

Research Report  
2006

Akzo Nobel  
Intervet  
Mexico

Centro de Investigación Laboral  
y Asesoría Sindical A.C.

**SOMO**



> *Werkt in je voordeel*





**CENTRO DE INVESTIGACIÓN LABORAL Y ASESORÍA SINDICAL A. C.**

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## Introduction

This study forms part of initiatives promoted from international frameworks such as the OCDE Guidelines for Multinational Companies in reference to the social responsibility of companies or “corporate social responsibility” (CSR), and is primarily focused on the observation of labour rights within companies.

It is a co-ordinated effort among several organisations, in particular between the *Federatie Nederlandse Vakbeweging* (FNV) and the *Centro de Investigación Laboral y Asesoría Sindical A. C.* (CILAS), which together with the co-operation of companies, unions, and their workers in Mexico, carry out this work with the objective to identify labour conditions and social responsibility policies in the companies.

The study attempts to combine recognition of progress in these areas and identification of some related problems, and incorporate these considerations within a dialogue among the social actors. The final purpose of the entire process is to contribute to achievement of the highest social and economic objectives as the basis for sustainable development for our country.

## Methodology

The Company Monitor project has the purpose to report, describe, and analyse existing labour conditions in companies, in particular in complex contexts such as transnational companies. To address such companies, work has been invested in development of a viable and objective methodological proposal to analyse the factors relevant for our perspective. In collaboration with other research groups, an extensive list was developed of substantial aspects of the union labour question and of CSR, together with sets of corresponding questions. In development of the research, care was taken to procure that information originate from documents and from interviews with direct actors and those with responsibilities related to the matters of interest.

The study period covers the situation over the previous five years, and the information collected is used to carry out a transversal and descriptive analysis of aspects such as organisation of the companies, labour relations, work conditions, and CSR policies. In this case, Interveterinaria had participated in a first study (2003), which produced a report that established a first precedent in monitoring Akzo Nobel's companies. This document now aims to extend the overview presented there and to provide further details on the studied company.

The collaboration posture of Interveterinaria changed over time. The company was open in the beginning for the initial work, but following changes in company leadership, work was halted. With the departure of Mr. Hans van Eerd and the naming of Mr. Drees Beekman as new General Director, the project was put on hold, stretching at least two months more. The new leadership asked to review the collaboration proposal, and work was only able to continue following efforts by the FNV to persuade and convince the corporation in The Netherlands. The company reinitiated collaboration and work resumed in October, prolonging the process to the end of 2005.

In the course of research, the Interveterinaria administration provided documentary information and collaborated so that interviews could be carried out with company personnel, also agreeing to comment on the final report. The company did not provide information on very precise topics, such as its suppliers, fiscal documents on the company's economic results, and data on profit transference abroad.

The person in charge of Human Resources Management and the Administrative and Financial Director of the Santiago Tianguistenco plant were interviewed, as well as the two union delegates at the site. The Production Manager at the Santa Clara plant and the Secretary General and two union delegates, each with at least six years in the company, were also interviewed. In addition, surveys were gathered on the purchasing power of low-wage workers, and tours were undertaken of the two plants.



## Basic Information about the Company

### Production niche

Veterinary pharmaceuticals.

### Products manufactured

Antibiotics, Vaccinations for poultry, bovines, horses, swine, cats, dogs, sheep, and goats, as well as growth enhancers for bovines.

### Name of company headquarters abroad

Intervet International

### Corporate group abroad to which the company belongs

Akzo Nobel N. V.

### Location of company headquarters abroad

Boxmeer, The Netherlands

### Year in which operations began in Mexico

Arrived in Mexico in 1985; in 1999 Intervet acquired the German company Hoechst Roussel Vet, following which the Interveterinaria production plants initiated operations on 20 August 2000.<sup>1</sup>

## COMPANY OFFICES AND SITES

### Interlomas Corporate Offices

**General Director:** Mr. Drees Beekman

Since 2005

Pasaje Interlomas No. 16, Cuarto Piso  
Fraccionamiento San Fernando La Herradura  
52760 Huixquilucan  
State of Mexico  
Tel. (55) 52 90 25 27

### Santiago Production Site

**Plant Director:** Dr. Joel Sánchez Zamudio

Since: 1985

Paseo de los Frailes No. 22  
Parque Industrial  
52600 Santiago Tianguistenco, State of Mexico  
Tel. (713) 135 03 00

### Current Union

Asociación Sindical Nacional de Trabajadores de Laboratorios, Productos Farmacéuticos, Similares y Conexos de la República Mexicana

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<sup>1</sup> The Intervet Web portal may be consulted at: [www.intervet.com.mx](http://www.intervet.com.mx)

**General Secretariat**

**General Secretary:** Rubelio Esqueda

**Advisor:** Ramón Labrador Sánchez

Calzada de los Misterios No. 252

Colonia Vallejo

Delegación Gustavo A. Madero

C.P. 07870 Mexico City

**Santa Clara Production Site**

**Site Director:** Mr. Armando Hernández Puga, Engineer

Plásticos No. 28

Santa Clara Coatitla

C.P. 55540 Ecatepec de Morelos, State of Mexico

Tel. (55) 57 55 11 02

**Union:** Sindicato de Trabajadores Fármaco Químicos y Similares

**General Secretary:** Gerardo Montijo

**Address:**

Plásticos No. 28

Santa Clara Coatitla

código postal 55540 Ecatepec de Morelos, State of Mexico

Tel. 52 29 55 00 ext. 5054 and 5052

**Distribution Offices:**

**Querétaro Office (Technical Services and Sales)**

Av. Universidad Oriente 142, Col. Centro, C.P. 76000 Santiago de Querétaro,

Querétaro, Tel. (442) 212 33 68

**Tehuacán Office (Technical Services and Sales)**

Camelia Poniente # 129 Esq. Clavel, Col. Villa Granada. C.P. 75730 Tehuacán, Puebla,

Tel. (238) 382 99 12

**Veracruz Office (Technical Services and Sales)**

Carretera Federal Veracruz Xalapa Km. 11, Municipio de Tejería, C.P. 91697 Tejería,

Veracruz, Tel. (229) 920 84 17

## General Characteristics of the Company

Intervet Mexico and Interveterinaria are registered as public limited companies or corporations (*sociedad anónima* or S.A.), the two of them working in a co-ordinated and joint manner, with Interveterinaria S.A. de C.V. a dependent of Intervet Mexico S.A. de C.V. Intervet Mexico is the owner of the brand names of its products,<sup>2</sup> controlling the commercialisation and billing of company sales. It has no personnel, and is administrated by the personnel of Interveterinaria, S.A. de C.V.

