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**Consultory**

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**Unilever in Peru**

**Final Report**

**May 2006**

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## Introduction

During the last fourteen years, Peru's economy has experienced profound transformations derived from the processes of structural adjustment and economic liberalization. The liberalization or flexibilization of the capital markets, along with an aggressive policy of privatization of public companies created the conditions for the repositioning of transnational enterprises in almost all economic sectors.

The new presence of transnational companies in our economies is an extended phenomenon in the region as a whole. The markets in developing economies have become a scenario for the competence between transnational corporations. A number of corporative production strategies have developed, which have a profound effect on the labor relations and working conditions in Latin America.

This study is an attempt to understand these changes, focusing on the specific case of Unilever Andina S.A.<sup>1</sup> and the Peruvian companies associated with it, which supply Unilever's products in the Peruvian market. Our study will therefore focus on the actions of Unilever Andina S.A. and other companies located in Peru, which are suppliers of Unilever's products in the Peruvian market. The objectives of this study are:

- To trace the development of Unilever in Peru, and the implementation of its "Operational Model"<sup>2</sup> in Peru.
- To describe the general characteristics of Unilever Andina S.A. and its operational structure in Peru.
- Describe the labor relation and working conditions of the workers of Unilever Andina S.A. and the companies located in Peru which constitute a chain of supply for Unilever in the Peruvian market.
- To describe the practices of Corporate Social Responsibility (CSR) of Unilever Andina S.A. and its extension to the chain of companies who supply its products in Peru.

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<sup>1</sup> That is the name of Unilever in Peru.

<sup>2</sup> In Spanish: "Modelo de Trabajo." This is the name given to the way Unilever operates in Peru.

## **I. Unilever's History in Peru**

Unilever was born in 1930 with the merger of two large European companies: Unie, a Dutch company that produced margarine, and Lever Brothers, an English company dedicated to the production of soaps.

The evolution of the Unilever Group has been influenced by the historic and economic transformations produced in the world and the constant need to satisfy consumers' demands. Thus, the company focused on the food and chemical markets, in which it expanded and diversified through the innovation of its processes of production, the acquisition of machinery and real estate, the formation of agencies for advertising, market research, and product distribution.

In 2000, Unilever made one of the most important transactions when it bought former competitor Best Foods for US\$ 24,300 million. That operation promoted a series of changes and reorganizations, which included the sale of such subsidiary companies as Iberia Foods, dedicated to the distribution of foods and products for the Hispanic market in the United States, and Bestfoods Baking Company, dedicated to bakery and which belonged to the Canadian group George Weston Limited. Other secondary brands, such as Mazola, Golden Giddle, and Henri's were also sold. With these measures, the corporation expected to reduce costs for US\$ 4,500 million.

Unilever is currently a multinational organization operating in 75 countries through 500 companies that provide jobs to more than 300 thousand people. In Latin America, Unilever operates in 19 countries, with 13 factories dedicated to the production and commercialization of foods, cleaning and personal care products.

Unilever started its operations in Peru in the 1970s with the name of Industrias Lever Pacocha S.A., after the purchase and merger of Industrias Pacocha S.A. and Industrial Lima S.A., which produced soaps and oils. The economic and political instability of the country forced the company to end operations and to sell its shares to a group of Peruvian entrepreneurs who decided to change the company's name into Industrias Pacocha S.A. Unilever, however, continued supporting this company in the processes of marketing and the acquisition of new technology.<sup>3</sup>

By the 1990s, the characteristics of Peru's economy promoted foreign investment, which in turn created the conditions for new projects and the reactivation of others. In this context, Unilever purchased 51 percent of the shares of Industrias Pacocha in 1995. Unilever decided to purchase the rest of the shares a year later.

With the purchase of Industrias Pacocha S.A., Unilever strengthened its presence in the local market of consumption, due to the transnational's history and position (it is one of the largest worldwide), but also because of the growth achieved by Pacocha in the domestic market. By the time of the purchase, Pacocha had started an important diversification strategy, which included the purchase of companies such as Productora Andina S.A., which produced the brand Pond's; Industrias Ventanilla S.A., owner of important brands of detergent; and Condiment Foods S.A., which processed herb teas.

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<sup>3</sup> THE TOP PUBLICATIONS. *Peru: The Top 10,000 Companies 2003*. Pp. 886-887.

With the implementation of new corporate strategies, the company has consolidated its profits and level of participation in the market; it is one of the leading companies in the market of massive consumption in Peru.

## **II. Current Situation and Perspectives**

To understand the participation of Unilever Andina S.A. in Peru, we need to analyze the context in which the company operates, evaluates its perspectives of expansion, and orientates the actions that form its strategy for the future. Therefore, we will briefly analyze Peruvian economy in the last five years. We will then focus on the evolution and perspectives of the manufacturing sector, the sub sector of non-primary manufacture, and the branches of elaboration of foods and drinks (CIIU 15), and production of chemical substances and products (CIIU 24), in which Unilever operates.

### **2.1. The Economic Context: the sector**

#### **2.1.1. General Analysis of Peruvian Economy: 2000-2005**

During the last five years, Peruvian economy has shown a positive macroeconomic tendency, defined by encouraging results obtained after the implementation of an expansive monetary policy. Therefore, a revitalization of non-primary productive sectors is noticeable, along with a sustained increase of the primary sectors. (Statistics on trends in manufacturing are included in annex 1, in Spanish.)

Some negative aspects which could challenge these results, however, are known in both internal and external levels. These are: (i) the presence of signs of a deteriorating fiscal policy in the short term, such as the perspectives for an increase in public expenditures; (ii) an inadequate implementation of the process of decentralization, which could generate negative results in fiscal accounts; (iii) the concentration of economic dynamism in some sectors, such as mining, commerce and manufacturing; and, (iv) political influences, given the low approval of the regime and the coming electoral process.

Taking these factors into account, analysts have stated that the perspectives of growth in the following years are moderately optimistic. That opinion is based in the dynamism shown in several sectors, such as manufacturing, in the past years.

#### **2.1.2 Profile of the Manufacturing Sector**

The manufacturing activity includes the production and/or elaboration of products such as foods and drinks, apparel, leather and paper products, chemical products, machinery, equipment, and others. In our country, industry is divided in two subsectors: (i) Non-Primary Manufacturing, which includes manufactured products that require work force and thus generate aggregate value; and, (ii) Primary Manufacturing, which does not create many direct jobs and whose production does not have much aggregate value.

The manufacturing activities have contributed with approximately 15 percent of the National Gross Income in the last five years, and therefore constitute one of the most important sectors in Peruvian economy. This can be seen in **Table No.1** (next page).

The main factors that have contributed to the greater vitality of the manufacturing sector are:

- An increase of importations due to the increase in the available National Income, the employment rate, and salaries, which are expressed in an increase in the internal demand and the private and public levels of consumption.
- An increase in exports, mainly due to the increase in the prices of exported goods, an increase in the Peruvian exportable production, and an increasing external demand for traditional and non-traditional exports.
- An improvement of the financial situation of the companies of the sector, which now have access to local financial credit.

The tendencies mentioned above are seen in **Table No.2**

**Table No. 2**  
**Global Demand and Supply**  
(Rate of increase)

Variables	Year					Mean
	2000	2001	2002	2003	2004	
1. Global Demand	3.2	0.6	4.5	3.9	5.6	3.6
1.1 Internal Demand	2.4	-0.5	4.1	3.6	3.8	2.7
Internal Consumption	3.9	1.4	4.5	3.2	3.4	3.3
Public Consumption	5.1	0.1	1.6	4.5	3.8	3
Fixed Gross Investment	-5	-8.2	-0.7	5.2	8.7	0
Private	-2	-4.7	0.1	5.3	9.3	1.6
Public	-15.4	-22.3	-4.8	5	5.5	-6.4
1.2 Exports	7.9	7.1	6.8	5.8	15	8.5
2. Global Supply	3.2	0.6	4.5	3.9	5.6	3.6
2.1. GNI	3.1	0.3	4.9	4.1	4.8	3.4
2.2 Imports*	3.6	2.6	2.4	3.2		4.4

- Includes non-financial goods and services
- Source: Instituto Nacional de Estadística e Informática and BCR.

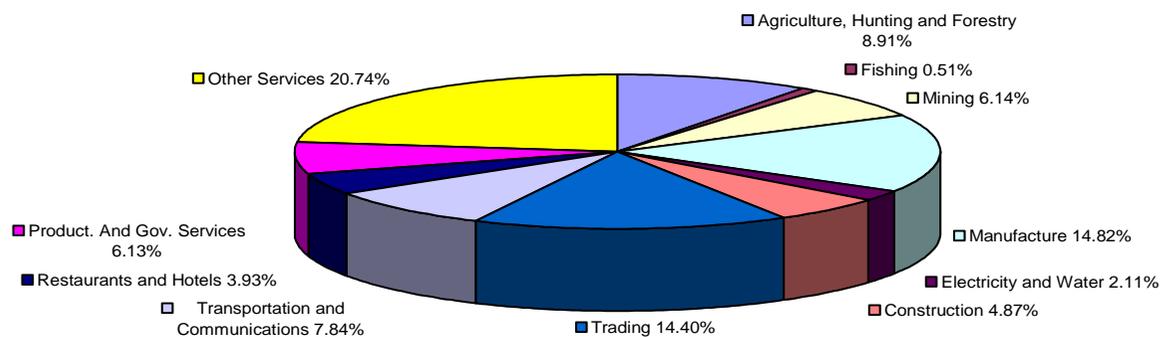
**Table No.1**  
**Percentage of Participation of Economic Activities in the GNI**

Year	Aggregated Value										
	Agriculture, Hunting, and Forestry	Fishing	Mining	Manufacture	Electricity and Water	Construction	Trading	Transportation and Communications	Restaurants and Hotels	Products and Government Services	Other Services
2000	8.88%	0.58%	5.47%	14.89%	2.09%	5.05%	14.30%	7.90%	3.97%	6.20%	21.01%
2001	8.91%	0.52%	6.00%	14.96%	2.12%	4.71%	14.40%	7.85%	3.95%	6.12%	20.86%
2002	8.97%	0.52%	6.46%	14.83%	2.11%	4.86%	14.56%	7.77%	3.89%	6.07%	20.52%
2003	8.89%	0.44%	6.63%	14.61%	2.13%	4.87%	14.33%	7.84%	3.92%	6.15%	20.56%
Average	8.91%	0.51%	6.14%	14.82%	2.11%	4.87%	14.40%	7.84%	3.93%	6.13%	20.74%

a/ Millions of Nuevos Soles, Constant 1994 Prices

Source: Instituto Nacional de Estadística e Informática- Dirección Nacional de Cuentas Nacionales

**Chart No. 1**  
**Percent of Participation in National Gross Income by Economic Activity**



Source: Own elaboration

The vitality of the sector has generated an increase in the levels of direct foreign investment (DFI), which can be seen in the following table

**Table No. 3**  
**Direct Foreign Investment (DFI) by Sector**  
(Millions of US\$)

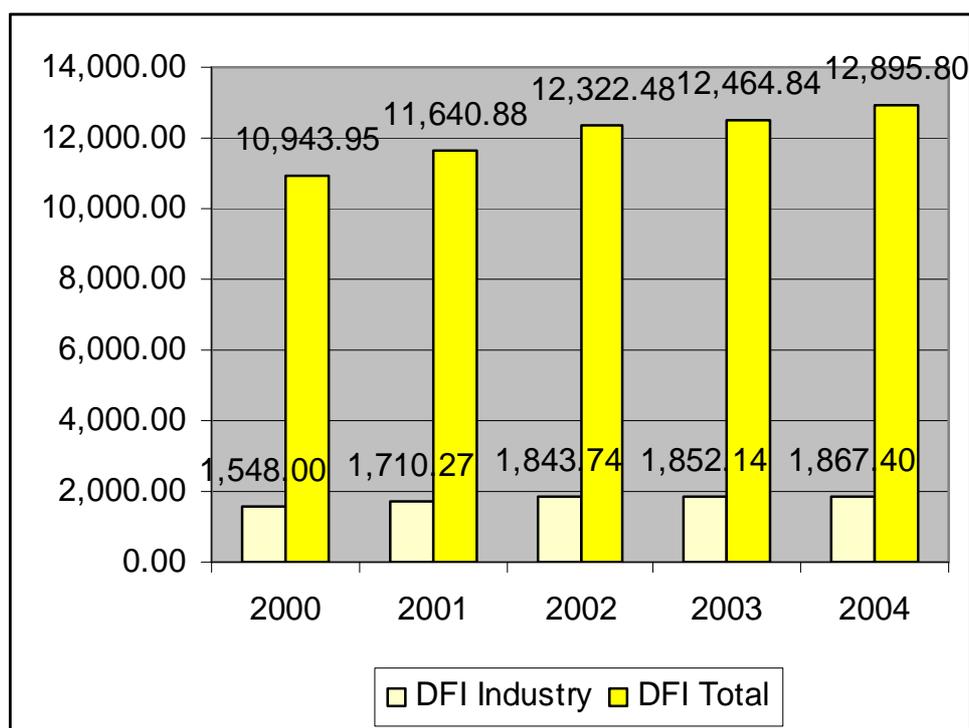
<b>SECTOR</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004*</b>	<b>Part. % 2004</b>
AGRICULTURE	44.40	44.40	44.40	44.40	44.4	0.34%
COMMERCE	827.60	843.80	836.68	835.76	1,032.80	8.01%
COMUNICACIONES	3,379.17	3,393.15	3,695.61	3,707.53	3,723.70	28.88%
CONSTRUCTION	60.23	70.63	70.63	80.63	81.4	0.63%
ENERGY	1,513.69	1,599.17	1,603.31	1,612.62	1,632.60	12.66%
FINANCES	1,460.62	1,830.68	1,744.33	1,716.47	1,849.30	14.34%
<b>INDUSTRY</b>	<b>1,548.00</b>	<b>1,710.27</b>	<b>1,843.74</b>	<b>1,852.14</b>	<b>1,867.40</b>	<b>14.48%</b>
MINING	1,690.18	1,695.32	1,698.15	1,699.00	1,722.20	13.35%
FISHING	0.55	0.55	0.55	0.55	0.6	0.00%
OIL	97.93	97.93	97.93	97.93	97.9	0.76%
SERVICES	155.69	174.56	414.76	427.88	452.1	3.51%
FORESTRY	1.24	1.24	1.24	1.24	1.2	0.01%
TRANSPORTATION	92.83	105.77	198.46	311.89	313.4	2.43%
TURISM	58.37	58.37	58.37	62.10	62.1	0.48%
HOUSING	13.44	15.04	14.30	14.70	14.7	0.11%
<b>TOTAL</b>	<b>10,943.95</b>	<b>11,640.88</b>	<b>12,322.48</b>	<b>12,464.84</b>	<b>12,895.80</b>	<b>100%</b>

o According to the registries of investments made by December 31, 2004.

SOURCE: Agencia de Promoción de la Inversión Privada (PROINVERSIÓN)

The table above shows that the DFI has increased during the last five years, from US\$ 1 548 million in 2000, to US\$ 1 867 million in 2004. Diagram No. 2, below, shows the level of participation of the DFI in the industrial or manufacturing sector, compared to the levels of DFI in the economy as a whole, which reach an average 15 percent.

**Diagram No.2**  
**Participation of DFI of the Manufacturing Sector in the Total DFI**



SOURCE: Own elaboration

### 2.1.3 Profile of the Branches of Participation of Unilever Andina Peru S.A.

We will now focus on the analysis of the sub sectors of foods and chemicals, in which Unilever Andina S.A. operates.

According to reports by the Ministry of Production, both sub sectors are “rapidly increasing”<sup>4</sup>, that is, they are among the top ten sub sectors that have had an impact on the dynamism of the manufacturing sector in the last five years. The vitality of these sub sectors has been caused by an increase in the internal demand, the growth of exportations, favorable seasons for some products, and the advertising campaigns carried out by the leading companies of the sector. We also need to take into account that there are certain negative factors that affect or may affect the development of the sub sectors, such as unfair competition (informal production, contraband, and the sub-valuation of imports), which reduce profitability, and therefore discourage investments

#### a. Foods Sub-sector

The development of this sub-sector in the last five years has been considered average, although with expectations for growth and greater vitality, due to an increase in private consumption and larger exportations. The branches that have shown a favorable behavior in the past years have mainly been those dedicated to: (i) meat preservation, (ii) elaboration of oils of vegetable and animal origins, (iii) the elaboration of dairy products, and, (iv) the elaboration of milling products.

<sup>4</sup> Rapidly increasing sectors are those that have a higher annual growth rate than the sector as a whole.

The levels of production in this sub-sector have maintained a positive tendency due, to a large extent, to the acceptance generated by the Program “Cómprale al Perú.”<sup>5</sup> On the other hand, the foods market is also composed by imported products of leading branches in other countries in the region.

For instance, the Peruvian company Alicorp S.A. leads the market of edible oils with its brands Primor, Capri, and Primor Light, in vegetable oils, and Cocinero and Friol in mixed oils. Since 2001, this situation was reinforced when Alicorp S.A. purchased Industrias Pacocha’s oil plant, which participated in the market with its brands Crisol (vegetable) and Cil (mixed). According to risk evaluator Apoyo y Asociados Internacional S.A.C., Alicorp’s presence by December 2003 represented 57.8 percent of the oil market. Some other companies that participate in the market are Ucisa, Oleoficio, Cinolsa, Industrias Alpamayo S.A., and Unicel, along with other brands that come from Bolivia and Argentina.

As for greases (margarine), Industrias Pacocha led the market until 2001 with its brands Dorina, La Danesa, and Astra. Once Alicorp purchased Industrias Pacocha’s oil plant, Alicorp reach a participation of 31.6 percent of the market<sup>6</sup>, with its brands La Danesa, Fina, and Sello de Oro. It is important to mention that while La Danesa is still produced domestically, it is sold under the brand of Unilever Andina Peru, which has a participation of 40 percent in the domestic market. The leading imported brands are Laive Swiss, made in Chile; Mavesa, made in Venezuela; and Dorina, which is made in Chile and Colombia under Unilever’s brand.<sup>7</sup>

As for starch and its derivates, the leading company is Derivados del Maíz S.A. (DEMSA), a Peruvian company whose products are commercialized under the Unilever brand.<sup>8</sup>

#### **b. Sub-sector of Chemical Products**

This sector is divided into two great categories: basic chemical substances for industrial usage and basic chemical substances for human consumption. Such as the foods sub-sector, the chemical products sub-sector maintained its dynamism, mainly due to the increasing volumes of imports and exports. According to the annual reports of the Superintendencia Nacional de Administración Tributaria for the 2000-2003 period, the main products for exportation are: (i) laundry and cleaning products for retail; (ii) perfumes and au de toilette; (iii) beauty, make up and skin care products; (iv) shampoos; (v) hair products; (vi) make up products for eyes and lips; and, (vii) bar soaps. On the other hand, the main imported products are: (i) toothpastes; (ii) shampoos; (iii) toilette soaps; (iv) hair products; (v) beauty, make up and skin care products; (vi) perfumes and

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<sup>5</sup> Such campaign seeks to generate a consciousness of competitive quality among entrepreneurs and consumers through an aggressive advertisement strategy. The objectives of the program are: (i) in its first phase, to promote an internal demand for domestic products; and, (ii) in a second phase, to develop other productive markets.

