

Research Report
2006

Philips da Amazônia
Brazil

Instituto Observatório Social
São Paulo

SOMO



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Abbreviations

AM	– Amazonas State
CCT	– Collective Labour Convention
CIPA	– Internal Accident Prevention Commission
CIDOP	– Internal Personnel Commission
CTPS	– Working and Social Security Papers
CUT	– Single Workers Centre
STD/AIDS Syndrome	– Sexually Transmitted Diseases/Acquired Immune Deficiency Syndrome
DIEESE	– Interunion Department of Social Economic Statistics and Studies
HDTV	– High definition television
ICV-DIEESE	- Cost of Living Index - DIEESE
SOI	– Social Observatory Institute
ISO	– International Organisation for Standardisation
MG	– Minas Gerais State
ILO	– International Labour Organisation
ONG	– Non-Governmental Organisation
PAM	– Philips da Amazônia Indústria Eletrônica Ltda.
PE	– Pernambuco State
PIM	– Manaus Industrial Zone
PLR	– Profit and Income Sharing
PROREDE	– Program for Re-education and Prevention of Chemical Dependency
HR	– Human Resources
SENAI	– National Industrial Educational Service
SA 8000	– Social Accountability 8000
SINDEVAM	– Security Workers Union of Amazonas State
SGI	– Integrated Management System
STIMM	– Metallurgical Workers Union of Manaus7
SUFRAMA	– Superintendency of the Manaus Free Trade Zone
ZFM	– Manaus Free Trade Zone

Introduction

This study of Philips is part of broader research project (Company Monitor Project) into working conditions and union relations in four Dutch multinationals in Brazil, Philips, Unilever, Akzo Nobel and the bank ABN AMRO. In the Philips case, it was decided to limit the object of the study to the facility of Manaus, in the Industrial Zone called “Zona Franca de Manaus”. This zone comprises the principal producers of electronic goods and a number of their suppliers. Another reason for the choice of this theme was the interest demonstrated by Brazilian union entities in this study.

The study of Philips da Amazônia dealt with the themes proposed in the structure of the Company Monitor Project, including union relations, working conditions and the conception and practice of corporate social responsibility. Data collection consisted in interviews with company directors and unionists. Information available in publications and on the company website and other documents were also collected. The interviews were conducted in May and June 2005.

The management of Philips do Brazil co-operated with various phases of the studies that the Social Observatory conducted about working conditions in their industrial plants¹. Philips responded to a questionnaire with written questions.

The participation of the all unions (from Metalworkers to the Hotel attendants) permitted the achievement of the present study. We thank to the collaboration received on the part of representatives of the company Philips, of trade union leaders and industry representatives that provided the access the information and statements that enabled the achievement of the research. Evidently, such collaboration does not imply in responsibility by the content of this report.

1 See: Social and Labor Behavior. General Observation Report: Philips do Brasil. March 2004. URL:<http://www.observatoriosocial.org.br/conex/modules.php?name=BibliotecaVirtual&file=resultado&codigo=1837>

General Characteristics of Philips da Amazônia

Philips is a Dutch company in the electronics sector that produces components for lighting, consumer electronics, home and personal care appliances, electronic components, semiconductors and systems for medical science. In recent years it has undergone a deep restructuring process. The group's global strategy abandoned the politics of business diversification, in which marketing and sales are relatively decentralised, coming to adopt a U.S. standard of corporate management, the principal objective of which is to give value to shareholders. Therefore, the company has sought to reduce the number of factories throughout the world and, at the same time, increase its productivity in factories that remain operating.

Another initiative adopted by the group was the promotion of strategic alliances with companies that dominate modern technology resources, thus redesigning the corporate profile. In addition, Philips has been outsourcing businesses of low aggregated value and with low technology intensity. In 2002, the manual and automatic insertion of electronics products was transferred worldwide to Jabil Circuit Inc. of U.S.-based capital.

Finally, since the second half of the 1990's, Philips has promoted strategic alliances with competitors in market niches where there is some synergy. The best example is the partnership established with the Korean company LG Electronics (LGE) which culminated in the creation of two joint-ventures²: LG. Philips LCD, in 1999, and LG. Philips Displays, in 2001, in which the Philips group guarantees shareholder participation on a world level without participation in company management.

In Brazil, the business segments with shareholder control by the Philips group conform to a production structure organised in four locations: Varginha, Minas Gerais; Capuava, São Paulo; Recife, Pernambuco and Manaus, Amazonas.

