement stipulates that affiliation to the trade union or signing the application to join the union is compulsory in order for a worker to join production.¹² That is the reason why there is no other union in the plant.

Although both the company and the trade union stated that no workers have been laid off for having disaffiliated from the union or for having been expelled from the union, this situation is contemplated in the collective bargaining agreement that says, "the company will recognise the sanctions applied by the trade union to its affiliated members for violation of its own rules, including resignation".¹³ The workers admission into the company's labour force thus enjoys certain exclusivity.

The trade union representation vis-à-vis the company is integrated by workers. According to the interviewed workers, there have been no reports of any cases of discrimination against workers for trade union activities.

The secretary general is exempted from working at the plant throughout his administration and enjoys full payment of his wages. The shop stewards have temporary permits to be away from work in order to perform trade union activities, although they mostly take place outside working hours. Union representatives can only access the work place to hold personal interviews with the workers.

Shop stewards are regularly given permission to carry out activities directly related to the collective bargaining agreement; they are not allowed to carry out activities during working hours and they cannot do any union activities within the company.¹⁴

¹² JLCA, Productos de Consumo Electrónico Philips Collective bargaining agreement 2005-2006, clause 5, Ciudad Juárez Chih. Mexico.

¹³ Op cit, clause 18.

¹⁴ Ibid, clause 12 and subsequent clauses

The trade union is funded through the dues the members contribute through their pay cheques, plus other funds provided by the company as agreed in the collective bargaining agreement.

The trade union is free to distribute information among its members within the company's premises so long as it has been previously approved by the Human Resources management. The workers themselves do not enjoy this freedom since "it is prohibited to issue any sort of propaganda both within and without the company's premises, either during working hours (or) outside working hours. Any announcement or propaganda should be channelled through the personnel department so that it can be published through the authorised media, should it thus proceed."¹⁵

According to the interviewees, no union members have been sanctioned for their trade union activities.

Collective Bargaining Agreements

The contents of the labour relation between PCE and SITM are stipulated in the collective bargaining agreement that was initially signed at least some 30 years ago. The trade union had been founded five years earlier. Although there have been some clashes of interests between the company and the union, such as the progressive closure of the plants that originally formed the company, no strikes have been called so far. The trade union claims to hold a negotiating attitude vis-à-vis the company's goals and initiatives. No claims or reports have been placed against the PCE at the Mexican National Point of Contact (Punto Nacional de Contacto de México).

Union life among the rank and file focuses on channelling claims and disputes to the company through the shop stewards; they hold very few union assemblies and they tend to refer to aspects foreseen in the agenda between the company and the trade union: profit-sharing, wage or collective bargaining agreement revisions, important events, etc.

Wage and collective bargaining agreement revisions start in December and end in January each year. The most recent wage revision was conducted in January 2006; and the most recent collective bargaining agreement revision took place in January 2005¹⁶. As was noted in the previous report, union demands are set forth in general assemblies, and are based on proposals made by the General Committee that tends to limit the demands so that they remain within the regional guidelines.

The workers participate in the union's commission for wage or collective bargaining agreement negotiations as committee members vis-à-vis the company with a legal advisor. Only the aforementioned union commission attends the negotiation sessions.

¹⁵ Internal Work Regulation (Reglamento Interno de Trabajo), Clause 39

¹⁶ Only unionized workers are involved in the collective bargaining process; the other non-unionized workers have individual contracts.

Commissions

The company has signed various agreements with the trade union: from the work rules to agreements on training, health and safety, suspension of activities and wage scales.

Both the company and the trade union are of the opinion that so far there is no intention to stop operating in Ciudad Juarez or of transferring operations to another area or country, which is a situation that has been worrying the workers because of the cuts the company has made in recent years. It can be seen that the workers as a whole make great efforts to achieve efficiency so that PCE can maintain its outstanding position within the Philips corporation.

Access to Information

The company provides the trade union with relevant information regarding different themes, such as internal productive issues, company policies, the company's development and results in a regular and timely fashion. The trade union claims that whenever they request information from the company, their requests are usually met, except for restricted information such as information on the company's budget, financial matters, product development or the wages earned by the workers with a position of trust within the company (*trabajadores de confianza*), all of which is confidential information.

The trade unions of the companies that supply PCE do not have access to information; the company demands that they comply with the standards of the environmental program as well as the industrial plant's safety standards.

Labour Conditions

Child Labour

It is the company's policy not to hire minors under 18. The collective bargaining agreement stipulates that workers are required to be at least 16 years old and the interviews confirm this position. No minors under 18 were detected working in the plants. Child labour within the plants is avoided both because it is thus required by the company and as part of the union's guidelines.

“The company is in complete disagreement with child labour and this very same policy is applied to its suppliers and subcontractors. This principle is included in our General Business Principles. It is our policy to hire workers who are 18 years old or older”.¹⁷

Besides, Wal-Mart –one of PCE's main clients- demands as an ethical standard that only workers over 18 be hired.

In the interviews, no evidence was found of situations that would give place to forced labour in any of the plants; the company has a policy of “total opposition to forced labour and this is foreseen in our General Business Principles”.¹⁸

Forced Labour, Discrimination and Harassment

No discriminating behaviours were detected among workers and employers, based on any personal, cultural or social differences.

With regard to equal opportunities for both men and women, no cases of gender discrimination were mentioned.

At a top executive level (staff managers), there is one woman only, whereas there are 9 men; in the next level– unit manager – there is one woman and two men.

Both the company and the trade union coincided that no cases were reported of female workers being dismissed for being pregnant. It is nevertheless compulsory for workers applying for a job and for the workers themselves to have a medical check-up before being hired and once they are hired to have a medical check up periodically.

Very few disputes around sexual harassment have been reported; while this piece of research was being made, two cases of harassment of bosses towards subordinates were reported: “A case of sexual harassment by an administrator on a female worker was reported; In this case the company investigated the case and wrote a preventive report, which avoided new problems. A case of mistreatment was also reported: a supervisor tugging at a worker. After investigating the case, the supervisor was dismissed”.¹⁹

¹⁷ Interview to the Human Resources management, by Alejandro Pérez, CILAS, 30-11-05, Ciudad Juárez, Chih. Mexico.

¹⁸ Ibid.

¹⁹ Questionnaire for the trade union, interview by Alejandro Pérez, 6-12-05, 31-11-05, Cilas A.C. electronic file.

The company has not conducted any activities particularly aimed to improve the labour conditions of female workers.

Wages

The lowest wages the company pays are \$1,419.60 pesos per month (46.80 pesos per day), the official minimum wages in the region in force in the year 2005. The company is of the opinion that the highest wages are competitive in relation to other companies in the region and the average wages and the lower wages are the same as other companies. As far as the union is concerned, the three wage levels are high.

As a point of reference, we can say that the average wages earned by workers assembling electronic goods in the maquila in the year 2005 were \$124.14 pesos per day, according to official information ²⁰, which is way above what semi-qualified workers make (scales 1-9 ²¹), at the most \$92.84 pesos per day. This average amount is hardly reached by scale 21 in its minimum performance level, which is \$134.98 pesos (see Table 7).

However, considering that the workers receive bonuses and basic food baskets, and if they meet the requirements to receive punctuality and attendance bonuses, the highest weekly wages they could receive would be \$134.20 for scale 9, which is higher than the aforementioned national average and \$87.70 for scale 1 (the lowest), which represents slightly under two minimum wages. Considering the other benefits, it is likely that the workers' remuneration may increase. This of course is conditioned by the rule applied to bonuses and benefits (see point 6.5 below).

The largest group of workers (647 workers) corresponds to scales three and two, with daily wages fluctuating between \$51 and \$56 pesos, approximately. We can see the aforementioned information in the following table.

²⁰ INEGI, Encuesta Industrial Mensual, February 2006, Mexico.

²¹ The scales mentioned are a way of naming wage classifications; scale 1 to 9 are semi-qualified posts, 20 to 23 correspond to qualified posts and scale 24 corresponds to a specialized post.

Table 7: PCE's Wage Scale, 2005

Scale	No. of workers in this scale	Minimum Range per Month (in pesos)	Maximum** Range per Month (in pesos)
24	6	10,000.00	12,500.00
23	7	8,000.00	11,000.00
22	75	5,000.00	10,000.00
21	65	4,000.00	7,000.00
20	58	3,000.00	5,000.00
Subtotal	205		
9	70	2,816.15	The same
8	35	2,471.26	"
7	116	2,309.28	"
6	11	2,139.41	"
5	81	1,974.70	"
4	48	1,846.39	"
3	277	1,701.52	"
2	370	1,561.26	"
1 (new workers)	48	1,419.60	"
Subtotal	1,056		
Total	1,267		

*Wage increase is gained through performance evaluations.

Source: JLCA Collective bargaining agreement, Ciudad Juárez Chih.2005,

Additional data from a survey applied among workers in the lowest scale, bring up some of the points that characterise the labour conditions and social situation they experience. For example, out of the surveyed group (24 workers in total), most are adults between 18 and 40 years old, 11 are women, 13 are men. Their family has a minimum of three members. 20.8% (5 out of the 24) are the main breadwinner, but 79.2% (19 out of the 24) receive economic support from a relative. Asked whether they were of the opinion that their income was enough, 20.8% said it was and the rest said it was not. Only one of the workers interviewed reported that a minor in his family aged between 14 and 16 was actually working. 25% (6 out of the 24) have a member of their family aged between 16 and 18 working.

The company almost always pays overtime in a timely manner. Occasionally the payment for overtime is delayed mainly because a supervisor fails or forgets to authorise it.²²

Work Days

There are three shifts: a day shift of 9 hours per day, 45 hours per week, from Monday to Friday; a second shift of 8.4 hours per day, 42 hours per week, from Monday to Friday and a flexible third shift of 34.4 hours per week.

²² Questionnaire for the trade union, op cit

Working overtime is normal practice, and obviously increases when production reaches a peak level: when there is a high demand, average monthly production is of 43,326 working hours, which seen on a daily basis corresponds to 1,237 hours of work.

In the different areas of the plant, the workers are informed one or two days in advance that they will work overtime, as is stipulated in the collective bargaining agreement; when the information is available a day before, it is communicated to the workers. The Human Resources manager commented “it might well happen that an unexpected need to work overtime emerges and we thus do not have a full day to let the workers know earlier, but in any case the workers themselves are free to choose whether they want to work overtime or not”.²³

Although the collective bargaining agreement establishes that the workers will support the company with overtime when the company considers it is necessary and thus informs the workers, it is possible to refuse to work overtime. Overtime is paid according to what the Federal Labour Law stipulates, thus allowing the workers to accumulate additional income, which is why on the whole the workers do not refuse to work overtime. The workers recognise that the company always pays overtime on time. The interviewees claim that overtime does not have an impact on increasing accidents.

Bonuses and Profit-sharing

The company and the union have signed agreements regarding different kinds of bonuses. The following bonuses are mentioned in the collective bargaining agreement.

Table 8: Bonuses agreed to in the collective bargaining agreement with PCE, 2005

Welcoming bonus (a one and only bonus for \$200 pesos upon joining the plant)
Second and third shift bonus (\$35 pesos in proportion to the hours worked per week)
Perfect attendance bonus (\$70 pesos per week); perfect punctuality bonus (\$60 pesos per week)
Assistance bonus (from a minimum of \$15 pesos up to \$30.82 pesos per week, for scales 1 to 9 and from \$34.07 to 90.90 for qualified and semi-qualified posts.
Annual attendance bonus (a payment of 25 wage days conditioned to low profits)
Weekly food bonus (\$138 pesos in basic foodstuffs)

Source: CILAS. Company Survey, 30-11-05, Ciudad Juárez, Chih. Mexico.

There is a monthly productivity bonus that consists of between 1.25% and 5% of the worker’s monthly wages. Worker, group or area efficiency, delivery of units, output quality and financial results are among the indicators to grant this bonus. This bonus was signed with the union, who thus participates in implementing and granting it.

The company considers that as a whole it offers a good benefits packet: “the percentage of total costs and benefits the working staff implies for the company is

²³ Interview to the Human Resource Management. op cit.

187%. This includes all the benefits in cash and in kind that the worker receives as well as what the company has to pay for housing (Infonavit), retirement and health care (IMSS), the percentage of benefits for the worker is 136%”²⁴

In the last five years, the company has been able to practice profit-sharing. For this purpose, a joint committee is organised and the company provides the trade union with information regarding its profits so that the annual profit-sharing scheme can be implemented.

Benefits

The labour relation between the union and PCE has created a broad and complex collective bargaining agreement that includes various permissions, bonuses and benefits that go beyond what is established by law. As follows, we can see a breakdown of the main benefits.

Table 9: Benefits and bonuses specified in the collective bargaining agreement

Public holidays (at least eleven per year)
Days of rest (usually Sundays)
Vacations (at least 5 working days with less seniority) and vacation bonus
Profit-sharing
Permits and assistance for marriage (5 work days plus \$550 pesos)
Permits and assistance for death of direct relatives (3 work days plus \$550 pesos)
Permits and assistance for the birth of a child (\$550 pesos)
Sports (\$130,000 pesos given to the union)
End-of-year bonus (from at least 15 days wages upward)
Life insurance for the worker.
Savings fund (from 9% to 13% of the worker’s wages given by the company)
Seniority (from \$425 pesos with 5 years’ seniority)
Scholarships (200 scholarships of \$1,000 pesos once a year to a workers’ child who studies)

Source: JLCA, Productos de Consumo Electrónico Philips Collective Bargaining Agreement 2005-2006, Ciudad Juárez Chih. Mexico.

Permanent workers, temporary workers and workers with a position of trust within the company (*trabajadores de confianza*) are all registered at the Mexican Institute of Social Security (IMSS).

²⁴ Op cit

Labour Conditions

As a part of the visit made to the PCE plant, a brief revision was made of the premises and services. It should be noted that the plant has all the indispensable services. As follows, we present an appraisal of the quality of the plant's services. It should be noted that it is only an external appraisal.

Table 10: Appraisal of PCE premises and services

	Condition
Nursing Services	Good
Sports facilities	Good
Drinking water close to work posts	Good
Warnings	Good
First Aid Kit	Regular
Ventilation conditions	Good
Sufficient lighting	Good
Fire Extinguishers	Good
Toilets	Good
Wash basins	Regular
Shower	None
Cafeteria	Regular

The company performs various actions in training in occupational safety and accident prevention. Since they join the plant, all new workers are given a brochure on health and safety and are trained in health and safety. They are later provided with training in fire safety and response to contingencies. The commission of health and safety and others groups of workers organise training activities as required (in forklift handling, personal protection equipment, etc.). "Health and safety is one of the areas our main client, Wal-Mart, audits most strictly".²⁵

This frame also includes the CENALTEC programs (CENALTEC is a High Technology Training Centre), with the purpose of improving the available technical level, as well as maintaining sustained industrial development. The Philips University program is also included in this frame.

²⁵ Ibid.

The company did not report any occupational diseases, and the most common occupational accidents were cut or squeezed fingers when manipulating the goods; as well as commuting accidents.

The medical department carries out various campaigns and activities, such as eyesight tests; anti-tetanus and anti-flu vaccines; cholesterol measurement; PAPs campaigns; an osteoporosis program; talks on asthma and AIDS. PCE also conducted a Second Health and Environment Fair, an event during which specialised organisations offered various medical services, talks and health orientation. During the fair, the union oriented the workers about the benefits they have a right to.

Reorganisation, Subcontracting, Work Flexibility and Temporary Workers

Company Reorganisation

In recent years, Phillips Consumer Electronics – Mexico has had to reduce its productive activities, its number of plants as well as its personnel. In fact, in the year 2003, PCE losses swelled considerably, which is why PCE decided to produce televisions only.

It is germane to look back to what has been happening since the year 2000. The company was then composed of different establishments that were closed down: Plant 1 that manufactured remote controls was transferred to Europe; Plant 9 that manufactured computer screens was closed and it was informed that this production would be transferred to China; Plant 6 used to assemble yokes, deflection coils for televisions and screens, was transferred to Gómez Palacio, Durango.

The main plant currently in operation is Plant 5 DFC that maintains a good level of competitiveness; “In the year 2005, a new line of production was launched to manufacture flat panel LCD and plasma televisions”.²⁶

Due to these closures and relocation, the company’s personnel were affected since the number of workers was reduced and most of the workers were laid off.

The company claims that the trade union and the workers were informed about its reorganisation plans in a timely and efficient manner. The local management states that “the company announces its reorganisation plans as soon as it is sure it will take place. On occasions, the workers have been notified months or even a year in advance and on other occasions with weeks in advance”.²⁷ The union confirmed this in an interview, “the workers were informed directly a year in advance and were duly compensated. The company, however, offered job opportunities for the workers to get jobs in other factories; and relocated some workers in other Philips plants. Some of the negative effects were that those who were unable to be relocated ended migrating back to their places of origin.”²⁸

When the personnel had to be reduced, the company complied with the responsibilities marked by the Mexican labour law, which implies severance payment in the terms established by law.

The company claims to have carried out additional actions to buffer the reorganisation’s negative effects, thus showing its social responsibility: “The operational staff quickly finds employment due to the high demand for workers, but any way there is a close relationship with other companies of the corporation located in the same industrial park in order to channel the workers who were impacted by the reorganisation. The company re-hires a large percentage of these workers as soon as

²⁶ Ibid

²⁷ Ibid.

²⁸ Interview to the Secretary General of the SITM, by Alejandro Pérez, CILAS, 30-11-05, Ciudad Juárez, Chih. Mexico.

there is a new need for employment. The administrative workers have been given outplacement courses. In any case, the workers are given the greatest support possible”²⁹

Subcontracting

In the collective bargaining agreement, the company established a clause stipulating that it can exercise its discretion to subcontract individuals or companies to repair, modify, build on and carry out other related jobs (...) subcontract third parties for production, maintenance and transportation, (...) without affecting the work the company’s workers perform.³⁰

Security, surveillance, cafeteria, outside advisory services, transport, waste collection and research and development are among the services performed through subcontracting.

The company is of the opinion that this kind of subcontracting does not affect the permanent workers as a whole since these areas were subcontracted from the very beginning.

It nevertheless reported that there are components that used to be manufactured by the company and are now produced outside the plant and are later integrated into the final product: the production of TV chassis is purchased from another company and a third company has been chosen to give additional support; “We now get the chassis from another company (Jabil, S.A. de C.V.) located in the city of Chihuahua, the headquarters of which are in Guadalajara”. In this regard, the union added that “it has been necessary to have an attitude of compromise between the company and our union.”³¹ This subcontracting operates under forms of flexibility, working by placement of orders or requirements predetermined with the Just-in-time program. Fines are applied for late delivery and/ or non-delivery.