Intervet itself does not produce, but rather has an exclusive service provision contract with Interveterinaria, which is the company that operates all merchandise production and manages the necessary human resources and warehouses. Distribution of its products takes place through the warehouses of two plants: the Santiago Tianguistenco plant and the Santa Clara plant, both in the State of Mexico.

Both plants are medium-sized based on number of personnel. Company administration specifies that Interveterinaria is not an assembly-type company (*maquiladora*), but rather is dedicated to its own production work.

Close to 80% of the activities of Intervet Mexico are concentrated in poultry veterinary products, the majority of which are oriented to the international market and to a lesser degree to the national market. The products manufactured in Mexico for export are sent in particular to Europe, the United States and Central America.

There have been no important structural changes in the company since 1999 when Intervet Mexico acquired the Santa Clara facilities from Hoechst Roussel Vet.

As opposed to the Santiago plant which has its own production, warehouse, and specialised facilities, the Santa Clara plant is a guest company within the installations of Clariant which is a Swiss company dedicated to the production of specialised chemical products. This means that the Santa Clara plant is actually a small production zone within this industrial area, paying rent for facilities, services, security, and inputs. It is important to note that the head union of the Santa Clara collective bargaining agreement is the same as that at the Clariant Company.

### Exports, Imports and Sales

The company provided data from the past three years on its export sales, which have remained within a range of 20%, totalling exactly that proportion in 2003 and 2004 and 18% in 2005. The figures on proportions of imported inputs report totals of 14% of total purchases in 2003, 15% in 2004 and 13% in 2005.

Those interviewed in representation of the administration and of the production plant unions coincided on the positive development of the company's production rhythm. All opinions gathered noted that production burdens have been maintained over the past five years, with mention of increased production rhythms at the Santa Clara plant. It is important to emphasise the different production capacities between the two plants: in

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<sup>2</sup> See brand list at the end of the document.

2001, the Santiago plant provided 88% of sales volume, while the Santa Clara plant produced only the remaining 12%.

Data provided by the company in relation to sales shows a global increase over the past four years, as illustrated in table 1. Sales growth was reported each year except 2002 when it dropped in comparison with the previous year. In reference to profits, there is data to illustrate a constant increase between 2000 and 2002, but in the following three years, between 2003 and 2005, profits drop significantly.<sup>3</sup>

**Table 1: Sales and Earnings Volumes, Interveterinaria, 2000-2005**

In thousands of pesos

	2000	2001	2002	2003	2004	2005 (September)*
<b>Sales</b>	523,445	624,975	620,352	671,050	683,763	521,429
<b>Earnings</b>	21,482	49,423	60,316	6,723	10,071	4,338

Source: Interview carried out by Luis Antonio Bonifaz with the Human Resources Management, 20-09-05, Company Questionnaire, Cilas A.C. electronic file.

\* Forecasted annual figures for 2005.

### Employment

Based on data provided by the company, we estimate a total of 229 employees (including sales representatives) in 2005, of whom 66.3% are male and 33.7% are female. The following table illustrates the variations in the total number of employees between 2002 and 2005. No drastic changes are apparent in general, only a slight drop in the employed population from 247 in 2002 to 229 in 2005, a drop of 18 workers who were compensated in accordance with the Federal Labour Law.

**Table 2: Total Employment at Intervet Mexico**

	2002	2003	2004	2005*
<b>Men</b>	160	157	154	152
<b>Women</b>	87	86	78	77
<b>Total</b>	<b>247</b>	<b>243</b>	<b>232</b>	<b>229</b>

Source: Interview carried out by Luis Antonio Bonifaz with the Human Resources Management, 20-09-05, Company Questionnaire, Cilas A.C. electronic file.

\*Figures as of the month of September.

In reference to the number of permanent workers,<sup>4</sup> the following table illustrates relative stagnation with a slight decrease of nine workers over four years. The proportion of male and female workers is 72% and 28% respectively for 2005.

**Table 3: Permanent Workers**

<sup>3</sup> A redistribution of benefits among corporate levels may be an explanation.

<sup>4</sup> Includes both “base workers” (*trabajadores de base*), as defined by criteria of the Federal Labor Law (*Ley Federal del Trabajo*), and so-called “confidential workers” (*trabajadores de confianza*) (who fulfill general management, inspection, surveillance, and financial management posts, or carry out tasks related to the boss’s personal duties within the company or establishment).

(Includes unionised and confidential workers)

	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005*</b>
<b>Men</b>	119	118	117	116
<b>Women</b>	52	49	47	46
<b>Total</b>	<b>171</b>	<b>167</b>	<b>164</b>	<b>162</b>

Source: Interview carried out by Luis Antonio Bonifaz with the Human Resources Management, 20-09-05, Company Questionnaire, Cilas A.C. electronic file.

\*Figures as of the month of September.

The data provided by the Santiago union reports a total of approximately 45 base workers. Of a total of 68 employees at the Santa Clara plant, the number of union members is 23.

The number of seasonal workers over the four-year period has varied between 76 and 67. This is a very significant number, considering that added to the total number of base workers it represents 30% of the total. The male-female ratio is very similar, although slanted more toward the male workforce.

**Table 4: Seasonal Workers**

	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005*</b>
<b>Men</b>	41	39	37	36
<b>Women</b>	35	37	31	31
<b>Total</b>	<b>76</b>	<b>76</b>	<b>68</b>	<b>67</b>

Source: Interview carried out by Luis Antonio Bonifaz with the Human Resources Management, 20-09-05, Company Questionnaire, Cilas A.C. electronic file.