The Varginha unit concentrates the home appliances business under the Walita brand, which generates income and does not have a need for large investments in technology. The city of Varginha also has a facility to manufacture reactors (PD – Lighting).

The Capuava and Recife units produce light bulbs for domestic, industrial and automotive use. This is a business with low added value that does not have direct ties to the technology intensive segments. It expects higher growth in coming years. It has been a core business for Philips, with few competitors in the global market (General Electric and Siemens).

Despite the importance of vehicle lighting systems –particularly in Recife – Philips has decided to not focus its investments in this area, the survival of which depends on a capacity for global production in an oligopolistic market controlled by automobile manufacturers.

The Manaus Unit concentrates three business divisions (monitors, TVs and audio). It is considered the most important plant in the Philips group in Brazil, because it includes

² Generic designation for partnerships, associations, strategic alliances between companies, which results in a third company with shareholder participation of both.

an area of technology-intensive products (digital technology). It is the only plant that exports, in a continuous form, the latest generation video monitors, televisions and digital audio devices. It is also the unit with the largest number of workers.

Located in the Manaus Industrial Free Zone, Philips da Amazônia Indústria Eletrônica Ltda (PAM) has a built area of 68,628m² and a fixed investment of some US\$ 252 million. As in nearly the entire electronics sector, PAM's production was historically linked to the Brazilian domestic market. For example, Philips is still a leader in television sales for nearly 10 years, with an important market share, only exceeded in some recent years by Semp Toshiba. According to non-official data presented by newspapers, the share of market participation is around 20%.

Since 1999, the devaluation and instability of the domestic market allowed redirecting production, principally of televisions, to the foreign sector. It is estimated that 30% of production at Philips is aimed at export. The Manaus plant occupies the third position in net income among the 15 largest companies in Brazil's Northern region.

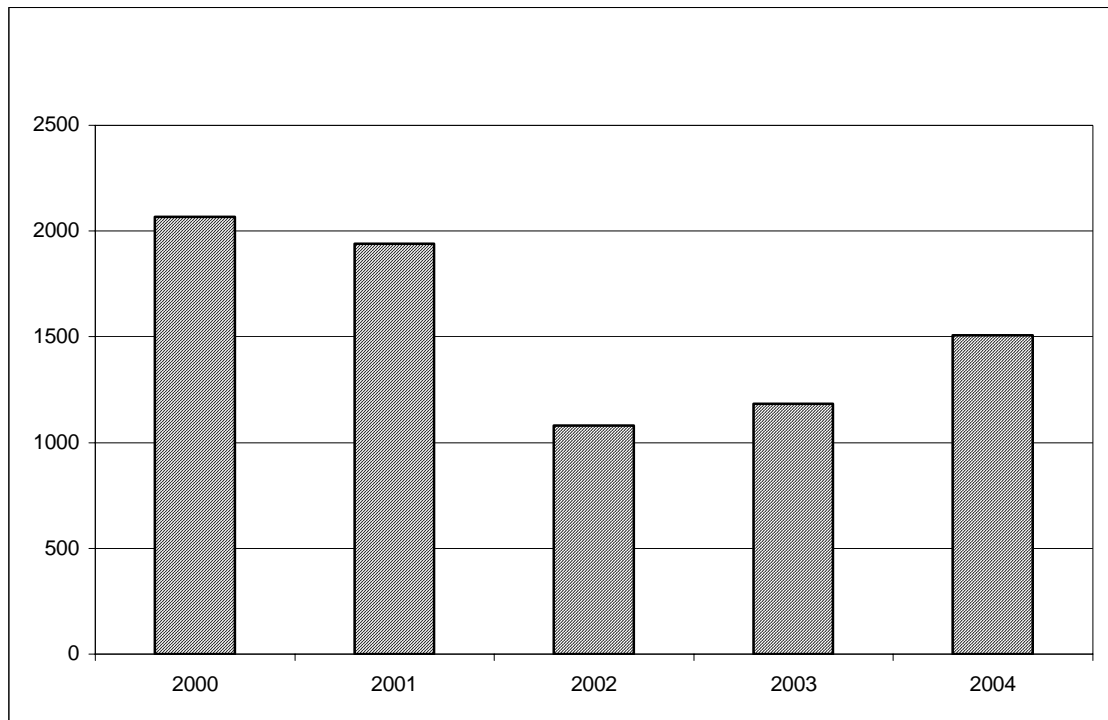
Since the mid 1990's, Philips has drastically reduced the number of its factories. There were more than 260 in 1997 and the goal is to reach less than 130 factory units throughout the world. The decreased number of factories is due to the strategic decision to concentrate production in fewer units, increase economies of scale with reduced costs and improve the levels of productivity, an objective reached only if the company becomes truly global from the perspective of production.