Work Flexibility

Issues related to the flexibility of production factors (the modification of working conditions – work days, shifts, location of personnel, wages or the workers’ functions) play an important role within the field of labour relations. The collective bargaining agreement establishes the following stipulations regarding the number of workers that can be hired: “(The company has the right to) decide who its suppliers are, to determine the size of the labour force; to discontinue the existing departments or establish new ones, to discontinue all or part of the company’s operations temporarily or permanently”.³²

With regard to the adjustment of shifts and work days, another clause specifies: “(The) trade union and the company are in agreement that the work days be flexible

²⁹ Interview to the Human Resources management, by Alejandro Pérez, CILAS, 30-11-05, Ciudad Juárez, Chih. Mexico.

³⁰ JLCA, Productos de Consumo Electrónico Philips Collective bargaining agreement 2005-2006, clause VIII, Ciudad Juárez Chih. Mexico.

³¹ Interview to Secretary General of SITM,...

³² JLCA, Productos de Consumo Electrónico Philips Collective bargaining agreement 2005-2006, clause X, Ciudad Juárez Chih. Mexico.

and be established according to the requirements of production (...). The workers will give the company all their support whenever it is necessary to work overtime in order to meet the clients' requirements in a timely way".³³

Regulations regarding the days of rest are also included: "The days of rest may be changed when the company so requires".³⁴

Internal turnover can be done at the company's discretion: "Temporary and permanent transfers. The company may change a worker from a post and/or department, and/or shift, and/or work week, and/or plant whenever the company considers such a change necessary for its operations, without the worker losing his wage level, wage scale or seniority; The company may even appoint temporary workers".³⁵

As far as the company is concerned, its flexibility policies have had favourable results: "(the experience) has been positive particularly considering that we have been careful to conduct it with deep respect for our personnel, with a high degree of communication towards them and actions that have benefited them, such as multi-skilled training and actions tending to preserve their job, to be competitive, ensuring that our personnel is motivated and satisfied".³⁶

The union coincides with this perspective: "The policy is based on a win-win philosophy; we are looking for a way in which the worker also wins, by providing bonuses, awards, rewards in order to motivate the workers and have them comply with their work".

In this sense, the company's priority is a policy of stable employment and income for the workers. For example, there are pre-established rules for the suspension of activities in order to economise that stipulate that the workers receive at least 50% of their wages during the suspension as well as 50% of the attendance, assistance, punctuality, food and shift bonuses; It is also stipulated that they should receive full payment for the public holidays that fall within that period.³⁷

Temporary Workers

In recent years, PCE has resorted to hiring temporary workers in order to face increasing production demands. PCE management estimates that in certain specific moments there is a high demand for temporary workers; in specific periods of the year the company has required up to 785 temporary workers³⁸ (a higher figure than that reported in the employment section, which only reports 442 temporary workers in the year 2005). They add that temporary or flexible contracts have not had an impact on job security and the average income level.

³³ Ibid., clause XXII.

³⁴ Ibid., clause XXVI.

³⁵ Ibid., clause XXIII.

³⁶ Interview to the Human Resource manager...

³⁷ JLCA, Productos de Consumo Electrónico Philips Collective bargaining agreement, clause XI.

³⁸ The interviewees noted that personnel turnover had to be taken into account as a factor concerning temporary workers.

The union stated that temporary workers may remain employed for anything between one and six months and that their permanence generates an obvious uncertainty. Some temporary workers are hired on a permanent basis once they have worked for the company during a certain period of time; the number of temporary workers that get hired permanently depends on personnel turnover.

Although temporary workers join the plant at the lower levels or scales, their income level is the same as the permanent workers. It is no problem for the company to find temporary workers since there is a high supply in the area. In general, opinions coincided that there are no differences between the labour conditions, benefits and bonuses temporary workers receive and those given to the permanent workers. Permanent workers and temporary workers hold a relationship of integration.

Conclusions

Of all the aspects reported in this document, the following points should be emphasised:

- a) It is a sign of openness that PCE Mexico collaborated in conducting a second report on the company. In the same sense, the attitude of both the local management and the trade union is typically an attitude of collaboration in informing about the company's CSR policies and labour relation;
- b) In general, there is evidence that the company follows the guidelines established in the Federal Labour Law and international labour laws;
- c) In our opinion, lengthy process of adjustment PCE has been experiencing for over five years has helped the different actors join forces together around maintaining high level operations. This situation is reflected in the formality, complexity and diversity of the contents of the company's labour relations and CSR policies;
- d) Different actions related to the corporate social responsibility (CSR) policies were reported. They represent extremely positive steps forward that seem to have an important projection toward the workers and the local community. Particularly in regard to labour issues, no labour claims have been reported through this mechanism. Further information about the impact and operation of these policies among the workers is still required;
- e) Employment is problematic aspect. The interviewees do not foresee further drops in employment levels. However, not many can state that their employment security has already been achieved or that employment will grow. Severance policies have been accepted by both trade union and workers without generating any collective disputes. It should be acknowledged that additional support programs seem to have been implemented. Because of the impact it has on labour relations as a whole, both the company and the trade union need to pay attention to the growth of temporary personnel;
- f) The company respects both the workers' right to have a trade union and the collective bargaining process with the trade union, which follows the corresponding legal forms;
- g) No cases of forced labour or discrimination were reported. The few cases related to forms of harassment were seen to. The company, however, has not conducted activities specifically aimed at improving the labour conditions of female workers;
- h) In spite of the benefits and bonuses they receive, the economic situation is harder for the workers on the lower scale, as is the case at a national level. The interviewed workers are of the opinion that the benefits and bonuses buffer the impact of the economic situation, so long as the workers meet the requirement for some of the bonuses such as punctuality, good weekly and annual attendance;
- i) As far as the suppliers are concerned, it seems that the suppliers linked to PCE are applying the dissemination and evaluation policies in compliance with the codes of behaviour, which are positive actions that need to be disseminated more widely. Since this is a theme of public interest, it is necessary to inform the groups of interest.

2. ADVANCE TRANSFORMER CO. S. A. DE C. V.

Company Information

The company's corporate name: Advance Transformer Co. S. A. de C. V.

Production areas: electronic industry maquila

Products: electromagnetic and electronic ballasts for lighting

Location: Ciudad Juárez, Chihuahua.

Activities started (like the Philips company): in 1989

Corporate group abroad to which company belongs: Advance, a division of Philips Electronics North America Corporation.

Location of headquarters abroad: Chicago, Illinois, USA

The company's General Manager: Alejandro Rodríguez

Started his management in: September, 2005

It is comprised of three plants:

Advance Transformer Electromagnetics (EMAG)

Main Activity: manufacture of electromagnetic and electronic ballasts for lighting.

Address: Calle El Cid 7830, Parque Industrial Fernández, Municipio Juárez, Chihuahua, Phone: (656) 686 03 00, Fax: (656) 686-03-00

Brief background: "Started activities in Ciudad Juárez in 1980 as "Shelter" and in 1982 the company became "Advance Transformer". It is Advance's main plant in Ciudad Juárez and is the headquarters of the General Director of Operations for the Mexico U.S. border".³⁹

Philips Advance Transformer (FESA)

Main Activity: manufacture of transformers for high intensity discharge lamps and for microwave ovens (HID ballasts)

Started operations in: 1988

Address: Cerrada Industrial no. 5559, Ciudad Juárez, Chihuahua, Phone 629 75 00

Philips Lighting Electronics Juárez (PLEJ)

Main Activity: electronic ballasts.

Started operations in: 1989

Address: Av. Costa de Marfil 7205, Ciudad Juárez, Chihuahua, Phone 686 03 20

Trade Unions

None of the plants reports having a trade union

³⁹ <http://www.advancetransformer.com/company/index.jsp?cid=5>

Methodology

This report is based on documentary information provided by the company⁴⁰ and interviews with company representatives (specifically the Human Resources manager and the Labour Relations manager). In-depth interviews were conducted with production workers, a survey on the purchasing power of a specific wage group was conducted and a visit was made to the plants.

The company's collaboration with this study follows an agreement made with the corporation in Mexico granting permission to the hold interviews (16 workers were interviewed in three groups –eight working for EMAG, three for PLEJ and five for FESA; seven women and nine men; the workers who were interviewed hold the following posts: operators, trainers, substitute workers, material moving workers and packers; with seniority ranging from one to six years). The survey was conducted at the company's premises in mid-November, 2005.

⁴⁰ The following documents were provided: individual work contract; the list of permanent workers by classification or post, wage level and sex; information on occupational accidents and diseases in the company; an example of a requisition for corrective action; issues of a journal called "Expression"; the Internal Work Regulation and a form called "*The Worker's Ethical Agreement and Reserved Rights*".

General Characteristics of the Company

Advance Transformer is a large-scale maquila company that manufactures electronic products. It was established in Mexico in 1982. Its corporate headquarters are in Advance, USA. Since 1989, it has been operating as an alliance between Advance and its division Philips Electronics North America.

The Advance plants in Ciudad Juárez manufacture electronic and electromagnetic products. They are also centres for technological development. The Advance group, Transformers, a Philips filial is constituted by manufacturing plants in Ciudad Juárez, in Tijuana (PLEMSA) and in Mexico City (Lumisistemas). Advance Transformer has not experienced outstanding changes in the company's structure from the year 2001 up to the present; no closures, displacements or reorganisations of importance were reported. The plants have been expanded and there have been changes in different top level posts, such as the general management, as well as changes in the department's management. The company has not considered the possibility of leaving Mexico or of transferring operations to another location.

An important fact in the company's production is a decrease in production in recent years from 89,000 to 44,000 products. This decrease can be attributed to a series of factors, essentially, the changes in the technology these devices are based on, which has had repercussions on suspending the production of discontinued models.

The company, as a maquiladora, operates with raw materials that are almost entirely temporary imports, which once they are manufactured are returned to the countries in charge of the trading. No information was offered about this aspect of the process.

Employment

The employment figures that Advance Transformer provided only comprise the years 2004 and 2005. The total employment for the year 2005 was 2,375 workers, of which slightly over half are male workers (52.75%) and the remaining 47.25% are female workers. A 6.09% increase in personnel can be noted in comparison to the year before.

Table 1: Total Employment by Sex in Advance Transformer: 2004 and 2005

	2004	2005
Female workers	1,183	1,122
Male workers	1,038	1,253
Total	2,221	2,375

Source: Interviews to the Human Resources manager and Labour Relation manager by Alejandro Pérez, 30-11-05, Company Survey, Cilas A.C. electronic file.

The number of permanent workers is 1,720, which represents 72.4% of the total workers in the company. This figure increased by 10.1% in relation with the year 2004. Sex composition is similar to the total, since it is predominantly male, with 72 workers above the number of female workers; the number of female workers decreased by 61.

Table 2: Total Permanent Workers in Advance Transformer by Sex: 2004/5

	2004	2005
Female Workers	834	824
Male Workers	728	896
Total	1,562	1,720

Source: Interviews to the Human Resources manager and the Labour Relation manager by Alejandro Pérez, 30-11-05, Company Survey, Cilas A.C. electronic file.

An outstanding number of temporary workers were reported. Temporary workers as a whole represent 21.26% of the total workers and 29.36% in relation to the permanent production workers. The number of temporary workers did not change much in relation to the year before and sex composition is similar to the other groups.

Table 3: Total Temporary Workers in Advance Transformer by Sex: 2004/5

	2004	2005
Female Workers	289	241
Male Workers	218	264
Total	507	505

Source: Interviews to the Human Resources manager and the Labour Relation manager by Alejandro Pérez, 30-11-05, Company Survey, Cilas A.C. electronic file.

Workers with a position of trust within the company (*trabajadores de confianza*)⁴¹ represent 6.3% of the total employment. The number of this group of workers remained stable in relation to the year before. This group is primarily comprised of male workers (62%).

Table 4: Workers with a Position of Trust within the Company (*trabajadores de confianza*) in Advance Transformer by Sex: 2004 and 2005

	2004	2005
Female Workers	60	57
Male Workers	92	93
Total	152	150

Source: Interviews to the Human Resources manager and the Labour Relation manager by Alejandro Pérez, 30-11-05, Company Survey, Cilas A.C. electronic file.

As far as the distribution of workers between the three plants is concerned, Electromagnetics (EMAG) is the largest plant with 40.7% of the total. It is followed by FESA with 33.3% and finally by PLEJ with the remaining 26%.

EMAG has a larger amount of male workers (56.3%) in relation to the number of female workers (45.7%). This proportion is reproduced in a similar way in the three categories of workers: permanent, temporary and workers with a position of trust within the company (*trabajadores de confianza*).

⁴¹ 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 5: Advance Transformer Electromagnetic (EMAG) per type of recruitment, 2005

	Permanent Workers	Temporary workers	Workers with position of trust	Total
Female Workers	348	35	39	422
Male Workers	417	82	45	544
Total	765	117	84	966

Source: Interviews to the Human Resources manager and the Labour Relation manager by Alejandro Pérez, 30-11-05, Company Survey, Cilas A.C. electronic file.

FESA has 790 workers of which 53.3% are male workers and 46.7% are female workers; 27.8% are temporary workers, 4.4% with a position of trust within the company (*trabajadores de confianza*) and the remaining 67.8% are permanent workers. Although most permanent workers are male (52.9%), a significant part is female (47.1%)

Table 6: Advance Transformer FESA per type of recruitment, 2005

	Permanent Workers	Temporary workers	Workers with position of trust	Total
Female Workers	267	93	9	369
Male Workers	300	95	26	421
Total	567	188	35	790

Source: Interviews to the Human Resources manager and the Labour Relation manager by Alejandro Pérez, 30-11-05, Company Survey, Cilas A.C. electronic file.

Lastly, PLEJ is noted both for having a majority of female workers (53.5%) whereas only 46.5% of the workers are male workers and for the fact that 34% of the production workers are temporary workers.

Table 7: Philips Lighting Electronics Juárez (PLEJ) per type of recruitment, 2005

	Permanent Workers	Temporary workers	Workers with position of trust	Total
Female Workers	209	113	9	331
Male Workers	179	87	22	288
Total	388	200	31	619

Source: Interviews to the Human Resources manager and the Labour Relation manager by Alejandro Pérez, 30-11-05, Company Survey, Cilas A.C. electronic file.

Company Management

The local management is of the opinion that the company has a high degree of autonomy in relation to the corporation. The interviewed workers agreed with this opinion. It is important to mention that close to 87% of the top executives are of Mexican origin, including the general manager.

Upon listing the different aspects of the decision-making process in an attempt to identify what level played a more determining role: the local level, the national

administration or the corporation, the opinions that were expressed by the interviewees are a good point of reference for this analysis.

According to the interviews with the local management, the decisions that are taken at the corporate level have to do with mergers with other companies, business strategies, purchasing new plants, the strategic alliance formation, the creation of new plants, the closure or relocation of plants, as well as changes in current products, the creation of new products, technological changes and production cuts.

The local level takes decisions on the establishment of new work methods, changes in work organisation and the labour relations and wage negotiation policies, with the intervention of the national level.

The decisions that are taken through co-ordinating the local level and the corporation include the selection of suppliers, outsourcing agreements and the use of subcontracting, changes in administrative style, Human Resources training, the appointment of top and middle level executives and actions to control environmental impact.

Yearly goals and objectives are established locally.

The local management claims that the company's general strategy in Mexico is "To be a leading manufacturer of lighting products with the highest quality and the best prices available". The company's plans for future development are "to spearhead innovative technology".⁴²

⁴² Interviews to the Human Resources manager and the Labor Relation manager by Alejandro Pérez, 30-11-05, Company Survey, Cilas A.C. Ciudad Juárez, electronic file.

Corporate Social Responsibility (CSR)

The local management understands the company's social responsibility as "a commitment with the workers, the community and the environment".⁴³ The company considers that labour issues, as well as philanthropic or charity activities, are part of the social responsibility norms. With regard to the environment, the company was accredited ISO 14001 for the year 2004 by Underwrites Laboratories Inc.

The Business Principles are available in the plants in the local language and it was not deemed necessary to adjust them to the local context. The local management claims that the code of ethics is known within the company. The interviewed workers, however, were unable to identify the contents of the company's code of ethics and Business Principles.⁴⁴

The local management claimed that the corporation's Business Principles are followed and that its CSR policy and its implementation are transparent since information about CSR policies, activities and results is disseminated internally. The only information that is disseminated externally refers to the activities that are carried out. The following social responsibility activities carried out in 2005 were mentioned in the interviews:

- A group of social promoters distributed "A Parents' Guide" as part of the "Vamos Mexico" program;
- The company worked with the local Fire Brigade in order to check the industrial safety measures in the industrial zone;
- The local government acknowledged the company's donations for the poorest sectors in Ciudad Juárez (2005);
- The Philips Cup volley ball, foot ball, soft ball and basket ball 2005 tournament; the Sense & Simplicity Race 2005;
- A Family Day celebration was organised by Philips-AdvanceTransformer and the Consejo de la Comunicación A.C.;
- The 2005 Philips summer camp for the workers' children.

In the interviews, the workers said they ignored whether or not there were any social responsibility activities. It is nevertheless possible that they do know about the activities and might even participate in them without being aware that they are related to the company's CSR policies.

The corporate social responsibility policies are followed up and evaluated through a program called PBE BEST, but we were unable to get more information about how it operates. Ramona García, the Human Resources manager is in charge of ensuring that the social responsibility norms are complied with. She is also in charge of following-up and evaluating the CSR activities. Again the interviewed workers were unable to identify who is responsible for these issues.

The various interviewees stated that in the last five years there had been no complaints or claims for violations of the company's code of ethics.

⁴³ *Ibíd.*

⁴⁴ Workers' Survey by Alejandro Pérez, 29-11-05, Cilas A.C. Ciudad Juárez, electronic file.

The local management has knowledge of international labour standards that are made reference to in the code of ethics, and quoted the following standards: “to provide the workers with healthy and safe working conditions, to respect ethnic and cultural differences and equal job opportunities”.⁴⁵

The company representatives and the workers stated that no independent organisation had participated in ensuring that the company’s social responsibility policies were being complied with.

The local management stated that outside organisations or individuals had requested information about the activities and results of these policies.