<sup>6</sup> Empresa Clasificadora de Riesgos Apoyo y Asociados Internacional S.A.C. <http://www.aai.com.pe>.

<sup>7</sup> Ibid.

<sup>8</sup> Ibid.

au de toilette; (vii) deodorants and antiperspirants; and, (viii) products for laundry and cleaning.

The development of the industry depends directly on the progress of some production sectors, such as the chemistry industry, which provides it with chemical supplies, and the plastic and glass industries, which provide it with bottles and packing for commercialization. This industry is also related to the commercial and services sectors, with regards to the commercialization and sale of products.

There are three main lines of production in this sub-sector: (i) laundry products; (ii) products for personal care –soap, shampoo, toothpaste, and shoe wax; and, (iii) house cleaning products –liquid and paste wax, among others. The demand for these products is related to the purchase capability of the population and the companies' marketing ability to position their products in the domestic market.

The toiletry and personal care industry has shown great vitality last year: the exports to the Latin American market kept rising, while the competition between local companies has produced a decrease in the products' prices, which benefited consumers. The main companies in this sector are: Procter y Gamble Perú, CETCO, Industrias Pacocha, and Quimpac.

In the market of bar soaps, for instance, Unilever maintains its leadership through its brand Lux, and also participates with Rexona and Dove, which account for 30 percent of the market.<sup>9</sup> Unilever also participates in the deodorant market with the brands Rexona, Axe, and Dove. Rexona is the absolute leader in the market.

In the detergent market, Unilever kept control of the brands Amigo, Opal, and Marsella until the end of last year, which meant participation under 10 percent of the market. Unilever therefore decided to sell those brands to its competitor Alicorp, which now expects to consolidate itself in the domestic market and to prepare itself for the internationalization of its products.

Finally, it is important to note that each of the mentioned sub-sectors presents positive growth tendencies, and that both have domestic companies as well as subsidiary companies to foreign transnational ones. This generates a greater dynamism in the sectors, which in turn promotes greater investment in production and commercialization of the goods.

## **2.2. Evolution of Unilever's Corporative Strategy in Peru**

The evolution of Unilever has depended on the historic and economic changes occurred in a global scale, and the constant drive to satisfy the needs of its consumers. The company has thus consolidated in the foods and chemical products markets expending and diversifying itself through innovations, purchases, and the establishment of advertisement and market research agencies, and companies for product distribution. Currently, Unilever is a multinational organization that operates in 75 countries, with approximately 500 companies that provide more than 300 thousand people with jobs. In Latin America, Unilever operates in 19 countries, with 13 plants that produce and commercialize foods and cleaning and toiletry products.

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<sup>9</sup> Ibid.

### **2.2.1. Unilever's Strategy for Production and Marketing: From *Path to Growth* to *Vitality***

Up to 2004, Unilever developed a corporate strategy named *Path to Growth*, which included a number of changes and reorganizations oriented towards the conformation of a more focalized, simplified business that at the same time could increase its growth.

Such a strategy included, among other actions: (i) the separation of the company into two great divisions: foods and personal and homecare products; (ii) the creation of a new product line named Unilever Bestfoods Business, which grouped the brands that grew the most; (iii) the management of operations in Latin America from a regional perspective based on the creation of sub-regions; and, (iv) the concentration of the production processes of emblematic products in 150 plants in the world.<sup>10</sup>

Regarding the marketing strategy at the corporate level, Unilever reduced the number of existing brands (they now have 440 brands, while there were 1600 in 2000), and the presentation of a new logo that symbolized the values that gave cohesion to the company and which would be found in each of its products.

The consequences of the implementation of these actions were especially detrimental for the workers. In the last four years, the closing of plants worldwide, as part of the processes of the concentration and/or outsourcing of production, has generated the firing of a large number of workers. The resulting levels of growth were not what the company expected, as it presented low levels of sales and profits during the past year. The same occurred in all and each of the categories in which the company participates, especially during the third trimester of 2004.<sup>11</sup>

In spite of these results, the company has not lost its presence in the markets it operates worldwide, maintaining its leadership in the sectors it participates (foods and personal and homecare products)

In the local level, the secret of Unilever's success is the company's ability to adapt its products and marketing to the context of each local market. Thus, for instance, Unilever studied the peculiarities of retail sales in Italy, and those of Brazilian advertisements, and utilized that knowledge to its advantage.

In Peru, as part of the reorganization process initiated in the corporate level in the year 2000, and under the name of Unilever Andina S.A., the company introduced a series of innovations, such as: (i) the diversification of production, (ii) greater expenses in advertisements, (iii) activities in retail stores, and (iv) changes in administration, among others. The company thus expected to increase its growth and participation in the local consumption market.

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<sup>10</sup> CEPAL, Unidad de Inversiones y Estrategias Empresariales, División de Desarrollo Productivo y Empresarial. *La Inversión Extranjera en América Latina y el Caribe, 2001*. p. 125.

<sup>11</sup> OBSERVATORIO SOCIAL BRASIL, Newsletter, Unilever World Wide Trade Union Network. January 2005.

A better analysis of Peruvian consumers' behavior has helped define the company's strategy in the past years, which aims to satisfy the consumption needs of the lower-income population (segments C and D). The consumption market in Peru is divided in: (i) a modern sector, which includes those consumers that attend supermarkets, and which mostly belong to economic sectors A, B, and part of sector C; and (ii) a traditional sector, which includes consumers who go to small stores and belong to sectors C, D, and E. By last year, 75 percent of the company's sales originated in traditional venues, that is, stores and markets, while the remaining 25 percent originated in modern venues, supermarkets and drugstores.<sup>12</sup>

The traditional venues keep their weight because consumers find sizes more appropriate for their purchase and credit capabilities. The company thus strated a marketing strategy that included smaller containers for products such as shampoo (Sedal), margarine (La Danesa), deodorant (Axe Compact), and toothpaste (Close-up). The company has also based the diversification of its products on new presentations for the most representative brands, such as: Axe, Close Up, Dove, Lux, Pond's, Rexona, Sedal, Vasenol, Efficient, Ades, Dorina, La Danesa, Hellmann's, Knorr, Maizena Duryea, and Mc Collin's. The company invests nearly 1/3 of its invoices in the brands and reinvests nearly 100 percent of profits in products and brands as a whole.

Additionally, Unilever established strategic alliances to increase the commercialization of its products, such as that set up with Bembo's to promote Hellman's mayonnaise.

At the same time, the company launched a process or reorganization in order to reduce fixed costs and increase its sales. It now has a young management, which has replaced the senior management it had for several years. In an operational level, the company established strategic alliances for outsourcing its production in the domestic market, the most emblematic of which is the alliance established with Alicorp S.A. for the production of margarine (Astra, La Danesa) and detergent (Opal). The company has also promoted the relations between several subsidiary companies in the region, through the importation-exportation of its products from regional centers, such as Chile and Brazil, to the rest of the countries in the region (Peru, Colombia, Venezuela, Bolivia, and the Caribbean). The local subsidiary's levels of imports can be seen in **Table No.6**, below

**Table No.6**

**Importations of Unilever Andina Perú S.A.**

<b>YEAR</b>	<b>VALUE FOB (US\$)</b>	<b>VALUE CIF (US\$)</b>	<b>NET WEIGHT (Kg.)</b>	<b>GROSS WEIGHT (Kg.)</b>
2000	12,276,008.68	13,491,914.65	14274047.18	14715254.62
2001	17,534,406.73	18,996,321.09	13441528.76	14844618.05
2002	19,734,755.59	21,531,405.31	17142070.43	18969434.63
2003	17,988,967.26	19,619,790.67	19047736.71	20727046.56
2004	21,843,361.00	24,027,633.00	23160942.00	20995385.00

SOURCE: Superintendencia Nacional de Administración Tributaria.

<sup>12</sup> EL COMERCIO. *Día \_1, Suplemento Semanal de Economía y Negocios*. Octubre, 2004, N°23, Año 1.

It is important to note that the results of the implementation of the strategy at the local level did not differ much from those observed at the corporate level. Thus, for instance, the levels of income for sales and profits reached in the last five years are negative or have shown a negative tendency. The results can be seen in **Table No. 7**, below

**Table No.7**  
**Level of Income for Sales and Profits. Unilever Andina Perú S.A.**

Years	Ranking Income	Ranking Profit	Total Income		Net Profit	
			Soles	US\$	Soles	US\$
2000	51	2215	400,000	112,432	-17,000	-4,281
2001	52	2266	361,770	104,910	-10,647	-3,087
2002	72	65	359,638	102,141	16,442	4,670
2003	-	-	4.182,000	1.202,000	-	-

Source: PeruTop10,000 Companies (2002-2004)

Table No.7 shows that the first two years were negative in the company's levels of income and profits, resulting from a recession in local economy and the low purchase capability of the population. In the year 2002, however, in spite of the negative tendency of the income from sales, the level reached reverted the losses obtained before. From the year 2002, the company started to consolidate its strategy, which explains why it has not lost its position in the domestic market and is regarded as one of the leading and more profitable companies in some categories (deodorants, toilette soaps, hair care, and skin care).

New strategy: *Vitality*

*“Vitality: Adding vitality to life means to help people to get the best out of life.”*

For the 2005-2010 period, Unilever has developed a new strategy to consolidate its presence in the world market of food products and personal and homecare products. According to the President of the corporation, “*Vitality* represents a precise declaration of the sentiment that will inspire and direct the company's portfolio, our entrepreneurial culture, and our commitment to community and the environment.”<sup>13</sup>

The strategy implies a change towards emotional aspects, based on directing the most representative brands towards the satisfaction of consumers' needs such as the search for healthy lifestyles, the importance of time, among others. This way, the company expects to contribute to make consumers feel better and get more out of life.

In that sense, “Unilever is uniquely positioned to understand the relationship between nutrition, hygiene, and personal care. We can do it thanks to our solid scientific ability and our perceptions of our consumers at the local level. Putting all that together, we will be able to contribute to people's welfare, adding vitality to life.”<sup>14</sup>

<sup>13</sup> THE SUSTAINABILITY FORUM. “Adding Vitality to Communities and the Environment: A Business Contribution to the Development Agenda”. 2004

<sup>14</sup> Ibid.

This new strategy also implies a change in the company's presence: abandoning a low-profile approach to present itself openly as Unilever, in all of its products, everywhere.<sup>15</sup>

Additionally, some of the changes at the productive level are: (i) reorganization of the highest administrative ranks of the company; (ii) the merger of the two main divisions: Foods and Hygiene and Personal Care Products into a single operative unit; (iii) the outsourcing of intraregional production; and, (iv) the increase of purchase-sale of raw materials required for production, from a single source to all subsidiary companies.

Regarding the introduction of new brands or categories for the year 2005, the company does not plan to modify its portfolio in personal and homecare products, although some changes are expected in the foods sector. Unilever is the third food company in the world, but rather than introducing new brands, it wants to define its position in Peru's market. However, the company does plan to launch some new products during the second semester of the year 2005, according to reports of the "Las 10,000 Principales Empresas del Perú."

### **2.2.2. Strategy for human resources and labor relations**

Currently, the analysis of strategies for, or policies of, human resources, implies the analysis of the corporate culture. Such corporate culture is related to the social relations in the company, the social architecture of the organization, the entrepreneurial environment and the company's key processes. According to Rob Goffee y Gareth Jones<sup>16</sup>, corporate relations are analyzed taking into account two kinds of social relations: sociability and solidarity. The former is characterized by affective, non-instrumental relationships, in which mutual help without preliminary agreements are the rule. The latter is presented between disparate groups and can originate as part of an instrumental relationship, due to a need.

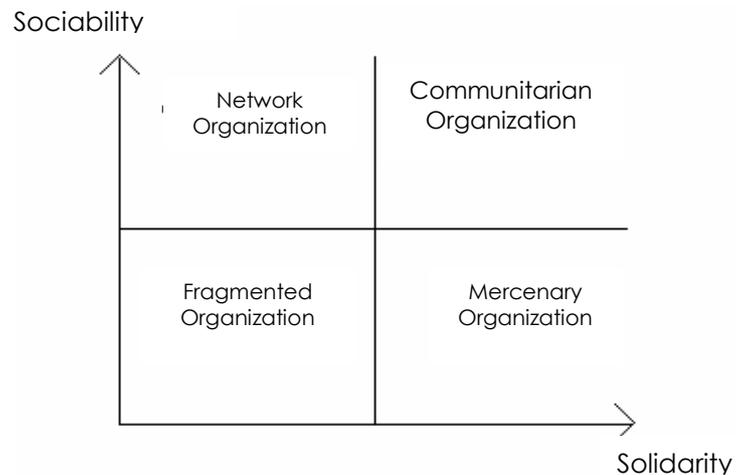
In corporate relationships, sociability and solidarity can appear at the same time or separately, and may generate four cultural types, which are shown in **Diagram No. 3** below.

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<sup>15</sup> A "low profile" company keeps a discreet image. Unilever used to emphasize its brands, not its presence in a corporative level.

<sup>16</sup> Gareth Jones is professor of Organization Development in Henley Management College.

**Diagram No. 3**  
**Types of Relationships within Corporate Culture**



The combinations between sociability and solidarity must harmonize with the social architecture that underlies the organization, the entrepreneurial environment and the key processes of the company. Therefore, if the main objective is to be a winner, exigent criteria must be set, low output must be fought meticulously, as in the mercenary organization. If the company wants to keep good company manners, under a scheme of greater sociability, some strategies of the network organization will be implemented. If the company is characterized by keeping low levels of interdependence in the working process, then it is probable that a fragmented organization mode will be adopted. Finally, if a company is obsessed for shared values, it is a communitarian organization.

Unilever is a network organization, of high sociability and low solidarity, which presents clear and numerous advantages. The strategy for human resources implemented by the company at all levels, which can be observed in the company's web page ([www.unilever.com](http://www.unilever.com)), as well as in the reports that the company presents each year (Social Report) demonstrates this. The strategy is based on a number of initiatives that promote a personal and informal working environment. Such initiatives include: flexible hours, informal outfits, programs of solidarity, and agreements with recreational institutions, among other policies that Unilever keeps for its workers regarding a labor environment, professional formation and development, wage levels, and health and security at work.

The working environment the company seeks to provide, for instance, must be pleasant in order to promote creativity through team work, the sharing of information and openness to new ideas. To keep good social relationships between its workers, Unilever recruits personnel with strong affinity “energetic, creative and committed,”<sup>17</sup> that is, personnel inclined to like each other.

The company allows the implementation of internal corporate plans related to the improvement of its human resources strategy. In Peru, for example, the company is

<sup>17</sup> <http://www.unilever.com/ourcompany/careers/workingwithus/default.asp>.

executing a “transformation plan” that aims to transform the workplace into a pleasant environment, implementing changes suggested by employees as part of what they regard as the “company of their dreams.” This process has placed Unilever among the 25 best companies to work for in Peru and Latin America, elaborated by the “Great Place to Work Institute,” in the years 2003 and 2005.

Additionally, it is important to mention that Unilever respects and complies with the fundamental labor rights established in the IWO international agreements, as well as with the principles presented in its Code of Conduct.<sup>18</sup> This will be discussed in Chapter 4, which focuses on the Corporate Approach to Social Responsibility.

Regarding the level of labor training given to the workers, Unilever helps them develop their abilities, providing them with the necessary tools to reach their goals and achieve the professional excellence they seek. For example, since Unilever is an international company whose operation demands communication between different cultures, the processes of training include the acquisition of interpersonal abilities through tours to areas of intervention.<sup>19</sup> The company thus promotes cultural and knowledge exchange as a competitive advantage of its human resources.

This process of training has been reinforced by a series of actions that Unilever has implemented in all of its areas of operation: (i) the reduction and reorganization of its personnel, especially at its administrative levels; (ii) the development of a common system to manage innovation, so that each workplace carries out its own projects, but all of them follow the same methods; and (iii) the communication between workplaces worldwide through a network and a common information center.

As for its salary strategies, according to the “Social Report 2004,”<sup>20</sup> the company declares that the salary levels established for their human resources are above the local averages. These salary levels include a set of benefits, depending on the position or rank of an employee. The company evaluates its personnel every year to measure the productivity of its workers and to know their professional goals. Through this tool, named *Performance Development*, Unilever monitors its human resources, and provides them with the chance to express their expectations in the company.

The tools and strategies described above are part of a transformation process initiated by the company in the last five years, as part of the reorganization of their productive processes. The changes included an improvement of their human resources strategy, which offers workers a wide array of opportunities for training and improvement within the company. They also had a negative impact, as the number of workers in all the countries where the company operates has decreased drastically. Some 50 thousand workers have been affected by Unilever’s new policies of outsourcing, the closing and sale of factories.

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<sup>18</sup> Social Report 2004. p. 16.

<sup>19</sup> “Unilever defines itself as a multiglobal and multilocal company, that is why it needs global managers.” Pedro Blásquez, Unilever’s Director of Personnel in Spain.

<sup>20</sup> Social Report 2004. p. 16.

### 2.3. Product lines and production chains in Unilever

Company structures used to have more time available to take decisions, establish themselves as a single company, and allow for close working relationships. Some important changes have transformed company structures through time, however. Unilever has adopted new policies and strategies to adjust to those trends.

Considering that it is a multinational company, Unilever has centralized its production and distribution strategy in a business practice named “supply chain management.” Such practice is a management process that includes the integration of all necessary activities to supply products or services to the market; from the purchase of important raw materials to the delivery to final customers or users. External activities are integrated to internal ones, which demands a coordination with supplying and distributing companies. Companies generally transmit suppliers and distributing companies their supplying needs in each sales point through system networks and in real time.

Since the year 2000, Unilever’s strategy has been based on the outsourcing of production services, supplies, sales and commercialization. Such process is carried out from: (i) the plants Unilever has in the region, and (ii) local companies with whom Unilever has strategic alliances.