In Brazil, Philips had eight operating factories in the year 2000 and employed nearly 8,000 people. By 2004, there were only 4 factories and the number of employees was 4,000. This drastic reduction was due to the transfer of various operations to LG Philips Displays do Brazil and to Jabil Circuits to which some 4,000 workers were transferred.

At the end of 2004, PAM employed 1,507 workers³. This number represents a return to the level of employment of the immediately previous years, reflecting a general trend at the Manaus Industrial Zone where production and employment in general have been increasing. Even so, direct employment at PAM is far from the level found at the beginning of the decade, when the company still realised circuit board assembly operations.

³ IBRAHIM, Ronaldo Cantelmo. Manager, Personnel Services Center, Philips do Brasil Ltda. E-mail, June, 07, 2005, annex.

Table 1: Philips da Amazônia – Number of Employees



Philips da Amazônia is organised in independent business units, as if they were different companies that depend on the goods to be produced. That is, there are three business units in Manaus – TVs, Audio/DVD and Monitors – that are complemented by a fourth unit, logistics. But there are also four common departments to the different business units, which are: Accounting, Purchasing, Human Resources/Quality Systems and Engineering Services.

Corporate Social Responsibility (CSR)

The Presidency of Philips decided in the year 2000 that the profile of the company's social actions should have corporate characteristics based on the creation of a specific project for the Social Responsibility area. Two years later, on a global level, in 2002, the sustainability policy was defined contemplating a set of actions "that sought equilibrium between market demands and the integration of individual, environmental economic and social responsibilities"⁴. The company said it believes that the incorporation of sustainability concepts will contribute to its own growth and the generation of values.

Among the references that guide its projects, the company mentioned the Millennium Goals. Philips is also among the corporate organisations that promote concepts of sustainability and social responsibility. On the international level, Philips is a member of the World Council of Business for Sustainable Development. In Brazil, the company is associated to the Ethos Institute for Social Responsibility, one of the best known organisations of this type.

For the company, sustainability includes four responsibilities:

- Individual responsibility –team work, continuous learning, diversity and inclusion among employees, partners, suppliers and the community;
- Environmental responsibility – incentives to innovative solutions that cause less environmental impact;
- Economic responsibility – increased value of shares in the financial market;
- Social responsibility – make products compatible with consumers needs, so that they promote quality of life and projects that distribute resources to the communities where the company operates.

As can be seen, the company clearly differentiates "social" responsibility from other forms of responsibility, such as individual and environmental, giving it a connotation of social or philanthropic action aimed at society in general, notably for specific segments (youth, people with chemical dependencies) in local communities. In distinction, individual responsibility includes the definitions and actions aimed at the relationship between the company and its employees (direct and indirect).

On the other hand, the company concept concerns its daily activities, seeking to apply the concept of sustainability from the conception of products to their fabrication. The company emphasises, for example, that it seeks to become a global leader in ecological efficiency in the lighting and electronics industries, to do so it is defining measurable objectives, divided into four-year programs (ECOVISION Program).

The company did not publish a Social Report that would allow an evaluation of its activities based on previously defined indicators.

⁴ Philips. A Caminho da simplicidade: sustentabilidade. S/ dt. P.8.

Individual Responsibility

This dimension of the Philips sustainability policy deals with themes related to labour relations and health and safety conditions.

Individual responsibility is encouraged by projects to raise awareness and voluntary projects and by “many other initiatives related to policies of care for labour health and safety”.

One of the projects, the *Singulares* (The Stand-outs), seeks to disseminate the concept of diversity, by creating a committee responsible for this task. A study was conducted about the role of women at the company, and consciousness-raising activities were introduced. The actions in the area of occupational health and safety are part of a specific program – The Life Program – which disseminates information, trains employees, provides incentives for them to take a pro-active position to cultivate individual health and disease prevention actions. Another program is called the Conscious Vote project, which undertakes non-partisan actions “that seek to raise company employees’ awareness about the role of the voter and the importance of the vote”. This program is conducted by the independent non-profit group Transparency Brazil that works against corruption. Finally, Philips is stimulating volunteer work through “Philips Helps you to Help”.

The company's strategy to have each individual understand that only through complete co-operation and team work is it possible to generate a business process with perfect results.