Conditions in the Supply Chain

The company stated that the suppliers also had to follow the Code of Ethics. According to the Human Resources manager, the suppliers are informed about the company’s social responsibility norms, and are demanded to comply with some of the labour conditions. The company also “implements follow-up and evaluation mechanisms to ensure the CSR policies are being complied with and informs the suppliers about the sanctions that might proceed for non-compliance”.⁴⁶ However, no documented evidence was shown regarding the specific aspects and how this information was disseminated among suppliers or subcontractors. She added that “they are encouraged to comply with the norms. If their response is not favourable, the business relationship is terminated”.⁴⁷

The management added that Advance is not responsible for the working conditions in the suppliers’ plants. Advance does not exercise any control over the suppliers in this field.

⁴⁵ Interviews to the Human Resources manager and the Labor Relation manager by Alejandro Pérez, 30-11-05, Company Survey, Cilas A.C. Ciudad Juárez, electronic file.

⁴⁶ Op cit.

⁴⁷ Ibid.

Labour Relations

The company stated that there is no trade union or any other kind of labour organisation in any of the plants. The company did not express a specific position regarding trade unions nor did they explain why there were no trade unions. The workers are not aware whether there are any trade unions or not and ignore whether there have been any attempts to create a trade union.

Trade Union Freedom

The workers in the Advance plants do not have a trade union. No initiative to create a union was recorded. For the corporative's point of view, from the Presidency of Human Resources, it is not opposed to that a trade union exists, but it hires workers through an individual contract in which the working conditions are negotiated. No mention was made of any collective dispute in this field or of any activity to discourage trade union organisation. This form of labour relations is legal and it is often the way the relations between the worker and the employer are established.

As far as CILAS is concerned, however, the fact that there is not a trade union can be seen as a point of attention for the workers in the compliance of labour rights. The most recent version of the "Philips Business Principles" explicitly mentions the respect and recognition of the workers' right to organise in trade unions⁴⁸ within the framework of the Mexican law. In this sense, our approach to trade union freedom is that it is an unrenounceable labour right that should be demanded. It can only be said that this right is fully exercised when the decision is taken by the workers themselves. Besides, if there is no trade union, it is not possible to exercise another important aspect of labour relations: collective bargaining, a basic labour right.⁴⁹

Collective Bargaining

Since there is no certified trade union, there is no collective bargaining. According to both the company and the interviewed workers, there have not been any important disputes, such as strikes or work stoppages, in the last five years.

Commissions

We were informed of the operation of various commissions and the compliance of bilateral obligations with the workers, such as the Training Commission, the Profit-Sharing Commission and the Health and Safety Commission, all of which demand that the production workers participate. The various commissions are created by the company.

⁴⁸ <http://www.philips.com/about/investor/section-13627/index.html>

⁴⁹ It is well known that there are social actors who have promoted the creation of yellow trade unions with sweetheart contracts: partial, inefficient and irresponsible trade union leaders, lawyers and labor authorities. It is also well known that an important number of companies in the region have contracts with organizations that are not present for the workers, which corresponds to policies that discourage initiatives to create authentic trade unions.

Access to Information

Anyone who carries out any kind propaganda activity within the company's premises will be sanctioned. (Internal Work Regulation, article 62, M).

The main way through which the management ensures the flow of communication and information is through department meetings and the aforementioned commissions. In the plants, there are specific places in which information can be disseminated. The interviewed workers, nonetheless, stated that they were not provided information in a timely, regular or relevant way.⁵⁰ The workers' requests for information about the company's policies and activities are attended, as opposed to their requests for information about the company's local, national or global development.

⁵⁰ Workers' Survey, Op cit.

Labour Conditions

Child Labour

Advance's policy is to not hire minors, and the information we obtained points to the company's compliance with this norm. However, some of the interviewed workers, without offering precise information, reported five minors working 9 hour shifts plus overtime. Since this piece of information was not corroborated by other sources, it is suggested that the company check whether this information is true or false.

Forced Labour and Discrimination

In the interviews with the workers, no evidence or testimony was obtained of the existence of any form of forced labour. Attitudes or behaviours of discrimination of any type against workers for their sex, ethnic belonging, religion, social origin, or political opinions were not reported. No differences in the type of work performed due to discrimination were detected. With regard to differences based on the person's sex, we were informed that the highest post women have reached is to become a manager and that there are six female managers in the company.

As far as women's development is concerned, the company quoted an example of training and opportunities for promotion: in the year 2005, 17 female workers and 3 male workers participated in five human development workshops lasting 10 hours each in order to train to become social promoters tending to community issues. The event was sponsored by the International Labour Organisation (ILO) and the Mexican Department of Labour (Secretaría del Trabajo and Prevision Social).

No evidence was found of discrimination in the hiring process. It is clear that the company is in charge of establishing certain health criteria for recruitment since there is an obligatory medical check-up, as stipulated in the Internal Labour Regulation. The company can refuse to accept a worker based on the results of the check-up.

The company stated that no female workers had been laid off for being pregnant and no claims or disputes had originated for this reason. However, one of the interviewed workers stated that there had been cases of women who had not been hired because they were pregnant. Since no further documentation was offered, it cannot be claimed to be supported practice.⁵¹

It should be noted that the company does comply with the Mexican Federal Labour Law's stipulation that maternity leaves be granted to pregnant workers.

No cases of sexual harassment were reported.

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.

⁵¹ Ibid

“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.”⁵²

There is no doubt that this overall situation affects employees and workers at *Advance*, more at the lowest levels on the wage scale. The lowest wages the company pays is \$1,424.00 per month (46.80 pesos per day). The company claims that the wages it pays are the same as those paid by other local companies in the maquila sector. The workers, however, are of the opinion that their wages are low. 72% of 33 production workers⁵³ interviewed, do not consider their wages to be high enough or to maintain their purchasing power.

The company provided a list with the wage scale by day and by post, in which it is not possible to establish the baseline wages of the various classifications, and widely different amounts are presented for the same post. Selected data can nonetheless be presented as a sample. The average wages earned by the workers who assemble electronic products in the maquiladoras was \$124.14 pesos per day, according to official information⁵⁴, a figure that is considerably far away from what most *Advance* workers earn, as can be seen in the following Table.

Table 8: Posts and wages selected from the daily pay roll (in pesos)

Post	Daily Wages
Operator (the lowest and most numerous)	From \$46.80 to \$48.91
Examples of other classifications (at their lowest level)	
Material moving workers	\$99.22
Group leader	\$99.00
Inspector	\$95.00
Janitor	\$78.00
Warehouse attendant	\$71.00

Some additional data obtained from the survey bring up points that characterise the labour conditions and social situation of the workers in the lowest wage scale. For example, 72% do not have another job, and those who have another job are self-employed. Most of them are adults between 18 and 40 years old and 3 are under 18; 50% are mothers, 25% have a father figure at home and the rest are sons or daughters in a family nucleus. In 90% of the cases, there is another person contributing to the family economy, and within this group less than half are the main breadwinner.

More than three fourths have people who depend on them economically and their family is of between 3 and 5 members.

⁵² Interview with Laura Juárez Sánchez, “Dramático escenario laboral en cinco años de gobierno foxista,” *Revista Trabajadores*, No. 51, UOM, November-December 2005.

⁵³ The post with the lowest wages in the list the company gave us.

⁵⁴ INEGI, Encuesta Industrial Mensual, February 2006, Mexico.

16% reported that members of their family between 14 and 16 years old work.

The company, however, claims that it has achieved secure employment and incomes for its workers.

Work Days

There are three shifts: a day shift of 9 hours per day, 45 hours per week, from Monday to Friday; a mixed shift of 40 hours per week, from Monday to Friday and a night shift of 27 hours per week from Tuesday to Saturday⁵⁵. In the day and mixed shifts, the workers have a 30-minute break to have their meal and a 20-minute break to rest. Although the work days are clearly established, the workers claim that the maximum limit of the work day is not always respected.

Monthly overtime is 25 hours on average during normal production. Working overtime is normal practice, and obviously increases in peak production: in times of high demand the monthly average is 40 hours.

In the different areas workers are informed that there will be overtime a day in advance and although it is possible to refuse to do overtime, article 17 of the Internal Work Regulation stipulates that the workers are obliged to work overtime when the company considers it necessary and informs them in advance. It should be noted that it is not customary to refuse to work overtime since overtime is paid as stipulated in the Federal Labour Law and this therefore allows the workers to increase their income. The workers therefore see overtime as a good opportunity. The workers recognised that the company always pays overtime on time.

The interviewed workers were of the opinion that overtime has no impact on increasing occupational accidents. In fact, according to the information on occupational accidents, the number of accidents was 26 in both 2004 and 2005, as can be seen in Table 9.

Table 9: Number of Occupational Accidents in *Advance* per Plant, 2004 and 2005

	EMAG	PLEJ	FESA	Total
Number of Accidents in the year 2004	14	3	9	26
Lost work days	174	14	71	259
Number of Accidents in the year 2005	9	9	8	26
Lost work days	96	52	109	257

Source: Philips Advance Medical Reports, 2005

Bonuses and Profit-Sharing

Apart from the workers' fixed wages, Advance gives its workers additional payments in the form of bonuses for meeting punctuality and attendance records, as well as for

⁵⁵ JLCA, Reglamento Interno de Trabajo de Philips Advance Transformer, Ciudad Juárez, 1995.

achieving the work productivity goals. Bonuses might represent an increase in the workers' total weekly income from 20% to 47% in cash.

The company does not provide the workers with information about the implementation of the profit-sharing schemes. However, there has been profit-sharing in the last five years, although we do not have the specifics.

Benefits

This information was not provided by the company; however it is known that the workers are assured to the public health services (IMSS).

Working Conditions

As a part of the visit made to the Advance plants, a brief revision was made of the premises and services. It should be noted that the plant has all the indispensable services. As follows, we present an appraisal of the quality of the plant's services. It should be noted that it is only an external appraisal.

Table 10: Appraisal of premises and services in the Advance Plants

	Advance EMAG	Advance PLEJ	Advance FESA
Nursing Services	Regular	Regular	Good
Sports facilities	Regular	Regular	Regular
Drinking water close to work posts	Good	Good	Good
Warnings	Good	Regular	Good
First Aid Kit	Regular	Regular	Good
Ventilation conditions	Regular	Regular	Regular
Sufficient lighting	Good	Good	Good
Fire Extinguishers	Good	Good	Good
Toilets	Regular	Regular	Regular
Wash basins	Regular	Regular	Regular
Shower	They do have showers	Bad	Bad
Cafeteria	Regular	Regular	Good
Other	Regular Equipment for varnish spills		

Subcontracting, Work Flexibility and Temporary Workers

Subcontracting

Security, cafeteria, and cleaning are the services that have been subcontracted. The company is of the opinion that this subcontracting has not affected any of its department's negatively. Both EMAG and PLEJ, however, transferred the security and cleaning services to subcontracting companies and laid off the personnel that was previously devoted to these tasks; in some cases personnel was re-hired.⁵⁶ According to the company, subcontracting these services, apart from being functional, has resulted in savings for the company.

Work Flexibility

The individual contract establishes that the workers' posts are assigned at the company's discretion and that the workers can be changed to any other post in the industrial plants in which the company operates. This is why it is common practice in the company to give production workers multiskilled training. No further details were provided.

Temporary Workers

As aforementioned, the number of temporary workers represented 29.36% of the permanent production workers, which is a significant number. The policy to hire temporary workers is observed in times of the year in which production increases. Another reason why temporary workers are hired is because it enables the company greater flexibility. The workers added that temporary workers replace the permanent workers that leave the company and carry out tasks corresponding to the lower wage scales.

Temporary workers may remain employed for anything between one and two months and might be hired as temporary workers on two occasions only. Most temporary workers eventually become permanent workers since after working for the company for two periods, 80% of the temporary workers join the company. Temporary contracts, however, have not had any negative consequences on employment security since no permanent workers have been made redundant.

Although there are no differences between the working conditions of the permanent workers and those of temporary workers, temporary workers tend to remain in the lower wage scale levels. Permanent workers and temporary workers hold a relationship of integration.

⁵⁶ Workers' Survey, Op cit.

Conclusions

- a) The fact that Philips Mexico gave permission to carry out a first report on Advanced Transformer is an important step forward, particularly since this task had not been accepted in the first Company Monitor experience. We would therefore like to acknowledge the highly positive attitude reflected by the corporation's willingness. Offering more interviews and providing even more information would imply going beyond this initial willingness;
- b) Various actions derived from the corporate social responsibility (CSR) policies represent extremely positive steps forward that the community surely is pleased to observe, since these actions have an important projection towards the local society. Nevertheless, within the company itself, the interviewees failed to reflect what has been done in this field, not being aware of the CSR norms available to improve the relationship between the different social actors. It is therefore essential to achieve a much wider dissemination among the workers of information about the CSR norms, commitments and mechanisms the corporation is making available since a lack of information in this area was identified, particularly in themes related to the labour aspects embedded in Philips' and Advance's CSR policy;
- c) The fact that there is not a trade union can be seen as a point of attention for the workers in the compliance of labour rights. There is not enough evidence to suggest that the company or instances external to the workers go against trade union freedom. As far as the company is concerned, the existence of a trade union in Advance plants is not obligatory. From our point of view, it is indeed a problematic aspect since there is no evidence that the workers have exercised their right to organise;
- d) It is not political of the company to hire child labour to work. It is desirable that the company offer more information about the few cases of child labour in order to check whether child labour actually exists or discard it as a possibility, since it was mentioned in an occasion, but the effective recruiting of those data was not corroborated..

3. COMPONENTES ELECTRICOS DE LAMPARAS

Company Information

Company Trade Name: Componentes Eléctricos de Lámparas (CEL) S.A. de C.V.

Production area: *Maquiladora* (Assembly Plant)

Products manufactured: Assembly of halogenous, incandescent and fluorescent lamps for industrial, domestic and automotive use.

Location: Ciudad Juárez, state of Chihuahua

Year in which operations began in Mexico: 14 March 1978

Corporate group to which it pertains: Philips Electronics North America Corporation

Company offices and sites

Address: Av. Parque Industrial Juárez no. 3951, Parque Industrial Juárez, Ciudad Juárez, Chihuahua. Telephone: (52 656) 639 7970, fax: 639 7970, (52 915) 860 5242

General Manager: Patricia Ivonne Gallardo Gutiérrez, of Mexican nationality.

Since: 2003

TRADE UNIONS

None of the plants reports having a trade union

Methodology

This report was elaborated based on documentary information provided by the company⁵⁷ and interviews carried out with Human Resources management. Given the absence of a union, thorough interviews were held with production workers (a group of seven workers, one man and six women, with between three months and four years working in the company). A survey regarding purchasing power was undertaken in a group of 14 workers, and the plants were toured.

The company, following corporate headquarters instructions, did not provide information on income tax returns, sales data, or suppliers. Co-operation by the company was closely limited to that agreed upon with Mexican corporate headquarters regarding allowing interviews and providing foreseen information. Relevant information was obtained in this manner, and is presented below. The interviews and surveys took place within company installations in late November 2005.

⁵⁷ The following documents were presented: individual labor contracts, list of job-related risk cases, Internal Labor Regulations, wage scale, Community Outreach Program.

General Characteristics of the Company

Componentes Eléctricos de Lamparas (CEL) is a medium-sized *maquiladora* (assembly plant) company with just under 500 employees, corresponding to the manufacturing branch of electronic illumination products. The company was established in Mexico in 1978, and falls under the corporate headquarters of the North America Philips Electronics Division.

In the last five years in Componentes Eléctricos de Lamparas (CEL), there have been no fusions, acquisitions, or joint ventures; no plants have been sold, and production volume has not diminished. There have been changes in several upper-level posts such as General Manager, and in departmental management positions (relocation of Accounts Payable area). The company has not threatened to leave the country or transfer operations to another location, in the general opinion of the workers interviewed.

The company aims to orient its production toward the internal market, and therefore does not export any products. It also reports no imported inputs, allowing the assumption that all inputs are obtained from Mexican suppliers.

Employment

Total workforce numbers (permanent and temporary employees) presented a slight downward tendency up to 2005, when workers numbered 17.5% less than in the year 2000, as illustrated in table 1. Some recovery can be interpreted from the 2005 figure, which shows a 7.5% increase in number of personnel compared to the previous year. Gender composition in the company is currently evenly divided between women and men.

Table 1: Total Employment in CEL, by sex, 2000-2005

	2000	2001	2002	2003	2004	2005*
Men	295	259	336	255	212	242
Women	298	238	294	288	243	247
Total	593	497	630	543	455	489

* Figures up to the month of December, except for the year 2005 when figures are up to November.

Source: CILAS, Company questionnaire, 30-11-05, Ciudad Juárez, Chihuahua. Mexico.

Analysing the information from table 2, the permanent workforce (understood as direct and indirect workers and *trabajadores de confianza*⁵⁸) is made up of 50.9% women and the remaining percentage of men. With the exception of *trabajadores de confianza*, whose numbers have remained constant, there is an important drop in permanent employees beginning in 2003. This number decreased 42% by 2005, after having peaked in 2002.

⁵⁸ 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 2: Permanent Employees in CEL, by sex, 2000-2005

	2000	2001	2002	2003	2004	2005
Men	295	256	336	210	180	179
Women	297	237	294	228	204	186
Total	592	493	630	438	384	365

* Figures up to the month of December, except for the year 2005 when figures are up to November.
Source: CILAS, Company questionnaire, 30-11-05, Ciudad Juárez, Chihuahua. Mexico.

The number of *trabajadores de confianza* is small, less than 10% of total employees, and this number has remained stable over the past five years (table 3).

Table 3: Trabajadores de Confianza in CEL, by sex, 2000-2005

	2000	2001	2002	2003	2004	2005
Men	24	27	36	28	25	22
Women	19	19	20	16	23	20
Total	43	46	56	44	48	42

Figures up to the month of December, except for the year 2005 when figures are up to November.
Source: CILAS, Company questionnaire, 30-11-05, Ciudad Juárez, Chihuahua. Mexico.

An important phenomenon is illustrated in table 4, which is growth of the number of temporary workers since 2003, fluctuating in the following years until representing 25.3% of the total in 2005. Its composition by sex is 50/50.

Table 4: Temporary Workers in CEL, by sex, 2000-2005

	2000	2001	2002	2003	2004	2005
Men	0	3	0	45	32	63
Women	1	1	0	60	39	61
Total	1	4	0	105	71	124

Figures up to the month of December, except for the year 2005 when figures are up to November.
Source: CILAS, Company questionnaire, 30-11-05, Ciudad Juárez, Chihuahua. Mexico.

Negatively complementary to the growth of temporary workers, the direct and indirect workforce has decreased in number by 43.7% of what it was in 2002 (see table 5).