In the first case, Unilever has decided to outline a production and supply strategy in Latin America based on the establishment of four sectors or groups in the region: Brazil, Chile, Argentina, and the Andean Group (Colombia, Ecuador, Peru, Bolivia, and Venezuela). The latter’s headquarters are located in Bogota, Colombia. Each of the groups constitutes a center of operations-management for Unilever, and specializes in certain products. For instance, Chile is specialized in foods, Argentina in the production of shampoos, Brazil in personal care products, and Mexico in the production of cosmetics. Each center must (i) keep state-of-the-art technology, (ii) has priority in the dissemination of new projects, and (iii) is the focal point for the commercialization of the products they are related to.

In the second case, Unilever establishes alliances with local companies, which work as “anchors” that sustain the whole chain with its demand. Unilever has a large number of small suppliers in different countries, which produce and sell some brands or products. This is Unilever’s strategy to meet the expectations of local markets, staying close to the preferences of the consumers it serves

In the Peruvian market, one can find products from Chile, Argentina, Brazil, and even Mexico, according to the specialization mentioned above.<sup>21</sup> Unilever also maintains strategic alliances with such companies as Alicorp, one of the most important companies in the foods market. In **Table No. 8**, bellow, we show a map of production for each of Unilever’s products commercialized in Peru.

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<sup>21</sup> Unilever has specialized Mexico’s market in the production of cosmetics, with the brands Pond’s and Dove.

**Table No. 8  
List of Products**

Food Sector			
Product	Trademark	Produced by	Origin
Oil	Crisol ( 1lt.)	Alicorp S.A.A	Peru
	Crisol ( bag 250 gr.)	Alicorp S.A.A	Peru
	Crisol Light (1 lt.)	Alicorp S.A.A	Peru
	Cil (1 lt.)	Alicorp S.A.A	Peru
Corn Starch	Maizena 200gr.	Demsa	Peru
	Maizena 500gr.	Demsa	Peru
	Maizena 1000 gr.	Demsa	Peru
	Chuno DURYEA	Demsa	Peru
Broth	Knorr	Colombia S.A.	Colombia
Tea	Mc Collin's (box)	Frigosam S.A.	Chile
	Lipton	Frigosam S.A.	Chile
Margarine	Dorina Clasica ( bar 100 gr.)	Unilever Chile S.A.	Chile
	Dorina Clasica ( pot 225 gr.)	Disa Ltda.	Colombia
	Dorina Clasica (pot 450 gr.)	Disa Ltda.	Colombia
	Dorina Clasica (pot 900 gr.)	Disa Ltda.	Colombia
	Dorina Light (pot 225 gr.)	Disa Ltda.	Colombia
	Dorina Light (pot 450 gr.)	Disa Ltda.	Colombia
	Dorina Light (pot 900 gr.)	Disa Ltda.	Colombia
	La Danesa Astra (pot 100 gr.)	Alicorp S.A.A	Peru
	La Danesa (pot 100 gr.)	Alicorp S.A.A	Peru
	La Danesa (pot 225 gr.)	Alicorp S.A.A	Peru
La Danesa Bloque ( 10 kg.)	Alicorp S.A.A	Peru	
Sauce	Mayonesa Hellmann's (sachet)	Unilever Chile S.A.	Chile
	Mayonesa Hellmann's (pot)	Unilever Chile S.A.	Chile
	Ketcup Hellmann's (sachet)	Disa Ltda.	Colombia

Personal Care Sector			
Product	Trademark	Produced by	Origin
Body Cream	Dove Nutri Care	Unilever Mexico S.A.	Mexico
	Dove Firm Intense	Unilever Mexico S.A.	Mexico
	Dove Nutricion Hidratante (400 ml.)	Unilever Mexico S.A.	Mexico
	Dove Verano Locion Humectante	Unilever Mexico S.A.	Mexico
	Vasenol	Unilever Mexico S.A.	Mexico
Combing Cream	Sedal Ceramidas	Unilever Colombia	Colombia
	Sedal Lissage	Unilever Colombia	Colombia
	Sedal Hidraloe	Unilever Colombia	Colombia
	Sedal Verano Intense	Unilever Colombia	Colombia
	Crema para Cabello Seco	Unilever Colombia	Colombia
	Crema para Cabello Tenido	Unilever Colombia	Colombia
Deodorant	Rexona Spray	Unilever Brasil S.A.	Brasil
	Rexona Bar	Unilever Brasil S.A.	Brasil
	Rexona Roll on	Unilever Brasil S.A.	Brasil
	Rexona Cream	Unilever Brasil S.A.	Brasil
	Rexona Sensitive for Men (spray)	Unilever Brasil S.A.	Brasil
	Rexona Sensitive for Men (roll on)	Unilever Brasil S.A.	Brasil

	Rexona Bamboo	Unilever Brasil S.A.	Brasil
	Axe Mask (spray)	Unilever	Colombia, Argentina
	Axe Marine (spray)	Unilever	Colombia, Argentina
	Axe Adrenaline (spray)	Unilever	Colombia, Argentina
	Axe Conviction (spray)	Unilever	Colombia, Argentina
	Axe Touch (spray)	Unilever	Colombia, Argentina
	Axe Enigmata (spray)	Unilever	Colombia, Argentina
	Axe Fusion (spray)	Unilever	Colombia, Argentina
Detergent	Opal (bag 200 gr.)	Unilever Andina Ecuador	Ecuador
	Opal (bag 850 gr.)	Unilever Andina Ecuador	Ecuador
Soap	Dove	Unilever Mexico S.A.	Mexico
	Dove Exfolician Suave	Unilever Mexico S.A.	Mexico
	Dove Verano	Unilever Mexico S.A.	Mexico
	Lux	Unilever Brasil S.A.	Brasil
	Rosas y Limon	Unilever Brasil S.A.	Brasil
	Rexona	Unilever Argentina S.A.	Argentina
Laundry Soap	Marsella	Alicorp S.A.A.	Peru
Tooth Paste	Close- Up Fresh	Unilever Brasil S.A.	Brasil
	Close -Up Whitening	Unilever Brasil S.A.	Brasil
	Close -Up Microparticulas	Unilever Mexico S.A.	Brasil
Skin Care Products	Locion Dual Ponds	Unilever Mexico S.A.	Mexico
	Crema HN Ponds (50 gr.)	Unilever Mexico S.A.	Mexico
	Crema C Ponds (50 gr.)	Unilever Mexico S.A.	Mexico
	Crema H Ponds (50 gr.)	Unilever Mexico S.A.	Mexico
	Crema Biohidratante (100 mg.)	Unilever Mexico S.A.	Mexico
	Complejo Nutritivo de Dia Ponds	Unilever Mexico S.A.	Mexico
	Complejo Nutritivo de Noche Ponds	Unilever Mexico S.A.	Mexico
	Gel Revitalizador de Ojos Ponds	Unilever Mexico S.A.	Mexico
	Crema Clarant B3 Ponds	Unilever Mexico S.A.	Mexico
	Crema E Ponds	Unilever Mexico S.A.	Mexico
	Locion Astringente Equilibrante Ponds	Unilever Mexico S.A.	Mexico
	Renascent Ponds	Unilever Mexico S.A.	Mexico
	Crema Lifting Natural contra Arrugas Ponds (225 mg.)	Unilever Mexico S.A.	Mexico
Complejo Anti-edad Piel Normal Ponds	Unilever Mexico S.A.	Mexico	
Shampoo	Prevent&Correct Ponds	Unilever Mexico S.A.	Mexico
	Sedal Lissage	Unilever Brasil S.A.	Brasil
	Sedal Hidraloe	Unilever Brasil S.A.	Brasil
	Sedal Crema	Unilever Brasil S.A.	Brasil
	Sedal Ceramidas	Unilever Chile S.A.	Chile
	Sedal Color Vital	Unilever Brasil S.A.	Brasil
	Sedal AND Vegetal	Unilever Brasil S.A.	Brasil
	Sedal Fresh Extend	Unilever Brasil S.A.	Brasil
	Sedal Duo	Unilever Brasil S.A.	Brasil
	Sedal Verano Intense	Unilever Brasil S.A.	Brasil
Dove	Unilever Mexico S.A.	Mexico	
Foot Powder	Rexona Efficient	Unilever Brasil S.A.	Brasil

### 2.3.2. Companies that are part of the production chain of Unilever in Peru

As we mentioned above, Unilever has established alliances with leading companies in the domestic market that are dedicated to the production of foods and toiletries, such as

Alicorp S.A. and DEMSA. We will now describe these companies, their production strategies, their position in the local market, and its relation with Unilever.

**a. Alicorp S.A.A.**

Alicorp S.A.A. is known as one of the leading companies in the foods sector in the local market. Its activities are diverse, but they are particularly successful in three sectors: mass consumption products, domestic animal foods, and industrial flour

Is on of the few Peruvian “multinationals,” which is oriented towards the maximization of its efficiency and the satisfaction of its customers, which has made it the leading company in each of the food sectors it produces and commercializes in Peru. Its high efficiency has allowed it to explore markets overseas: Alicorp is Peru’s first exporter of food products, and sells to Latin America, European, and Asian countries

Alicorp’s expansion strategy is based on a chain of mergers with, and purchases of, companies in different sectors of production, especially those dedicated to the production and distribution of edible oils, pasta, flour, biscuits, soaps, salsas, and domestic animal foods.

Alicorp’s history starts in 1972, when the Romero Group purchased the Compañía Industrial Perú Pacífico S.A. (CIPPSA), which produced edible oils and greases and laundry soaps. In 1993, it absorbed two other companies, the Calixto Romero S.A. in Piura, which produced vegetable oils and milled cotton; and the Compañía Oleaginosa Pisco S.A (COPSA)., in Southern Peru, which produced edible oils and laundry soaps.

The Romero Group then purchased La Fabril, a company that had merged Copsa, Molinera Santa Rosa (in Lima), Sidsur (in Arequipa), and CODISA, which commercialized mass consumption products. The Consorcio de Alimentos Fabril Pacifico (CFP) was created with this merger.

In 1995, CFP purchased biscuit factory Molinera del Perú S.A. (MOPESA), and, in 1996, it absorbed two other large Peruvian companies: Nicolini Hnos. And Molinera del Perú S.A., both producers of flours and pasta. Alicorp S.A.A. was born in that merger. In 2001, Alicorp purchased Industrias Pacocha’s plant of edible oils in Huacho, which belonged to Unilever. Finally, in 2004, Alicorp purchased the shares of Alimentum S.A., a company dedicated to the production and commercialization of ice cream.

Alicorp currently has 1816 permanent workers (28 managers, 695 employees, and 1093 manual workers), as well as 592 temporary workers

Alicorp’s main assets are located in industrial plants in Callao, Piura, and Arequipa. They are:

- COPSA’s plant, located in Callao, dedicated to the production of edible oils, salsa, and soaps.
- The Faucett plan, located in Callao, dedicated to the production of flours, pastas and sweets.
- The Calixto Romero plant, located in Piura, dedicated to the production of edible oils and greases.

- The Sid-Sur plant, located in Arequipa, dedicated to the production of flours, pasta, and sweets.

Some improvements in the have been implemented or are under implementation in all plants to reorder and signal working areas, to identify areas, equipment, and tools. The plants are also adopting international labor methods and systems, such as Good Manufacturing Practices (GMP)

The organizational structure, a key element in the company, is based on the “five basic columns,” which are: (i) focused improvement, (ii) autonomous maintenance, (iii) planned maintenance, (iv) training, and (v) security and environment (which includes a better control and disposal of dangerous and non-dangerous industrial waste.

All plants have also implemented a system for global efficiency, which includes a control of the parameters of quality, maintenance, and production per hour. **Table No.9** shows some of Alicorp’s quality and production efficiency certifications

**Table No.9  
Alicorp’s Quality Certifications**

Location	Production Plant	Certification
<b>Mass Consumption Products:</b>		
Arequipa	Arequipa	ISO 9001:2000 HACCP - BPM
Piura	Piura	
Callao	Fideería Lima	
Lima	Fideería Alianza	
Callao	Planta de Oleaginosos	
Callao	Planta de Galletas	
Arequipa	Arequipa	ISO 14001:1996
Piura	Piura	
Callao	Fideería Lima	
Lima	Fideería Alianza	
In Peru	Distribution Centers	ISO 9001:2000
<b>Industrial Products:</b>		
Callao	Molino Faucett	ISO 9001:2000 HACCP - BPM
Callao	Molino Callao	
Callao	Molino Santa Rosa	
<b>Animal Nutrition:</b>		
Callao	Planta Lima	ISO 9001:2000
La Libertad	Planta de Balanceados	
Lima	Centro de Investigación Canina	
Tumbes	Sucursal Tumbes (Sales)	
Callao Location	Copsa, Fideería Lima, Galletera, CDC, Ventas, Marketing, Molino Faucett	BASC
<b>In Peru:</b>		
Mass Consumption	All, except Molino Arequipa	DNV Nivel 3
Industrial Products	All, except Molino Santa Rosa	
Animal Nutrition	All	
Distribution Centers	All, except Almacén de Chiclayo	

SOURCE: [www.alicorp.com.pe](http://www.alicorp.com.pe)

The processes mentioned above are aimed at guaranteeing the quality of products and to generate an efficient production. The implementation of these processes has produced a positive tendency in Alicorp's profits and total income, which are shown in **Table No. 10** below.

**Table No. 10**  
**Alicorp's Income and Profits**

Years	Total Income		Net Profits	
	Soles	US\$	Soles	US\$
<b>2000</b>	1,401,858	406,336	20,550	5,957
<b>2001</b>	1,530,887	443,735	14,614	4,236
<b>2002</b>	1,574,981	456,516	35,551	10,305
<b>2003</b>	1,777,954	515,349	46,154	13,378
<b>2004</b>	1,874,393	543,302	101,610	29,452

Most of Alicorp's production is aimed at the domestic market, in which the company has an important participation for the following products: domestic oils (57% of the sector), domestic margarines (33.4%), laundry soaps (74.9%), pasta (44.4%), industrial flours (44%), biscuits (24.1%), mayonnaise (89.9%), and pet foods (27.9%).<sup>22</sup> Some of these products are also exported to Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, Guatemala, Haiti, Honduras, Nicaragua, Venezuela, among others.

Alicorp S.A.A. and Unilever keep a supplier-client relationship. Unilever has outsourced the services of the Alicorp for the production and distribution of some mass consumption products (domestic oils and margarines), and cleaning products (laundry soap).<sup>23</sup>

In Latin America, Unilever centralized the processes of production of its flagship products in some countries (Argentina, Chile, Colombia, and Venezuela). In Peru, the company decided to outsource the services of elaboration of some products to satisfy the local market.

The relationship between Alicorp and the Dutch transnational company started in the year 2001, when it purchased Industrias Pacocha's oil plant (oils, greases, and soaps) that then belonged to Unilever. From that moment "the company signed a contract of outsourcing with Industrias Pacocha S.A. for the production, wrapping, and packing of laundry soap, toilet soap, and compound margarine. This contract lasts until January 2006."<sup>24</sup> It is interesting to note that Alicorp had a contract with Industrias Pacocha, which made the latter responsible for the distribution of butter, compound oil, and vegetable oil until January 1, 2003. The details of this relationship appear in Alicorp's Annual Memories until that year.

<sup>22</sup> Data produced by market studies by December 2004.

<sup>23</sup> This information is based on our research on retail products that carry the Unilever Andina Peru S.A. seal in the local market.

<sup>24</sup> Alicorp's Annual Memory 2000-2004.

We will now present a brief sketch of the process of transfer of Industrias Pacocha's oil plant, located in Huacho, to Alicorp S.A.A., indicating its effects in the labor sphere.

### **The Process of Sale of Industrias Pacocha S.A.**

By 2001, as part of its expansion strategy, Alicorp S.A.A. –leading company in the market of mass consumption products—, purchases a series of properties from its competitors. That was the case with Industrias Pacocha's oil plant, located in Huacho.

Industrias Pacocha had been acquired by Unilever Andina Perú S.A., between 1995 and 1996 to compete in Peru's domestic market. The corporate strategy of Unilever shifted, and the company decided to centralize its productive processes. That is why Unilever decided to sell a large number of its factories worldwide, including those in Peru.

The sale of the plants produced a reduction in the number of jobs; a large number of workers were left unemployed. In Peru, the sale of the oil plant meant the transfer of workers from Pacocha to Alicorp.

This procedure was made following two different categories: some resigned from Pacocha in order to enter Alicorp as new workers (and had to sign a new contract). Other workers did not accept to resign and were transferred. These were not obliged to sign new contracts.

It is important to note that this process was made without informing workers about the advantages and disadvantages of resigning, or about the agreements made by the companies in the process of transfer.

Four months after the transfer, Alicorp S.A.A. cancelled the contracts of the workers who used to work for Pacocha. This decision, and the fact that the workers had not been informed about the conditions of the transfer, originated a legal dispute related to social benefits or rights derived from a labor relation<sup>(\*)</sup>.

<sup>(\*)</sup> A legal analysis of the process between one of the former workers of Alicorp (who used to work for Pacocha) and Unilever and Alicorp, regarding the payment of an illegal or excessive withholding, is presented below.

#### **b. Derivados del Maíz S.A. (DEMOSA)**

DEMOSA is the only company dedicated to the production of starch (corn, potato, and sweet potato), since 1961.

In 1998, Derivados del Maíz S.A. changed its legal name, withdrawing the word Industrial, and merged with PROVITA S.A. This company used to produce agricultural articles, which it also industrialized, preserved, and commercialized.

A simple reorganization was made in Derivados del Maíz S.A. in 2002: its equity was divided, and part of it was derived to DERAROMA S.A., which produces gelatin, marmalade, and all kinds of desserts, as well as compotes, purée, and foods in general.

The company operates different sectors. The industrial area provides industrial supplies for the production of paper, cardboard, sweets, textiles, and several foods, which makes it a producer of semi-finished or intermediate products. It also has, however, other products for direct consumption, such as: corn flour, oils, syrups, etc. The other area distributes consumption products produced by DEMSA, and represents and distributes for other companies specialized in foods, cleaning and home products.

In the labor sphere, the company has 425 workers: 7 officials, 301 employees, and 117 manual workers.

During the last years, the company has performed well (its profits reached US\$23 million in 2004, 9 percent more than in 2003), due to increased sales caused by:

- A larger client portfolio
- The development of branches in Chiclayo, Trujillo, Huancayo, Arequipa, and Lima.
- New representations: Unilever, with greases, Beiersdorf, with body creams, and Drokasa, with soaps.

As was the case with Alicorp, Unilever and DEMSA have established a provider-client relationship. Unilever has outsourced the services of DEMSA for the production and distribution of some mass consumption products (corn starch and dried-potato flour, under the *Mayzena Duryea* brand name) in the domestic market.<sup>25</sup>

These products offer advantages because of their multiple uses; they can be directed towards human consumption as well as towards intermediate and industrial consumption. Both products are also successful cases of brand construction without massive advertisement; their consumption has been promoted through recipe books, not through investment in publicity.