SA 8000 Certification and the Code of Conduct

In Manaus, Philips obtained, in 2004, its certification under norm SA 8000, which defines requirements concerning working conditions and relations. The company is also certified by international quality management norms (ISO 9001), for environmental management (ISO 14001) and labour health and safety evaluation (OHSAS 18001), in the form of an Integrated Management System (SGI).

The requirements for achieving norm SA 8000 concern the basic ILO Conventions, disciplinary practices, working hours, pay and management systems in health and safety.

Although the norm encourages the participation of interested parties, the unionists interviewed affirm that the union was not involved in the preparation of the company for certification. But, on the other hand, it gave interviews to auditors who conducted the necessary certification audit.

In addition to implementation of norm SA 8000, which on its own establishes a company code of conduct, its direct employees should follow a Code of Conduct, and must formally manifest their adhesion to its precepts by signing a document. This code is highlighted by five principal values: respect for individual dignity, moral integrity, confidence in the human being, credibility before the organisation and a search for continuous improvement and personal renovation. According to the orientations of the Code of Conduct, violations of the code should be immediately communicated to the

employee's superior, to the *compliance officer* (a company employee responsible for the maintenance and integrity of Philips ethical principles, present in all the divisions) for the unit, to the Human Resources sector or the Ethics Line.

The Ethics Line was created by a policy that Philips implemented in 2001 to combat any type of discrimination and abuse of power. The purpose of the Ethics Line is for workers to contribute to the effectiveness of the Code of Conduct so that anonymous denunciations be made by telephone in relation to: abuse of power, environmental aggression, sexual harassment, conflict of interests, corruption, crime, disrespect, discrimination, drugs, false information, poor use of Company assets, medicine and labour health, theft, child labour and the improper use of illegal software, information and the Internet. Access to the Ethics Line is made by following instructions on the Ethics Line Card distributed by the company or those contained in a pocket manual provided to employees. Philips maintains that the Ethics Line is a way for the company to “*correct possible deviations from Ethical Conduct*”. According to information provided by Philips da Amazônia, it is Philips do Brazil, which conducts the mapping of charges, made over the Ethics Line. The company did not provide information about the number, type and result of the charges made. It is also Philips do Brazil that evaluates if the charges made are specific or generic, and takes measures so that all the possible causes be evaluated. The representatives of the Amazon unit indicates that the Human Resources management for each plant should respond immediately to the Ethics Line or open an investigation, with proofs being needed as mentioned in the program guide (procedures, witnesses, etc.).

Community Relations

Philips said that it took on broad responsibilities in relation to the community in which it exercised its activities⁵. One of the company's objectives is to stimulate its employees to participate in social projects as volunteers, to help minimise social injustice.

Concerning this phase of “social responsibility” it is important to highlight two principal points in the company discourse⁶. The first is that the projects in this area are implemented first for the internal public, to later be extended to the outside public. Among the principal initiatives considered by the company appear children's environmental awareness, computer school for employees and a voluntary awareness program of prevention of AIDS and STD's among adolescents (The Give Life program). These projects are realised in partnerships with NGOs and public entities, and some of them were publicly recognised for their high quality.

Other activities that the company supports to benefit the local community include:

- Environmental education (*Learning with the Amazon*, with collaboration of recognised scientific institutions and public agencies);
- Education (*Dress a Child – Invest in Education*, for the donation of school uniforms) and support for the Education Quality Institute, of the Instituto Ethos;

⁵ The details concerning the programs were found on the site: www.philips.com.br and in documents from the Social Responsibility and Poverty Seminar. Dutch Brazilian Chamber of Commerce/Brazil – the Netherlands 50 years of social contributions. March 26, 2003. CD Rom “Programa Philips de Responsabilidade Social”.

⁶ Id., p. 50.

and

- Culture (*Art Expression*; and *Widening Horizons*). The company also adopts a donation policy for philanthropic entities and their projects, supporting part of the cost of these actions.

Philips do Brazil established a Social Responsibility Committee in 2001 to assume commitments and take its values to the local communities through the development of social projects focused primarily on the areas of health, the environment and education. Philips employees from all of the units participate in the committee, which is co-ordinated by the São Paulo unit. Although the Committee co-ordinates all of Philips' voluntary projects, there are local voluntary actions. Thus, the Philips, Manaus unit has autonomy in the execution of projects approved by its general administration.

The Metallurgical Union of Manaus indicated that it was never invited to participate in the Philips Social Responsibility Committee. This information was confirmed by the company, which, however, maintained that Philips da Amazônia was always and will continue to be open to the union.