\* Figures as of the month of September.

The number of confidential workers in Interveterinaria is estimated at a minimum of 94 workers for 2005. This number should represent all the confidential workers from both plants, the corporate offices and the marketing centres. It is noteworthy how companies of this sector have more skilled and administrative workers and sales reps than unionised workers. All of the confidential workers enjoy benefits beyond those required by law, including: 15 extra days of Christmas bonus, 7 additional paid vacation days, life insurance equivalent to 48 months, 13% Savings Fund, 3% punctuality award, etc.

### *Administration of the Company*

The structure of relations between the corporate and local administrations is complex, integrated by various seats of responsibility and decision-making. However, we decided to pose a question on the degree of autonomy of the company administration in relation to the corporate administration, and we registered differing opinions. While the administration affirmed a high degree of autonomy of the national administration, the two unions expressed the opinion that the national administration has low autonomy.

We decided to delve further into the issue of determining which entity is responsible for decisions on substantial issues for the operation of the company, and we posed our

questions to the company and the unions. The national administration identified the following areas as responsibilities of the corporation: creation of new products, investments with other companies, fusions, plant acquisitions, joint ventures and strategic alliances, creation of new plants, plant closures, business strategies, innovations or changes in current products, site relocations, the implementation of different types of audits, production process certifications, and the establishment of environmental, health and safety (EHS) policies.

The national administration was named responsible for outsourcing agreements, environmental impact control actions, selection of suppliers, and the use of subcontractors.

Those areas that the unions and the company agreed correspond to local decision-making are: technological adjustments, establishment of work methods, wage bargaining policy, administrative style changes, and human resources training.

Regarding the company's future development plans, the local administration affirms that one of the objectives is to "increase the presence of the (animal) growth enhancement products in the Mexican livestock market and continue to be the leading company in the national veterinary market." In particular, one of the most important tasks specified is the Performance Evaluation Program (called P & D Dialogue), implemented among the different employee levels.<sup>5</sup> For their part, the unions have no precise information on this topic.

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<sup>5</sup> Interview by Luis Antonio Bonifaz of Human Resources Management on 20-09-05, Company Questionnaire, Cilas A.C. electronic file.

## Corporate Social Responsibility (CSR)

The company's national administration understands CSR to be "having a secure source of employment, free of occupational risks, without affecting the community or the environment."<sup>6</sup> It does consider labour issues as part of corporate social responsibility, and in this regard the company aims "to provide safe working conditions, free of accidents, preventing occupational illness risks, maintain a Joint Health and Safety Committee, and participate locally in the Industrials Association in actions to preserve the environment."<sup>7</sup> The company also considers philanthropic activities as part of its social responsibility policy. However, the national administration<sup>8</sup> is unfamiliar with international labour standards for transnational companies, such as the OECD or ILO guidelines.

In response to the question on whether labour aspects are part of CSR, the responses of the union delegates differ from the company. The union delegates did not consider labour issues to be approachable from the CSR angle, and in their opinion attention to labour problems passes through other routes within the company such as the immediate superiors or the human resources management office.

The union delegates from both plants did not clearly present or identify the company's Principles of Conduct, although they linked them to various solidarity actions with social sectors. Meanwhile, the company presented two lists of acknowledgements-of-receipt dated September 2004 with the signatures of workers to whom the document was distributed. According to the company, the "Principles" document was fully distributed to all workers. Nevertheless, none of the workers interviewed was able to provide clear references indicating familiarity with it. This suggests to us that this dissemination activity has not achieved the objective that the CSR Principles be effectively known by the workers. The administration recognises that these documents are only available at this hierarchical level but not among all employees, with the natural result that they are unfamiliar with said guidelines.

In this regard, the administration informed us that a follow-up and evaluation program of corporate social responsibility policies is in the process of implementation.

The interviewed delegates and workers report the following as existing CSR activities: implementation of community support activities, and talks on safety and health, labour development, work attitudes, and adequate work practices.

Dr. Joel Sánchez Zamudio, Site Director at the Santiago plant, is responsible to oversee compliance with these social responsibility norms at that plant. The engineer Armando Hernández Puga, Site Director at the Santa Clara plant, holds this responsibility at the Santa Clara plant.

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<sup>6</sup> In its internet portal, the company affirms the following: "Our corporate values are: Company Spirit, Social Responsibility, and Personal Integrity. We look for a healthy balance in all our employees which allows them to develop themselves as human beings and therefore as successful collaborators."

<sup>7</sup> Interview by Luis Antonio Bonifaz of Human Resources Management on 20-09-05, Company Questionnaire, Cilas A.C. electronic file.

<sup>8</sup> For 'national administration' we understand the entity that occupies the corporate office, and the local administration as that of the Santiago and Santa Clara plants.

### Conditions in the Supply Chain

In reference to the company's suppliers, the Interveterinaria plants require compliance by their suppliers with specific conditions for the exchange of goods and services, but there are no direct requirements regarding CSR norms. The administration specifies that:

*“The standards verified by the company are in the areas of quality control, safety and hygiene in transportation of the products, and responsibilities of the suppliers in the delivery of their merchandise.”<sup>9</sup>*

But in an indirect way, they are required to comply with certain demands in relation to the workers of the supplier companies:

*“For example, personnel not registered in the Social Security system is not allowed to labour within their facilities.”<sup>10</sup>*

The union at the Santa Clara site coincides on this point:

*“It refers mainly to suppliers of raw materials: they are not allowed to carry out delivery, unloading or transportation manoeuvres if they do not comply with these health and safety norms. (It is necessary) that the workers are insured, that they have received industrial safety instructions, and there is compliance with job security norms in the company.”<sup>11</sup>*

The Principles of Conduct have not been communicated or applied to the supplier companies, and this action has not been considered. There is no knowledge of any other independent organisation having verified compliance in the Interveterinaria companies with their social responsibility policies.

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<sup>9</sup> Interview by Luis Antonio Bonifaz of Human Resources Management on 20-09-05, Company Questionnaire, Cilas A.C. electronic file.