Table 5: Permanent Base Workers

	2000	2001	2002	2003	2004	2005
Men	271	229	300	182	155	157
Women	278	218	274	212	181	166
Total	549	447	574	394	336	323

Figures up to the month of December, except for the year 2005 when figures are up to November.
Source: CILAS, Company questionnaire, 30-11-05, Ciudad Juárez, Chihuahua. Mexico.

Company Administration

CEL's annual objectives and goals are determined at the continental and local level. The proportion of top executives who are Mexican is 90%, and the General Manager is a Mexican woman. The company's general strategy in Mexico is to "focus on the

people, product cost, administrate the portfolio of correct products, flexibility with the client, manufacturing excellence.” Future development perspectives are to “plan, manufacture and deliver products on time at the best price in the market.”

The opinion of the local administration is that a high degree of autonomy exists in relation to the corporation.

The primary decisions taken at the corporate level by Philips Mexicana in relation to this company refer to: business strategies, new product creation, plant closures, plant relocation, creation of new plants, plant acquisitions, and designation of top executives.

Decisions made at the CEL level relate primarily to: establishment of new work methods, changes in work organisation, outsourcing agreements, environmental impact control actions, subcontracting, administrative style changes, selection of suppliers, human resources training, and middle management appointments. CEL local administration also has priority to decide on labour relations and negotiation policies. Areas on which the local and corporate levels closely collaborate are: production cuts, technology changes, and product changes.

Corporate Social Responsibility (CSR)

The local administration understands company social responsibility to be “the contribution made by the company to improve social equality and environmental and economic conditions in our society.”⁵⁹ The company considers labour issues as part of social responsibility, and also includes philanthropic activities as aspects of CSR policy.

The administration affirms that CEL personnel are familiar with the Code of Ethics and General Principles of Business. They add that “corporate policies are where the social and environmental investments are specified with which Philips participates within the sphere of social responsibility.”⁶⁰ However, five out of seven workers questioned on this issue were unfamiliar with them.⁶¹ They have not been modified to the local context and they are translated into Spanish.

The following activities were noted in this regard in interviews with the company: support through diverse donations to schools that formally request them and in-kind donations to the municipal Fire Department; a campaign to promote the achievement of the ecologically-friendly vehicle certification sticker among company employees, relatives and friends; economic contributions to the Red Cross; a non-perishable food, medicine, and toy drive among employees and their families for the organisation CREAMAC which provides assistance to persons with mental disabilities, orphans, and a home for the elderly; ecological measures (“Ecovision”) including surveillance of parameters of the residual water generated in the cafeteria, maintenance of water, electricity and gas consumption within pre-established limits, and adequate solid waste management; designation of resources obtained through recycling of cardboard, platforms, plastics, metals and other materials to a special account for donations to public welfare institutions; sponsorship of an Open House which includes health fair in the plant with environmental-protection, cultural, legal-orientation, and entertainment activities.⁶²

The company also “provides education, offering open school (primary, middle, and high-school level adult-education independent studies) within company installations. In the health field, various vaccination campaigns are offered, as well as multiple medical services within the Health Fair for employees and their families, donations through a united fund, (and) maintenance of the ISO 14001 environmental administration system to assure that all activities undertaken in the plant are carried out with the least environmental impact.”⁶³

The company affirms that it is transparent within the plant regarding CSR policies and their implementation, through distribution of information on CSR policies, activities

⁵⁹ Interview of Human Resources Management, by Alejandro Pérez, CILAS, 30-Nov-05, Ciudad Juárez, Chihuahua, Mexico.

⁶⁰ Idem.

⁶¹ Worker Questionnaire, by Alejandro Pérez, 29-Nov-05, Cilas A.C. Ciudad Juárez, electronic file.

⁸⁰ Community Outreach Program, 2005.

⁶³ Interview of Human Resources Management, by Alejandro Pérez, CILAS, 30-Nov-05, Ciudad Juárez, Chihuahua, Mexico.

and results within the plants. It also affirms that it answers information requests from employees on activities and results.⁶⁴ It carries out no external dissemination.

The administration affirms that it carries out follow-up and evaluation of its achievements in order to comply with Social Responsibility rules. These activities are unfamiliar to several of the workers interviewed. Human Resources Manager, Diana Alcalde is responsible for follow-up to CSR actions. The workers interviewed could not name the responsible party.

According to all those interviewed, to date no employee in the company has presented a grievance or violation claim of the Principles or Code of Conduct.

The local administration is familiar with international labour standards referred to in the Code of Ethics: “the norms on safety and health, fair and equitable treatment, child labour, discrimination, the right to organise, (and) wages in accordance with labour laws.”⁶⁵

No independent organisation has ever undertaken verification of CSR in the company.

Conditions in the Supply Chain

The company reports that it assumes responsibilities for labour conditions of subcontractors and suppliers, for which it requires they “comply with security measures, internal regulations, and training courses within the installations”⁶⁶ and demands that they comply with Social Security system (IMSS) regulations and environmental and safety and health laws.

CEL affirms that the Code of Conduct applies to suppliers but it was not confirmed whether they have been informed of these norms.

The company states that quality standards of suppliers’ and subcontractors’ products and services are monitored by CEL. In this matter, consequences are clearly established for failure to comply with quality standards, starting with replacement of defective products and also including certification requests, establishment of improvement plans, which may include retention of payment, and even contract cancellation. Information received does not specify whether CEL personnel regularly visit these companies.

Adherence is not verified by independent organisations.

⁶⁴ Note that in the case of information to independent organizations, as we discovered through our own experience, access passes through the corporate level, with all its formalities. We were not informed of a communication route with civil society at the state level, as exists with other Philips companies of Ciudad Juárez.

⁶⁵ Interview of Human Resources Management, by Alejandro Pérez, CILAS, 30-Nov-05, Ciudad Juárez, Chihuahua, Mexico.

⁶⁶ Idem.

Labour Relations

The company reports there are no unions or similar organisations in any of the plants. In this regard, CEL did not express any posture or reason. The workers know of no unions and they don't know about some intent of the workers to form an union.

Union Freedom

The workers of this company do not have a union, and no such worker initiative is registered. For the corporative's point of view, from the Presidency of Human Resources, it is not opposed to that an trade union exists, but it hires workers through an individual contract in which the working conditions are negotiated. No testimony was expressed referring to any collective conflict in this field, nor was any testimony presented regarding any activity to discourage organisation of a union. This form of labour relations is legal and a not infrequent way to handle worker-employer relations.⁶⁷

Nevertheless, in opinion of CILAS, absence of a union may be seen as a point of attention for the workers in the exercise of human rights. In the most recent version of the "Philips Principles of Business," specific mention is made regarding respect and recognition of the right of employees to organise themselves within unions⁶⁸ and to do so within the Mexican legal framework. In this sense, our union freedom perspective is that this is a labour right which can be demanded and which can not be renounced, and only after a respective decision is established by the workers themselves can it be affirmed that this right is fully exercised. Furthermore, another aspect of labour relations and a basic labour right, collective bargaining, can not be exercised without it.

Collective Bargaining

Collective bargaining does not exist considering that there is no head union to act as bargaining agent of a contract. There have been no important conflicts — strikes, work stoppages, or any other type — in the past five years, according to both the company and workers interviewed. No grievance has been filed against the company within the OECD Mexican National Contact Point.

The attitude of workers toward company objectives and initiatives is co-operative and open to negotiation, and even indifferent, as expressed by the workers themselves.

⁶⁷ There are known to be social actors who promote the existence of protection unions: union leaders, irresponsible lawyers, and legalist, partial and inefficient labor authorities. It is also known that a large number of companies in the region have contracts with organizations which are never present among workers and which favor policies that discourage initiatives to establish real unions.

⁶⁸ <http://www.philips.com/about/investor/section-13627/index.html>

Committees

Various committees exist within which corresponding bilateral obligations with workers are fulfilled. There are committees on: training,⁶⁹ the savings fund, profit sharing, safety and health, pension and retirement, and seniority and seniority-structure promotion. Workers also mention a productivity committee and a hiring committee. All of these require the participation of production workers and are convened by the company.

There are also special committees, production team committees, sports activity groups, and adult education groups.

Access to Information

The primary method of communication is through departmental meetings. Specific locations exist in the plant to distribute information and notices, and individually distributed memorandums are also common. The company provides information to the workers in a timely — although not regular — manner on internal production issues, local company activities, and corporate development at the global level.⁷⁰ Information requests from workers regarding policies and activities are answered.

⁶⁹ Regarding training, mention was only made of courses offered on work organization, use of chemicals, and formation of fire brigades and drills.

⁷⁰ Worker Questionnaire, op cit.

Working Conditions

Child Labour

Company policy in this regard prohibits hiring minors, and the same is demanded of suppliers and subcontractors. However, 34 workers between ages 16 and 18 are reported to work at the company, with nine-hour work days. They are not attributed overtime. These workers are said to be treated equal to any other worker. It is necessary that the company investigate on the mentioned cases of child work, to verify its presence or to discard it, since it mentions in an occasion, but the hire minors was not corroborated.

Forced Labour and Discrimination

Interviews with the company and the workers produced no evidence or testimony of existence of any form of forced labour. In addition, no cases were reported of exercise of discriminatory attitudes or behaviours of any type against or among employees due to sex, ethnicity, religion, social origin, or political opinions, and no distinctions were detected for these motives in types of work assignments. Regarding gender-based differences, the highest positions occupied by female production workers are group leaders and inspectors. At the executive level there is one female plant manager. There are no specific affirmative action plans in the company, although other types of educational activities specifically for female workers are reported. CEL affirms there are equal opportunities for training and promotion.

Regarding discriminatory acts against women in the hiring process, no evidence was found of any case having existed. The company assures that no worker has ever been fired due to pregnancy, and this opinion is confirmed in the worker interviews. No case of sexual harassment against subordinates or among workers was reported in the interviews.

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.”⁷¹

There is no doubt that this overall situation affects employees and workers at *CEL*, more at the lowest levels on the wage scale. The lowest wage paid by the company according to the 2005 wage scale was \$1,441.44 pesos per month (\$48.00 pesos per

⁷¹ Interview with Laura Juárez Sánchez, “Dramático escenario laboral en cinco años de gobierno foxista,” *Revista Trabajadores*, No. 51, UOM, November-December 2005.

day), corresponding to newly hired operators. That salary may increase up to 18% through various bonuses. Although the company suggests that wages are equal or even above those of other companies in the region and manufacturing sector, the noted wage is far below the average electronics-industry *maquiladora* worker wage which in 2005 was \$124.14 pesos per day, according to official figures.⁷² The workers also expressed the opinion that the wages are low; 9 out of 14 of operator-level⁷³ workers surveyed, or 64.2%, considered their wage sufficient, but the remaining workers did not.

The company provided a weekly wage scale list by post (or level). There are eight levels of direct and indirect workers, for which minimum and maximum wage ranges are established depending on productivity evaluations. The national average wage for assembly workers of *maquiladora* electronics-industry products was \$868.98 pesos per week in 2005, according to official data,¹⁷ figure far removed from the large majority of CEL workers as observed in the following table.

Table 6. CEL Weekly Wage Scale, July 2005

Level	Men	Women	Total	Weekly Wage Range	
				Minimum	Maximum
1	152	185	337	\$336	\$400
3	29	6	35	\$525	\$1,076
5	13	6	19	\$800	\$1,350
6	10	1	11	\$900	\$2,000
7	9	0	9	\$1,300	\$1,900
8	16	0	16	\$1,750	\$2,800
31	0	3	3	\$1,800	\$2,500
32	1	1	2	\$1,900	\$2,700
Total	230	202	432		

Does not include *trabajadores de confianza*.

Some additional data was obtained through a survey among workers in the lowest wage category, and was used to develop a characterisation of their labour and social situation. For example, 85.8% have no other employment, and all of those who do are self-employed. The majority are young, between ages 18 and 25. A little over half of them have other persons contributing to the family economy, and the rest are sole breadwinners. More than 80% have at least two economic dependants and families numbering at least three. Among these workers, 35% affirmed having minors working to support the family economy. However, the company assumes responsibility for achievement of wage and job security.

Work Days

The plant has three shifts: a 45-hour per week day shift, working Monday through Friday; a 42-hour mixed shift, and a 37.5-hour night shift. Overtime hours worked per day average 2% of labour hours during normal production season. Overtime is a

⁷² INEGI, Monthly Industrial Survey, February 2006, Mexico.

⁷³ Which is the lowest wage classification in the list presented by the company.

normal practice, and obviously increases during peak production periods. Average overtime during high demand is approximately 11% of labour hours.

The existence of overtime work is announced in the different areas one day ahead of time, and workers may refuse. Workers agree that the company always pays all overtime hours accrued promptly and respects the maximum work day.

Based on the opinions of those interviewed, it is affirmed that overtime work does not result in increased accidents, although the company did not present detailed information in this regard. It only specified that of accidents occurred in 2005, three resulted in injuries, five produced contusions, and another two resulted in broken bones.

Bonuses and Profit Sharing

Regarding additional payments beyond the fixed wage, bonuses operate in CEL for achievement of punctuality and attendance records, productivity, skills and certification. These bonuses are paid weekly and monthly. Data was not provided for each of them or on how much money they entail, but an estimated range can be inferred from table 6.k

According to the company, it provides information on the implementation of profit share participation schemes, and profit shares have been distributed in the past five years.

Benefits

Worker transportation service, on-site cafeteria service, and pregnancy leave are noted. All personnel including base and temporary workers and *trabajadores de confianza* are registered in the Social Security system. Apparently, they have other benefits, but it didn't surrender additional information.

Subcontracting, Work Flexibility and Temporary Workers

Subcontracting

The company subcontracts personnel in the following areas: surveillance (partial), cafeteria, cleaning, temporary administrative posts, and some unspecified production inputs. According to the company and workers, this does not affect fixed employment or any department.

Work Flexibility

CEL follows a “lean production” strategy consisting of reducing the size of production lines in order to better carry out the work process. The individual contract establishes discretionary assignment and mobility of the worker by the company to any site and location of the industrial plants it operates.

Temporary Workers

The number of temporary workers reaches up to 25.3% of permanent production workers, and is therefore significant. This temporary worker hiring strategy is a company strategy used in particular during specific periods of the year. For example, in July 2005 temporary workers numbered 145, in August they had dropped to 94 workers, and in October 85 workers, with contracts commonly for three months. The reason to employ temporary workers is to respond to higher production demands.

Although the company reports that temporary contracts have not affected job security, the decrease of permanent employment alongside the increase of temporary work is evident.

There are no differences in labour conditions between general plant workers and temporary workers, but the latter are usually assigned the lower wage level classifications. The relationship between general and temporary workers is one of integration.

Conclusions

- a) The fact that Philips Mexicana allowed this first investigation in this company is a positive step toward CSR, and this disposition must therefore be recognised as a positive attitude on the part of the corporation. On the other hand, it can be improved by offering more updated and complete data;
- b) According to company information, several CSR policy actions exist which represent very positive steps, especially those toward the local community. However, that does not alleviate the fact that disinformation is perceived internally within the company in this field. Several workers indicate they are unfamiliar with the Code of Ethics and Philips General Principles of Business, thereby allowing the assumption that their implementation has been insufficient, in particular in those areas related to labour aspects immersed in Philips CSR policy;
- c) The fact that there is not a trade union can be seen as a point of attention for the workers in the compliance of labour rights. There is not enough evidence to suggest that the company or instances external to the workers go against trade union freedom. For the company it hires workers through an individual contract and the existence of a trade union is not obligatory. From our point of view, it is indeed a problematic aspect since there is no evidence that the workers have exercised their right to organise;
- d) The company should offer additional information on the few cases of child labour, to verify or discard its presence;
- e) No cases of forced labour, discrimination, or sexual harassment toward workers have been reported;
- f) The growth of temporary personnel should be considered an area to be addressed by both company and workers, regarding its impact on labour relations of the whole.

4. PHILIPS LIGHTING ELECTRONICS MEXICO TIJUANA

Company Information

Company Trade Name: Philips Lighting Electronics Mexico S.A. de C.V.
Production area: *Maquiladora* (Assembly Plant) pertaining to the electronics sector
Products manufactured: Assembly of ballasts and production of transformers.
Location: Tijuana, Baja California.
Year in which operations began: Integrated within Philips Mexicana in 1999.
Foreign subsidiary: Advance Transformer
Corporate Group: Philips Electronics North America Corporation
General Manager: Jesús Molina Téllez
Since: 2003

The company has two establishments in the city:

PHILIPS LIGHTING ELECTRONICS MEXICO (BALLASTS)

Primary Activity: Manufacture of Electronic Ballasts
Plant representative: Jan Timmerman
Address: Av. Águila Real 1945, Fraccionamiento El Águila,
Parque Industrial Máquilador El Águila, Tijuana, Baja California, CP 22570
(the industrial park is located at Cochimi street and Insurgentes Boulevard)
Telephone: (664) 625 83 60 Fax: 6258363/ 6268578
Head union: There is no organised union.

PHILIPS LIGHTING ELECTRONICS MEXICO (TRANSFORMERS)

Primary activity: Manufacture of transformers
Plant representative: Jim Patch
Address: Blvd. Insurgentes No. 2814-A, Parque Industrial: Baja Maq.
Insurgentes, Tijuana, Baja California (the industrial park is located at
Insurgentes Boulevard and the old highway to Tecate)
Telephone: (664) 626 85 75 Fax: (664) 626 85 73
Head union: There is no organised union.

Methodology

This report was elaborated based on documentary information provided by the company⁷⁴ and interviews carried out with company representatives (specifically those responsible for Human Resources Management at the two plants and the department of Co-ordination of Compensation and Benefits). Given the absence of a union, thorough interviews were held with production workers (a group of four workers), and a survey was undertaken among a group of workers regarding their purchasing power. Tours were also taken of the two plants.

The company, following corporate headquarters instructions, did not provide information on income tax returns, sales data, or suppliers. Co-operation by the company was closely limited to that agreed upon with Mexican corporate headquarters, regarding allowing interviews and providing foreseen information. However, despite this disposition, we believe there was some distrust regarding this type of social audit, reflected in restrictions confronted in the field work. In particular, when worker interviews and surveys were about to begin, company personnel announced time limits and reduced the number of employees available for interview, situation which inhibited obtaining a broader panorama of opinions on topics addressed, beyond one group of workers. Despite this, relevant information was obtained, as presented below.

The interviews and surveys took place within company installations in mid-November 2005.

⁷⁴ The following documents were presented: individual labor contract, list of base workers by classification or post, wage level, and sex; data on job-related accidents and illnesses in the company; example of corrective action requisition; copies of "Expression" magazine; Internal Labor Regulations, and the form titled: "Ethics agreement of the employee and reserved rights."