#### **2.4. Organizacional structure of Unilever in Peru**

As part of Unilever's 2000 corporate strategy, the company has not had production plants in Peru since 2003. In October 2003, the company decided to dedicate itself commercialization. It changed its legal name from Industrias Pacocha S.A. to the new corporate name Unilever Andina Peru S.A. It thus sought to stimulate its commercial operations and to consolidate its presence in the local market.

Unilever Andina Peru S.A. now has approximately 140 workers in 5 basic areas: Customer Management, Finance & IT, Human Resources, Marketing and Supply Chain, which work as a team in the projects carried out by the company. The company's organizational culture is based on the practice and development of the following attitudes: Spirit, Risk taking, Creativity, Perseverance, and Excellence.

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<sup>25</sup> This information was obtained from our study of the products sold in the domestic market under seal of the Unilever Andina Peru S.A.

### **III. Labor relations and working conditions in Unilever Andina S.A. and in its main supplying companies**

We will now describe the legal framework in which the labor relations of transnational companies in Peru operate. This includes Unilever Andina Peru S.A. and its supplying companies regarding such practices as outsourcing and subcontracting.

#### **3.1. A brief description of Peru's labor framework**

In the current context of economic globalization, companies are driven by the idea of maximizing their profits and reduce their costs. Companies in Peru operate within a legal labor legal framework that formally provides basic labor rights to workers.

During the 1990s, a socioeconomic phenomenon known in Labor Law as “flexibilization” occurred in Peru. It allowed companies to avoid the classic labor regulations, and to develop new models to organize the productive process and labor. An example of this was the use of subcontracting, which allows companies to focus on central activities and to externalize those considered secondary, whose execution is entrusted to a third party.

##### **3.1.1. Flexibilization and its consequences**

During the 1990s, Peru's unions suffered the effects of the policy of deregulation in labor law implemented and executed by the Fujimori regime. This legislation was implemented for both individual and collective law. In the individual sphere, the legislation attempted to limit workers' rights; in the collective sphere, new legislation obstructed or hindered the unions to exercise their rights.

The enactment of this flexibilization legislation weakened Peru's labor union movement, which experienced a drastic reduction in its membership. Some productive sectors closed and companies hired a growing number of workers through labor intermediation companies. Many Unions disappeared and union leaders, some of them experienced, were dismissed. The consequences of this process were clear in the processes of bargaining carried out within the legal framework designed by the government.

This process occurred during the 1990-1998 period, and its consequences in Peru's labor sphere were devastating. By 1990, for example, 277,010 workers belonged to unions in Lima. By 1997, only 72,225 workers were unionized. These numbers represented 22 and 4.7 percent of the total workers registered by Peru's labor ministry those years.

The consequences were also catastrophic for collective bargaining processes throughout the country. While 2,015 lists of demands were presented, and 1,762 collective agreements were reached in 1990; in 1998 only 728 lists were presented and 546 agreements were signed. The weakening of the union movement is also expressed in the number of strikes: while there were 613 strikes affecting 258,234 workers in 1990, there were only 58 strikes in 1998, affecting 17,333 workers.

Based on an analysis of the tendencies of the labor market –the policies of multinational companies to reduce their cost structure, for instance—, we believe labor in Peru is

becoming precarious and unstable. The unskilled working mass, compared to skilled laborers, is particularly affected by difference in incomes and in the allocation of labor resources. This has effects on the unionization rates, which have poorer possibilities to grow and consolidate due to a labor force with heterogeneous interests.

The most recent information about the rate of unionization is the data of the Encuesta Nacional de Hogares (National Household Survey) of the year 2000, which shows a 3.1% rate for wage-earning workers in Peru's urban areas. It is worth mentioning that the low rate of unionization is also explained by the fact that only one fourth of the wage-earning population works for companies that have more than 20 employees (the minimum number of employees for the formation of unions). That is, only one fourth of the population could be unionized.

The weakening of unions explain why they do not have the representativity to defend the interests of workers in spaces for negotiations with multinational companies, which end up imposing their interests, and, in cases, imposing antiunion policies that affect workers.

### **3.1.2. The Law of Collective Labor Relations**

The progress in labor regulations obtained after years of collective bargaining –which was expressed in collective agreements—, was lost when the Fujimori regime enacted the Decreto Ley 25593, the law of collective labor relations.

This Decree, published in July 1992, was the culmination of the first period of reform of labor legislation carried out by the Fujimori regime during the 1990s. It meant the decline of workers' rights, establishing cuts to rights through exceptions authorized by the same decree.

Decree 25593 union freedom, collective bargaining, and strikes; but a transitory norm in the decree obliged the unions and companies to renegotiate the agreements valid thereto. The unions, unprotected by the decree and harassed by companies, could only struggle to survive.

This decree was observed by the International Labour Organization (ILO), because it contained resolutions that conflicted with ILO's International Agreements signed by Peru. The observations were reiterated by ILO and were only lifted in January 2003, when the democratic regime of President Alejandro Toledo enacted the Ley 27912.

Peru's current labor legislation is almost the same as that enacted by the Fujimori regime; some slight reforms have been made in the individual realm. That is why subcontracting is considered a standard practice by companies, including Unilever and its suppliers. To understand the mechanisms used by companies, we will discuss labor subcontracting, specifically labor intermediation and outsourcing.

To that effect, we will first describe the general characteristics of Peru's labor regime and how it is related to subcontracting. We will then analyze the conceptual framework for these issues, and will analyze the legal regulations, which basically are Law No. 27626, entitled "Ley que Regula la Actividad de las Empresas Especiales de Servicios y de las Cooperativas de Trabajadores" (Law that Regulates the Activities of Special

Service Companies and Workers' Cooperatives), and its Code (Supreme Decree No. 003-2002-TR).

### **3.2. Ordinary labor regime and subcontracting**

The general framework for the labor rights and duties for both employers and employees under the general labor regime for private activities, is summarized in the Ley de Productividad y Competitividad Laboral (Law of Labor Productivity and Competitivity), Supremo Decree N° 003-97-TR.

According to the law, the labor relationship is based on three basic elements: the personal provision of a service, a payment, and subordination. The existence of a labor relationship also implies that the labor laws for private activities apply. We will briefly describe the most important benefits this legislation confers on workers:

Daily Working Hours: legislation prescribes that daily working hours are limited to eight, and that the work week is 48 hours. Employers, however, may establish exceptions to this rule, through an administrative procedure, except when the working hours are part of a collective agreement.

Paid Rest Period: Workers have the right to enjoy one rest day per week, to rest and receive payments for holidays, and to have a 30-day paid vacation period.

Overtime: Working hours in excess of the ordinary ones must be compensated with higher remunerations.

Registry of Workers in Payrolls: Employers must register their workers and the remunerations assigned.

Labor Stability and indemnity for justified dismissal: Workers whose daily working hours exceed 4 may be dismissed based on objective causes according to law (the employee's behavior or ineptitude). Workers must be indemnified according to seniority in case of other dismissals.

Compensation for Service Time (CST): It is an economic benefit received by workers whose daily working hours exceed 4, as well as the partners-workers of cooperatives. This benefit is accrued monthly, and deposited each semester. It consists of one average remuneration for every year of service.

Legal Bonuses: Workers must receive one bonus for Christmas and one for National Holidays. Each bonus is equivalent to one monthly remuneration

Participation in Profits: It is an economic benefit given to workers of companies that generate third category profit. It is given only if the company generates profit during the year

As we indicated above, these are the minimum benefits established by law, but they may be improved to favor workers. This is made through collective bargaining between the parts involved in a labor relationship, for which the existence and participation of unions is pivotal.

It is also important to note that all labor laws and regulations result from the flexibilization of Labor law. These norms regulate the “Labor Contracts Under Modality,” which are characterized by the temporary hiring of workers.

We will now analyze how this private ordinary labor regime relates with subcontracting

### **3.3. Conceptual Framework for Labor Flexibilization and Subcontracting**

#### **3.3.1. General Aspects**

Neoliberal policies and the tough competition promoted by capitalism, among other factors, have generated the “flexibilization” of Labor Law. This can be understood as a juridical means or tool that seeks to adapt itself to the transformations generated in productive processes.

Some transformations occurred during the last decade of the 20<sup>th</sup> century: an increase in the number of independent workers, the growth of service companies, the growth of entrepreneurial groups who make use of peculiar production methods, technological development, globalization, a productive decentralization and the rise of other forms to externalize some phases of the productive process.

All these changes have affected the traditional concepts of employer-employee, which in “taylorist-fordist” terms resulted from mass production and the development of the productive activities in the workplace. New elements have appeared, which are expressed in our legal system, and which reduce the benefits for employees and the employers’ responsibilities, such as the externalization of activities, subcontracting, and other forms of labor intermediation.<sup>26</sup>

The “flexibility” we have referred to is reformation “in peius” of Labor Law. It seeks to eradicate, reduce, or adapt traditional labor protection in order to increase investment or competitiveness.

The flexibilization of Labor Law and the new models of labor and production organization allow companies to decentralize their activities: they can now focus on central activities and externalize those considered peripheral. This process is known as Subcontracting.<sup>27</sup>

To understand subcontracting, it is necessary to know the difference between the central and the peripheral activities of a given company, because only the latter are subcontracted.

Subcontracting, also known as outsourcing, exteriorization of labor, or productive decentralization, seeks to reduce the operative costs and personnel expenses of a company. Its main expressions are Intermediation and Outsourcing.

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<sup>26</sup> VILLAVICENCIO RIOS, Alfredo. “La flexibilidad y los mecanismos de subcontratación laboral: el caso de la intermediación.” In: Estudios sobre la flexibilidad en el Perú. Organización Internacional del Trabajo. Lima, 2000 pp. 81-106.

<sup>27</sup> *Íbid.* p. 85.

Labor Intermediation refers to subcontracting workforce, which occurs when personnel is posted by a third contractor to a client company. This way, the latter does not have to supervise the performance of the personnel, and the faculty to penalize workers is kept by the company that provides the workforce.

Outsourcing is the process of subcontracting the production of goods and services. A third company is in charge of “part of the business,” or is responsible for a specific service, assuming the direction and risk of such provision. In other words, a third contractor –which has assets and an organization of its own— carries out an activity or service for the client company with its own workers. The risks are transferred to a third party. In a way, this supplier becomes part of the client company, but is not formally incorporated to it.

### **3.3.2. Subcontracting**

As we mentioned above, subcontracting responds to the new models of production and labor organization, and it is mainly expressed in Labor Intermediation and Outsourcing. We will now discuss the concepts, characteristics of, and differences between, these phenomenons.

#### **a. Workforce Subcontracting – Labor Intermediation**

- Workers Posting

Labor intermediation allows for artificial persons or labor cooperatives to supply or post workers who they have previously hired and incorporated to their payrolls, to a third, client company.<sup>28</sup>

The main objective of labor intermediation is to supply or post workers through subcontracting companies (or “entities,” to use the terminology of the Law), authorized according to Law No. 22626.

The subcontracting company (or entity), the company that makes use of the workforce (or client company), and the posted worker develop “triangular” relations. This can be seen in **Diagram No. 4** below.

In the first place, the Entity and the Client Company sign an intercompany civil contract, which specifies that the Entity will supply workers to the Client.

Worker and the Entity are related by a labor contract, which can be classic or subject to modality. The controversial topic, however, is that the worker has a formal employer (the entity), and a real employer (the Client Company), although the worker does not have a labor relation with the latter.

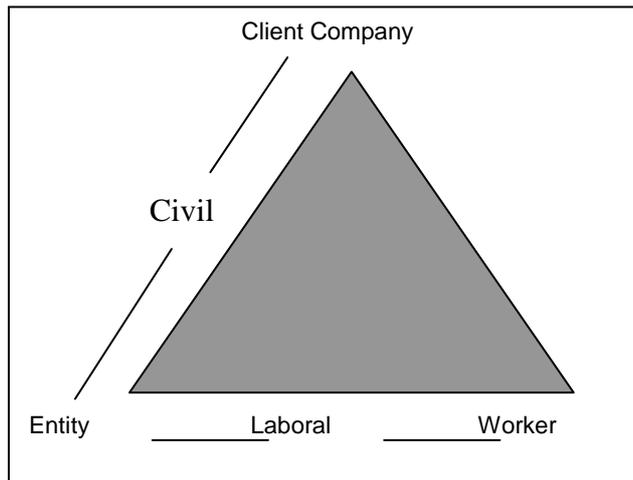
Villavicencio considers that subcontracting breaks from traditional direct juridical relationship between a party that provides and another that receives a service. The

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<sup>28</sup> SAGARDOY, Juan Antonio. Relaciones jurídicas entre la empresa usuaria y el trabajador de la empresa de trabajo temporal. In AA.VV. (Estudios en Homenaje al profesor Alonso García). Madrid, 1995. p. 97 and *passim*.

presence of a third actor who is the formal employer of workers who are posted in another company to render services under the commands of the latter.<sup>29</sup>

**Diagram No. 4  
Labor Triangulation**



Workers cooperatives may also supply workforce. In that case, cooperatives take the place of the Entity in the triangulation scheme. The link between the cooperative and the workers is one of “partners-workers.”

- Power of direction and control power

The “subordination” included in a typical labor relationship is altered in cases of labor intermediation, because the power of direction is delegated to the client company, but the control power remains in the hands of the Entity or subcontracting company.<sup>30</sup> That is, the client company directs and supervises the actions of posted workers who are not “their” workers, while the Entity is entitled to sanction or dismiss workers. The supply of workers can be used as a screen in order to avoid paying labor costs.

- Services provided

The Entities, or intermediary companies, must only provide temporary, complementary, or highly specialized services:

- (i) By temporary services we imply that the intermediary companies should have the intention to cover for permanent positions that are momentarily empty, or to cover

<sup>29</sup> VILLAVICENCIO RIOS, Alfredo. Op.cit. p.87.

<sup>30</sup> MARTINS CATHARINO, J. El régimen jurídico de las empresas de trabajo temporal. REDT. No. 11 pp.331-342.

for non-permanent positions created by temporary requirements (the beginning of a new activity, market needs, or company reconversion).

These temporary services do not generally use labor intermediation because Labor Law offers equally or more flexible alternatives for direct contracting, such as labor contracts under modality.

- (ii) Complementary services are those that are not part of the main activities of the company and require qualified personnel, they are secondary activities, permanent or temporary.
- (iii) Finally, highly specialized services are secondary activities that require high technical, scientific, or qualified levels, either permanent or temporary.

Those services that include the permanent execution of the main activity of the client company are specifically prohibited labor intermediation is used for supplying personnel in activities that are essentially secondary, for instance, maintenance activities, cleaning, security, mailing services, and other specialized activities.

## **b. Outsourcing**

- Productive decentralization

This form allows certain organizations, groups, or persons not related to the company to be contracted to be in charge of “part of the business” or a specific service. The company delegates the management and operation of one of its processes or services to an Outsourcer to speed it up, optimize its quality, and/or reduce its costs.

The risks are thus transferred to a third party. In a certain sense, the provider becomes part of the company, but is never formally incorporated.

Outsourcing must supply integral and autonomous services to be more than a simple posting of workers.” That implies: the legal and formal constitution of the contractor; a differentiation between shareholders, directors, and representatives; sufficient assets and capital; and the most important element: a productive, administrative, and managerial capability.

In outsourcing cases, there is a contractual relationship between the company and the outsourcer, established to produce specific goods or services. In that sense, outsourcing does not originate a labor relationship.

The labor or civil relationship that may exist between the persons that produce the goods and/or services and the subcontracting company is a different topic.

The problem with outsourcing is that labor becomes precarious and unstable. Companies do not assume labor obligations, and unions and the bargaining capability of workers weaken. The flexibility offered by outsourcing makes labor appear as a product which is paid for without assuming obligations (such as the payment of CST, bonuses, justified dismissal, etc.). Subcontracting companies only comply with the minimum protections established by Labor Law, without improving them.

- Power of direction and control power

Outsourcing means to provide an integral service, which demands financial and technical resources, and an autonomous, independent, and adequate productive and organizational structure. Employees work under the direction and supervision of the contracted company.

In other words, subordination (which includes the faculties to direct, supervise, and sanction) is entirely in the hands of the subcontracting company.

- Power of direction and control power

The “subordination” included in a typical labor relationship is altered in cases of labor intermediation, because the power of direction is delegated to the client company, but the control power remains in the hands of the Entity or subcontracting company.<sup>31</sup> That is, the client company directs and supervises the actions of posted workers who are not “their” workers, while the Entity is entitled to sanction or dismiss workers. The supply of workers can be used as a screen in order to avoid paying labor costs.

- Services provided

The Entities, or intermediary companies, must only provide temporary, complementary, or highly specialized services.

Outsourcing should not be used to carry out the main activities of the client company, because, in that case, a third party would not be required. In Peru, however, this is not clear; companies use outsourcing to use the workforce hired by others, which makes labor precarious.

### c. Comparative Table: Labor Intermediation and Outsourcing

We will now present a comparative table that specifies the main characteristics and differences between labor intermediation and outsourcing, as established by Peruvian law:

	Intermediation	Outsourcing
Classification	Subcontracting workforce	Subcontracting production
Characteristics	1. Contract: Service contract. 2. Object: Personnel posting.  3. Workers: belong to the subcontracting company.* 4. Workplace: decided by the client company.	1. Contract: Civil 2. Object: A third party in charge of an integral part of the productive process of a company. 3. Workers: belong to the subcontracting company. 4. Workplace: decided by the contracting companies. **

<sup>31</sup> MARTINS CATHARINO, J. El régimen jurídico de las empresas de trabajo temporal. REDT. No. 11 pp.331-342.