The Committee will co-ordinate various activities, among which are the health education program aimed at high school students from the public schools located near the factory, in order to provide information about Sexually Transmitted Diseases (STDs), realised by volunteers. Another activity is the Program for Re-education and Prevention of Chemical Dependency (PROREDE) for employees and their families, executed through volunteer Support Groups. The activities taken by PAM's voluntary groups include talks, training, donations (materials and products) and financing (not detailed by the company).

Labour Relations

Union Organisation and Representation at the Work Place

Brazil did not ratify ILO Convention 87. Although the Brazilian constitution guarantees the right to unionisation, free from government interference, it also establishes the so-called 'One Union' system. Through this system a single union receives from the state the power to legally represent a certain professional category within a specific territorial area. This power of representation does not depend on a worker's affiliation to the union and establishes a type of monopoly, given that there can be no other union in the same area representing workers in the same professional category. The overwhelming majority of unions have a municipal (the smallest allowed by law) or intermunicipal base, although there are state and national unions. The system does not formally recognise the existence of union centres.

But the 'One Union' System does not avoid various unions from operating in a single company or establishment because they each have different professional categories. At a company in the metallurgical sector for example, a civil construction union can represent building maintenance workers, secretaries can have their own union, as well as security personal and so on. With subcontracting, the negative effects of this division are aggravated, because the subcontracted workers are not part of the majority union base, which is normally the most active and present at the company.

Although the Federal Constitution recognises the union delegate (1 per company with more than 200 employees), this measure is not regulated. Thus, in most cases there is no instance of representation of employees at the level of the company or workplace. The exceptions are the few unions that sign accords with companies to establish a factory commission or other entity for internal worker representation.

Brazilian law protects the employment of union directors, from the moment in which they are registered to dispute the position in the directory of the union entity, until one year after the termination of their mandate. Nevertheless, there are quite a number of cases of companies that fire union directors. These directors should go to the labour court to seek reinstatement to their job and salaries. This may take a long time because the process can go through various courts. Companies that fire union leaders are thus temporarily free of the inconvenience of having unionists among their employees.

The conditions for the execution of union activities, especially the amount of time available and the material resources, depend principally on the conditions of the union and if it is able to establish something in negotiation with a company or company associations.

In Brazil, unions have not specific right to information about companies, in addition to that supplied to the public in general. The law is inadequate in this sense, because only a small number of companies, with shares traded in the stock exchange, publish annual financial reports. Normally the companies and company associations refuse to supply important data and information. Even in the most extreme cases of plant closing, the company is not required to communicate to unions and workers, except for the fact that any layoff must be notified 30-days in advance.

Some large companies are accustomed to providing important data, although they do so in an isolated manner and depending on their own interests. Other information is supplied to the unions informally and is not accompanied by supporting documents. A recent trend is the publication of social reports, but this practice is limited to a few companies.

Turning to the case of Philips, its employees are in the most part represented by unions in the metallurgical category. Among the four production units, workers at three of them are represented by unions affiliated to the Single Workers Centre (CUT): Manaus, AM; Recife, PE and Varginha, MG. At the Capuava, SP unit the workers union is affiliated to the Força Sindical [Union Strength] union centre. Proportionately, the unions affiliated to CUT include, in their negotiation process, 70% of the workers allocated to plants in the Philips group.

The metallurgical confederation linked to CUT nationally includes more than 763, 000 workers and has an annual average unionisation rate of 43%. Considering only the CUT affiliated unions in the localities that include companies in the Philips group, it is found that in Manaus, AM and Recife, PE the rates of unionisation in the category combined was just over 28%, while in Varginha, MG this percentage is approximately 3%. If we focus on the state capitals of Amazonas and Pernambuco, the rate of unionisation increases to nearly 38%, while at the Varginha, MG plant this rate is 1%. The “data base” – or date for contract renegotiation - for the units for which information was obtained, are in either August or September, the average monthly salary is R\$ 400.00 - R\$ 552.00.

The Metallurgical Union of Manaus, AM has a total of 9 thousand affiliates (a 29% unionisation rate, with 97% of them men and 3% women), among whom 300 are workers at Philips da Amazônia. In general the subcontracted workers who perform their duties within the company are linked to other unions such as for example the Security Guard Union (SINDEVAM), etc. 44% are unionised (26% women and 74% men).

The Union of Metallurgical workers has suffered from political instability in recent years, due to legal disputes between portions of the former board of the entity, which demanded the right to form the current directory. This process led to successive exchanges of command at the entity, due to preliminary judicial decisions, and was not resolved during the period in which the study was being conducted.