General Characteristics of the Company

The Philips Lighting Electronics S.A. de C.V. (PLE) company is installed in the city of Tijuana in the state of Baja California, near the United States border. It is a *maquiladora* (assembly plant) pertaining to the electronics sector. Like other companies of its type, it is part of an industrial belt, which enjoys supports and subsidies by the state and federal governments, distinguishing them from manufacturing companies operating elsewhere in Mexico.⁷⁵

Based on information obtained through the interviews with the company and workers, we identify three important moments in the past five years. The first is the acquisition, which originated Philips Lighting at a moment of market expansion and the installation of a plant specialised in ballasts in order to improve production performance. The second is a drop in permanent production and employment, together with growth in temporary employment. The third is the current situation characterised by notable recovery and growth of the workforce in 2005.

This company has its history in the location⁷⁶ with production of ballasts, as noted in the Internet portal of Philips Mexicana:

“Our company, formerly called EBT México (Electronic Ballasts Technology), initiated labours on 29 July 1991, producing ballasts and transformers with under 300 employees.”⁴

EBT produced and sold for Philips, and was later acquired by that company whose trade name was then assumed.

“Since 1999, the EBT company changed its trade name: Philips Power in Components (1999), Philips Impact (2000), Philips Lighting Electronics, and currently Philips Lighting Electronics Transformers (since 2001).”⁷⁷

Growth of production demand generated an accelerated expansion of its installations:

“In early 1999, EBT experienced fantastic growth and excessive product demand, with production volume of up to 85,000 ballasts daily. This led

⁷⁵ The most important support actions allowed by Mexican legislation for *maquiladora* companies include the following:

- Temporary importation of machinery, equipment and raw materials for use in the production process, exempt from import tax;
- Social capital may be integrated by up to 100% foreign capital;
- Foreign technical workers may work with only the corresponding authorization of the Ministry of the Interior.
- *Maquiladora* sales to the domestic market are not subject to any limits, for which total production may be oriented to the national market. The *maquiladora* industry has also enjoyed facilities for its installation throughout the country, through industrial parks, infrastructure, services, and tax benefits. This industry has also been favored through tolerance regarding labor relations, in exchange for permanent job opportunities.

⁷⁶ In this sense, we think this may be related to the decrease of activities in the production units in the Lumisistemas plant in Mexico City (Vallejo did not have lighting products) in a strategy to relocate its plants to northern Mexico, in particular in this product category.

⁷⁷ Ibid.

us (PLE) to realise there was no longer enough space for more machinery and personnel. It was therefore decided to completely separate production and administration of ballasts and transformers, to continue with growth and fulfilment of production demand.”⁷⁸

In 2003, ballast production with its 1,300 workers was transferred to the industrial park known as *Maquiladora El Águila*, and since then the company is organised in two production plants in the city of Tijuana.

The company affirms there have been no noteworthy reorganisations, co-investments, joint ventures, or fusion, and that no plant and no production operation, commercial, or service unit has been sold. Nor has the company considered the possibility of leaving the location or the country.

Paradoxically to growth of the workforce, the company reports that in the past couple of years its production of transformers has decreased due to the rise in prices of the product of up to 20%. According to workers, transformer production has dropped as much as 50% at times. They note that “in 2005 there were up to five production lines halted, with labour suspensions rotated from one line to another.”⁷⁹ Labour repercussions will be presented in the following points.

Employment

According to figures provided by the company, employment increased in absolute terms over the past five years. The workforce grew from 565 persons in 2000 to 2,051 in the year 2005. This is a very significant jump, including a 34.5% increase from 2004 to 2005. Women make up the majority of total employees, numbering 1,294 compared to 757 men within the company. Female workforce presence is extensive in the company and its growth is constant in relative terms.

Table 1: Total Employment in Philips Lighting Electronics, (PLE) by sex 2000/5

	2000	2001	2002*	2003*	2004	2005**
Men	173	232	277	304	443	757
Women	392	518	626	685	899	1294
Total	565	750	903	989	1342	2051

Source: Company questionnaire, CILAS A.C., 28-Nov-2005, electronic file, Mexico.

* Includes temporary workers. ** Figures up to November of this year.

The company affirms that it assumes responsibility to protect the job security of its workers, and workers interviewed agreed. However, analysis of data on the matter suggests a series of personnel restructurings in the past five years.

If we consider the plants separately, PLE Transformers (called the Insurgentes Plant due to its location) has a total workforce of 519 persons as of November 2005. Of that number, 76% are female and 24% male. The El Águila (ballasts) plant reports total employment of 1,532 persons in 2005, made up by 59% women and 41% men, as presented in the following table.

⁷⁸ Idem

⁷⁹ Interview with workers, by Carmen Valadés, 28-Nov-05, Tijuana, Mexico.

The company did not provide information on the number of workers considered permanent, which we assume are mostly production workers. However, we calculated them by subtracting the number of *trabajadores de confianza*⁸⁰ and temporary workers from the total. After a sizeable decrease in 2002 and 2003, there has been a trend of significant recovery over the past two years, with very important increases: just from 2004 to 2005, the number increased by 647 workers. In absolute terms, between 2000 and 2005 the number of employees grew 4.6 times its initial value.⁸

Table 2: Permanent Workers in PLE, 2000-2005

	2000	2001	2002*	2003*	2004	2005**
Men	41	68	0	0	170	425
Women	304	412	203	251	770	1162
Total	345	480	203	251	940	1587

Source: Company Questionnaire, CILAS A.C., 28-Nov-2005, electronic file, Mexico.

* Includes temporary workers in outsourcing. ** Figures up to November for this year.

According to information reported by the company, in 2002 and 2003 it hired a group of workers through outsourcing, reported as temporary PLE workers. The total number of these workers was 400 in 2002 and 410 in 2003 (310 both years for PLE and 90 workers the first year and 100 the second at the Transformers plant). These workers no longer appear in later figures, for which we assume their employment has terminated.

Table 3: Temporary Workers in PLE, 2000-2005

	2000	2001	2002	2003	2004	2005*
Men	0	0	90	95	0	0
Women	0	0	310	315	0	0
Total	0	0	400	410	0	0

The number of *trabajadores de confianza* is significant in relation to the total (22.6%) and has followed a constant upward trend over the past five years, from 220 to 464 in the 2000-2005 period, as illustrated in table 4.

Table 4: Trabajadores de Confianza, 2000-2005

	2000	2001	2002	2003	2004	2005*
Men	132	164	187	209	273	332
Women	88	106	113	119	129	132
Total	220	270	301	328	402	464

Source: Company Questionnaire, CILAS A.C., 28-Nov-2005, electronic file, Mexico.

* Figures up to November for this year.

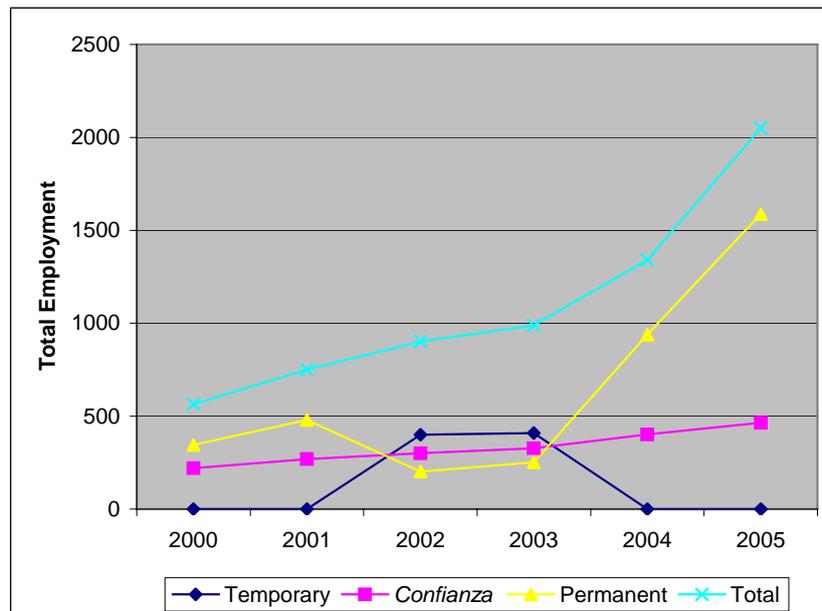
⁸⁰ The *Ley Federal del Trabajo* (Federal Labour Law) states that *trabajadores de confianza* are those who have either a managerial position or a supervisory role or are related to the departments of security and/or finance, and also include those who work in the office headquarters, within the company 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”.

Of total *trabajadores de confianza* in 2005, Transformers accounted for 119 and PLE El Águila employed 345.

The company affirms that the drop in its sales between 2001 and 2003 implied gradual reduction of employees and positions from the payroll, suspension of hiring, and suspension of subcontracted employees for this same effect.⁸¹ The company affirms that severance payments were allocated in all cases in accordance with the Federal Labour Law.¹⁰ During this period personnel were transferred between plants; those who chose not to relocate, took vacations. In addition, gradual reduction of the workforce was established through a type of retirement program, and it was established that personnel that retired would not be replaced. Retirement conditions included severance in accordance with the Labour Law, and there was no other type of negotiation beyond that.

The following graph, elaborated with company data, illustrates changes in workforce composition and the posterior growth of permanent workers in the last two years.

Graph 1: Composition of Total Employment in PLE, 2000-2005



Company Administration

Objectives and annual goals of Philips Lighting are decided at the corporate level. The proportion of top executives of Mexican origin is 90%; the managers of both plants are not Mexican, but the general manager is as noted above.

The general strategy of the company in Mexico is to “satisfy the client to maintain the source of work. Future plans include introduction of automotive ballasts, in addition

⁸¹ We found perceptions among workers, which ran contrary to the lineal increase of employment presented by the company in the above figures. The workers sense a notorious drop in the number of base, temporary and *confianza* workers, but they could not provide precise numbers. Interview with workers by Carmen Valadés, 28-Nov-05, Tijuana, Mexico, and Interview with Human Resources Management.

to those used in general illumination. Their production will start as of 2005, during two quarters of the year.”¹¹

Regarding decision-making by the local administration in comparison with the corporate level, the administration suggests that a moderate degree of autonomy exists, while workers suggest that the corporate level is determinant in decisions on company policies. The main decisions made at the Philips Mexicana corporate level in relation to this company refer to: business strategy, co-investments, fusion, plant acquisitions, joint ventures, strategic alliances, and the naming of top executives.

Decisions made at the PLE level refer fundamentally to establishment of new work methods, work organisation changes, outsourcing agreements, environmental impact control actions, subcontracting, administrative style changes, human resources training, and middle-management appointments.

PLE local administration also has priority to decide in issues of labour relations policies, negotiations, workforce reduction, and production cuts, although workers perceive that the corporate level holds greater weight in these areas.

Corporate Social Responsibility (CSR)

The company affirms that the Principles of Business of the corporation are observed, including labour aspects, which they consider to be part of CSR. They reiterate that the policies and procedures established in said norms are respected. Workers interviewed agreed with this affirmation, but without being fully informed on the matter.

Philanthropic activities were said to be included as part of the company's CSR, although the company did not provide a very detailed account of its activities in this regard, citing only the Health Fair, Expo-Environment, for employees and their families. The workers interviewed were unable to name community benefit actions carried out by the company.

Workers identified CSR policy more with activities eminently directed to the local community and improvement of safety conditions at work than with norms to resolve labour relations conflicts.

The administration affirms that the Principles of Business and Code of Conduct have been disseminated among company integrants, and that they are available in the local language and it is therefore unnecessary to adapt them. However, the company only presented one document in this regard, the ethics agreement, referring to employee responsibilities towards the company, which it distributes to each new worker.⁸²

The company affirms that it is transparent at the location on CSR policies and their implementation, through dissemination of information on said policies, activities and results within the plant. It also confirms that it answers information requests from employees on these activities and results.⁸³ What it does not carry out on a regular basis is external dissemination.

The administration reports that in compliance with Social Responsibility rules it undertakes follow-up and evaluation of its achievements and makes known the sanctions applicable in case of non compliance. Those responsible for providing follow-up to CSR actions are: Mr. Víctor Meléndez, Mr. Carlos Silva, and Mr. Juan Carlos Leyva, Engineering Manager, Quality Manager, and Superintendent of Quality and Production Manager respectively. Workers interviewed were unable to name any of these responsible parties.

In this sense, the company noted implementation of managerial-level interviews as part of the "Philips Business Excellence" strategy and the "Process survey tool" to follow up on CSR policies.

The company distributes and collects signatures confirming receipt by its workers of an "Ethics agreement of the employee and reserved rights" which establishes

⁸² "Ethics agreement of the employee and rights reserved."

⁸³ Note that in the case of information to independent organizations, as we discovered through our own experience, access passes through the corporate level, with all its formalities. We were not informed of a communication route with civil society at the state level, as exists with other Philips companies of Ciudad Juárez.

obligations regarding divulgement of company-owned information. However, the company did not give us the Code of Conduct pamphlet normally distributed in Philips establishments, or a report of its regular activities in this area.

To date, no company employee has presented a grievance or violation claim of the Principles or Code, according to all of those interviewed.⁸⁴ However, it was not confirmed whether all workers are familiar with the complaints procedure.

Conditions in the Supply Chain

The company does not assume responsibility for labour conditions of subcontractors and suppliers, and does not exercise direct intervention regarding labour conditions in the same. The main company does not impose conditions on suppliers and subcontractors in the CSR field. However, suppliers and subcontractors are informed of the Code of Ethics and they are asked to take it into consideration. They are warned, for example, to not hire minors.

On the other hand, PLE scrupulously supervises quality standards of suppliers and subcontractors. In case of non compliance with said standards, corrective and preventative actions are requested, for example through quality control formats. Company personnel visit subcontractors at least once each week, and if any problems are found they remain as long as necessary to resolve them.

⁸⁴ Interview with workers, by Carmen Valadés, 28-Nov-05, Tijuana, Mexico.

Labour Relations

Trade Unions

Workers do not have a union organisation in the company to serve as bargaining agent of a collective bargaining agreement or facilitate collective negotiations, and there is no record of any other type of worker association. Despite the fact that the company has existed for almost 15 years, and five years under Philips management, no initiative has been developed in this regard. The workers know of no worker attempts to form a union organisation.

No testimonies were presented of any activity to discourage organisation of a union. This is a legal form of labour relations, and it is a not infrequent way to operate relations between worker and employer. For the corporative's point of view, from the Presidency of Human Resources, it is not opposed to that an trade union exists, but it hires workers through an individual contract in which the working conditions are negotiated.

As far as CILAS is concerned, however, the fact that there is not a trade union can be seen as a point of attention for the workers in the compliance of labour rights. In the most recent version of "Philips Principles of Business," specific mention is made regarding respect and recognition of the right of employees to organise themselves within unions⁸⁵ and to do so within the Mexican legal framework. In this sense, our union freedom perspective is that this is a labour right which can be demanded and which can not be renounced, and only after a respective decision is established by the workers themselves may it be affirmed that this right is fully exercised. Furthermore, another aspect of labour relations and a basic labour right, collective bargaining, can not be exercised without it.⁸⁶

There have been no claims filed against the company within the National Contact Point of the OECD Guidelines or any other body.

Collective Bargaining and Associations within the Company

There are no collective bargaining processes and labour relations are therefore handled on an individual basis, although several committees exist with indispensable functions for operation of the company.

Committees include those in the areas of: training, safety and health, and the business unit committees (related to productivity and work improvements).

"We have seen persons who are in teams to improve the company and they are persons from here itself, from the business units, to see if there is any problem in any line and to investigate it."¹⁶

⁸⁵ <http://www.philips.com/about/investor/section-13627/index.html>

⁸⁶ It is well know that there are social actors who have promoted the creation of yellow trade unions with sweetheart contracts: partial, inefficient and irresponsible trade union leaders, lawyers and labor authorities. It is also well know that an important number of companies in the region have contracts with organizations that are not present for the workers, which corresponds to policies that discourage initiatives to create authentic trade unions.

On the other hand, there are several sets of regulations and programs to develop activities indispensable for company operation, including the following:

- The Internal Work Regulations;
- The Training and Instruction Programme;
- The Health and Safety Programme;
- Each production line has a productivity program through which the company indicates required production objectives to workers.

Workers also form groups for the purpose of completing their basic education (primary, middle, and preparatory or high-school level) with support from the National Institute of Adult Education (*Instituto Nacional de Educación para los Adultos* — INEA). These groups hold activities Monday through Saturday.

Access to information

For its part, the company affirms that it provides relevant and timely information to workers, although it recognises it does not do so on a regular basis. This information refers to internal production issues, local company development, and global development of the company. Workers interviewed confirm that when a worker requires information it is generally provided.

It is prohibited to distribute information inside the plant without prior permission, as specified in the Internal Labour Regulations:

“Article 61, (Motives for) cancellation of contract (...):
n) Distribute literature, pamphlets, fliers, or written material of any type within company installations, without specific authorisation by the management.”⁸⁷

⁸⁷ JLCA. Internal Labor Regulations, Philips Lighting Electronics, Mexico.

Labour Conditions

Child labour

Philips Lighting policy is to not hire minors, and the data obtained appears to confirm compliance. However, without offering precise information on their location, some workers interviewed reported the presence of underage workers, supposedly labouring regular work weeks in the dayshift, including overtime hours. They affirmed that said workers are treated equal to the rest of personnel of the same classification regarding remuneration. Given that precise references were not provided, additional information is needed to verify or dismiss these allegations.

Forced labour

No situations of forced labour at the plants were reported either by the company or by workers interviewed.

Discrimination

No cases were reported of discriminatory attitudes or behaviours exercised against or among employees. However, PLE does establish limits on use of certain personal accessories. The company prohibits the use of facial piercings, and it was mentioned that persons with rings on their face or in their nose are reprimanded. This is not considered a serious problem.

The company offers equal pay for equal work, regardless of sex, ethnicity, union membership, religion, social origin, or political opinion. Female presence is scarce in the highest positions in the company, with no managerial position occupied by a woman. The highest classification occupied by a woman — in the production area — is one superintendent position, among a total of twelve posts of that type.

No problems were reported of any discrimination in work assignment based on ethnicity, religion, social origin, or political opinion. Regarding gender-based differences, the company representatives interviewed accept that difficulties exist to achieve equality of opportunities between men and women, given that there are more male than female professionals in the electronics field in the regional labour market.

No cases were reported in worker interviews of discrimination in the hiring process or of female workers fired due to pregnancy. The company states that pregnancy and maternity leave are granted in accordance with the Federal Labour Law, as well as other benefits. There were no cases of sexual harassment reported among hierarchical levels or among work colleagues.