	<p>5. Salaries and working conditions: the same the client company gives his workers, except when there are objective causes for differences.</p> <p>6. Subordination:</p> <ul style="list-style-type: none"> <li>- Power of direction: in the hands of the client company.</li> <li>- Power of control: in the hands of the subcontracting.</li> </ul>	<p>5. Salaries: set by the subcontractor.</p> <p>6. Subordination: workers are under the exclusive control of the subcontractor.</p> <p>7. Responsibility and Own Resources: The subcontracting company carries out the activities on its own risk. It has its own financial, technical, and material resources.</p>
Subjects	<p>1. Artificial Persons:</p> <ul style="list-style-type: none"> <li>- General Society Law</li> <li>- General Cooperative Law</li> </ul> <p>2. Exclusive social object: rendering labor intermediation services.</p>	1. Natural and Artificial Persons
Activities	<ul style="list-style-type: none"> <li>- Temporary services.</li> <li>- Complementary services.</li> <li>- Highly specialized services.</li> </ul>	<ul style="list-style-type: none"> <li>- Complementary services.</li> <li>- Highly specialized services.</li> </ul>
Limitation Percentages	20% of the total workforce, only for temporary services.***	There are no limitation percentages.
Prohibited cases	<ul style="list-style-type: none"> <li>- To cover for personnel on strike.</li> <li>- To cover for personnel from another service company or workers cooperative.</li> </ul>	No limitations
Joint Liability	<p>Client companies have joint liability with posted workers:</p> <ul style="list-style-type: none"> <li>- For amounts not covered by deposit</li> <li>- For the time of service</li> </ul>	There is no joint liability.
Denaturalization: Principle of primacy of reality	<p>In the following cases, there is a labor relation between posted workers and the client company since the beginning of the rendering:</p> <ul style="list-style-type: none"> <li>- An excess of the limitation percentage for temporary services.</li> <li>- Intermediation for temporary services other than the ones that may be covered by contracts of incidental nature or replacement</li> <li>- Intermediation for activities that are not temporary, complementary, or specialized.</li> <li>- When the client company does not fulfill its obligations repeatedly.</li> </ul>	<p>There is a labor relation with the client company from the beginning only if:</p> <ul style="list-style-type: none"> <li>- Personnel is posted to carry out the client company's main activity.****</li> </ul>
Registration	Labor intermediation companies must be registered in the Registro de Entidades ante la Autoridad Administrativa de Trabajo	Registration is not a requirement
Deposit	Subcontracting entities obliged when they subscribe intermediation contracts.	No requirement.

\* Partner-worker relationship, in the case of Workers Cooperatives.

\*\* Since Outsourcing is the "externalization" of part of the productive process, it should imply that the service rendered be made outside the main company.

\*\*\* The 20 percent limitation percentage is excluded if the subcontracting company has technical autonomy and responsibility in the development of activities.

\*\*\*\* This does not mean that a main activity may not be outsourced as "part of the productive process," that is on the risk of the subcontractor.

### **3.4. Legal Framework – Law N° 27626 and Regulation (Supreme Decree 003-2002-TR)**

#### **3.4.1. Labor Intermediation**

The Law N° 27626, named “Ley que regula la actividad de las Empresas Especiales de Servicios y de las Cooperativas de Trabajadores” –Law for the regulation of the activities of Special Service Companies and Workers Cooperatives (henceforth the Law), and its regulations contained in Supreme Decree N° 003-2002-TR, are the central legal devices that regulate labor intermediation in Peru.

These sets of laws not only regulate the activities of companies and entities that participate in labor intermediation, but also the rights of the workers involved and the limitations to the relationships.

##### **a. The Law’s Scope and coverage (Articles 1 and 2)**

Object: To regulate labor intermediation in the private labor regime and to protect workers’ rights.

Subjects: Service companies constituted as artificial persons according to the Ley General de Sociedades (General Law of Societies), o the la Ley General de Cooperativas (General Cooperatives Law), and which have as their main purpose the rendering of labor intermediation services.

##### **b. Definitions (Decree Art. 1°)**

Main activity: it is the activity inherent to the company’s line of business, that is, an activity on which the company depends. For example, the areas of general management, finances, and human resources in an industrial company.

Complementary activity: it is a secondary, ancillary activity, not related to the client company’s main activity. For example: security, maintenance, cleaning, and courier activities.

Highly specialized activities: it an ancillary, secondary activity that demands a high level of technical, scientific, or qualified knowledge. For example, special maintenance.

Workplace: the workplace in a client company.

Center of operations: The workplace is outside the client company’s workplace.

##### **c. Entities (Articles 2, 11, 12, 13, 14, and 14 of The Law, article 2 of the Decree)**

Entities are the artificial persons legally constituted according the Ley General de Sociedades, or the Ley General de Cooperativas. Such entities must have, as their main purpose, the rendering of intermediation services, that is, temporary, complementary, or highly specialized services.

This means that such entities must not provide outsourcing services, and must not carry out activities other than the activity established by the Law.

Such entities are obliged to:

- Register in the Autoridad Administrativa de Trabajo,
- Pay a deposit to guarantee the labor and social security rights of its personnel or partners (in the case of Cooperatives), every time they sign a contract of intermediation with client companies.
- Must have assets above 45 UIT (Tax Unit).

**d. Labor intermediation Assumptions (Article 3)**

Labor intermediation involves the posting of personnel to render temporary, complementary, or highly specialized activities which will be carried out either in the workplace of the client company or in the center of operations.

The Law clearly states that posted workers must not render permanent services related to the main activity of the client company; a violation of this is a denaturalization (a topic we will discuss below)

**e. Prohibited cases (Articles 4 and 8, and Article 6 of the Decree)**

The intermediation will be null if it was intended to, or effectively does, infringe or limit the exercise of the collective rights of the workers that belong to the client company or the entities that carry out intermediation activities. Nullity will be declared in a lawsuit.

A case of “infringement” would be, for instance, to impede workers to reach the minimum number to form a union. An example of “limitation” would be to transfer contracted workers to modality, to have them work through a service losing their right to be union leaders.

The client company may not contract an Entity (service companies or cooperatives) in the following cases: (i) to cover for personnel on strike; and/or (ii) to cover for personnel in other service companies or cooperatives.

**f. Denaturalization of the conditions for labor intermediation (Article 14°, Decree)**

The following cases are considered denaturalization cases:

- When the workforce posted exceeds the limitation percentage for temporary services.
- Intermediation for temporary services other than those that can be included in temporary or replacement contracts.
  
- Intermediation for non temporary, complementary or specialized activities.
- The client company’s repeated non-fulfillment of its obligations, verified by the Autoridad Administrativa de Trabajo.

In cases of denaturalization, and applying the principles of primacy of reality, it will be understood that workers have had contracts with the client company since the date they initiated working in such company. In other words, a direct labor relation between the worker and the client company is constituted.

**g. Joint liability (Article 25°)**

It is responsibility of the client company only if the deposit made by the Entities is not sufficient to pay for the labor rights owed to the workers posted in the former.

Such responsibility is limited to the amount not covered by the deposit and for the period of time worked in the client company.

This means that the affected worker may sue any of the joint debtors (Entity and Client Company) or both simultaneously. In case the client company pays for the labor rights demanded, it may sue the Entity for that amount or for the part not covered by the deposit, whichever case applies.

#### **h. Limitation Percentage (Article 6 of The Law, and Article 3 of the Decree)**

The number of workers of service companies or cooperatives that may render services in client companies as temporary services must not exceed 20 percent of the total workforce of the client company.

This 20 percent may only be made up of personnel who carry out temporary activities, that is, the percentage is only applied to the intermediation of replacement or occasional contracts.

Such percentage will not be applied to complementary or specialized services if the service company or cooperative assumes technical autonomy and responsibility for the development of its activities.

#### **3.4.2. Outsourcing (III Final Regulation and Article 4 of the Decree)**

Under outsourcing, some of the activities of a company are carried out by third companies, but under conditions and requirements we will discuss. Outsourcing is not specifically regulated by the Law of Intermediation (Law N° 27626), but has been stealthily introduced in our legal framework in the Third Final Regulation of The Law, and article 4 of the decree (Decreto Supremo N° 003-2002-TR).

##### **a. Services by third parties**

Article 4 of the Decree establishes 5 types of third party services (management contract, Contracts for the provision of a specific service or the completion of a specific work, external outsourcing, civil contracts in which a third party assumes part of the productive process, and services provided by contracting or subcontracting companies). Each type of contract has peculiarities clearly established by the norm. We will only discuss those related to outsourcing.<sup>32</sup>

Outsourcing includes the cases when a company entrusts an integral part of the productive process, which may be carried out of the client company, to another company. However, some of the cases detailed in the regulation seem to imply that part of the productive process may be carried out in the client company.

The activities provided by the subcontracting company, or outsourcer, are not typified, they may be main or secondary activities, which generates conflicts; the use of outsourcing may denaturalize the contents of the Ley de Intermediación Laboral. In other words, making use of outsourcing, companies escape the control and formality

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<sup>32</sup> The regulation speaks of an “external” outsourcing, which seems to imply that the workplace is different, or external, to the client company’s. However, the regulation also speaks of the case when a third party is contracted to assume an integral part of the productive process, which seems to imply that outsourcing takes place in the client company’s workplace.

established by Law, which means that outsourcing may make labor more precarious and unstable.

It is difficult, however, to apply the corresponding sanction (that is, to declare the existence of a labor relationship between the client company and the worker) because under outsourcing, while the providing company may carry out the main activity of the client company, its object is not to provide or post personnel. Outsourcing thus escapes the scope of the Law.

## **b. Requirements for Outsourcing**

There are two kinds of conditions for outsourcing. They are classified into essential and coadjuvant conditions.

### **c. Essential elements**

Subcontracting companies must meet these requirements, because there are imperative conditions:

- Assuming activities on their own: all the expenses related to the object of the contract must be assumed by the providing company. Transportation, for example.
- Assuming risks on its own: the economic damages generated by the contracted service must be assumed by the providing company, not the client company. The opposite would be a case of simulation of the used modality.
- To Have its own financial assets: the financing of the service rendered must be assumed by the providing company, and not with advance payments by the client company.
- To have technical or material resources: the providing company must have the machinery required for the service, as well as the instruments and other material resources required.
- Workers must be under the exclusive control of the service company: The providing company keeps faculty to direct, control, and sanction the personnel that provides the service to the client company.

### **d. Coadjuvant conditions**

These conditions are not imperative, but their presence is evidence that a process of subcontracting is not a simple posting of personnel.

- Plurality of clients: the providing company must render its services to several client companies. This condition neutralizes the possibility of exclusivity and thus, of simulation. If the rendered service is exclusive, outsourcing would not make sense, and there would be a direct labor relationship between the workers and the client company.
- Own equipment. The instruments or resources used by the worker in the process of rendering his service (tools, clothing)

Payment for the product or service: the payment must not depend on the number of workers, but on the result of the service.

As we have seen, the flexibilization of Labor Law appears in a context of globalization in which companies want to maximize their resources and reduce costs. New modalities of service rendering alter the original employer-worker relationship.

The modalities of service rendering discussed above are part of subcontracting: labor intermediation and outsourcing. Besides their characteristics, it is necessary to discuss if they are in agreement with the principles of the ordinary labor regime.

To that effect, we must say that Labor Intermediation, specially outsourcing, make labor precarious and unstable. We say this because the client companies (which are the final beneficiaries in subcontracting) use those modalities to contract “workers” under civil contractual schemes; that is, they pay a fixed amount for the service and avoid the “heavy” economic and social load of the ordinary labor relationship in the hands of the contractor.

Contractors are to fulfill the role of employer, and will constitute a company with the main object of hiring workers under the minimum possible labor conditions. This is essential for contractors to offer a cheaper and “more competitive” service to the client company, and to obtain benefits.

The effect of this logic is that the contractor will hire personnel applying the lowest labor benefits allowed by law, and using flexible modalities of contracting included in the Law, such as the contracts subject to modality (temporary)

Subcontracting, therefore, is a legal concept that loosens ordinary labor regime, which ultimately affects workers. Below we present **Table No. 11**, which shows the number of companies that carry out labor intermediation activities.

**Table No. 11**

**Companies and other entities that carry out labor intermediation activities in Peru, up to October, 2004**

<b>PERIOD</b>	<b>LIMA (*)</b>	<b>OTHER URBAN PLACES</b>	<b>NACIONAL URBAN TOTAL</b>
<b>REGISTRY</b>	<b>139</b>	<b>150</b>	<b>289</b>
• 2003 (nov-dic)	26	25	51
• 2004 (ene-oct)	113	125	238
<b>RENOVATION</b>	<b>353</b>	<b>203</b>	<b>556</b>
• 2003 (nov-dic)	19	11	30
• 2004 (ene-oct)	334	192	526
<b>TOTAL CURRENT REGISTRIES</b>	<b>492</b>	<b>353</b>	<b>845</b>

**Companies Cancelled 2003-2004**

<b>CANCELLED REGISTRATIONS</b>			
2003 (Jan.-Dec.)/2	8	7	5
2003 (Jan.-Dec.)/3	122	125	247
2004 (Jan.-Oct.)/2	3	3	6

SOURCE: DNPEFP

Note: A registration is valid for a year.

(\*) Includes Metropolitan Lima, Callao, and Huacho.

1/ This information refers to entities and labor intermediation companies registered in the Registro Nacional, it excludes branches, offices, and agencies.

2/ Total companies cancelled by Directorial Resolution.

3/ Total companies automatically cancelled for not renewing their registration.

### 3.5 Hugo Wilfredo Macuri Flores's Case

We will now present a legal analysis of the case of an ex-employee of Industrias Pacocha S.A., which describes the situation the workers of such company are, once it was purchased by Alicorp S.A.A.

#### **Facts:**

1) In December 2000, Pacocha Industries, member of the Unilever Group, was bought by Alicorp. There was an agreement signed between Pacocha and Unilever, which regulated the transfer of the Pacocha Plant. The agreement specified the obligations of both parts regarding the workers of the transferred plant. These duties included the transfer of the employees from Pacocha to Alicorp in two categories: assumed and transferred employees. The first group would have had to resign from Pacocha in order to enter Alicorp as new workers. The second group refers to those that did not accept to resign.

2) Mr. Hugo Wilfredo Macuri Flores worked at Pacocha Industries from February 26, 1975 to December 31, 2000. On the 28<sup>th</sup> of December, 2000, Mr. Macuri accepted to be an assumed employee by Alicorp, signing his resignation letter from Pacocha, which included several social benefits.

3) From January 03, 2001 to March 13, 2001, he worked at Alicorp Company. He presented his resignation letter and quitted the job.

4) On March 14, the company accepted his resignation letter, pointing out that his last day in the company was March 15. That day, Mr. Macuri signed a settlement for S/. 25,841.93, as gracious amount for the total time he worked at that company.

5) The worker sued both, Pacocha Industries and Alicorp, on March 20, 2002. Before the Huaura court, Mr. Macuri demanded: (i) The reimbursement of social benefits (ii) The refunding of tax returns, and (iii) the payment of profits sharing. The total amount of the demand was S/.35,000.00.

6) The Jury admits the lawsuit as valid on June 17, 2002 and notifies the parties.

7) Alicorp answers the demand, and poses three exceptions

- Exception of incompetence: Alicorp argues that the court may not settle the tax withheld in excess and demand its payment to the withholding agent.
- Lack of Legitimacy Exception, for the defendant regarding the payment of social benefits.
- Exception of obscurity or ambiguity, in the worker's demand, because it is against two companies for whom he worked in two different periods.

8) On August 21, 2002, Pacocha presented a inhibitory request before the Lima Labor Court, which accepted it. The case file was then sent to the 20<sup>th</sup> Labor Court of Lima. Along with the inhibitory request, Pacocha enclosed the private agreement it had signed with Alicorp. The agreement addressed what Pacocha's obligations with the workers were assumed Alicorp's obligations.

9) On the Lima Labor Court, Pacocha Industries was found to be in contempt of the court, and a Single Hearing is arranged for April 20, 2005.

10) The process is pending solution.

(For further background information on this court case, see the transfer agreement between Industrias Pacocha and Alicorp in Annex 2, in Spanish.)

### **Case analysis:**

a. Regarding the payment or refund of an illegal or excessive withholding of fifth category rents by the company:

- The Jurisdictional Joint Session N°08-99, has determined that Labor Courts are not allowed to set the amounts of tax withholdings in charge of employers.
- In Fact, article 54 of the Tax Code establishes that tax administration determines tax obligations (articles 59, 60, and 61)
- Article 38 of the Tax Code sets the proceedings for the return of overpaid taxes.

Conclusion: Labor Court may not settle the debt of an overpaid tax and order its return to the plaintiff. This does not mean, however, that the plaintiff may not ask the tax administration to determine the overpaid amount and proceed to the return, as established by the Tax Code.

b. Regarding the payment of profits:

- Article 5 of the Legislative Decree 677 (revoked by Legislative Decree 892, on Jan 01, 1997), established a regime for profit payments for dismissed workers. Article 9 of Legislative Decree 892 substitutes the revoked article with a similar one. It is in that sense that Annulment No.3803-97 on June 07, 1999, is decreed.
- In the case of merged companies, the Annulment No.3803-97, claimed by the plaintiff, states that the payment must follow the regime established by Legislative Decree No.892 for dismissed workers.

Conclusion: The payment of profits would proceed if both companies has merged or made some kind of societal reorganization, and if profits had effectively been generated. If no form of reorganization had taken place, and one of the companies the plaintiff had worked for had generated profits, the regime of Article 9 of the Legislative Decree No.982 would apply.

c. Regarding the payment of social benefits:

- The plaintiff claims he received S/.25,219.04 as gracious amount, but that he should have received the amount of S/.28,000.00. According to Article 57 of the Texto Único Ordenado de la Ley de Compensación por Tiempo de Servicios (D.S. N°001-97-TR), the amounts courts may impose Hill deduce from such amount. (Annulment No. 246-2002, Arequipa September 06, 2002)

- Therefore, if the court determines that there is an amount the company has to pay as social benefits, the amount paid graciously would have to be deducted, and the remaining amount would have to be collected through the courts.

**Conclusion:**

This case shows how the sale of Pacocha Industries represented a conflict for the cited worker, because after he resigned from Alicorp, he evaluated that the settlement procedure had not fulfilled the labor regulations.

The worker stated that Pacocha Industries did not apply the labor norms correctly for his termination, and therefore he had to set his claim by suing both Pacocha and Alicorp.

Regarding the possibility for Mr. Macuri to make a claim through the internal procedures of Pacocha, we have to consider that the agreement signed between Pacocha and Alicorp did not specify whether Alicorp took responsibility over the benefits' payment of assumed workers.

Mr. Macuri stated that Pacocha never explained all the consequences of resigning. They did not explain either the claiming procedures in order to obtain the labor benefits (i.e. social benefits, profits sharing, etc.) derived from labor relationship.

## **IV. Unilever and Corporate Social Responsibility**

The term Corporate Social Responsibility (CSR) refers to the concept of business being accountable for how it manages the impact of its processes on stakeholders, social actors directly or indirectly related to the company's actions. In the following pages, we will discuss Unilever's policy regarding this new conception of entrepreneurial development.

### **4.1. Unilever's Corporate Philosophy and CSR**

“...To succeed also requires, we believe, the highest standards of corporate behavior towards everyone we work with, the communities we touch, and the environment on which we have an impact.”

*(Environmental Report 2004).*

With this declaration, Unilever presents itself as a transnational company committed to CSR, adopting it as part of a corporate model that seeks to: (i) consolidate the company's presence in the world market, (ii) increase its competitiveness, and (iii) assure its long term sustainability.