<sup>10</sup> Idem

<sup>11</sup> Interview by Luis Antonio Bonifaz of the STFS and the ASNTLPFSCRM on 20-10-05 and 9-10-05, Company Questionnaire, Cilas A.C., electronic file.



## Labour Relations

This section will present central aspects of the operation of the unions and their relation with the company regarding prevailing work conditions in Intervet.

### Unions in Interveterinaria

#### **Santiago Tianguistenco Plant**

As noted in the previous report, the head union at Interveterinaria Santiago Tianguistenco is the *Asociación Sindical Nacional de Trabajadores de Laboratorios, Productos Químicos, Farmacéuticos, Similares y Conexos en la República Mexicana* (“National Union Association of Laboratory, Chemical Product, Pharmaceutical, and Allied Workers in the Mexican Republic”), (dating back even prior to Interveterinaria given that the union was established in 1985 with Intervet Mexico). This union in turn is a member of the *Confederación de Trabajadores de México*, CTM (“Workers’ Confederation of Mexico”), which is the country’s largest union organisation, and which practices a type of unionism inserted in the institutional framework of what is known in Mexico as “corporativism.” We already reported that the union’s general secretary, Mr. Rubelio Esqueda,<sup>12</sup> intervenes more as legal consultant than as daily organiser and representative of the workers, despite holding a union license. For that reason, for purposes of this study we recurred to the union delegates in the company.

Internal union work rests on two delegates, a woman and a man, with seven and two years respectively with these union responsibilities, although with longer work histories in the company.

Elections for union delegate posts are held every three years, but no mention was made of the selection mechanism or the most recent experiences. Their replacement is not mandatory, and they can remain in the post beyond their initial elected period if no one solicits their renewal and the delegate him or herself does not request to step down. The position of general secretary is distinct; it is not decided at the company level, but rather within the union structures.

On the other hand, it is pertinent to note that the delegates attend to their work posts and at the same time carry out their union duties during working hours, and only occasionally during additional non-working hours. The company extends special permissions to delegates to attend events of the union itself or the union headquarters.

#### **Santa Clara Plant**

A very distinct situation exists at the Santa Clara plant, where union representation resides in the *Sindicato de Trabajadores de Farmoquímicos y Similares* (“Union of Pharmo-Chemical and Allied Workers”), which is an independent union organisation unaffiliated to any national or international federation. The collective bargaining agreement with Interveterinaria passes through the larger and older chemical plant, Clariant, at which Interveterinaria is a “guest company” as mentioned above. In this

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<sup>12</sup> General Secretary of the *Asociación Sindical Nacional de Trabajadores de Laboratorios, Productos Farmacéuticos, Similares y Conexos de la R.M.*, Section 5 of the *Confederación Nacional de México* (CTM).

case, it may be said that there is greater institutionalisation of union activity in this industrial unit, considering that this union has a long history dating back through the ownership changes suffered by the company. This union's general secretary holds permanent union license. He has held the post since 1997 and the General Secretary will complete his term in July 2009. The Santa Clara plant also has an exclusive union delegate.

Both unions — that of the Santiago plant and that of the Santa Clara plant — are classified as industrial and local unions, and their disputes are therefore addressed at the Local Conciliation and Arbitration Board of Toluca, the capital of the State of Mexico. In both cases, workers contribute economic funds to their unions through quotas submitted by the company directly to the union, and which are obtained through payroll deductions (the Santa Clara union contributes a 2% union quota and the Santiago union contributes 1% of wages.)

### Collective Bargaining

A union committee exists at the Santiago plant for contract or wage negotiations, composed of four company workers and their lawyer (the general secretary does not participate). Their most recent contract review was in January of this year. At the Santa Clara plant, the company workers, general secretary, and all the delegates attend the bargaining sessions. The last wage review for the Santa Clara plant took place in June 2005.

The unions at both plants characterise their relationship with the company as a bargaining and co-operative relationship in general terms. In fact, they report no important collective labour disputes in recent years, affirming that the contract and wage reviews have transpired with no significant problems.

This does not imply that no disputes occur, but they appear to be restricted to the individual scale. The Santiago plant reports that the opinion of the workers is not always taken into account; they feel that middle management has problems with addressing or interpreting the concerns or needs of the workers. Despite these criticisms, both unions express the opinion that there is a positive perception of the relationship with the company.

There are no grievances filed against the company with the National Contact Point of the OECD Guidelines or any other body.

### Union Freedom

Union affiliation is mandatory for the job posts specified in the collective bargaining agreements, although in total they amount to only about one-third of total employees. No candidate may assume a job post among those classified as regular full-time positions, in either of the two plants, without affiliating him or herself to the union, as specified both in the collective workers bargaining agreement and in union statutes. As part of the contracting process, the candidate reports to the union to affiliate him or herself as member, although this has barely occurred in the past five years. Nor has the company fired a worker who for some reason was disaffiliated or expelled from the union.

Administrative or office workers do not belong to the union,<sup>13</sup> despite the fact that this personnel carries out productive tasks such as secretarial, laboratory, or specialised technical work.

The company administration affirms that there has been no form of discrimination against workers for union motives, or application of any type of sanction or reprimand for implementation of union activities. The union delegates interviewed shared this affirmation.

As noted in the previous report, union delegates have access to the workplaces and it is assumed can hold meetings with union members within plant facilities, with the only prerequisite that prior notice be submitted to a chain of upper management, and the company usually grants permission. This freedom is of course limited by the production processes, considering that access to workplaces is restricted in accordance with isolation conditions required for production.

On the other hand, at the Santiago plant the two delegates lack license to facilitate greater dedication, and therefore occupy precise moments within working hours to address union issues. All the interviews affirmed that there is freedom to distribute union information. The company distributes information on internal production issues, local development of the company, and corporate development.

While no union office was reported to exist at the ample Santiago plant facilities, suitable offices are established within the Santa Clara industrial plant. Sanctions have not been applied to workers for union activism.

The company has bilateral agreements signed with the Santiago union on internal work regulations, training and skills development, and health and safety. An additional agreement exists at the Santa Clara plant on the productivity bonus.