Regarding female workers in particular, the company accepts that it has carried out no training or other activity specifically directed to female workers in the past few years, either for their labour or personal development.

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.”⁸⁸

There is no doubt that this overall situation affects employees and workers at PLE, more at the lowest levels on the wage scale. The lowest wage is \$2,109 pesos per month at PLE Transformer, Insurgentes Plant, and \$2,329 pesos at the El Águila ballast production plant, in the job post of operator. It would be pertinent to know the reasons for the wage differences between the two plants.

According to company representatives, the wage paid to new workers is the official minimum. They argue, however, that as workers climb classifications or levels, wages increase in comparison with averages of comparable companies in the area. According to workers interviewed, wage levels are low compared to those in other companies and are considered insufficient to adequately cover all the needs of a family. These affirmations should be complemented with relevant economic data, but they summarise the views of the two sides regarding remuneration.

The following table presents some examples of daily wages for different job posts, extracted from a long payroll list managed by PLE. The most numerous post is that of assembly workers, with an approximate monthly wage of \$2,300 pesos, not counting other monetary benefits.

Table 5: Job posts and corresponding wages selected from a daily payroll list.

Post	Daily wages in pesos
Transformer Operator (the lowest wage)	69.38
Assembly worker (most numerous post)	76.63
Examples of other categories	
Automatic insertion	76.63
Warehouse clerk	79.00
Coilers	108.95
Maintenance technician	130.00
Electronics technician	235.00
Engineer C	401.99
Assembly supervisor	456.12
Engineer A	850.00
Engineering supervisor	1,154.43
Engineering manager	2,061.00

⁸⁸ Interview with Laura Juárez Sánchez, “Dramático escenario laboral en cinco años de gobierno foxista,” *Revista Trabajadores*, No. 51, UOM, November-December 2005.

The average daily wage of workers in the electric apparatus sector of the *maquiladora* industry is approximately \$127.80 pesos, according to official figures.⁸⁹

Profit Sharing, Bonuses and Benefits

Profit shares have been distributed in the past five years, although those interviewed are unaware as to whether the company handed over the information for profit sharing calculations. Workers interviewed reported receiving between \$1,200.00 and \$1,500.00 pesos in past years.

Workers may receive additional income through an attendance bonus of \$45 pesos per week subject to perfect attendance and completion of full working hours. They also receive weekly vouchers equivalent to \$100 pesos, which may be exchanged for groceries and other basic purchases.

All workers are affiliated to the Mexican Social Security Institute (*Instituto Mexicano del Seguro Social* — IMSS), including base workers, temporary workers, and *trabajadores de confianza*, the latter of which are also covered by private medical insurance. IMSS includes medical and health services and a pension plan.

Work Days

The work week is organised in two shifts. The dayshift is from 7:00am to 5:00pm (10 hours), five days a week, with effective work hours totalling nine hours and 36 minutes, for a total of 48 hours per week. The second (mixed) shift is from 5:15pm to 2:15am (nine hours), with a weekly total of 45 hours.

Overtime is a normal practice in the company. The company reports the need to cover extra hours at least one day in advance. Workers interviewed affirmed that overtime may be refused, in other words that they freely choose to work overtime or not. Overtime is compensated in conformity with the Federal Labour Law, and is always punctually paid.

Average overtime hours required during normal production periods total three hours per day distributed among total plant workers, summing 15 hours per week and 60 hours per month. During peak production periods, overtime hours increase to an average of four hours per day, 20 per week and 80 per month for the entire plant. The company and workers agree that there is no correlation of increased accidents due to overtime hours.

The accident rate reported by the company through a partial report apparently reveals a low number of incidents. At the ballast plant, 16 accidents occurred between January-October 2005 among 1,501 employees (1.07%), and none of them serious.

Labour Conditions

The company has been recognised for compliance with norms ISO 14009 and ISO 9000, by the company BSI, certified by the Ministry of Labour and Social Welfare

⁸⁹ www.stps.gob.com

(*Secretaría del Trabajo y Previsión Social*). The company sees this as the result of “an environmentally friendly company, (with) several areas of well recognised improvement, such as the Energisers Team and the Trashers Team.”⁹⁰

Classes are imparted on use and handling of tools, safety equipment, and electric material, and the infirmary gives first aid classes.

Improvements have been put in place to resolve environmental problems, including elimination of substances dangerous to health such as alcohol and thinner, now replaced with other less aggressive substances.

Table 6: Worker Services and Facilities in PLE

Service	Quality assessment
Infirmary services	Average
Sports facilities	Average
Drinking water near work posts	Good
Danger warnings	Good
First aid kit	Average
Ventilation	Average
Adequate lighting	Good
Fire extinguishers	Good
Bathrooms	Average
Sinks	Average
Showers	None available
Dining hall	Average
Others	Varnish spill equipment Average

Source: Tour of the plants, Carmen Valadéz, 28-Nov-05, Tijuana, Mexico

⁹⁰ Interview with Human Resources Management by Carmen Valadés, 28-Nov-05, Tijuana, Mexico.

Subcontracting, Work Flexibility and Temporary Workers

Subcontracting

PLEMSA subcontracts work to local companies in the areas of: cafeteria, surveillance, and cleaning. There are also supplier companies providing manufactured production inputs, on which no precise references were provided.

In the past two years, reduction measures were applied in subcontracted services due to decreased product demand. These reductions were reported 30 days ahead of time through a meeting chaired by the general manager.

The company reports that employees of those companies were affected by the reductions. Workers fired received severance payment in accordance with the Federal Labour Law.

Work Flexibility

The interviews reported flexible use of various production factors. This occurs in particular in the production of transformers, in which universal-craft training and certifications in one or several operations have been implemented. For their part, workers note multi-skills training, diverse forms of hiring (temporary workers, discontinuous work schedules, piece work, and hourly-based employment) and, finally, job post rotation.

The Internal Labour Regulations establish the following regarding workday flexibility:

Article 5. Arrival and departure hours of workers for each workday will be determined exclusively by the company, which may modify them as it considers necessary for the proper rhythm of business. Workers who have been assigned to a work shift may be changed by the company to another shift, either temporarily or definitively, when, according to its judgement, production needs so require, notifying workers 24 hours prior to implementation of the change.⁹¹

We were unable to obtain further details on this point, but it is very likely that these norms are applied on a regular basis in production.

Temporary Workers

On hiring of temporary workers, company data indicates that none currently exist. However, the company affirms that it does occasionally and sporadically hire temporary workers, for example in the case of incapacitated employees. They recognise that these workers imply lower wage expenditure by the company.

⁹¹ JLCA. Internal Labor Regulations, Philips Lighting Electronics, Mexico

Temporary workers receive the lowest wage scale classification, earning — according to workers interviewed — less than \$500 pesos per week (operators). There are no other differences between labour conditions of permanent and temporary workers. According to workers interviewed, the relationship between permanent and temporary workers is one of acceptance.

Temporary workers in the plant occasionally obtain base worker positions after having worked for the company for three months, depending also on the rotation. According to the company, after a certain period of time they are assigned permanent positions; for example, after three months they may be transferred to the Philips plants. But this circumstance is not sustained in figures presented.

Conclusions

- a) The company reasonably facilitated information to carry out this monitor. However, there were limitations for implementation of the interview;
- b) Female employment is high at the company, but no actions are reported directed specifically to their labour development;
- c) The company has a scarce communications policy with suppliers and subcontractors on the CSR theme;
- d) The fact that there is not a trade union can be seen as a point of attention for the workers in the compliance of labour rights . In reference to trade union freedom, there is insufficient evidence of its denial by parties external to the workers. For the company, it hires workers through an individual contract and the existence of a union is not mandatory in PLE plants. From our point of view, this aspect merits attention, considering that there is no evidence that the right to choose whether or not to have an organisation has been exercised;
- e) In more general terms, no discriminatory conducts were reported based on diverse aspects of individuals. The company has not allowed sexual harassment behaviours or forced labour;
- f) There is a broad range of wage classifications, but there is a large number of workers earning the equivalent of two minimum wages, amount which represents a low income compared to the average in the *maquiladora* industry;
- g) Information obtained indicates that the company may be recognised for carrying out necessary actions to assure that employees have work facilities with necessary services for a safe working environment;
- h) Basic norms on workdays and their modalities are respected;
- i) The presence of temporary workers in the company is not clear due to contradictory data received in this regard.

5. PHILIPS MEXICANA (MONTERREY) - LIGHTING DIVISION

Company Information

Company Trade Name: Philips Mexicana S. A. de C. V.

Production area: Manufacture of lamps

Products manufactured: Incandescent, fluorescent and halogenous lamps

Location: Monterrey, state of Nuevo León

Date on which operations began: 17 December 1957

Name of headquarters abroad: Royal Philips Electronics, Lighting Division

Address: Prolongación Madero Oriente No. 4595, Parque Industrial Regiomontano, Monterrey, Nuevo León. Telephone: (5281) 8318 4458 Fax: (5281) 8318 4400 Ext. 4682

General Manager: Moacir Augustiní Brunelli, of Brazilian nationality

Since: 2003

Current union: Sindicato de Trabajadores y Operarios de Philips Mexicana

General Secretary: Vicente Rodríguez Soto

Address: Prolongación Madero Oriente No. 4595, Parque Industrial Regiomontano, Monterrey, Nuevo León. Telephone: (5281) 8318 4400 and 4686

Methodology

Over the course of this investigation, the administration of Philips Mexicana provided documentary information⁹² and collaborated so that interviews could be held with company personnel. Philips Mexicana also agreed to comment on the final report. Those interviewed include: Human Resources Manager, Mr. Carlos Andrés de Silva, and the General Secretary of the union, Mr. Vicente Rodríguez Soto. Surveys were also undertaken among low-income workers on their purchasing power, and the production plant was toured.

⁹² The following documents were presented: collective bargaining agreements, the list of base workers, data on job-related accidents and illnesses in the company, Internal Labor Regulations, the Code of Conduct, and Principles of Business.

General Characteristics of Company

Important organisational changes have been carried out in Philips Mexicana of Monterrey. According to the company, these have included hiring a factory manager and implementing a Centre of Competencies work scheme, in which responsibility for some functions is shared by two plants.

No productive, service or administrative unit has been relocated, and the company has not established any co-investments. In addition, no plants have been acquired and no plants or productive operation, commercial or service units have been sold. The production volume of the company has not decreased in general over the past five years, and in fact has been maintained at a constant level.⁹³

Exports, Imports and Sales

Data on exported and local sales are presented in table 1. An important rise is noted in the first, reaching almost 100% of total sales in 2005.

Table 1: Percentage of company sales by market destination.

	2000	2001	2002	2003	2004	2005*
Exports	79%	79%	80%	88%	95%	98%
Local sales	21%	21%	20%	12 %	5%	2%

Source: Company questionnaire, CILAS A.C., 29-Nov-2005, electronic file, Mexico.

* *Projected figures for 2005.*

Alongside exports, imported purchases have also increased over the past five years, as illustrated in table 2.

Table 2: Proportion of imports among total purchases

2000	2001	2002	2003	2004	2005*
67%	67%	67%	78%	78%	79%

Source: Company questionnaire, CILAS A.C., 29-Nov-2005, electronic file, Mexico.

* *Projected figures for 2005.*

Employment

The number of workers has remained stable, within a range of maximum 1,732 reached in 2004 and minimum 1,532 in 2002, a variance of 200 workers. Employment dropped to 1,574 in 2005. Composition by sex is approximately 62.5% men and 37.5% women.

⁹³ Interview of Human Resources Management by Yolanda Almanza, 29-Nov-05, Mexico

Table 3: Total employment in Philips Mexicana Monterrey

	2002	2003	2004	2005*
Men	972	1037	928	984
Women	560	588	804	590
Total	1532	1625	1732	1574

Source: Company questionnaire, CILAS A.C., 29-Nov-2005, electronic file, Mexico.

*Figures up to the month of October.

The number of base workers incorporated within the collective bargaining agreement (*Contrato Colectivo de Trabajo — CCT*) regimen also varied little between 2002 and 2005. Total base workforce in fact grew between 2002 and 2004, after which the number of men increased but the number of women fell sharply. No reason is given for this, leaving the question to be explained.

Table 4: Permanent Base Workers

	2002	2003	2004	2005*
Men	742	774	711	791
Women	533	557	778	567
Total	1275	1331	1489	1358

Source: Company questionnaire, CILAS A.C., 29-Nov-2005, electronic file, Mexico.

* Figures up to the month of October.

Number of temporary workers was not reported, but union and workers report that they do exist. The number of *trabajadores de confianza* (workers with a position of trust within the company) represents 15.4% of total employees. Female presence among this latter group is very low, barely over 10%, as observed in the following table.

Table 5: Trabajadores de confianza

	2002	2003	2004	2005*
Men	230	263	217	193
Women	27	31	26	23
Total	257	294	243	216

Source: Company questionnaire, CILAS A.C., 29-Nov-2005, electronic file, Mexico.

* Figures up to the month of October.

Company Administration

Company administration representatives report a high degree of autonomy with respect to the corporate level, although the union suggests it enjoys only moderate autonomy. Seven out of eight top executive positions are held by Mexicans. The company's main objectives and its annual goals are determined at the corporate level.

The primary decisions made at the corporate level refer to the following: business strategy, innovations or changes in current products, new product creation, technological changes, plant closures, and top executive appointments. The local administration is responsible for decisions regarding: work organisation changes,

labour relations policies, wage bargaining policy, outsourcing commercial agreements, subcontracting, administrative style, middle-management appointments, and environmental impact control actions.

Decisions shared between the two levels are: establishment of new work methods, workforce reduction policies, and production cuts. Plant administration, the national corporate offices and North American headquarters all participate in decisions on selection of suppliers and human resources training.

In its words, the company's strategy is to "focus on the people and on product cost, administrate the correct portfolio of products, flexibility with the client, (and) manufacturing excellence. Future development plans are to manufacture and deliver products on time at the best price in the market."⁹⁴

⁹⁴ Idem.

Corporate Social Responsibility (CSR)

The local administration understands the company's social responsibility to be "the contribution the company makes to improve conditions of social, environmental and economic equality in our society."⁹⁵ The company includes philanthropic activities as part of its social responsibility policy.

The company considers labour issues to be part of social responsibility. The union coincides with this view.

The administration, union, and workers interviewed affirmed familiarity with the code of ethics. It has not been modified to the local context.

The following activities were noted in company and union interviews as those carried out among employees on the social responsibility theme:

- Care for environmental surroundings, including through adequate disposal of wastes in general, in which all employees contribute;
- Health fairs for employees;
- Vaccination campaigns for employees and their families;
- Family planning lectures;
- Cancer detection screenings;
- In-kind donations (lamps, industrial shoes);
- Support to civil institutions and associations such as the help-to-help program;
- Open school programs for workers to complete middle and high school;
- Low-cost dental care for personnel and their families;
- 35 grants for unionised personnel, and
- Medical consultations for company personnel.

Follow-up and/or evaluation are undertaken of CSR policies:

"We take care of the environment, adequately disposing of wastes in general, with the contribution of all employees and family members. (We also offer services in) family planning, timely detection of cancer, in-kind donations (lamps, industrial shoes), (and) support for civil institutions and associations such as the help-to-help program. Open middle school and high school programs. Low-cost dental service for Philips personnel and their families, 35 grants for unionised personnel, medical consultations for personnel."⁹⁶

The person responsible to monitor adherence to these social responsibility norms is Dr. Armando Rodríguez Lareaga, co-ordinator of Environment and Social Security, who carries out follow-up and evaluation of the activities and answers information requests regarding the company's social responsibility. There have been no

⁹⁵ Idem.

⁹⁶ Idem.

grievances or claims filed in the past five years for violations to the company code of ethics.⁹⁷

The local administration is familiar with international labour standards referred to in the code of ethics, including those established by the International Labour Organisation (ILO), the right to organise, norms regarding discrimination and child labour, etc.

Company and union agree that information on policies, activities and results is disseminated both internally and externally.

The Mexican Philanthropic Centre (*Centro Mexicano de Filantropía* — CEMEFI) has awarded the company its certification as “socially responsible company,” and the company has the ISO 14000 system (allocated by *Bureau Veritas International*).

⁹⁷ Idem and Interview of General Secretary of the Union of Workers and Operators of Philips Mexicana, by Yolanda Almanza, 9-Dec-05, Mexico.

Labour Relations

Trade Unions

The union organisation acting as bargaining agent for labour relations with the company is the Union of Workers and Operators of Philips Mexicana (*Sindicato de Trabajadores y Operarios de Philips Mexicana*), member of the National Federation of Independent Unions (*Federación Nacional de Sindicatos Independientes — FNSI*), which has its headquarters in Monterrey and is present in assembly plant companies along the northern Mexican border. The union does not belong to any international organisation, and its history of action is characterised by rigorous preservation of labour peace, despite the labour problems that characterise Mexico's working class.

Mr. Vicente Rodríguez Soto is the union's General Secretary and is a company employee. His term began in April 2004 and was scheduled to end in April 2006.

The union is financed by workers through fees handed over to the union directly by the company, obtained through discounts from the worker payroll. The collective bargaining agreement includes assignment of a union office at the plant site and support for materials used by the office.

The company offers the following data (table 6) on distribution of production workers, including gender distribution by classification level. It is important to note that the classifications with the highest number of female workers (machinists) are those with the lowest wages, issue that requires further investigation.⁹⁸

There are no base workers unaffiliated to the union. On the other hand, according to the company, office workers do not belong to the union because they are considered *personal de confianza*.

⁹⁸ The total number of 1,142 does not coincide with the number of unionized workers noted above, for unexplained reasons. The figures correspond to November 2005.