CSR is a new business conception by which the company is not only committed to obtaining profits, but also to satisfy needs. It is different to philanthropy, which is based on voluntary assistance to certain social groups. Therefore, CSR requires the identification of stakeholders who are affected by the company's activities, and whose needs must be integrated into the company's commercial operations, in order to generate a favorable environment for its advance. Unilever's CSR policy acknowledges the company's commitment in its relationships with: the government, shareholders, consumers, suppliers, workers, the environment, and the community.

This strategy is described in its Corporate Policy, Code of Business Principles, and Annual Reports about Environmental and Social Policy. We will briefly describe the commitments taken by Unilever with each of these actors.

#### **4.1.1. The Government**

Being a transnational company, Unilever has a wide scope of influence, which is larger than the headquarters where corporate decisions are taken. Unilever's growth in different places of operation requires adapting the company to different national civil, labor, administrative, and societal legislations. Compliance to the legislation is the responsibility of the company's personnel in every level.

Unilever's corporate policy includes the promotion and defense of its legitimate business interests. This means that “Unilever will co-operate with governments and other organizations, both directly and through bodies such as trade associations, in the development of proposed legislation and other regulations which may affect legitimate

business interests.”<sup>33</sup> Unilever also declares that it neither supports political parties nor contributes to the funds of groups whose activities are calculated to promote party interests.

#### **4.1.2. The shareholders**

The company’s social responsibility regarding the shareholders is expressed in their provision of timely, regular and reliable information on the company’s activities, structure, financial situation and performance to all shareholders. The shareholders must agree to follow the principles established on the company’s Code of Business Principles, in order to develop beneficial relationships for all parts.

#### **4.1.3. The consumers**

According to Unilever’s Code of Business Principles, the commitment the company maintains with its clients is related to the quality of the products and services the company offers: *“Unilever is committed to providing branded products and services which consistently offer value in terms of price and quality, and which are safe for their intended use. Products and services will be accurately and properly labeled, advertised and communicated”*

In that sense, Unilever’s commitment is oriented to increase the accessibility and quality of its products through such variables as price, presentation, ingredients, production processes, among others. Unilever gathers information about the social and economic situation of the countries where it operates, such as the minimum salary and the rates of malnutrition. Based on this data, Unilever designs strategies adapted to the local socioeconomic conditions; thus, for instance, in developing countries, Unilever offers low priced products, and enriched with vitamins and minerals.

The nutrition, hygiene and personal care of consumers is an important issue for the company. It thus develops: (i) research and development; (ii) control systems managed by external specialists and through Unilever’s Safety and Environmental Assurance Centre (SEAC); (iii) nutrition programs through manuals and guidelines prepared by Unilever’s Food and Health Research Institute, and based on the guidelines given by the World Health Organization and other health bodies; and, (iv) partnerships for projects for the improvement of hygiene and health at home.

At a corporate level, Unilever views publicity as an information tool used to build consumer’s confidence in their brands and products. Unilever wants its advertisement to be “legal, decent, and honest,” principles established in Unilever’s national and international Codes of Business Principles. Unilever has thus supported initiatives to develop a framework for responsible food and beverage communications by the International Chamber of Commerce.

#### **4.1.4. Suppliers**

According to its Social Report 2004, Unilever has 19 thousand business partners across its chain of production, which carry out approximately 15% of its total production. Unilever is committed to establishing relations with its suppliers to raise quality

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<sup>33</sup> Unilever’s Code of Business Principles.

standards, to improve efficiency in its activities, and to increase its participation in the market.

Unilever's Business Partner Code sets out its expectations that key suppliers and other partners adhere to business principles consistent with its own on key points covering business integrity, labor standards, consumer safety and the environment

Additionally, Unilever has set up a new approval process for suppliers, to assess and rate their compliance with its business principles. This process was initiated in 2005, with the assessment of "first-tier" suppliers. Unilever expects to work with its partners to comply with the requirements and standards established by the company and to achieve the desired level of performance.

#### **4.1.5. Employees**

Social Responsibility policies adopted by Unilever regarding its employees include working with employees to develop and enhance each individual's skills and capabilities, to encourage them to learn continuously and to provide them with safe and healthy working conditions.

The company has established a community of learning academies for professional skills training in finance, human resources, information technology, marketing, supply chain, and customer development. Unilever's operations throughout the world are regulated by the operational standards set in the Code of Business Principles, and the local laws and regulations of the countries in which it operates. In the Code, Unilever states that it respects such principles as: (i) the rights of employees to freedom of association, (ii) fair, non-discriminatory treatment to employees, (iii) the implementation of health and safety standards (for which Unilever has elaborated its Occupational Health & Safety Framework Standards), among others.

Unilever's interest for the risks of diseases such as HIV/AIDS is worth mentioning. Unilever has launched programs of health education, as well as to secure appropriate treatment to its employees at all stages of the disease. Such policies are aligned with the key principles of the ILO Code of Practice on HIV/AIDS.

Unilever has also surveyed over 100 thousand employees, with an 86% participation rate. The survey allowed employees the opportunity to comment about Unilever's changes in the organization and management of the business.

#### **4.1.6. The Environment**

Regarding the environment, Unilever has a corporate strategy for agriculture, fishing, and water. Such environmental priorities were set considering the company's line of production (food and personal care), and initiatives about eco-efficiency and innovation in manufacturing have been implemented.

Unilever emphasizes its commitment to making continuous improvements in the management of its environmental impact and to the longer-term goal of developing a sustainable business. Unilever states it works in partnership with others to promote environmental care, increase understanding of environmental issues and disseminate good practice.

This strategy is being implemented across its chain of production, based on active communication with its consumers, and on compliance with requirements related to environmental care. As part of its corporate policy, Unilever has developed actions to guarantee its environmental responsibility, such as the implementation of Unilever's Safety and Environmental Assurance Center (SEAC), and Unilever Environment Group (UEG), and systems of environmental management, as well as the participation of external advisors.

#### **4.1.7. The Community**

As part of Unilever's social responsibility towards the communities in which it operates, the company has a commitment to work as an integral part of society with the government, the citizens, and existing organizations. Unilever believes this approach allows for the maximization of the company's contributions to the community's welfare.

With the government, Unilever participates in the promotion and implementation of public policy related to business interests. With citizens, as consumers, through research and the development of techniques and tools to improve the quality of products. And, finally, with organizations, such as NGOs, guilds of entrepreneurs, and world organizations, establishing partnerships in favor of human rights, the environment, and against corruption. Regarding the latter, Unilever is part of United Nations Global Impact.

#### **4.2. Corporate Social Responsibility (CSR) in Unilever Andina Peru**

As we have previously stated, Unilever has a social responsibility policy at the corporate level regarding seven actors. Such policy is the framework for the actions of each of Unilever's subsidiaries in the countries where it operates.

There is no information about Unilever's CSR policies in Peru. However, Unilever's social actions in the areas of education, the environment, and support to homeless children are well known. These activities are related to the concept of philanthropy, and are carried out as part of an integral social support plan. Mr. Norberto Rossi, General Manager of Unilever Andina Peru for the 2000-2004 period, stated:

*"We relieve that social work is a fundamental part of our mission as a company. We have always been part of several social activities directed to improve education, the environment, and to support homeless children. These will be continuous activities, because we are developing a plan to direct all our support to certain social work."*<sup>34</sup>

That is why, as part of our research, and to know the labor conditions of the employees across the chain of production of Unilver Andina Peru, we decided to analyze the CSR policies of the companies who supply Unilever.

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<sup>34</sup> Interview to Norberto Rossi, General Manager of Unilever Andina Perú until January 2005. Classis News. Revista Bimestral, año 2, No.10, Enero-Febrero 2004.

Suppliers play central roles as part of the production and distribution strategies of transnational companies, and as a vitalizing element of the productive apparatus. In the first case, they allow the company that heads the productive chain to focus on their main activity, externalizing all services not related to its expertise. On the second case, they allow for the exchange of technologies that promote the increase of competitiveness and productivity of the chain of production.

Outsourcing, however, also has negative consequences. It includes a substitution of part of the workforce of the main company for workforce of a third one. This means a decrease in the costs of the main company, which saves the salaries and social benefits of the employees that are separated from the company or relocated in new areas of production. Workers of outsourced companies frequently have lower salaries and benefits, and have worse working conditions in: working hours, overtime, employment stability, rights related to training, illnesses, and other causes of absenteeism from work, among others.<sup>35</sup> Besides the decrease in the workforce, outsourcing generates its fragmentation, limiting the promotion of union leaders, and reducing its power of action.

Unilever promotes certain principles and values as part of its CSR policy, which involve different actors across its chain of production, and which are listed in its Code of Business Principles. Regarding its relationship with suppliers, the company has also set up the Business Partner Code, by which supplying companies must agree with a set of standards to meet the performance levels desired by Unilever. These standards are related to the productive processes as well as with the principles Unilever advocates.

We decided to assess compliance to those principles by companies outsourced by Unilever in Peru, with a focus on labour issues.

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<sup>35</sup> STOLOVICH, Luis. “La Tercerización ¿Con qué se come?”. CIEDUR, Montevideo, Uruguay. [sf]. Available in the Red de Bibliotecas Virtuales de Ciencias Sociales de América Latina y el Caribe, of the Red de Centros Miembros de CLACSO.

## **5 Research on labour relations and employment conditions**

### **5.1 Research method**

The companies identified as suppliers in Unilever Andina Peru's chain of production are Alicorp S.A.A. and Demsa. Alicorp has 1816 employees: 28 officials, 695 employees, and 1093 manual workers; along with 592 temporary employees. Demsa has a total 425 employees: 7 officials, 301 employees, and 117 manual workers.

We decided to apply a survey to a representative sample of manual workers of Alicorp S.A.A. The results of the survey allow us to assess the company's labor regime regarding the following topics: working day and working hours, labor relationship with the company, level of salaries, bonus remunerations, sanctions, freedom of association, illegal firing, discrimination, labor inspections, health and labor security, and environmental practices.

For the Spanish questionnaire that was used for the study, see annex 3.

### **5.2 Application of the research method**

To apply our survey, we contacted workers and former workers of Alicorp.

We have to mention that, during this process, we learned that a union might be formed in this company. Since Alicorp held an apparent hostility towards union representation, and we did not want to alert the company about the workers' intention to form a union, contacting workers became a difficult and delicate matter

We offered the workers who informed us about this option assistance about the formation of unions and support in case the company acted against them (sanctions, dismissals, etc.)

Taking this difficulty into account, as well as the workers' fear of retaliation, we applied the survey to 15 workers from the two plants located in Lima:

- COPSA plant, located in Callao, dedicated to the production of oils, edible grease, sauces, and soaps.
- The Faucett plant, located in Callao, dedicated to the production of flour, pasta, and candies.

Additionally to the surveys, we sent Alicorp S.A.A.'s General Manager a request for an interview. We intended to validate the information obtained through our survey. Our request, however, was not answered, which shows that the company was unwilling to talk about the working conditions of its employees.

We will now present the results of our survey to Alicorp's workers, divided according to topic areas.

### **5.3 Results**

The results of our survey lead us to the following conclusions:

## Characteristics of Surveyed Workers

The workers surveys have the following characteristics:

- They are all male. While we did not contact female workers, at least five workers in the COPSA plant mentioned that approximately 50 women work there. The remaining 10 workers surveyed, who belong to the Faucett plant, stated that no women worked in that plant.
- Workers' ages are between 20 and 40 years. In Peru, all the population above 14 years of age are considered as economically active population (EAP), or able to work. Our sample is within that margin.
- The time of service of surveyed workers is between 1 and 30 years. Ten workers stated they were working for the company for less than ten years, and five said they were working for the company between 10 and 30 years). This data leads us to conclude that there is a high level of rotation in the company, especially in the least specialized jobs.
- They are all manual workers subject to the modality of direct contracting. This category groups manual workers who work for a public or private employer and receive a weekly salary.<sup>36</sup>
- According to the direct contracting modality, no intermediary should exist between the company and the worker to establish the labor relationship. This excludes outsourcing and labor intermediation.
- Only one of the 15 surveyed workers declared to have had experience as a union member during his time working for the Embotelladora Latinoamericana S.A. (ELSA) Company.

## Freedom of Association

One of the surveyed workers declared to know an attempt to form a union in Alicorp S.A.A., although he did not offer any details on that matter. The other workers said they had no knowledge about the possibility of forming a union.

Although we do not have solid information, the recent attitude of workers during the process of gathering information for this study, allows us to understand the company's posture. Thus, for instance, we perceived a generalized fear among workers of sanctions for participating in our survey. The workers that let us know about the possibility of the formation of a union requested confidentiality. They feared a reprisal from the company against them and against those who wanted to create the union.

It is also necessary to add that it was important to know the deal of knowledge that direct workers had about outsourced workers existing in the company. They thus did not know if outsourced workers could, or were willing to, be unionized.

## Working Day

The working day established by the company complies with the laws and regulations, that is, 48 hours a week. A normal work week consists of six days of 8 hours. However,

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<sup>36</sup> Definition used by the Ministerio de Trabajo y Promoción del Empleo (MTPE).

this quantity of working hours a week may be covered by workers in different shifts and schedules. For example, the company has set up, in some cases, atypical working schedules that include: **ten hours during some workdays, and 8 hours during a weekend day (either Saturday or Sunday)**. The shift and schedule is set by the company considering the labor assigned to each worker.

Twelve of the surveyed workers declared they worked 8 hours a day, and the others have 10 and 8 hour shifts. These three workers have different working hours during weekdays. They work 10 hours from Monday to Friday, in the shift assigned to them, and 8 hours during weekend days. This is in accord with the atypical workday established by the company.

**An atypical workday exceeds the normal workday, which is 8 hours a day, but does not exceed the maximum 48 hours a week.** According to Pasco Cosmópolis<sup>37</sup>, this workday may be applied “in cases of oil or mining camps, in fishing workdays, and in a large number of situations in remote or isolated locations where it is necessary to modify the regular alternation between working and leisure time...” This is because the notion of leisure or resting time must contemplate the complete recovery of the energy invested in work.

It is necessary to mention, however, that this type of workday is not exclusive for the tasks mentioned above. Current national legislation allows for the implementation of this mode as far as the total weekly hours do not exceed 48:

*“Employers may reduce or increase the number of days in a working week. Employers may prorate the hours in the remaining days of the week, and the prorated hours will be considered as part of the ordinary workweek, which may not exceed 48 hours a week. In case of accumulative or atypical workdays, the total number of working hours per week may not exceed 48 hours. (Art. 2º, D.L. 854)*

In the case of Alicorp S.A.A, the workday imposed on workers, by which **they work more hours from Monday to Friday, and fewer hours during weekend days**, allows workers to have more leisure time with their families during weekend days.

It is necessary to mention that compliance of working hours does not exclude the possibility of overtime. Ten of the surveyed workers declared they worked in shifts or schedules after their regular hours. As we will explain below, a possibility to reward overtime is to award free days. This may explain why more than half of the surveyed workers declared they have worked overtime.

### Level of Salaries

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<sup>37</sup> PASCO COSMÓPOLIS, Mario. *Contratos de Trabajo de Jornada Atípica. Atipicidad en los dos extremos: Jornada Parcial y Jornada Acumulativa.*

Eight of the surveyed workers receive a daily wage under 25 soles, while the remaining seven receive a wage under 35 soles. These are the basic salaries workers receive, that is, the amounts do not include complementary remunerations that vary according to the characteristics of the work done, the personal conditions of workers, or the financial situation of the company. Therefore, it is difficult to give an accurate estimate of total remuneration structure of Alicorp S.A.A. Companies generally have variable or occasional remunerations, established according to factors such as seniority, performance, among others; or bonuses for transportation, lunch, uniform, among others. Variable remunerations are also given for overtime and similar causes.

In spite of the different wages declared by the surveyed workers, the estimation of the total monthly salary –considering the working hours declared— allows us to conclude that the salaries received by surveyed workers at Alicorp S.A.A. are higher than the minimum wage established by law. According to the Decreto Supremo No 016-2005-TR (December 29th, 2005), the Remuneración Mínima Vital (minimum wage) is currently S/. 16.66 per day. The wage at Alicorp is expressed in days or hours, depending on the worker's shift or schedule, and the respective value is obtained dividing the ordinary weekly, biweekly, or monthly remuneration by seven, fifteen, or thirty, respectively, for the day, and dividing this amount by the number of hours included in an ordinary workweek for a certain worker.

According to labor statistics published by the Ministerio de Trabajo in December, 2004:

- The average monthly wage for manual workers who work for companies of 50 workers or more is 985.15 nuevos soles, that is, 32.8 nuevos soles per day. That means that only seven of the surveyed workers received a wage above or near the average.
- Similarly, if we compare the wages received by surveyed workers to the average wage received by workers in the same field, only those workers holding a wage is between 25 and 35 nuevos soles are above the average. In this case, the average monthly wage for manual workers in the industrial sector is 854.79 nuevos soles.

On the other hand, the information about the workers' salaries allows us to establish that their hourly wage is between 1.75 nuevos soles for cleaning personnel and 4.18 nuevos soles for machine operators. The average hourly wage received by the surveyed workers is 2.86 nuevos soles, and is 54 percent lower than the value of the Canasta Mínima de Consumo (Basic Market Basket, BMB) per hour in Metropolitan Lima, which is 6.19 nuevos soles. The BMB per hour express the income per hour required to afford the minimum nutritional requirements of calories and proteins for an individual.<sup>38</sup>

The Ministerio de Trabajo y Promoción del Empleo (MTPE) establishes the following classification for quality of jobs in Metropolitan Lima:

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<sup>38</sup> Ministerio del Trabajo y Promoción del Empleo.

- *High quality* jobs, where workers of the formal sector concentrate<sup>39</sup>, who have labor rights and protection, and whose income per hour is above the Basic Market Basket per hour (6.19 nuevos soles).
- *Good quality* jobs, which include workers whose hourly income is above the Basic Market Basket per hour (6.19 nuevos soles), may or may not belong to the formal sector, and may or may not have social benefits.
- *Medium quality* jobs, which include workers with hourly wages between half and one Basic Market Basket per hour, that is, between 3.09 and 6.19 nuevos soles, and present similar characteristics to workers with good quality jobs.
- *Low quality* jobs. In this case, workers receive a wage under half a Basic Market Basket per hour (3.09 nuevos soles), and may or not belong to the formal sector or have social benefits.
- *Very low quality* jobs. Includes workers who receive a wage under half Basic Market Basket per hour (3.09 nuevos soles), and do not belong to the formal sector and do not have social benefits.

Based on this classification, we can conclude that eight of the surveyed workers have *low quality* jobs, because their hourly wages are below half a Basic Market Basket per hour (3.09 nuevos soles), while the remaining seven have *medium* quality jobs, because their wages are between 3.09 and 6.19 nuevos soles. In these cases, all workers belong to the formal sector, because they work for a large company and have a direct contract relationship with it. The information about social benefits will be analyzed below.