### *Access to Information*

The opinion is expressed within the Santiago union that the company provides general relevant information to the union on internal production issues and the company's global and local development, but it does not do so in a periodic and timely manner. The Santiago union points out that only one informative meeting was held by the company in 2005, while four meetings had been held the previous year in which this type of information was presented. The administration states that the number of meetings declined due to the change in company management, but that a meeting is planned for April 2006.

The Santa Clara union reports receiving the same information, noting for its part that the information flow is optimal in general, but it is also considering the information flow of the Clariant company; the union affirms that informative meetings are held at the Santa Clara plant every three months.

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<sup>13</sup> Attributable to a debatable interpretation of the definition of “confidential workers” – although very common in our legal context. See note 5.

These unions are unfamiliar with each other, and therefore do not exchange information or carry out joint activities.

Neither of the unions has relations with unions at the supplier or subcontractor companies, nor do they co-operate between themselves on union topics. For its part, the company only channels the information necessary for commercial exchange with its suppliers of goods and services, and does not disseminate information on social responsibility matters.

### Committees

Worth reiterating in this report is the existence of mixed committed. Committees work in both plants on profit sharing, training and skills development, first aid, safety and hygiene, cultural activities, and education. In addition to the above, the Santa Clara plant also has committees on productivity and on sports and festivities, as well as the chemical emergencies brigade. No reports were obtained from the committees on their specific activities due apparently to the fact that such reports are not systematically elaborated.

## **Labour Conditions**

### **Child Labour**

The company has a norm against hiring persons under 18 years of age, and this is corroborated by the interviews. No workers under 18 were detected to exist in the past years. In accordance with both company requirements and union guidelines, child labour within the plants is avoided. This extends to the subcontracting companies operating within the company, but is not an area supervised by Interveterinaria in the supplier companies.

### **Forced Labour and Discrimination**

In the same sense, no evidence was obtained in the interviews of situations leading to forced labour in either of the plants. Nor were any acts of discrimination detected among workers and employees based on personal traits, cultural characteristics, or social differences.

In the area of equality of opportunities between men and women, no cases of evident gender discrimination attributable to the organisation were mentioned. Although under-represented among the total workforce, with more than three men for every female worker, women are present within the better paid positions. For example, four women (and six men) occupy the position of co-ordinating operator, and at the next level, in the specialised operator post, the relation is nine women to six men. There is only one woman in the upper management level, alongside seven men.

Among total base workers, there are three women for every two men at the Santiago plant, and two women for every 23 men at the Santa Clara site.

No cases were reported by the company or the unions of women fired due to pregnancy; nor were cases of sexual harassment by superiors toward subordinates or among work companions identified at either plant.

In particular, the company has not undertaken activities directed specifically toward women with the intention to improve their labour situation; both sexes are always invited without distinction to any activities.

### **Wages**

The issue of wages must be viewed in the national Mexican context, which is characterised by progressive loss of purchasing power for wage earners, exacerbated by labour and macroeconomic policies: wage limits, devaluation, inflationary growth, reduced social budgets, etc. And this situation most definitely affects Interveterinaria base workers and employees.

As general points of reference, the minimum wage received by a Mexican worker (\$46.80 in 2005) is only enough to pay for 26% of the so-called Basic Food Basket, meaning that the minimum wage has accumulated a loss of more than 70% of the value

it had in 1980.<sup>14</sup> The lowest wage at Interveterinaria Santiago is \$70.17 pesos, which is above the legal minimum —1.5 times the minimum wage— but it should be noted that only three employees occupy said post (see table 7). A worker needs four times the minimum wage (\$187.20) to cover the basic necessities for himself and his family, according to UOM estimates. In comparison with other indicators, the average wage in the manufacturing industry is \$194.15 pesos, and in the chemical industry in particular is \$222.54 (September 2005).<sup>15</sup>

There is a large difference between wages paid at the Santiago Tianguistenco and Santa Clara plants, with workers far better off at the latter plant: the lowest wage paid in Santiago is \$2,105.00 per month, for the position of general assistant, while the lowest wage at the Santa Clara plant is \$4,982.00, for the general labourer category. This distance is paralleled in each of the job posts of the two wages tables, as presented in tables 5 and 6:

**Table 5: Interveterinaria Santiago Tianguistenco Salary Scale<sup>16</sup>**

Position	No. Workers	Daily Salary (pesos)		
		2001	2003	2005
Co-ordinating Operator	10	145.00	166.79	181.69
Specialised Operator	11	105.00	120.78	134.58
Skilled Operator	13	78.00	89.72	97.76
Assistant Operator	3	72.00	82.82	90.22
Auxiliary Operator	4	60.00	74.77	81.47
General Operator	1	65.00	69.55	76.18
General Assistant	3	---	64.41	70.17

Source: Interveterinaria S.A. Santiago Tianguistenco Collective Bargaining Agreement, 2001, 2003 and 2005, Mexico.

**Table 6: Interveterinaria Santa Clara Salary Scale**

Position	Daily Salary (pesos)		
	2001	2003	2005

<sup>14</sup> Interview of Laura Juárez Sánchez, “Dramático escenario laboral en cinco años de gobierno foxista”, Revista Trabajadores no. 51, UOM, November-December 2005.