Table 6: Number of production workers, by classification and sex (2005)

Department / Classification	Totals	M	F
REPAIRMAN/ UNIVERSAL MACHINIST	207	13	194
FITTER LEVEL 1	169	166	3
MACHINIST CLASSIFICATION A	131	35	96
OPER LEVEL 1	99	15	84
OPER LEVEL 2	93	18	75
FITTER LEVEL 2	64	62	2
MACHINIST CLASSIFICATION A	54	9	45
MECHANIC AND ELECTRICIAN LEVEL 1	42	42	0
MACHINIST CLASSIFICATION A	39	7	32
LIFT OPERATOR	25	24	1
MECHANIC AND/OR ELECTRICIAN 2A	24	24	0
FITTER LEVEL 3	23	23	0
FITTER 1 ^a	22	20	2
FITTER 3 ^a	22	21	1
MECHANIC AND ELECTRICIAN LEVEL 2	22	22	0
CERTIFIED WAREHOUSE MACHINIST	18	18	0
FITTER 2 ^a	14	13	1
MECHANIC AND/OR ELECTRICIAN 3A	13	13	0
UNIONIZED WITH ADMVA PARTICIPATION IN PROCESS	10	7	3
MECHANIC AND ELECTRICIAN LEVEL 3	8	8	0
MECHANIC AND/OR ELECTRICIAN 1A	7	7	0
PRODUCTION MATERIALS STOCK PERSON	7	7	0
FITTER LEVEL 4	6	5	1
TEAM LEADER LEVEL 1	5	5	0
MATERIALS CONTROL MACHINIST A	5	2	3
MEC MULTIFUNCTIONS	4	4	0
LIFT OPERATOR LEVEL 3	4	4	0
MATERIALS CONTROL MACHINIST B	2	1	1
PROCESS CONTROL MACHINIST	1	0	1
FITTER MULTIFUNCTIONS	1	1	0
WAREHOUSE OPERATOR	1	1	0
TOTAL	1142⁹⁹	597	545

Source: Philips Mexicana, List of Workers., 29-Nov-2005, Mexico.

Committees

The following joint committees operate in the company, with union and company representation:

- Training
- Safety and health
- Profit sharing

⁹⁹ It doesn't coincide because in this chart it only has unionized workers and in the previous one they include administrative employees. Also they are also comparing different dates.

- Hiring and seniority structure
- Production work teams
- Sports activity groups

In addition to the collective bargaining agreement, the company has the following agreements signed with the union:

- Annual calendar within the collective bargaining agreement
- Safety and health agreement
- Training program
- Internal Labour Regulations
- Hiring and seniority structure regulations
- Agreement on productivity

Union Freedom

Following company acceptance of a job application filled out by a potential worker, the second step is union affiliation. No person may join the workforce within the collective bargaining agreement regimen without affiliating him or herself to the union. It is established that the company will fire any worker who resigns or is expelled from the union. No such case has occurred to date, but the regulation exists.

There have been no cases in which workers have been subjected to discrimination based on their union activities, according to union, workers and company.

The CCT establishes that the company “agrees to allow union functionaries to not report to their post in order to carry out incidental or permanent union committee”¹⁰⁰ activities. The General Secretary is classified with a normal shift and receives full payment while enjoying full-time union license to carry out union activities. The CCT also states that the necessary faculties will be granted so that said functionaries may carry out union committee activities assigned to them, for which union meetings are held through specific permits authorised by the company. Other union meetings are held in the offices of the federation. Assemblies are held every two months.

Union representatives may enter work places only as observers. The union is free to distribute information among its members within the company. There have been no cases of sanctions against union members for union activities.¹⁰¹

The union has no relations with unions of company suppliers or subcontractors.

This is a single-company union, of local competence, and therefore any conflicts are aired in the Local Conciliation and Arbitration Board located in Monterrey. Nevertheless, no need has arisen for use of this recourse given that no noteworthy strike or conflict between the administration and union or workers has occurred in the past five years. The union characterises the relationship with the company as co-operative regarding organisational and work management issues and company objectives and

¹⁰⁰ JLCA, Collective Bargaining Agreement, Philips Mexicana, Monterrey, N.L. 2005.

¹⁰¹ Interview of General Secretary of the Union of Workers and Operators of Philips Mexicana, by Yolanda Almanza, 9-Dec-05, Mexico.

initiatives. There been no grievances or claims filed against the company in the National Contact Point¹⁰² or any other international entity.

Collective Bargaining

There is a collective bargaining agreement administrated by the union since 1958. The most recent contract review took place in September 2004, and wage review was undertaken in September 2005, with wage increases maintained within a limit of 5% (the official inflation rate for the year was 3%). Union leaders who are company workers participate in the union committee for wage and/or contract negotiations. Only the union committee may attend negotiation sessions.

Access to Information

According to the company, relevant information is provided in a timely manner to union and workers, but not on a regular basis. Said information refers to internal production issues, local company development, and company development at the global level. Union requests for information from the company are generally always satisfied, as affirmed by union representatives interviewed.

On the other hand, unions of supplier companies do not receive information from Philips Mexicana.

¹⁰² Entity installed within the national Ministry of the Economy, within the framework of the OECD Council.

Labour Conditions

Child Labour, Forced Labour and Discrimination

There is no report of company hiring of workers under age 18. The union agrees with this affirmation, and such hiring is also against its policies. There are also no reports of forced labour in the company. Union and company also agree that no grievances or claims have been filed for cases of discrimination against personnel based on sex, ethnic origin, union membership, religion, social origin, political opinions, or other criteria.

No cases were reported of refusal to hire or workers fired due to pregnancy, as well as no cases of sexual harassment by upper hierarchical levels toward subordinates or among work colleagues.

Wages

Wages of unionised workers are specified in the CCT, as presented in the table below. There are 25 classifications in four groups: the operators or machinists occupy the lowest classification, and fitters and mechanics occupy the highest level.

The lowest monthly wage paid to workers is \$3,009.90 pesos (\$100.33 pesos per day), corresponding to classification Machinist Level 3.

There are no female workers in the highest base worker classifications, Multi-Functional Mechanic and Multi-Functional Fitter. In fact, female worker presence is not found until descending the wage scale to classification Level 1 Fitter, with two women alongside 167 men, and descending from there to Level 2 Fitter, with two women together with 62 men. At the executive or upper management level female presence is distinct: there are 35 women and only four men. Those interviewed note that “at Philips Mexicana (Monterrey) we currently have several women in high executive posts, for example in human resources, legal affairs management, and some competency centres; for example, the previous (female) resources manager was rehired in Philips Poland.”¹⁰³

For the company, certification of worker levels and classifications is an affirmative action, creating a sense of improvement of women’s professional profile with the possibility to aspire to a better work post.

The perception of wages received by workers is that those paid by the company are somewhat higher or at least equivalent to those of other companies in the same sector and region, according to both company and union.

¹⁰³ Interview of Human Resources Management, by Yolanda Almanza, 29-Nov-05, Mexico

Table7: Wage scale of unionised workers, 2005 (Pesos)

Wage certification	
MACHINISTS	
Repairman /Universal Machinist	\$197.60
Operator Level 1	\$153.00
Operator Level 2	\$120.00
Operator Level 3	\$100.33
MECHANICS	
Specialised Master Mechanics	\$436.80
Mec and Electrician Level 1	\$309.00
Mec and Electrician Level 2	\$240.66
Mec and Electrician Level 3	\$181.46
Mec and Electrician Level 4	\$140.84
FITTERS	
Master Multi Mounting and Finish Fitter	\$395.20
Multi-functions Fitter (two areas)	\$332.80
Fitter Level 1	\$285.60
Fitter Level 2	\$225.12
Fitter Level 3	\$167.92
Fitter Level 4	\$127.03
MATERIAL MOVERS	
Team Leader	\$291.20
Warehouse Machinist	\$224.40
Production Mat Stock Person	\$195.00
Lift Operator	\$167.92
Mat Stock Person	\$120.00
Union member with administrative participation	\$260.00
PRODUCTION STOCK	
Shipment Packaging	\$150.00
Warehouse Stock Person	\$120.00
Bulb Prod Materials Person	\$100.00

Source: JLCA, Collective Bargaining Agreement, Philips Mexicana, Monterrey, N.L. 2005.

We looked at a small sample formed by a group of 18 male and female workers at the lowest wages levels to identify some traits that characterise their situation. The majority of the group was made up by women (14), all with more than two and up to five years working in the plant. Only two of the workers in the group do not require contributions from other family members to cover basic household expenses, and seven are the primary economic support for their families. Average number of household members is five and all have two or more economic dependants. Income received from the company is sufficient to cover basic household expenses for only five of these workers, and their incomes run short to cover family needs for the others.¹⁰⁴

¹⁰⁴ This point represents the opinion of those interviewed, and individual family circumstances will vary.

Work Days

The company always pays on schedule and on time for all hours worked, and respects the maximum workday, according to those interviewed. The normal workday is eight hours and the workweek is 48 hours.

Overtime hours during peak demand may reach 358 hours per day, distributed among the total applicable workforce. The company announces existence of overtime work between one and three days ahead of time, and workers may refuse to labour the extra hours. Overtime work is paid in accordance with norms established by the Federal Labour Law, as affirmed by the union.

Bonuses and Profit Sharing

The company pays a weekly cash bonus for attendance and punctuality and a monthly bonus for productivity or performance. These bonuses are established in agreement with the union, but the union does not participate in their instrumentation or decisions regarding their allocation.

An agreement exists for a productivity bonus allocated through a performance measurement system connected to company objectives and goals. This system — quite developed and interesting in terms of its measurement mechanisms — is called the “Stock Market.” As explained by the company, the Stock Market “initiated on 1 January 2004 and for an indefinite time period in accordance with Current Company Union Negotiation. (...) (It has) the purpose to achieve radical and permanent changes in plant results involving all employees in the organisation. Results are based on the monthly performance of each production line within their respective units.”¹⁰⁵

Each production line receives a monthly score based on parameters related to plant objectives and goals. After having levelled off negative results and based on each line’s scores, workers obtain dividends ranging from 0 to 20% of their monthly wage.

There has been no profit sharing in the past five years (2001-2005), and no detailed information was obtained on this matter, given that the company provided no data on its economic results. However, the company does provide information on its profits to workers and union, according to the union.

Working Conditions

A permanent Security, Order and Cleanliness program is established by company and union in the CCT. The most frequent illnesses during 2004 were: colds, soar throats, migraines, gastroenteritis, and colitis, and accidents reported included minor injuries and burns. No correlation is attributed between overtime work and increased accidents. A total of nine work-related accidents occurred between January and October 2005.

The company's training programme includes frequent training activities each year designed to prevent job-related risks and accidents. As examples of activities carried

¹⁰⁵ FNSI- Philips Mexicana Agreement: “Stock Market Motivation Program” 2004.

out in 2005, the union notes the “STAR program induction,” lift operator courses held every four months, and courses on company policies.

Benefits

Base workers, *trabajadores de confianza*, and temporary workers are all registered within the Mexican Social Security Institute (*Instituto Mexicano del Seguro Social* — IMSS). *Trabajadores de confianza* also have additional private medical coverage.

Table 8: Benefits and Bonuses specified in the CCT

Holidays (minimum 12)
One rest day (Sunday)
Vacations (at least 10 working days for those with least seniority) and vacation premium (starting at 3% of annual wage)
Personal leave for marriage (3 days)
Leave and assistance for death of direct relative (3 days, and 30 days’ wages according to scale)
Leave and assistance for birth of a child (2 days and \$140 pesos according to scale)
Organisation of sporting events
Attendance and punctuality bonus (\$50 pesos per week)
Life insurance for workers
Savings fund (10% contributed by the company)
Loan fund of up to \$4,000 (non-revolving)
Recognition of seniority (30 days’ wages, with seniority of 12.5 years)
Voluntary retirement premium, according to seniority
Helps yearly for school expenses for children of workers, once per year, of \$180 or \$240 pesos according to the school level
Annual assistance for school expenses
Transportation services for workers
Financial credit for housing purchase
Child care services for workers’ children through IMSS
Maternity leave and time allowance for nursing mothers
Cafeteria service within the company

Subcontracting, Flexibility and Temporary Workers

Subcontracting

No reorganisation¹⁰⁶ or relocation has been carried out in this plant in the past five years. On the other hand, as is currently common, the company subcontracts services in surveillance, cafeteria, and cleaning.

In reference to outsourcing, in late 2005 the company contracted part of the production process related to finished-product packaging, as well as the department of varnishing and painting of exterior lamps. Operations are carried out at supplier sites with their personnel.

Company personnel are regularly present at supplier and subcontractor sites to monitor adherence to required quality standards. In case of non compliance, Philips may: review the situation with the supplier to implement corrective measures (application of Kaizen, ISO certifications, or establishment of an improvement plan); charge a fine for breach of contract, or even cancel the contract or refuse to accept the product.

The company assumes responsibility for observance of determined labour conditions by supplier personnel working within Philips facilities. They are required to comply with all applicable safety, health and environmental measures, observance of internal regulations, completion of relevant training courses, and IMSS affiliation. The company states that “we have developed our suppliers and to date the experience has been satisfactory.”¹⁰⁷ The company has a series of tasks programmed to assure fulfilment of its guidelines on labour conditions among suppliers. Actions mentioned in this regard include the following:

- Dissemination of social responsibility norms;
- Review of quality standards of products, inputs and services received from suppliers and subcontractors;
- Information is requested from suppliers on their social responsibility policies;
- Suppliers are informed of sanctions applicable in case of non compliance with norms.¹⁰⁸

Implementation of audits or evaluations in said companies was not mentioned.

Subcontracting and outsourcing have not affected employment or the departments or areas with forced layoffs in the past five years. In addition, according to the union, they have had no effects on labour relations or the union’s negotiation position.

¹⁰⁶ Reorganization is understood as a set of modifications in one or several factors of company operation, such as organizational structure, objectives, strategies, work organization, labor relations’ policies, etc. It includes plant closure or relocation.

¹⁰⁷ Interview of Human Resources Management by Yolanda Almanza, 29-Nov-05, Mexico.

¹⁰⁸ Idem

Work Flexibility

The company has several clauses and norms to its favour allowing more flexible use of the workforce. The CCT establishes that if “the company by its exclusive judgement considers more convenient (the use of) piecework, or a bonuses system, it may implant it, without this implying a violation of the collective bargaining agreement” (Clause 29). Furthermore, “the company may change workers from one post to another taking into account abilities and aptitudes, (and) this reshuffling may be definitive, provisional, or occasional” (Clause 3). In both cases, the CCT notes that the wage received by the worker will not be affected.

Due to the excellent relationship between company and union, both parties have collaborated in implementation of labour flexibility measures. As examples they note the outsourcing system, the new shifts structure, and certification of worker skills allowing them to perform distinct tasks within the plant.

The company assumes the policy of wage and job security for its workers as priority, while at the same time establishing the possibility of personnel adjustments or suspensions in the CCT:

“In the cases of readjustment or suspensions and if workers are necessarily affected, the company will take into account seniority rights and as the case may be the efficiency of the workers, preferring to conserve those contemplated in the present Contract (CCT). For permanent workers affected by personnel readjustment, the company will pay as sole severance that corresponding to three months of wages. When the employer needs to decrease personnel due to implementation of machinery or new work procedures, the CCT may be terminated with the excess workers, paying them a sole severance equivalent to four months of wages plus 20 days of wages for each year of services provided.”¹⁰⁹

Temporary Workers

The company states that it does not currently hire temporary workers. However, in past years the company is known to have hired occasional workers during specific periods of the year to address increased production demand (and due to greater flexibility in their availability, adds the union). The approximate number of temporary workers hired was 200, for 90 days, on one occasion.

The company affirms there are no differences in labour conditions, benefits, and ratifications of temporary workers in comparison with base workers, and this opinion is shared by the union.

Temporary workers have on occasion been hired as permanent employees after having worked for a certain period of time and acquiring 100% certification of their level, upon expiration of their temporary contract. The union notes that this process is frequent when temporary workers obtain their certification.

¹⁰⁹ JLCA, Collective Bargaining Agreement, Philips Mexicana, Monterrey, Nuevo León, Mexico 2005.

The attitude of permanent workers toward temporary workers is one of integration and acceptance.

Finally, no problem has been reported in relation to environmental pollution, employee corruption, human rights violations, or in relation to the local community or local authorities.

Conclusions

- j) In general, evidence is presented that the company complies with adherence to national labour legislation established in the Federal Labour Law and international regulations;
- k) Employment in the company has been maintained relatively stable. However, employment did decrease in 2005, and information was not obtained on the severance policies implemented with said personnel;
- l) The company keeps employees informed on CSR policies and its Code and Principles, which is positive. However, considering that several externally-oriented actions were noted, but very little regarding their internal operation;
- m) The company respects the right of the workers to have a union and the right to collective negotiation, which is established with the union, and this takes place within forms, which are legal and customary for the context;
- n) The wage issue is an extremely important aspect considering that the purchasing power of workers is at a disadvantage within the economic context of the country. Operation of the “Stock Market” agreement is an important factor because it raises the economic capacity of the workers, obtainable through elevation of each worker’s productivity.

6. LUMISISTEMAS DE MÉXICO S.A. DE C.V

Company Information

Company Trade Name: Lumisistemas S. A. de C. V.

Production area: Electronics

Products manufactured: Boxes, heads and laminations for the manufacture of ballasts.

Location: municipality of Naucalpan, state of Mexico

Year in which operations began in Mexico: 1963

Name of company headquarters abroad: Royal Philips Electronics, Lighting Division

General Manager: Alejandro Rodríguez Treviño, Engineer, of Mexican nationality

Since: 1994

Company offices and sites

Address: Morelos Num. 66, Naucalpan de Juárez, state of Mexico, Mexico.

Telephones: 5312 9400 and 53129454 Fax: 5312 9429

E-mail: lumisistemas@philips.com

Current Union: Unión de Trabajadores del Hierro

General Secretary: José Luis Moreno Vélez. Since 1986 (20 years).

Address: Cuauhtemoc 90 San Javier Tlanepantla, state of Mexico. Telephone: 5390-2209

Methodology

The company provided documentary information¹¹⁰ and collaborated so that interviews could be carried out with the company's union representation. The following persons were interviewed: company Human Resources Manager, Mr. Ulises Mario Moreno Caballero, and the union's General Secretary, Mr. Pedro Parra López, legal advisor and responsible for organisation and propaganda of the head union, COCEM, administrator of the collective bargaining agreement (*Contrato Colectivo de Trabajo* — CCT). Interviews were also carried out among low-paid workers on their purchasing power, and the plant was toured.

¹¹⁰ Documents presented were: collective bargaining agreements; list of base workers; data on job-related accidents and illnesses in the company; Internal Labor Regulations; Code of Conduct, and Principles of Business.

General Characteristics of company

Philips presence in the Lumisistemas plant initiated with its purchase in September 2001 of the Axa group to incorporate it to its ballasts production group. This plant shares the type of articles produced with the Philips Advance group of Ciudad Juárez. However, production quantity has decreased since then due to drop in demand in national and international markets. Ballast production has been suspended since 2005 and part of the machinery and equipment is being transferred to the Ciudad Juárez Advance plant. Plant production is currently reduced to stamping metal boxes for ballasts (Advance is its client), in addition to operating as distribution centre for lighting parts.

Exports, Imports and Sales

Lumisistemas exports have been maintained around an average of 50% of total sales.

Table 9: Percentage of Export Sales

2000	2001	2002	2003	2004	2005*
45%	50%	55%	55%	50%	45%

Source: Company questionnaire, CILAS A.C., 8-12-2005, electronic file, Mexico.