Regarding changes in the wage regime established by the company, thirteen workers stated that no changes had occurred in the past two years, while two said they did not know of any change made at all. The company does not provide information about its labor regime to the Comisión Nacional Supervisoría de Empresas y Valores (CONASEV). At any rate, the possibility of a reduction in wages is small, especially considering that, by the end of last year, the Consejo de Ministros approved the decision to increase the Minimum wage to S/. 16.66 per day. This increase sets the minimum wage 9 percent above the former wage, and means S/. 1.33 additional per day. Companies will have to increase the daily wages in order to adjust to this decision.

Regarding the additional remuneration workers receive for working outside their workday or schedule (overtime), ten workers stated they made extra hours. Only 5 of them declared they received additional remuneration in exchange of their additional work, while the other 5 declared they did not receive additional remuneration. However, this latter workers did not give any further details about this situation.

According to Labor Law, overtime work must be compensated with a minimum 25 percent surcharge over the value of an hour for the first two hours and a minimum 35 percent surcharge over the value of an hour for the additional hours that exceed the workday hours. Overtime, however, may be compensated with free days, in a number equal to the overtime.

#### Sanctions applied by the company

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<sup>39</sup> The formal sector includes workers in the public sector, private companies with more than 6 workers, liberal professionals and practitioners. The non-formal sector, for its part, includes workers of medium and micro-enterprises and domestic servants.

Regarding the sanctions applied by the company for inappropriate behavior of workers, they range from reprimands and suspensions to dismissals. Reprimand is, according to our survey, the most common sanction applied by the company in the last two years. Based on the opinions of surveyed workers, sanctions such as dismissals have been applied once or twice a year. According to the testimonies, the sanctions applied are mild because the transgressions committed by workers are minor. For example, one of the workers declared he had received a reprimand because he was using his personal music equipment while he was working.

When asked about the occurrence of administrative, police, or legal process against a worker, the surveyed workers responded that such a situation had not occurred, at least during the past two years. This indicates that the transgressions committed by workers are not serious.

Regarding abrupt dismissals, nine workers declared that at least one case had occurred in the past two years, although they did not specify why such sanction had been applied. Four surveyed workers declared that no abrupt dismissals had occurred, and two said they did not know if abrupt dismissals had occurred.

The ignorance of some of the events within the company, such as the occurrence of abrupt dismissals, would be justified by the system of work of rotating shifts that the company has imposed on its workers. Nevertheless, an abrupt dismissal does not involve a “sanction” but an illegal labor practice.

Finally, according to the survey, discrimination by any concept (race, gender, religion, among others) is not a reason for sanctions in Alicorp S.A.A.

### Health and labor Security

As we have mentioned previously, the labor conditions for the working mass in Peru have become precarious and unstable, reaching in many cases worrisome levels. In the case of the wage-earning workers, the differences between skilled workers and non-skilled ones are notorious, the latter being more affected. This group of workers is frequently exposed to working conditions that affect their physical and mental health

In our case, the workers interviewed are non-skilled wage workers, classification given to them considering their occupational category, as workers in the production plants, and the wages that they receive. The fifteen workers declared that they knew cases of accidents in each of the industrial plants in which they work, which resulted from the negligence of such workers. The number of cases of industrial accidents known by the workers fluctuates between 1 and 6 accidents in the past two years. However, workers did not give any further details about type nor gravity of injures.

It is important to mention that the accidents to which workers refer are related to physical health. This is because physical health is more perceivable by the workers; any disease related to the physical appearance, or any contusion, cut, fracture, among others, is of greater visibility, as compared to other types of disease or effects on mental health, such as stress.

In the case of Alicorp S.A.A. its workers confirm that the company conducts physical checks, and delivers the results, even though these tests do not suffice in detail.

It is also important to mention that at least two inspections have been carried out every year at Alicorp (one requested by the Ministerio de Trabajo, and the other by workers' request), in order to verify the fulfillment of general labor norms and to verify the conditions of security and labor health. A relationship between the number of industrial accidents and the number of labor inspections can be established at Alicorp, because the inspections produce positive effects for the workers' health, by providing general safety tips, and less risk in operating machines and tools. Although compliance of labor norms has been verified, the accidents mentioned by the workers were not anticipated and prevented by the inspections. We may conclude that accidents occur when workers do not comply with security procedures set for their own security.

### Environmental Protection

Regarding the company's policy for the environment, workers were asked if they knew them and the tools implemented by the company. This question is significant because the concept of Corporate Social Responsibility demands the intervention of several relevant (i.e. suppliers, shareholders, customers and workers) actors and their commitment for the fulfillment of its principles for the general well-being.

Six of the surveyed workers declared to know about the company's System of Environmental Management, whereas the other nine mentioned not to have knowledge of it. The workers declared not to have knowledge of the problems the company could face in case of contamination, nor knew if the company had received a sanction for breaching regulations of environmental protection. This shows that the company does not establish a policy of dissemination of its own policies among its workers when they relate to non-labor issues. Nevertheless, the company's web page does provide information regarding the international certifications and accreditations it has obtained as part of a process to improve its efficiency in its environmental management.

## Conclusions

1. The process of outsourcing implemented by Unilever is made through the local companies with which Unilever maintains strategic partnerships. In Latin America, the company has centralized and specialized its production and supply strategy in 4 sectors or groups: Brazil, Chile, Argentina, and the Andean Group (Colombia, Ecuador, Peru, Bolivia, and Venezuela) - the center of operations of this last group is in Bogotá, Colombia. Additionally, the company has established partnerships with local companies, as “anchors” whose demand holds all the chain.

With this structure in place, there are products that carry Unilever’s logo in the Peruvian market, but come from the countries in the region where the company keeps its productive operations, and from local companies, such as Alicorp S.A.A. and Demsa. That means that the company has centralized the processes of production in the region in the plants it keeps, and has externalized production located in Peru. This way, Unilever Andina Peru is exclusively dedicated to the distribution, marketing and advertisement of products. Such specialization has allowed Unilever to keep a significant participation in the market without having a plant of production. Unilever has focused itself to analyze the behavior of Peruvian consumers profoundly, which has allowed it to delineate the actions required to satisfy the demands of its target population.

2. Since the total universe of workers of Unilever in Peru is outsourced through Alicorp and Demsa, this makes difficult to enforce corporate standards as well as the very analysis of labor conditions. In order to measure compliance with corporate standards we used Unilever’s Code of Business Principles as base indicators. Additionally, certain standards from the industrial sector were considered to compare the results of the survey
3. We were able reach the following conclusions about the labor conditions of the surveyed workers:
  - Workers comply with the work time legally established (48 hours per week), although in atypical schedules. The company has established shifts of 10 and 8 hours a day, depending on the day of work during the week: 10 hours from Monday through Friday, and 8 hours during the weekends.
  - It was difficult to determine the remuneration structure of Alicorp S.A.A., because there are many variable or occasional factors that are taken into account to establish remunerations: worker’s seniority, level of performance, bonuses for transportation, lunch, uniforms, overtime, and others.
  - Approximately half of the surveyed workers receive remunerations equal to or above the average received by employees of their category (manual workers) and who work for companies of more than 50 employees. It is important to mention that, although some workers earn remunerations below the average for the sector, the remuneration of all surveyed workers is above the minimum wage established by law.
  - The average daily wage surveyed workers earn is S/.22.88, an amount 54% lower than the value of the Basic Market Basket (BMB) per day in Metropolitan Lima, which is S/.49.52. Based on this data, we can affirm that

eight of the surveyed workers have low quality jobs, since their wages per day are lower than half the average BMB per day (S/.24.72); whereas the other seven have medium quality jobs, since their wage levels fluctuate between S/.24.72 and S/.49.52.

- The sanctions for inappropriate behavior of workers applied by the company are not serious. The most frequently applied sanctions are reprimands and suspensions. Regarding abrupt dismissals, workers declared that only one case has occurred in the past two years, which is a lower occurrence than expected.
  - Regarding the industrial accidents that have taken place in the company, the workers declared that they were caused by worker's negligence, and that the number of accidents in the past two years is between 1 and 6.
  - The company promotes health checks for its employees, and delivers test results to them. There have been at least two labor inspections a year, to verify compliance with labor norms in the country, and the conditions of security and labor health. Taking into consideration the health checks and the labor inspections, we can affirm that workers are not aware of the labor standards both the company and them should fulfill for the own well-being.
4. Regarding freedom association, it is necessary to mention the unions do not exist at Alicorp. The reasons for this are: (i) the strategy of mergers and acquisitions implemented by the company, which has implied the closure of the production plants that had unions, as was the case of COPSA; and (ii) the apparent hostility towards trade union representation imposed by the representatives of the company. This situation contrasts with the norms in the Business Partner Code of Unilever, which applies to Unilever suppliers such as Alicorp. One of the ten principles in the code reads '*There shall be respect for the right of employees to freedom of association.*' Apparently, the code has been ineffective in this regard.

This study underwent serious difficulties because of the general attitude perceived in the workers about the apparent Alicorp's hostility towards union representation. This environment made noticeable, for example, in the workers' generalized fear of sanctions for participating in our survey. Similarly, the workers who informed us about the possibilities for the formation of a union, asked for a reserved handling that information, for fear of radical sanctions against them, and against the workers who want to form a union. Nevertheless, the survey has allowed us to make an approximated analysis of the labor situation of this company's workers.

5. The establishment of a trade union could have positive effects on the processes of social dialogue with the representatives of transnational companies. However, apparently, at present Unilever does not effectively ensure that its supplier Alicorp supports the representation of workers by a trade union.

6. The Corporate Social Responsibility approach established in Unilever's corporate documents is not applied across all of its chain of production. The principles established in Unilever's Code of Business Principles, and other documents related to CSR, are not expressed in the labor conditions of the surveyed workers. We do not have additional information about the application

of CSR by Unilever in Peru, because the company restricts information about the activities it carries out here.

Unilever operates in Peru as a distributing company that keeps a commercial relationship with local companies that are included in its chain of production through outsourcing. It is necessary that the company's subsidiaries throughout the world adhere with the corporate principles of Unilever. Unilever should assess compliance with its Code of Business Principles, to make sure that the rights of all actors who participate in its operations are respected.

## Annex 1: Statistics on trends in manufacturing

Índice de Volumen Físico de la Producción Manufacturera  
(Año base y ponderaciones 1994 = 100.0)

CIU	SECTOR - SUBSECTOR - RAMA	AÑOS				
		2000	2001	2002	2003	2004
3	SECTOR MANUFACTURA	122.9	121.9	126.9	129.9	139.3
	SUB-SECTOR MANUFACTURA NO PRIMARIA	124.9	124.5	131.0	135.5	146.1
	SUB-SECTOR MANUFACTURA PRIMARIA	116.1	113.3	113.4	111.7	116.8
15	Elaboración de productos alimenticios y bebidas	121.3	117.4	121.6	122.4	128.8
16	Elaboración de productos de tabaco	128.9	118.0	134.5	96.3	76.4
17	Fabricación de productos textiles	157.3	149.0	159.6	168.0	202.6
18	Fabricación de prendas de vestir; adobo y teñido de piel	102.9	104.8	110.9	118.5	129.4
19	Curtido y adobo de cueros; fabricación de maletas y otros de talabartería; y calzado	97.2	75.0	49.6	44.8	42.4
20	Producción de madera y fabricación de productos de madera y corcho; excepto muebles	136.9	140.9	184.9	166.9	184.6
21	Fabricación de papel y de productos de papel	221.3	220.6	236.7	240.8	273.0
22	Actividades de edición e impresión y de reproducción de grabaciones	132.6	135.0	185.5	182.9	198.6
23	Fabricación de coque, productos de la refinación de petróleo y combustible nuclear	100.6	104.1	104.2	102.7	99.9
24	Fabricación de sustancias y productos químicos	122.3	124.2	129.3	133.1	141.8
25	Fabricación de productos de caucho y plástico	158.3	172.4	184.4	186.5	191.9
26	Fabricación de otros productos minerales no metálicos	135.3	133.2	148.1	159.0	176.8
27	Fabricación de metales comunes	135.0	139.9	135.9	140.1	142.5
28	Fabricación de productos elaborados de metal, excepto maquinaria y equipo	152.1	153.6	156.4	173.8	172.6
29	Fabricación de maquinaria y equipo n.c.p.	76.0	77.5	65.3	54.0	44.3
31	Fabricación de maquinaria y aparatos eléctricos n.c.p.	131.6	119.7	109.5	102.9	125.1
33	Fabricación de instrumentos médicos, ópticos y de presión, y fabricación de relojes	19.8	7.8	4.0	0.5	0.1
34	Fabricación de vehículos automotores, remolques y semirremolques	49.1	48.9	30.0	33.4	40.4
35	Fabricación de otros tipos de equipo de transporte	25.7	27.0	36.9	37.3	38.2
36	Fabricación de muebles, industrias manufactureras n.c.p.	99.1	97.7	101.3	102.6	120.0

FUENTE Encuesta "Estadística Industrial Mensual" - PRODUCE

## Annex 2: Agreement between Industrias Pacocha and Alicorp

(Anexo 1-6)

### CONVENIO PRIVADO

Conste por el presente documento, el Convenio que celebran de una parte, **INDUSTRIAS PACOCHA S.A.**, inscrita en la Ficha N° 50000997 de Personas Jurídicas de Huaura-Huacho, con RUC N° 10012856, con domicilio en Francisco Graña N° 155, Urbanización Santa Catalina, Distrito de la Victoria, debidamente representada por su Gerente General, Sr. Ernesto Labatut Soffia, identificado con C.E. N° N109065, y por su Director de Finanzas, Sr. Paul Stevenson, identificado con C.E. N° N105166, según poderes inscritos en la citada Ficha (en adelante "**IPSA**") y de la otra parte, **ALICORP S.A.**, con RUC N° 10005523, domicilio en Calle Chinchón No. 980, San Isidro, debidamente representado por su Gerente General Sr. Leslie Pierce Diez Canseco, identificado con DNI No. 07998094, según poder inscrito en el Asiento 105-c de la Ficha N° 117429 del Registro de Personas Jurídicas de la Oficina Registral de Lima y Callao (en adelante "**ALICORP**"), en los términos siguientes:

#### **PRIMERO: DEFINICIONES**

Los siguientes términos utilizados en este Contrato tendrán los significados señalados a continuación:

- 1.1 "**Contrato**" significa el presente contrato.
- 1.2 "**Fecha de Entrada en Vigencia**" significa la fecha de suscripción del presente Contrato, fecha en que el presente Contrato, y todos los derechos y obligaciones de las Partes derivadas del mismo entrarán en vigencia.
- 1.3 "**Fecha de Vigencia de Venta**" significa el día 2 de Enero de 2001 a las 8:00 a.m.
- 1.4 "**Las Partes**" significa INDUSTRIAS PACOCHA S.A. y ALICORP S.A.
- 1.5 "**La Planta**" significa una planta de propiedad de **IPSA** en Huacho, que a la Fecha de Traspaso pasará a ser de propiedad de **ALICORP**, en la que se produce, entre otros productos, aceites comestibles, grasas, margarinas y jabones de tocador, ubicada en Avenida Fidelísima Villa N° 392-396, Huacho.
- 1.6 "**días**" significa cualquier día de lunes a sábado, no comprendiendo dentro de ellos a los días domingos o días no laborables en el Departamento de Lima conforme a las leyes y disposiciones del Perú.
- 1.7 "**Los Contratos de Transferencia**" significan el "Contrato de Transferencia de Marcas" así como el "Contrato de Compraventa de la Maquinaria", el "Primer Contrato de Compraventa de Inmuebles" y el "Segundo Contrato de Compraventa de Inmuebles", los mismos que se celebrarán entre las Partes en la misma fecha y simultáneamente al presente Contrato.

- 1.8 **“Los Trabajadores Asumidos ”** significa aquellos trabajadores que figuran en el Anexo 1 y que entre la Fecha de Entrada en Vigencia y la Fecha de Vigencia de Venta hayan decidido renunciar a **IPSA** y hayan aceptado ser contratados por **ALICORP**.
- 1.9 **“Fecha de renuncia”** significa la fecha en que los Trabajadores Asumidos renuncien al empleo que han mantenido con **IPSA**.
- 1.10 **“Los Trabajadores Transferidos”** significa aquellos trabajadores que figuran en el Anexo I, que entre la Fecha de Entrada en Vigencia y la Fecha de Vigencia de Venta no hayan decidido renunciar a **IPSA** y quienes en consecuencia serán transferidos a **ALICORP** a partir de la Fecha de Vigencia de Venta.

**SEGUNDO: ANTECEDENTES**

En virtud de los Contratos de Transferencia, a celebrarse entre las Partes en la misma fecha y simultáneamente al presente Convenio, se acuerda que los inmuebles que conforman la Planta de **IPSA** ubicada en Av. Fidelísima Villa No.392-396, Huacho, así como la maquinaria y equipos que integran la Planta y las marcas detalladas en el Contrato de Transferencia de Marcas, sean transferidos a **ALICORP**, transferencia que entrará en vigor a partir del día 2 de Enero de 2001 a las 8:00 a.m., en adelante la “Fecha de Vigencia de Venta”.

**TERCERO: OBJETO**

Por el presente documento y a raíz de las transferencias de propiedad referidas en la Cláusula Segunda, las Partes acuerdan que a partir del día 23 de Diciembre de 2000 (y siempre que **ALICORP** haya cancelado el precio pactado en los Contratos de Transferencia a esa fecha) y hasta la Fecha de Vigencia de Venta, las Partes procurarán que los trabajadores de **IPSA** que figuran en la relación del Anexo I, los cuales laboran en la Planta, renuncien a su empleo al servicio de **IPSA**, obligándose **ALICORP** a ofrecerles de inmediato empleo para que puedan continuar trabajando pero al servicio de **ALICORP** como nuevo y distinto empleador.

**IPSA** abonará a los trabajadores que decidan renunciar, su correspondiente liquidación de beneficios sociales por los servicios laborados hasta la fecha de su renuncia. Una vez que estos trabajadores hayan aceptado ser incorporados a la planilla de **ALICORP** serán considerados como “Trabajadores Asumidos”.

En caso de que a la Fecha de Vigencia de Venta existan trabajadores de **IPSA** que no hayan optado por renunciar, éstos trabajadores serán transferidos a **ALICORP** y asumidos por ésta a partir de la Fecha de Vigencia de Venta, en adelante “Trabajadores Transferidos”. A tal efecto, **IPSA** y **ALICORP** se comprometen a comunicar a estos trabajadores (en adelante los “Trabajadores Transferidos”) que no obstante no renunciar al servicio de **IPSA**, a partir de la Fecha de Vigencia de Venta, tendrán la calidad de trabajadores de **ALICORP**, percibiendo la misma remuneración que hayan estado percibiendo al servicio de **IPSA**.