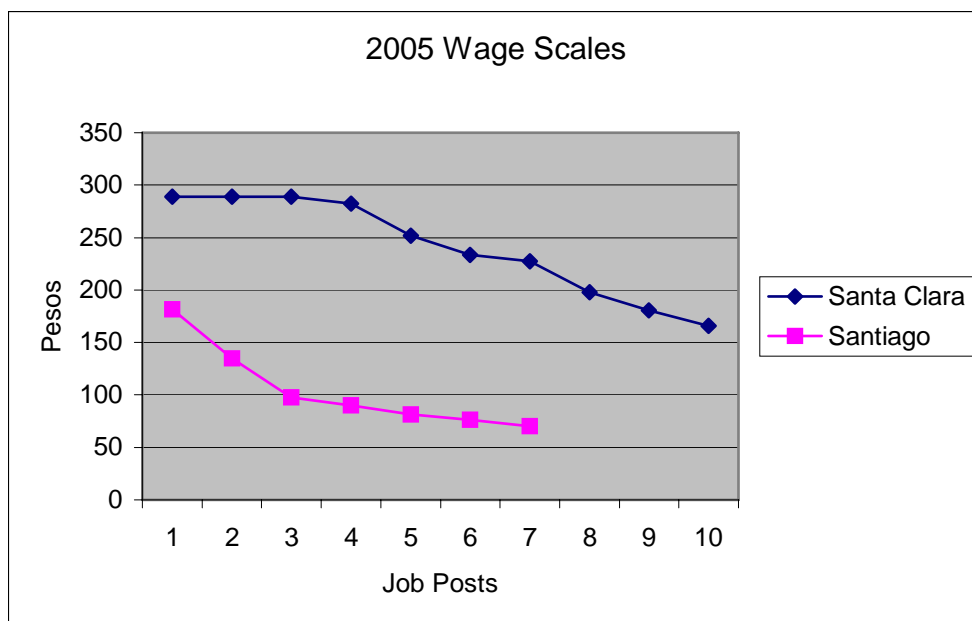
<sup>15</sup> Data elaborated by STPS, consult at: [www.stps.gob.mx](http://www.stps.gob.mx)

<sup>16</sup> In the January 2006 wage review, a 4.5% increase was obtained applied directly to the wage scale, which is a little more than the accumulated inflation for 2005, which was 3.88%.

Head Mechanic	244.88	275.05	288.80
Head Electrician	244.88	275.05	288.80
Head Operator	244.88	275.05	288.80
Head Warehouse Clerk	239.34	268.83	282.27
Secondary Mechanic	213.39	239.68	251.66
Secondary Warehouse Clerk	198.08	222.48	233.60
Skilled Worker	193.03	216.81	227.65
Laboratory Worker	167.80	188.47	197.89
Assistant	153.06	171.92	180.52
General Worker	140.81	158.16	166.07
Supernumerary	37.90	---	---

Source: Interveterinaria S.A. Santa Clara Collective Bargaining Agreement, 2001, 2003 and 2005, Mexico.

The difference between the wage tables is noteworthy. The company offers two reasons: the higher standard of skills of workers at the Santa Clara plant due to the chemical and biological processes involved in the higher-risk activities there, and secondly, that labour relations at the Santa Clara plant reflect a much longer (30-year) history of negotiations, dating to when the plant still belonged to Hoechst, while negotiations at the Santiago plant have only a six-year history. The following graph illustrates the differences between wages of comparable posts.



Source: Interveterinaria S.A. Santa Clara Collective Bargaining Agreement, 2001, 2003 and 2005, Mexico.

In order to obtain additional information on the situation of the subsistence of Interveterinaria Santiago workers receiving the lowest wages, a survey was carried out among the 14 labourers in this category. Some of the most revealing results are summarised as follows:

- None of the workers in this wage category considers the wage sufficient for his family to live comfortably.
- Two-thirds of interviewed workers are the primary providers for their families.

- The vast majority have more than three —and they may have up to six— economic dependants.
- Only two have an additional economic activity.
- Half of those interviewed must have another person contributing to cover family expenses, and of these only one contributes more than the Interveterinaria worker.

In another aspect of the wage question, the Santiago union has presented a proposal to reduce the number of wage-scale levels to five, raising the amounts of the bottom three, which are low and in any case represent the same activities.

In reference to labour mobility, the Santiago union notes that there are few opportunities to move up the ladder. One pertinent piece of data: there were only three promotions in all of 2005. There is a perception among workers that “some in middle management do not give the workers the credit they deserve and tend to evaluate the quality of their work as bad.”<sup>17</sup>

### Workdays

The normal workday at the Santiago plant is 7.5 hours; the workweek totals 45 hours. Daily work hours are 8:00 to 17:30 Monday through Thursday and 8:00 to 14:00 on Friday, with a one-hour lunch break. The variations in the shifts are described below.

The Santa Clara plant has a maximum work week of 45 hours, divided in five nine-hour days, but three other shifts also exist to cover the production processes 24 hours a day. Both plants respect the maximum established workday.

During the interviews, workers were asked to estimate the average number of overtime hours worked in different circumstances: in normal labour seasons, and during high demand. The average number of overtime hours per week during normal demand — covered by all the personnel, not individually— is six hours (a half day is worked on Saturday). During high demand, average overtime is 20 hours per week at the Santiago plant. The daily average is eight overtime hours at the Santa Clara site during normal demand, for a total of 50 hours per week. During high demand, average daily overtime is 26 hours, totalling an estimated 135 hours per week.

At both plants, prior notice is given when workers will be requested to work overtime, a minimum of two days and up to five days ahead at the Santiago plant. However, management notes that this also depends on the type of urgencies, which may emerge, and it may be requested the same day it is required. In the case of the Santa Clara plant, overtime is announced with one day’s notice and is improvised only in the case of worker absenteeism. Workers at both plants may refuse to put in overtime hours if and when they have justification. Overtime hours are paid in accordance with norms established by the Federal Labour Law and the collective bargaining agreement, which surpasses the minimum established by law.

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<sup>17</sup> Interview by Luis Antonio Bonifaz of the STFS and the ASNTLPFSCRM on 20-10-05 and 9-10-05, Company Questionnaire, Cilas A.C. electronic file.



No relation has emerged between overtime work and increased workplace accidents. On the contrary, accidents and incapacity have considerably decreased at the Santiago plant, where a record was reached of 1000 days with no accidents.

**Bonuses and Profit Sharing**

Interveterinaria offers monthly attendance and punctuality bonuses and an annual productivity bonus at the Santiago plant. The same bonuses are offered at the Santa Clara plant, with the distinction that the punctuality bonus is bimonthly (with a maximum of \$600 per year). In the case of the productivity bonus, the average bonus at the Santa Clara site is \$750, and the bonus reached \$4,000 at the Santiago plant in 2004. These are part of agreements established with the unions, based on productivity at the Santa Clara plant and on performance at the Santiago plant.