* Projected figure for 2005.

In reference to imported purchases, a noteworthy jump occurred in 2005 when imports were estimated at 80% of total purchases.

Table 10: Percentage of Imported Purchases

2000	2001	2002	2003	2004	2005*
70%	70%	65%	65%	60%	80%

Source: Company questionnaire, CILAS A.C., 8-12-2005, electronic file, Mexico.

* Projected figure for 2005.

Employment

The data on employment illustrates the dimension of downsizing suffered by the company since 2002, the year with the highest number of employees (947). The workforce progressively shrank over the following years until numbering only 12% of the 2002 total. The case of female workers is especially noteworthy; after constituting more than half the 2002 workforce it dropped to 12 workers in the last year reported.

Table 11: Total Employment at Lumisistemas (State of Mexico)

	2001	2002	2003	2004	2005
Men	409	426	348	206	105
Women	500	521	425	253	12
Total	909	947	773	459	117

Source: Company questionnaire, CILAS A.C., 8-12-2005, electronic file, Mexico.

The whole of base workers also reflects this downsizing, dropping from 666 to only 41 in 2005. Female production workers were especially impacted; once the majority (419 of 691), they disappeared in 2005.

Table 12: Base Workers

	2001	2002	2003	2004	2005
Men	273	255	213	121	41
Women	419	411	366	232	0
Total	691	666	579	353	41

Source: Company questionnaire, CILAS A.C., 8-12-2005, electronic file, Mexico.

Temporary employment no longer exists in the plant since 2004 when reorganisation began.

Table 13: Temporary Workers

	2001	2002	2003	2004	2005
Men	45	71	32	0	0
Women	56	87	39	0	0
Total	102	158	71	0	0

Source: Company questionnaire, CILAS A.C., 8-12-2005, electronic file, Mexico.

The group of *trabajadores de confianza* (employees who have a position of trust within the company)¹¹¹ is the least affected, given that many have remained to attend to administrative functions required by distribution and sales activities.

Table 14: Trabajadores de confianza:

	2001	2002	2003	2004	2005*
Men	91	100	103	85	64
Women	25	23	20	21	12
Total	116	123	123	106	76

Source: Company questionnaire, CILAS A.C., 8-12-2005, electronic file, Mexico.

Later we will look at the conditions in which the majority of fired workers were compensated. Regarding the company's future plans, the union states that although the progressive reduction of activities and personnel has provoked uncertainty, the company has offered assurance that it will continue the production work in stamping of parts and the distribution tasks as fundamental activities.

Company Management

On decision-making aspects and the sphere of local administration autonomy in relation to the corporate group, the complexity of the issue makes it difficult to

¹¹¹ 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.

characterise its operation, although some opinions were gathered which can serve as reference points for analysis.

Among decisions attributable to the corporate level are: business strategy definition, environmental impact control actions, workforce reduction policies, plant closures, relocation, production cuts, designation of top executives, selection of suppliers, and outsourcing agreements.

Aspects decided at the local level include: establishment of work methods, changes in work organisation, middle-management appointments, and human resources training. Decisions essentially shared between plant and corporation are: labour relations' policy, wage negotiation policy, and administrative style changes.

Corporate Social Responsibility (CSR)

Regarding CSR, plant administration states the following: “Social responsibility is the most important for the administration, it is the participation in the client-supplier chain, always with complete respect toward the health and safety of persons, and respect for the environment and the community. It is promoting development of the organisation and of all persons who constitute it either directly or indirectly.” The company does consider labour issues to be part of social responsibility. For its part, the union links CSR policies with policies of the new labour culture¹¹² in those elements related to activities and behaviour of workers.

The local administration, union and employees are familiar with the corporation’s Principles of Business and Code of Conduct. They have not been adapted or modified and they are available in Spanish. Aside from these norms, the collective bargaining agreement (CCT) and the Internal Labour Regulations (*Reglamento Interno de Trabajo* — RIT) also specify the rights and obligations of those employed by the company.

CSR activities carried out by the company in 2005 were: health protection campaigns, personal care talks, promotion of sports activities, distribution of the ethics code, adult ongoing education groups, etc.

According to both company and union, company activities to follow up on social responsibility policies include distribution of norms and information, and training courses. Mr. Ulises Mario Moreno Caballero, Human Resources Manager, is responsible on behalf of the company to monitor compliance with CSR policies.

According to the company, there have been no violations of the Principles of Business. Two grievances were presented and addressed in 2005, and neither was found to imply actual code violations. In the same tone, the union has not formalised any grievances.

Those interviewed did not cite ILO or OECD international standards, referred to in the corporation’s Principles of Business. They did cite the following types of commitments customary in the company:

- General commitment;
- Commitment toward shareholders;
- Commitment toward employees;
- Specific commitments, adherence to general business principles.

The company affirms that it answers information requests from workers and from persons or organisations outside the company.

¹¹² Refers to one of the labor policies promoted by the Mexican government since the 1990s, with the intention to establish a new social pact between workers and employers to increase productivity and improve labor conditions.

The company and union coincide in affirming that information is distributed internally on company policies, activities and results, but information is not disseminated externally.

The corporation's Principles of Business or the Code of Conduct of the main company are also applied to suppliers. The union is not informed in this regard. The company requires that suppliers comply with norms established by the Federal Labour Law (*Ley Federal de Trabajo — LFT*), specifically in reference to child labour, job profile, working conditions, etc. This is applied especially to suppliers who labour in the plant. To assure adherence to its guidelines on labour conditions, the company informs suppliers of social responsibility norms, implements follow-up and evaluation mechanisms on fulfilment of CSR policies, and makes known sanctions applicable in case of non compliance.

Although they exercise no control over supplier companies, Philips personnel periodically visit supplier and subcontractor sites to advise them.

The company asserts that in case of non compliance, “the service provider is first talked to and invited to respect labour conditions, given that failure to do so could lead to losing the working relationship. While they are in the plant, depending on the non compliance, the RIT or the LFT are applied.”

Compliance is not verified by independent organisations. It was not confirmed whether the company participated in the second verification as socially responsible company by CEMEFI.

Labour Relations

Unions

The bargaining agent of the collective bargaining agreement since 1985 is the Confederation of Workers, Farmers, and Employees of Mexico (*Confederación de Obreros, Campesinos y Empleados de México* — COCEM). This is one of the state's first confederations formed in 1979 and member of the Congress of Labour (*Congreso del Trabajo* — CT). It is an industrial union, with local competence, and therefore any disagreements are aired in the Local Conciliation and Arbitration Board in the city of Toluca, state of Mexico. The fees handed over to the union by the company are obtained by retaining funds from the worker payroll.

No other union has existed. The company maintains itself outside of union life and affirms that “we have achieved excellent relations with the union and workers, and therefore both sides have been open to flexibility, provided it does not go against the law, morals, or good manners.”

The current number of union affiliates is 41, as presented above. Office and administrative workers are excluded given that they are considered *trabajadores de confianza*.

There have been no labour strikes or important conflicts in the past five years. The union's attitude toward company objectives and initiatives has been co-operative and open to negotiation, considering that for the union “the basis of the relationship is dialogue and the search for the best solutions to problems.”¹¹³ No grievances have been filed against the company in the National Contact Point (*Punto Nacional de Contacto* — PNC) or any other entities for violations of OECD guidelines.

Collective Bargaining

Union representation within the company is integrated by union leaders who are not company workers and a lawyer. Mr. José Luis Moreno Vélez is the representative of union section 16 and works in the union's general secretariat for the company. Before downsizing there were six union delegates, but this number has dropped to only three. They were not interviewed; instead the company channelled us exclusively to the leader.¹¹⁴

The wage or contract bargaining committee includes the participation of the company union leader (who is not a company worker) and a lawyer. Only the union committee may attend wage or contract bargaining sessions. The last review was in January 2006.

Although the company has not threatened to leave the country or transfer operations to another location, the person carrying out the interview perceived an environment of uncertainty in the production section, due to the notable loss of activities and personnel, but not in the commercial and administrative area.

¹¹³ Interview of Human Resources Manager, by Luis Antonio Bonifaz, 29-Nov-05, Mexico.

¹¹⁴ Interview of General Secretary of the UTHDCMSEM, by Luis Antonio Bonifaz, 9-Dec-05, Mexico

The joint committees organised in the company include those on training and skills-development, profit sharing, and safety and health.

Trade Union Freedom

Workers must affiliate themselves to the head union if the post to be occupied is part of production personnel. To date there have been no cases in which the company fired a worker for non-affiliation to the union, although this rule is established in the CCT.

The union states that no discrimination has existed for union motives against its delegates, who may carry out their tasks and operate without restrictions. It also affirms there have been no cases of sanctions against union members for carrying out their union activities.

The delegates have specific permits to carry out their union activism, as also established in the CCT.

Union leaders have access to workplaces but only to personally speak with workers. The prerequisites to carry out meetings within plant installations are that authorisation be solicited from the person responsible for the area, and justification be established.

If the initiative comes from the workers, they organise and request support from the confederation and permits are solicited from the company. The representative need not be present.

Access to Information

According to company policies, information distribution is carried out through organisation of events, and posters, pamphlets, and notice boards. The union affirms that information provided by the company is timely, periodic and relevant, addressing internal production issues, local company development, and local company activities. The union also affirms that its requirements are generally satisfied when it requests information from the company. According to the company, the union is free to distribute information “depending on the type of information and following company authorisation.”

The Lumisistemas union does not exchange information with suppliers’ unions, nor do they co-operate among themselves on common issues. It is most likely that workers do not do so either. The company does not provide information to supplier unions, although it does establish contact with those workers who deliver inputs or services.

Labour Conditions

Child Labour

The union reports there are no workers under age 18 in the company. The RIT specifies that potential workers must have reached said age as requirement for hiring within the company, and this has been the policy applied.

Forced Labour and Discrimination

The company states that forced labour does not exist in the company and this is confirmed by the union. “The policy regarding forced labour is mentioned within the guidelines of the general principles of business, and is extended to suppliers and subcontractors.”

There have been no discriminatory expressions or actions based on sex, ethnicity, union membership, religion, social origin, political opinions, or other criteria, from upper hierarchies downward or between persons of the same level. This is corroborated by the union.

There is scarce female presence in total workforce composition, and they do not occupy any skilled posts or high hierarchical levels. Among *trabajadores de confianza* there are two positions occupied by women: the person responsible for Financial Information and a position in the Purchases area.

There have been no cases in which women have been fired due to pregnancy, according to the union and the company.

The company and the union agree that no cases have occurred of sexual harassment in the workplace either among work colleagues or by bosses or directors.

Regarding actions directed in particular to women, in the interview with the company it affirmed that when they were part of the workforce they were allocated equal opportunities to obtain promotions.

Wages

Worker incomes have been affected by increasing living costs. Nevertheless, the company and the union express the opinion that wages paid are considered similar or superior to those of other companies in the region or the same industrial area. The company always pays all hours worked and on a regular basis.

The wage scale is presented in the following table, which lists job classifications and their daily wage. The lower limit is \$71.86 pesos per day (lowest monthly income: \$3,105.00), and the highest wage on the scale is \$181.50 pesos per day. However, the work classifications currently occupied begin at the specialised worker post, which is level three.

Table 15: Wage Scale of Unionised Workers, 2005 - Lighting Naucalpan

<u>CLASSIFICATION</u>		Daily Wage (pesos)
Assistant	For fixed time periods	71.86
01	Worker in Training	78.94
02	General Worker	88.10
03	Specialised Worker	99.10
04	Operator "C"	106.00
05	Operator "B"	113.30
06	Operator "A" (B. Fluorescents)	122.10
06 "A"	Operator "A" (Trainers)	133.80
07	Operator "C" (B. Fluorescents)	133.80
07 "A"	Operator "C" (Trainers)	145.10
08	Operator "B" (B. Fluorescents)	145.10
08 "A"	Operator "B" (Trainer)	153.60
09	Official A	181.50

Source: JLCA. Lumisistemas Collective Bargaining Agreement UTHDCMSEM, January 2005, State of Mexico.

Work Days

The normal workday is 8.5 hours, Monday through Friday, with a 30 minute break, and five hours on Saturdays. The dayshift and the mixed shift each total 45 hours per week, while the nightshift totals 42 hours per week. These shifts may be distributed and assigned according to company needs. The union notes that the company respects the maximum work week.

The average number of overtime hours accumulated in the company is 16 hours per day, 117 per week, and 480 hours per month for the workforce as a whole, in normal production season..

When the need emerges for overtime work, a weekly calendar is posted so that workers may plan their participation in overtime shifts. However, a degree of obligation is established in the CCT: "Workers are obligated to work overtime within legal limits," Clause 28. The union itself indicates that the extra hours may not be refused, and even less so when the work is urgent.

Workers receive extra payment for overtime worked, without exception, in accordance with LFT norms.

Bonuses and Profit Sharing

An agreement exists regarding an attendance bonus, established and managed together with the union. The bonus ranges between \$63.25 and \$105.35 pesos per month.

Workers have received profit shares in the past five years, for which the company provides basic information on earnings for implementation of annual participation calculations. The union notes that profit shares increased notably in 2005. Although they did not specify the amount, shares are estimated to have reached almost three times those of previous years.

Benefits

Regarding benefits, the following table presents those established in the collective bargaining agreement.

Table 16: Benefits and Bonuses specified in the CCT

Holidays (fourteen)
Rest day (Sunday)
Vacations (at least 6 working days, in the case of least seniority) and vacation bonus (starting at 35% of corresponding days' wages)
Work leave and financial assistance for death of direct relatives (3 days wages, plus \$1,200 pesos)
Work leave and financial assistance for birth of a child (\$400 pesos)
End-of-year bonus (minimum 15 and up to 35 days wages)
Life insurance for workers
Savings fund (6.5% contributed by the company)
Gifts for years of seniority
Assistance for purchase of school supplies for workers' children (\$100)
Educational grants (33 grants of \$140 pesos per month for workers' children; 33 grants of \$100 biweekly for middle-level students)
For seniority, grocery vouchers (from 1.77 days minimum wage up to maximum of 4.38)
Loan credits for housing purchase through INFONAVIT
Childcare services for workers' children through IMSS
Maternity services through IMSS
A suitable space exists assigned to workers for meal consumption.

Source: JLCA. Lumisistemas Collective Bargaining Agreement UTHDCMSEM, January 2005, State of Mexico.

Working Conditions

In 2004, seven cases of job risks, three cases of job-related illness (respiratory infection, gastroenteritis, muscular disorders) and four accidents implying 48 days of disability were reported. None implied total incapacity (knee ligament injury, shoulder strain, crushed finger, and contusion on right hand). Talks are given on accident prevention and first aid in order to prevent such events.

All employees are registered in the Mexican Social Security Institute (IMSS). *Trabajadores de confianza* have additional private insurance for major medical expenses.

Restructuring, Subcontracting, Work Flexibility and Temporary Workers

Company Reorganisation

For Lighting, the reorganisation “consisted in optimisation of the capacities installed in the production plants, to respond to the market in accordance with demand for our products.” On the other hand, the union reflects on the important reduction of production capacity and employees:

“Philips decides to gradually decrease ballast production activities starting in 2003, due to the fact that the product was being displaced from the exports market, one cause being establishment of norms prohibiting its use due to chemical products contained. That was accompanied by a personnel cutback of base workers and *trabajadores de confianza*, sale and transferral of machinery, and a change in production niche to metal stamping and transformation into a lighting parts distribution centre.”

The company informed the union and workers first in a work meeting with union representatives and later through informational meetings with the personnel. “The union was informed one month beforehand and the workers were informed directly days before their severance.”¹¹⁵ Various personnel compensation packages were implemented, including retirement plans with better benefits.

The union notes in this regard: “Although the retirements and layoffs were carried out gradually, on one occasion it implied the separation of up to 200 workers; authorities of the Ministry of Labour and Social Welfare were present on that occasion”¹¹⁶ to testify to compliance with severance benefits.

Responsibilities assumed by the company toward affected workers were to provide severance packages in accordance with the LFT: vacations, three months’ wages, and 20 additional days’ wages for each year worked, plus the corresponding proportion of end-of-year bonus pay. In the case of those workers receiving retirement plans, the union affirms they received a larger sum of money.

The company adds that displaced workers received advisory talks on how to elaborate a curriculum, how to look for work, how to handle the selection process, and orientation and recommendations with other companies with which the company has relations.

The union specifies there are currently no claims pending regarding worker severance compensation.

Subcontracted Work

The company subcontracts the following: security surveillance, consulting services, and cleaning. They were not particularly affected in relation to their work or

¹¹⁵ Interview of Human Resources Manager, by Luis Antonio Bonifaz, 29-Nov-05, Mexico.

¹¹⁶ Interview of General Secretary of the UTHDCMSEM, by Luis Antonio Bonifaz, 9-Dec-05, Mexico.

employment. The company does not have outsourcing contracts to receive manufactured parts supplies.

Work Flexibility

The collective bargaining agreement has several clauses, which permit flexible use of the workforce, but without negatively affecting the wages due to the worker in accordance with his classification. One example is multi-skilled workers:

“THE COMPANY” has the faculty, in accordance with its needs, to freely change its workers from one operation to another, from one post to another, following notification to “THE UNION,” without detriment to his wage and human dignity.”¹¹⁷

“THE COMPANY” may ask its workers to continue to work during periods of general suspension of labours when due to needs of the service or the nature of the functions carried out it becomes necessary.”¹¹⁸

Flexibility modalities “are applied according to the needs of the company, always respecting the persons and based on that established in the LFT, the CCT and the RIT.”¹¹⁹

Temporary Workers

According to data presented by the company, the company has employed no temporary workers in the past two years. When it did so — prior to 2004 — it was done occasionally and sporadically in response to higher production demands. The average duration of temporary contracts was approximately three months. Wages were the same as those of the permanent workforce. Some benefits exist which are allocated in accordance with the seniority of each worker as established in the CCT.

¹¹⁷ Clause 17 of the CCT and Clause 12 of the Internal Labor Regulations of Lumisistemas.

¹¹⁸ Clause 38 of the CCT.

¹¹⁹ Idem.

Conclusions

- a) Lumisistemas presents evidence that the company complies with observance of national and international labour legislation, adhering to the norms established in the Federal Labour Law.
- b) The main aspect of concern is the radical decrease of production workers, placing in doubt the permanence of the plant regarding operations, despite the dissemination of declarations by the administration calling for calm in this regard. The worker severance process occurred within legal parameters and application was mentioned of additional actions to alleviate negative consequences for fired workers.