#### **CUARTO : CESE DE LABORES**

Queda entendido que los Trabajadores Asumidos que conforme a la Cláusula Tercera sean incorporados al servicio de **ALICORP**, dejarán de desempeñar todo tipo de labores al servicio de **IPSA**, ya que estarán al servicio del nuevo empleador.

De igual forma, de existir Trabajadores Transferidos, éstos también dejarán de desempeñar todo tipo de labores al servicio de **IPSA**, desde la Fecha de Vigencia de Venta ya que serán transferidos a **ALICORP**.

#### **QUINTO. : RECONOCIMIENTO DE TIEMPO DE SERVICIOS**

**ALICORP**, en su calidad de nuevo empleador, conviene en reconocer tanto a los Trabajadores Asumidos como a los Trabajadores Transferidos, si se diera el caso, el tiempo de servicios que hubieran acumulado al servicio de **IPSA** para el solo efecto legal del cálculo de la indemnización por despido arbitrario que pudiera corresponderles..

Asimismo, **ALICORP** declara que todos los Trabajadores Asumidos y Trabajadores Transferidos, de existir alguno, estarán comprendidos desde el inicio de su contrato de trabajo, en el Seguro de Vida del Decreto Legislativo 688 de cargo de **ALICORP**, con prescindencia de su tiempo de servicios.

#### **SEXTO: OBLIGACIONES DE IPSA**

- 6.1 **IPSA** continuará siendo responsable por las obligaciones devengadas que se deriven de los derechos laborales, sociales y previsionales de los Trabajadores Asumidos hasta la fecha de la renuncia y de los Trabajadores Transferidos, hasta la Fecha de Vigencia de Venta y que correspondan al tiempo laborado por dicho personal al servicio de **IPSA**.
- 6.2 **IPSA** declara que a la fecha de renuncia o a la Fecha de Vigencia de Venta ha abonado íntegramente a los Trabajadores Asumidos y a los Trabajadores Transferidos respectivamente, todas las remuneraciones, los conceptos no remunerativos, los beneficios sociales y todos los derechos laborales que le pudieron corresponder a dicho personal. Asimismo, **IPSA** declara que ha realizado en forma oportuna todas las aportaciones al Sistema Nacional de Pensiones, al Sistema Privado de Pensiones y a Essalud que correspondan a los Trabajadores Asumidos y a los Trabajadores Transferidos por el tiempo que dicho personal laboró al servicio de **IPSA**.
- 6.3 Sin perjuicio de lo expuesto en el numeral 6.2, **IPSA** deberá haber realizado a la fecha de renuncia de los Trabajadores Asumidos lo siguiente:
  - a) Ha depositado la integridad de la CTS acumulada al 31.12.90.
  - b) Cancelar las vacaciones no gozadas, asumiendo las consecuencias económicas de la falta de goce vacacional de los periodos vencidos.

- c) Cancelar la remuneración vacacional del personal asumido cuyo récord vacacional de su último año de servicios haya sido completado.
  - d) Abonar la correspondiente compensación por el récord trunco vacacional a que tuvieran derecho.
  - e) Abonar a los trabajadores asumidos el monto proporcional de todos los derechos devengados, tales como quinquenios, gratificaciones por vacaciones y cualquier otro beneficio que les correspondiera.
- 6.4 Sin perjuicio de lo expuesto en el numeral 6.2, **IPSA** deberá haber realizado a la Fecha de Vigencia de Venta respecto de los Trabajadores Transferidos, lo siguiente:
- a) Cancelar la integridad de la CTS acumulada al 31.12.90 y depositar en la entidad bancaria correspondiente la integridad de la CTS devengada entre el 1.1.91 y el 31.10.2000.
  - b) Entregar a **ALICORP** el importe de la CTS correspondiente al período comprendido entre el 1 de noviembre y el 31 de diciembre de 2000.
  - c) Entregar a **ALICORP** el importe correspondiente a las vacaciones no gozadas, asumiendo las consecuencias económicas de la falta de goce vacacional de los periodos vencidos.
  - d) Entregar a **ALICORP** la remuneración vacacional del personal transferido cuyo récord vacacional de su último año de servicios haya sido completado.
  - e) Entregar a **ALICORP** la correspondiente compensación por el récord trunco vacacional a que tuvieran derecho.
  - f) Entregar a **ALICORP** el monto proporcional de todos los derechos devengados, tales como quinquenios, gratificaciones por vacaciones y cualquier otro beneficio que les pudiera corresponder.

**SÉTIMO: DECLARACIONES**

Mediante el presente documento **IPSA** declara que no existe ningún procedimiento administrativo o judicial vigente en que sea parte **IPSA** referido a reclamos y/o acotaciones relacionadas a remuneraciones, conceptos no remunerativos, beneficios sociales, derechos laborales, aportaciones al Sistema Nacional de Pensiones, Sistema Privado de Pensiones y Essalud referidos a los Trabajadores Asumidos y a los Trabajadores Transferidos..

Asimismo **IPSA** declara que salvo los convenios colectivos de empleados y obreros de fechas 9 de Noviembre de 2000 y 23 de Mayo de 2000, respectivamente, así como el convenio modificatorio celebrado con el Sindicato de Obreros el 30 de Octubre de 2000, no existe vigente ningún convenio colectivo o individual o resolución administrativa, arbitral o judicial que haya establecido obligaciones laborales relativas a los Trabajadores Asumidos ni a los Trabajadores Transferidos.

Finalmente, **IPSA** declara que salvo los beneficios concedidos por costumbre o unilateralmente referidos en el Anexo II, no existen vigentes otros beneficios laborales que por costumbre o decisión unilateral pudieran corresponder a los Trabajadores Asumidos ni a los Trabajadores Transferidos.

**OCTAVO:****OBLIGACIONES DE IPSA**

En virtud de las declaraciones contenidas en la Cláusula Séptima, **IPSA** asumirá las consecuencias económicas de cualquier procedimiento administrativo o judicial que se haya iniciado o se inicie y que esté referido a reclamos y/o acotaciones relacionadas con conceptos devengados por remuneraciones, conceptos no remunerativos, beneficios sociales, derechos laborales, y aportaciones al Sistema Nacional de Pensiones, Sistema Privado de Pensiones y Essalud, y que correspondan al tiempo de servicios brindado hasta la Fecha de Renuncia para el caso de los Trabajadores Asumidos y hasta la Fecha de Vigencia de Venta para el caso de los Trabajadores Transferidos.

Para que **IPSA** pueda asumir esta responsabilidad, las Partes reconocen que constituye requisito indispensable que **IPSA** haya podido ejercer su defensa en los procedimientos administrativos o judiciales correspondientes, para lo cual **ALICORP** deberá remitir a **IPSA**, en un plazo de tres (3) días hábiles contados desde su recepción, cualquier notificación que fuera entregada en el domicilio de La Planta y que esté relacionada con reclamos y/o acotaciones a que se hace referencia en el párrafo anterior, remitiendo a **IPSA**, a la mayor brevedad, copia de toda la documentación que **IPSA** le solicitara siempre y cuando **ALICORP** la tuviera en su poder y se encuentre relacionada con los asuntos que sean materia de la notificación remitida.

Para los efectos de esta cláusula, se entiende que **IPSA** ha ejercido su defensa en los procedimientos administrativos o judiciales correspondientes, cuando **ALICORP** haya cumplido con remitir a **IPSA** cualquier notificación que fuera entregada en el domicilio de La Planta y que esté relacionada con reclamos y/o acotaciones a que se hace referencia en el primer párrafo de la presente cláusula.

**NOVENO:****REEMBOLSOS A CARGO DE IPSA**

Sin perjuicio de lo expuesto en las cláusulas precedentes, **IPSA** se compromete a reembolsar a **ALICORP**, en un plazo no mayor de cinco (5) días, las sumas de dinero que **ALICORP** se viera obligada a pagar a los Trabajadores Asumidos y/o Trabajadores Transferidos, sus sucesores, las autoridades competentes, al Fisco o a terceros por cualquiera de los conceptos referidos en el primer párrafo de la Cláusula Octava que antecede, siempre que **ALICORP** hubiera cumplido con las obligaciones señaladas en el segundo párrafo de la misma cláusula.

**DECIMO:****OBLIGACIONES DE ALICORP**

10.1 **ALICORP**, en su condición de nuevo empleador de los Trabajadores Asumidos y/o Trabajadores Transferidos, de darse el caso, se compromete a mantener a **IPSA** libre de toda responsabilidad derivada de las relaciones que mantenga **ALICORP** con los Trabajadores Asumidos y/o Trabajadores Transferidos a partir de la Fecha de Vigencia de Venta. A tal efecto, **ALICORP** se compromete a proteger a **IPSA** frente a cualquier reclamación o acción judicial o administrativa relativa a incumplimiento de obligaciones laborales que los

Trabajadores Asumidos y Trabajadores Transferidos, de existir alguno, pudiesen promover contra **IPSA** por cualquier asunto de naturaleza laboral, sea individual o colectivo, previsional o tributario referido a hechos producidos a partir de la Fecha Vigencia de Venta.

Para que **ALICORP** pueda asumir esta responsabilidad, las Partes reconocen que constituye requisito indispensable que **ALICORP** haya podido ejercer su defensa en los procedimientos administrativos o judiciales correspondientes, para lo cual **IPSA** deberá remitir a **ALICORP**, en un plazo de tres días hábiles contados desde su recepción, cualquier notificación que fuera entregada en su domicilio y que esté relacionada con réclamos y/o acotaciones a que se hace referencia en el párrafo anterior, remitiendo a **ALICORP**, a la mayor brevedad, copia de toda la documentación que **ALICORP** le solicitara siempre y cuando **IPSA** la tuviera en su poder y se encuentre relacionada con los asuntos que sean materia de la notificación remitida.

10.2 Como consecuencia de lo establecido en la sub-cláusula 10.1, **ALICORP** se compromete a reembolsar a **IPSA** en un plazo no mayor de cinco (5) días, las sumas de dinero que **IPSA** se viera obligada a pagar a los Trabajadores Asumidos y/o Trabajadores Transferidos, sus sucesores, las autoridades competentes, al Fisco o a terceros por cualquiera de los conceptos referidos en el primer párrafo de la Cláusula Décima, siempre que **IPSA** hubiera cumplido con las obligaciones señaladas en el segundo párrafo de la misma cláusula.

10.3 **ALICORP** será responsable de cualquier problema derivado de la celebración y/o ejecución del Contrato que ocurra a partir de la Fecha de Vigencia de Venta, a pesar de que los Trabajadores Asumidos o Trabajadores Transferidos accionen en contra de **IPSA**, obligándose **ALICORP** a reembolsar a **IPSA** por cualquier suma de dinero que **IPSA** se vea obligada a pagar por este problema.

Para que **ALICORP** pueda asumir esta responsabilidad, las Partes reconocen que constituye requisito indispensable que **ALICORP** haya podido ejercer su defensa en los procedimientos administrativos o judiciales correspondientes, para lo cual **IPSA** deberá remitir a **ALICORP**, en un plazo de tres (3) días hábiles contados desde su recepción, cualquier notificación que fuera entregada en su domicilio y que esté relacionada con reclamos y/o acotaciones a que se hace referencia en el párrafo anterior, remitiendo a **ALICORP**, a la mayor brevedad, copia de toda la documentación que **ALICORP** le solicitara siempre y cuando **IPSA** la tuviera en su poder y se encuentre relacionada con los asuntos que sean materia de la notificación remitida.

#### **DÉCIMO PRIMERO: JURISDICCION**

El presente Convenio se sujeta a las leyes del Perú y las partes se someten a la jurisdicción de los Tribunales y Jueces de Lima - Cercado, señalando como sus domicilios los indicados en la Cláusula Décimo Segunda del Contrato.

**DECIMO SEGUNDO:****NOTIFICACIONES**

Cualquier notificación dirigida a las Partes se entenderá válidamente entregada si consta por escrito y (i) es entregada personalmente o remitida por servicio de mensajería, vía notarial, courier o similares o; (ii) es remitida por facsímil con confirmación de recepción, en la fecha de entrega; o (iii) si es remitida por vía postal, a los cinco (5) Días hábiles de despachada por correo certificado, porte prepagado; a los domicilios indicados a continuación:

**A IPSA:****INDUSTRIAS PACOCHA S.A.**

Dirección: Francisco Graña No. 155,  
Urbanización Santa Catalina  
La Victoria, Lima.

Facsímil: 411-1847  
Teléfono: 411-1608  
Atención: Gerencia General

**A ALICORP:****ALICORP S.A.**

Dirección: Calle Chinchón No. 980  
San Isidro, Lima

Facsímil: 440-4948  
Teléfono: 442-2552  
Atención: Gerencia General

Cualquier modificación en la dirección o número de fax de cualquiera de las partes deberá ser comunicada a la otra Parte, por escrito bajo cargo con cinco (5) Días hábiles de anticipación al cambio, requisito sin el cual se tendrán por bien notificadas las comunicaciones dirigidas a la dirección o número de fax anterior.

**DECIMO TERCERO:****DISPOSICIONES GENERALES**

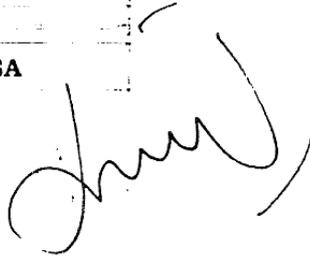
- 13.1 Este Contrato sólo podrá ser modificado por acuerdo expreso de las Partes, el cual deberá constar por escrito y ser firmado por ambas Partes, de lo contrario no tendrá ningún efecto entre ellas
- 13.2 Las partes dejan expresa constancia que el Contrato constituye y reúne la totalidad de los acuerdos entre las partes y, por lo tanto, deja sin efecto y sustituye a cualquier compromiso anterior que hubiere podido existir sobre la materia.
- 13.3 Los encabezados y títulos utilizados en cada Cláusula tienen únicamente carácter referencial y no tienen efecto alguno para la interpretación del contenido y alcances de este Contrato.

**DECIMO CUARTO:**

El presente contrato se suscribirá conjuntamente con el Primer Contrato de Compra Venta de Inmuebles, el Segundo Contrato de Compra Venta de Inmuebles, Contrato de Arrendamiento, Contratos de Cesión de Derechos (Autorizaciones y Licencias), Contrato de Distribución, Contrato de Compra Venta de Inventarios, Contrato de Compra Venta de la Maquinaria, Contrato de Fabricación por Encargo, Contrato de Cesión de Derechos de Uso, Contrato de Cesión de Derechos de Pozo de Agua 6A y Contrato de Transferencia de Marcas que las mismas partes suscriben en forma simultanea. A diferencia de los contratos señalados anteriormente, los cuales entrarán en vigencia en la Fecha de Vigencia de Venta, el presente Contrato entrará en vigencia a la fecha de suscripción del mismo.

En señal de conformidad y aprobación, las partes suscriben el presente documento en dos ejemplares a los dieciocho días del mes de diciembre de 2000, quedando uno de los ejemplares en poder de cada una de las partes.

POR IPSA

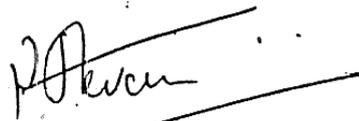


Sr. Ernesto Labatut Soffia  
Gerente General

POR ALICORP



Sr. Leslie Pierce Diez Canseco  
Gerente General



Sr. Paul Stevenson  
Director de Finanzas

## Annex 3: Questionnaire

### Unilever en el Perú

#### Cuestionario Condiciones de Trabajo

##### 1 Introducción

El presente documento busca recoger la información pertinente relacionada con las condiciones de trabajo establecidas en la empresa Alicorp S.A.

##### 2 Datos Generales

Edad: \_\_\_\_\_

Sexo: \_\_\_\_\_

Área de Trabajo: \_\_\_\_\_

Tiempo de Servicio: \_\_\_\_\_

Tipo de Trabajador: ( ) Obrero  
( ) Empleado

Experiencia Sindical: ( ) Si ¿En qué empresa? \_\_\_\_\_  
( ) No

##### 3 Libertad Sindical

- ¿Cuáles son los horarios y turnos de trabajo establecidos por la empresa?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

- ¿Cuántas horas al día laboran los trabajadores en la empresa?

( ) 8 horas  
( ) 10 horas  
( ) 12 horas  
( ) 16 horas  
( ) Otros \_\_\_\_\_

- ¿Se aplica algún régimen de jornadas atípicas? Si así fuera, señale el(los) tipo(s) de jornada(s) que se aplica(n):

( ) 19 x 11  
( ) 14 x 14  
( ) 14 x 7  
( ) Otros \_\_\_\_\_

- Número de trabajadores: \_\_\_\_\_





Rpta:                      SI                                      NO                                      NO SABE

- Si se hubiesen dado accidentes de trabajo en los últimos dos años, podría decir cuántos.
- 

- Si se hubiesen dado accidentes de trabajo, estos se han producido por:

- (    ) Negligencia del trabajador.
- (    ) Negligencia del superior, le mandó a hacer algo fuera del reglamento.
- (    ) Problemas de mantenimiento de la maquinaria.
- (    ) Mala señalización de las áreas de trabajo.
- (    ) Efectos de la naturaleza.

- ¿La empresa alguna vez se ha opuesto a que un representante de trabajadores acompañe a fiscalizar un accidente de trabajo?

Rpta:                      SI                                      NO                                      NO SABE

- ¿La empresa realiza pruebas de salud a sus trabajadores?

Rpta:                      SI                                      NO                                      NO SABE

- ¿Entrega los resultados?

Rpta:                      SI                                      NO                                      NO SABE

## 6 Gestión Ambiental

- ¿La empresa tiene un sistema de Gestión Ambiental propio?

Rpta:                      SI                                      NO                                      NO SABE

- ¿Existen problemas de contaminación ambiental generados por la empresa?

Rpta:                      SI                                      NO                                      NO SABE

- ¿La empresa ha sido sancionada por generar problemas de contaminación ambiental?

Rpta:                      SI                                      NO                                      NO SABE

## 7 Unilever

- ¿Ha escuchado Ud. mencionar entre sus compañeros de trabajo u otro personal de mayor rango sobre la relación entre Alicorp y la empresa Unilever?

Rpta:                      SI                                      NO                                      NO SABE

- ¿Conoce Ud. si alguno de los productos que elabora la empresa Alicorp son dirigidos hacia la empresa Unilever?

Rpta:                      SI                                      NO                                      NO SABE

- Si su rpta. es SI, ¿podría mencionar cuáles son dichos productos?
- 
- 
- 
- 

Muchas gracias.