A general bonus has been distributed at both plants for a total of \$8,000 pesos; in 2005 and 2006 it was for \$6,000 pesos, in each case distributed in the months of April.

Profit-sharing payments have been distributed in the past five years at both the Santiago and Santa Clara plants, paid in the months of May, and with both plants distributing the same amount. The company convoked the establishment of the profit-sharing committee and has provided the unions with the information needed to calculate profit-share distribution.

At the Santiago site, workers state that the change in the company’s activity category — from a production company to an assembly-line plant (*maquiladora*)— resulted in a drop in profit shares, therefore also negatively affecting worker motivation, although production levels have been maintained.

The company did not report on profit transfers abroad, and the unions have even less information the subject.

**Benefits**

Workers classified as confidential, full-time, and seasonal workers are registered in the national Social Security system (IMSS). Both plants have clinics staffed by medical personnel.

In the case of the Santa Clara plant, all workers have access to private medical services for emergencies since 2005.

Both plants offer a proper cafeteria as well as a kitchen to prepare meals during afternoon and evening hours.

**Table 7: Benefits<sup>18</sup>**

	<b>Santiago</b>	<b>Santa Clara</b>
Social Security	Workers are registered in the Mexican Social Security Institute (IMSS).	Workers are registered in the Mexican Social Security Institute (IMSS).

<sup>18</sup> JLCA Collective Bargaining Agreements of Santiago and Santa Clara plants, Toluca, State of Mexico.

Life Insurance	A life insurance policy is taken out on behalf of workers applicable in case of natural and accidental death.	A life insurance policy is taken out on behalf of workers applicable in case of natural and accidental death.
Cafeteria Services	The company provides cafeteria service from Monday through Friday, each worker paying the equivalent of 20% of the Mexico City daily minimum wage.	The company provides cafeteria service from Monday through Friday, each worker paying the equivalent of 20% of the Mexico City daily minimum wage.
Employee Transportation	Radio taxis for personnel working overtime for transportation from the plant to the city centre.	
Pensions/ Seniority Funds	A savings plan is established in which the workers contribute 13% of their wage (according to the official wage scale) and the company makes an equal contribution, during the January-December period of each year.	A savings plan is established in which the workers contribute 13% of their wage (according to the official wage scale) and the company makes an equal contribution, during the January-December period of each year.
Educational Programs for Workers	Each year the company awards an educational grant in the amount of \$700 pesos to one sixth-grade student and to one ninth-grade student.	Each year the company awards an educational grant in the amount of \$2,000 pesos to one sixth-grade student and to one ninth-grade student.
Housing	The company complies with its obligatory quotas on behalf of each worker to the National Housing Fund (Infonavit).	The company complies with its obligatory quotas on behalf of each worker to the National Housing Fund (Infonavit).
Profit Sharing	The company and the union agree to integrate a committee with the objective to determine the participation of profit shares corresponding to each worker.	The company and the union agree to integrate a committee with the objective to determine the participation of profit shares corresponding to each worker.
Vacation Bonus	Workers are entitled to a bonus not less than 50% of wages corresponding to them during the vacation period.	Workers are entitled to a bonus not less than 55% of wages corresponding to them during the vacation period and the bonus increases up to 100% according to seniority.
Other Benefits	<ul style="list-style-type: none"> <li>• The company offers unionised workers a monthly attendance bonus (\$65) and punctuality bonus (\$100), both paid in grocery vouchers.</li> <li>• The company allocates monthly support to each unionised worker for the purchase of basic goods, in the amount of \$200 paid in grocery vouchers.</li> <li>• The company allocates annual support to each unionised worker for Christmas purchases</li> </ul>	<ul style="list-style-type: none"> <li>• The company allocates annual support to each unionised worker for Christmas purchases in the maximum amount of \$920 paid in grocery vouchers in the second week of December of each year.</li> <li>• The company provides support to the union for sports activities in the amount of \$5,000.</li> <li>• The company provides annual support to the union for Social Security in the amount of \$5,000.</li> <li>• The company allocates support to</li> </ul>

	<p>in the amount of \$800 paid in grocery vouchers in the second week of December of each year.</p> <ul style="list-style-type: none"> <li>• The company allocates support to workers for funeral expenses in the case of the death of an immediate family member (parent, spouse or child) in the amount of \$2,500.</li> </ul>	<p>workers for funeral expenses in the case of the death of an immediate family member (parent, spouse or child) in the amount equivalent to 38 days of wages, plus 286.85 pesos.</p> <ul style="list-style-type: none"> <li>• Seniority bonus equivalent to 10 days wages following 10 years of service, with progressive increments thereafter.</li> <li>• Five-day vacation allowance upon marriage.</li> <li>• Contribution of \$1,643 pesos for purchase of school supplies.</li> </ul>
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## Working Conditions

Tours held of plant installations revealed orderly and clean conditions and the existence of pertinent services, installations and safety measures.

The most common illnesses are respiratory and gastrointestinal ailments.

The company provided a copy of the 2005 Training Program listing more than 20 events and 718 hours of training. The main contents of employee training refer to occupational risks and accidents and issues related to work hygiene. This training is imparted through 60 to 90-minute sessions offered approximately every two weeks. Two days each year, an integration and safety course is implemented. The Santiago union receives four talks each year to cover the topics of these courses.