At Philips da Amazônia there been an organisation for a long time, in parallel to the union organisation, called the Internal Personnel Commission (CIDOP), which seeks a link between the workers and management and to be a space for discussion and resolution of problems at the Company.

CIDOP is formed by 16 members (representatives of the company and workers) and 16 alternates, each with a one-year mandate. The only representatives of the Company that participate of the meetings of the CIDOP are the General Manager and/or the Manager of Human Resources. The members of this commission do not have temporary guaranteed stability as Philips employees (as do members of the Internal Accident Prevention Commission) and must meet certain criteria established by the company to participate, such as have no warning on their employee record and be at the company

for more than two years. The meetings occur according to a pre-established calendar.

According to the Company, CIDOP meets at least once a month not only to discuss the daily problems, but also to debate profit and income sharing. According to some statements, CIDOP has a 16-year history and although it was deactivated for two years during this period, it is now functioning regularly. Despite of the statements raised, the Company alleges that is not truth the information that Philips had interrupted the activities of the CIDOP for 2 years in the PAM. Second Philips this fact has never occurred.

The function of CIDOP is described in the following manner by one of the Company representatives:

“At CIDOP there is no stability. Registration is opened and any employee can sign up, to defend the workers. For example, the bus [that transports workers to the factory and home] is not legal, then an employee goes to the CIDOP to explain the problem, the commission checks the veracity of the issue, makes a report and goes to the Human Resources (HR) meeting. The HR manager receives the information, files a record and addresses the issue. This is good for everyone. I entered as an operator 2 and it was always like this, the company seeking the participation of the worker”.

Nevertheless, in the opinion of the workers, the function of CIDOP had different implications as mentioned below:

“CIDOP is an internal organisation of Philips, at least this is what is taking place, which has the objective to represent the workers in organisational problems ...in the past there were conflicts, because those who defended workers’ interests were seen as a candidate for layoff. For this reason, to resolve something at CIDOP it was good to be from the Internal Accident Prevention Commission because then you had stability. In the past we did away with CIDOP, because we believed that it only served as a field for vigilance among workers, given that there was a problem that was brought to CIDOP and was not resolved, if it was resolved it was resolved in the way that the Company wanted and not in the way that was discussed at the meeting”.

As can be observed in the statements, the company representative and the worker representative have different visions of CIDOP. Nevertheless, there now appears to be a change, as perceived by one worker interviewed:

“I think that the mentality of Philips is changing. I think that the HR manager has helped a lot, perhaps because he is a psychologist, he feeds this. That is, for him to get someone to complain is good. He doesn’t see someone who complains, who fights as a problem, but as a question to be worked with, given that perhaps the complaint is legitimate”.

Nevertheless, despite the changes observed in recent years, the operation of CIDOP appears to be conditioned more on people who are found directing the company than the institutionalised operation. It is interesting to note that there is at Philips da Amazônia this type of organisation (CIDOP), but there is no Factory Commission exclusive to the

workers, which allows discussion of workers problems independently of corporate representation.

The workers say they are well informed by the union. The distribution of bulletins should be conducted on company grounds, as well as the assemblies, which only take place inside the company installations if they involve an issue specifically related to Philips. There is also a bulletin board for worker notices, but information placed on the board⁷ is first approved by the Human Resources sector. About this information, Philips argues that there's not any scrutiny (restraint of any nature) on the part of the area of RH regarding the informative/bulletins of the Union. The company collects the union dues pass along and maintains an accord to give a leave of absence to union directors.

Philips makes available a bulletin board for information of interest to workers, but the use of this space was the object of a polemic in the recent past. According to the union directors, the notices were posted outside of the period established by HR, so that the promotion of important events was impeded. According to the union, the company controls the bulletin board, since any and all information to be posted must first be approved by the Human Resources sector.

On the other hand, the company said that it only checks the date of compliance to post information on the bulletin board – when to post and take it down, without censoring the information. It said the union was responsible for any problems because it had not delivered the notices or information to be posted on the board far enough in advance.

In relation to the evaluation of the freedom to collect and pass along financial contributions (for union dues and health plans) as called for in the clauses of the Collective Labour Conventions, the Secretary of Finances of the Metallurgical Union of Manaus reported that Philips da Amazônia complies regularly with the agreement.

To exercise union activities, the Metallurgical Union of Manaus negotiated with the company leaves of absence for two union directors, for a few days a year, according to need, with normal salary payment. For a third union director the union agreed to a leave for three straight months and a return to activities at the company for one month, without a loss of pay. A fourth union director, a former Philips employee, does not work because he is retired.