**Table 8: Conditions at Interveterinaria Plant Installations**

	<b>Santa Clara Plant</b>	<b>Santiago Plant</b>
<b>Bathrooms</b>	Good Conditions	Good Conditions
<b>Sinks</b>	Good Conditions	Good Conditions
<b>Showers</b>	Good Conditions	Good Conditions
<b>Cafeteria</b>	Good Conditions	Good Conditions
<b>First Aid Kit</b>	Good Conditions	Good Conditions
<b>Medical / Nursing Services</b>	Good Conditions	Good Conditions
<b>Sports Facilities</b>	Good Conditions (basketball)	Good Conditions (Soccer and basketball)
<b>Drinking water near working stations</b>	Good Conditions	Good Conditions
<b>Safety Warnings</b>	Good Conditions (Protection for smokers)	Good Conditions
<b>Ventilation</b>	Good Conditions	Good Conditions
<b>Adequate Lighting</b>	Good Conditions	Good Conditions
<b>Fire Extinguishers</b>	Good Conditions (safety programs)	Good Conditions
<b>Other Services</b>	ATM, emergency plan, and waste treatment	Emergency plan and waste treatment

# Subcontracting, Work Flexibility and Temporary Workers

## Subcontracting

Interveterinaria has not carried out any reorganisations or relocated production units in the past five years. We therefore went directly to aspects related to subcontracted work. The company's subcontracting strategy at the Santiago plant continues similar to how it was reported in the previous report to the Monitor: subcontracted personnel are responsible for the areas of cleaning, surveillance, cafeteria service, maintenance, construction, and some administrative tasks (two secretaries, one driver, one receptionist, and the medical service doctor). In addition, a subcontracted transportation company, Technicom, has worked at the plant for the past two and a half years.

At the Santa Clara plant, the surveillance, cafeteria, cleaning, and specialised equipment maintenance services are all subcontracted, but not normal maintenance services.

In reference to outsourcing<sup>19</sup> the company notes that “it has been used only for work overloads in production and in administration” without providing precise details on which functions. In general, the union representatives interviewed agree that outsourcing has not directly affected the workforce in terms of work lost, nor has it provoked negative effects in labour relations, in the union spaces, or personnel layoffs.

## Work Flexibility

Although the administration affirms that it has not carried out a flexibility<sup>20</sup> plan, several norms and actions, which function in this sense, must be highlighted. In particular there are two possible routes: flexibility in workdays, and in work posts.

We found clauses in the collective bargaining agreements and in the internal regulations, which give a broad margin of flexibility in terms of mobility among job posts, such that workers can be freely moved among positions. For the Santa Clara union, the possibility of mobility among posts is perceived as positive from the point of view of increased labour capacities. But they add that incentives should be applied in the case of job post or workday modifications; the company notes that incentives do exist for shift changes: compensation is allocated for changes to the second shift, and — a larger payment— for the third shift.

The possibility also exists for the modification of working hours, workdays, or shifts according to company needs. Those interviewed at the Santa Clara plant note that when there is a production increase, a worker rotation program is established and three rolling shifts per workday are implemented, following prior agreements.

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<sup>19</sup> We understand outsourcing as the contracting of services with other companies in order to integrally delegate to them a determined function, which had previously been performed by the contracting company.

<sup>20</sup> We consider the following actions among others within the concept of work flexibility: learning multiskill, worker versatility, new contracting options, performance evaluation by team, work in quality circles, piecework payment, job-post rotation, workday or worker role reorganisation, etc.

## Temporary Workers

Workforce flexibility through contracting seasonal workers is another modality used at the Santiago plant. As noted above, the number of seasonal workers at this plant is substantial according to the plant's own data, and the majority of seasonal workers are occupied in production tasks. This does not occur in the small Santa Clara plant.

Upon attempting to quantify the number of seasonal workers, the administration specifies that, temporarily and sporadically, nine persons are contracted for six working months, in eight-hour workdays Monday through Friday in 2005. The union specified the number at 15 labourers in working hours equivalent to the rest of the full-time workforce, for three to six months.

These workers are rehired on a recurring basis due to the experience they have acquired, but this is not always the case. The reason cited to employ seasonal workers is to respond to greater production demands.

Seasonal workers are not granted economic benefits such as the annual bonus or the savings fund, but they do receive a cash amount for groceries and profit shares in accordance with the Federal Labour Law.

They do not receive plant contracts after having worked for the company. However, the opinion of the Santiago union is that they do not affect job security or income levels. In general, there is a relationship of acceptance between plant workers and seasonal workers.

However, the unions coincide in the opinion that the company follows criteria oriented to preserve job security and maintain worker incomes.

## Conclusion

- i. An integral image of the activities carried out in relation to social responsibility policies was not obtained from the company. But there is evidence of compliance with national labour legislation, fulfilling the norms established in the Federal Labour Law.
- ii. No indication was found that the administration carries out periodic review of CSR commitments. Actions in this regard are currently only being proposed.
- iii. The principles of conduct have not been disseminated in an adequate manner so as to assure they are understood and applied at all levels of the organisation.
- iv. The company does not have a communications policy with suppliers and subcontractors on the CSR theme.
- v. The company respects the right of the workers to have a union, but a numeric decline is appreciated; the unionised worker population has in fact stagnated while the non-unionised workforce has grown. Attention should be called to the union in this matter.<sup>21</sup>
- vi. Collective bargaining is established with the unions and is carried out within the legal and customary forms of the particular context. No strikes or work stoppages have been registered.
- vii. The company has not openly discriminated against the representatives of the workers and has committed to allow free access of the unionists to the workplaces.
- viii. In a more general manner, no discriminatory conducts have been reported based on diverse personal aspects.
- ix. The company has not allowed sexual harassment or forced labour behaviours to occur.
- x. The company does not use child labour and has not supported its use.
- xi. The company has carried out the necessary actions so that workers have safe and healthy work facilities with the necessary services for a pleasant workday.
- xii. Basic norms are complied with regarding work schedules and their modalities.
- xiii. The company fulfils its obligations in reference to payment of the wages, remuneration and benefits to which it has committed. In general terms, the company compensates above legal minimum, although incomes at several levels are insufficient for adequate purchasing power.
- xiv. The unions have not developed a fluid communication with their peer organisations along the production chain and even among those of their same group in relation to CSR policies.
- xv. The company reasonably facilitated information for implementation of the Monitor, working efficiently in the diverse tasks required by the research. However, it lacked agility in reference to implementation times, and information on some topics was scarce and not very relevant in relation to the production chain. However, this can be rectified in the framework of the CSR commitments.

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<sup>21</sup> The company adds the following note: “The company complies with the law differentiating what the law itself recognises between confidential workers and unionised operators. The personnel employed both as temporary and full-time unionized workers is contracted in accordance with the needs of the Company and primarily the demands of the international and national market.” Interview with Human Resources Management by Antonio Bonifaz, March 2006.