⁷ The Collective Labor Convention determines that companies provide a bulletin board where documents that are not offensive can be placed within a maximum of 12 hours after receipt and for the time period suggested by the union.

Collective Bargaining

The national labour law is the main instrument for regulation of working relations and relations in Brazil. Collective bargaining was effectively resumed in the country at the end of the 1970's, and is thus relatively recent and quite limited, complementing that established by law. The collective labour conventions (which regulate the relation between a workers union and an employers union) or the collective labour accords (which regulate the relationship between a workers union and a company) are effective for up to two years, with one year being more common. They principally contain the annual salary adjustment, the base salary level, non-salary benefits and union rights. The convention or accord loses its validity at the end of one or two years and must be renovated through a new pact signed before the conclusion of that in force. This places the workers at a disadvantage given a possible automatic loss of rights if no new agreement is reached and creates pressure to sign the accord. The alternative is to request intervention from the labour court, which, without a strike can take an average of eight years to rule on a collective complaint through all the appeal levels (if a request is made for conflict resolution in the labour courts).

Negotiations are not completely free of government interference, because if they reach an impasse or are not concluded, one of the parties, even without consent of the other, can request intervention of the Labour Court (by filing a so-called "collective complaint). In case of conflict, strike or other action, or if the parties have defined an accord with terms considered to be "abusive", the government can request, once again without consent of the parties, intervention from the Labour Court.

In the case of Philips, the Collective Labour Conventions that establish the norms between the company and workers involve the local company association, known as the Union of Electrical Appliance, Electronics and Related Companies of Manaus and the Manaus Metallurgical Union⁸.

This means that the Collective Conventions establish rules that encompass a large number of companies and workers. The Convention is renovated each year, at the so-called database for the metallurgical category, which is August 1.

Using as a reference the last four Collective Conventions, we can note that the negotiations have been centred around salary issues, given that the other clauses that compose this CCT have remained unaltered.

Currently, the trend toward the decentralisation of negotiations has been accentuated considerably at companies in the Manaus Industrial Zone given the broadening of temporary contracts, the flexibility of the work shift and the participation in profits and income that tend to situate the negotiation in the realm of the company.

According to the union, the company responds to its requests for information needed for the collective negotiation. According to the information from the union directors, the negotiations and the Collective Accords have changed significantly since the beginning

⁸ The complete name is the Union of Workers in the Metallurgical, Mechanical, Electrical, Electronic and Similar Industries and other segments and titles depending on their activity in Manaus and Amazonas State.

of the 1990's until today and the force for propose of claims to the Union Patronal diminished noticeably, given that the strength to establish an agenda of demands presented to the Company has decreased notably, as can be seen in the following statement:

“It has been a long time since we have been able to influence the agenda of themes to discuss, Approximately 10 years ago we had the strength to impose certain themes that the company refused to discuss. So much so that there were strikes (beginning in the 1990's) for this reason. It was not even at the time of salary negotiations, but because of individual issues at the factory. In reality, Philips never sat to negotiate and since it did not sit to negotiate we would go on strike. The most important lasted for 42 days.”

This does not mean that there have been no Collective Accords at the company in recent years. According to the union directors, it is the company that defines the agenda or the themes for discussion. The accords that exist do not originate from demands made by workers, but issues raised by the company. When, for example, the company needs overtime hours, it sends a proposed agreement to the union, which negotiates the terms and holds assemblies with workers for approval. This would be different than what took place in the 1980's and the beginning of the 1990's when, in the words of one unionist interviewed”:

“The workers said ‘look, we need this, and this and that. The working conditions here at the factory are terrible, etc., and we need to improve this sector and another. Our salary is low. Our promotion doesn't arrive. So what do we do? An agenda is sent to the factory. And then we would sit together with the factory, to analyse the agenda, to see if it was solid, and this meeting did not take place for about 10 years.”

The productive unit at the Manaus Free Zone has historically respected the base salary established by the Collective Convention. Besides that Philips goes beyond the baseline for wages and has historically practised salaries well above that value. Other amounts in the company salary structure, its Job and Salary Plan, are set unilaterally, without union participation. This practice accompanies the general trend in Brazil, since companies normally do not negotiate their salary structures, and have the freedom to define them without any legal restrictions, except the minimum salary and salary isonomy.

The benefits - which we understand to be a form of indirect salary - established by the Collective Labour Convention include meal and transportation bonuses guaranteed at symbolic prices (while the current policy of fiscal incentives for companies is maintained for companies at the Industrial Zone); auxiliary payment for funerals of employees and their dependants; illness and accident assistance, funeral assistance and daycare assistance. About the later, problems were found in the form that the company applied the rules in the convention and it has agreed to correct the situation.

Working Conditions

Child Labour

Brazil set at 16 the minimum age for any kind of work, at 14 years for work as a trainee, and 18 for work in taxing, dangerous or unhealthy conditions. The company must allocate 15% of positions that require technical training to adolescents enrolled in a professional internship program organised by the officially recognised institution. The ILO conventions concerning the issue were ratified by Brazil.

The theme of child labour was not indicated by the different social actors as a problem at Philips da Amazônia. The union directors maintained that they did not know of any situations at the company that would indicate non-compliance with the ILO conventions and the Brazilian legislation referring to the issue. This appears to confirm the non-existence of any form of child labour at PAM. The Company indicated that they undertake a Youth Training Program, in two different modalities:

- 1) Youth trainees come from an assistance foundation, which is responsible for the grants offered; there is no contractual tie between the trainees and PAM; there is compliance with the daily shift of four hours; there are three adolescents between 16-17 and 11 months at this time; they conduct administrative support;
- 2) The trainees are linked to a SENAI program and the professional educational centre, and receive grants from PAM; they conduct activities and training in their school vacations, principally at the time of mechanical maintenance; there is now at PAM one youth trainee in this modality.

In both cases, the adolescent must be regularly attending school and participation in the program terminates at the age of 18.

In relation to the use of child labour by the companies providing services to Philips da Amazônia, all of those interviewed said this problem did not exist.

Forced Labour

Forced labour or labour similar to slavery is a crime in Brazil, which has ratified the ILO conventions about this issue.

Philips da Amazônia does not undertake this type of practice. In general, as with child labour, forced labour is not practised in Brazil by large companies in a direct manner. But, as with child labour, the issue is related to social responsibility of these companies, contributing to the fact that this practice does not exist along the entire production chain.

Discrimination

The Brazilian Constitution prohibits any form of discrimination based on sex, race or colour, age, religious belief or political ideas and the legislation treats discriminatory practices as crimes. The country ratified two principal ILO conventions related to this

issue and incorporated to the legislation prohibitions related to the payment of differentiated salaries and other working conditions.

Gender discrimination, or that for colour, or race, is not seen as a problem at PAM nor at other companies studied along the production chain. Even so, PAM and Multibrás have programs related to the theme such as the *Singulares* [Stand-outs], the Ethics Line and the Ethics Committee. Even so, a predominance of men in management and authority positions was found at the company.

This situation of inequality of occupation in management positions is also seen in the union, where there are few women in the directories, at a proportion lower than that of women represented in the labour force.

In recent years data began to be collected about gender and skin colour of employees, revealing that the theme of discrimination in the labour market has gained importance.

This advance has still not materialised in collective bargaining, and in the collective conventions reached from 2001 - 2004 by the unions that compose the production chain, there are no mechanisms to assure anti-discriminatory measures in relation to race or colour. The only exception is that of the Union of Employees at Security, Protection, Armoured Car and Companies of Similar Services in Amazonas (SINDEVAM), which in the CCT 2004-2005 had a clause that sought to combat any type of discrimination by gender, religion or other form.

Wages

The legislation calls for a unified national minimum wage of R\$ 300.00 (as of May 5, 2005) and the possibility of higher state minimum wages. Salaries cannot be reduced nominally, except when the union agrees and signs a specific accord. But, only 50% of workers have labour relations protected by legislation. The other half is in the “informal” market, unprotected by rights defined in the legislation, and receive salaries below the minimum wage. Salary rules internal to companies are rarely the object of negotiation with a union.

Analysing the Collective Labour Conventions signed by the unions in 2003-2004, it is possible to evaluate the minimum salary level found in the industry in the region.

Table 2: Base Salaries For Metallurgical, Hotel and Security Workers in Manaus - 2003/2004

Unions	Base Salary (R\$)	Rate Above The Minimum ⁹ (%)
Stimm	388,22	61.8
Hotel Workers	267,00	11.2
Sindevam	403,38	68.2

Source: Collective Conventions of STIMM, the hotel workers and SINDEVAM
Preparation: Observatório Social 2004

⁹ The minimum wage considered as the base for calculation was R\$ 240,00

These values are considered low, and do not assure a quality of life above the poverty level, if a worker depends exclusively on the salary to sustain himself and his family. They are not significantly different from the income level of the majority of the Brazilian population (according to IBGE [The Brazilian census institute], 51% of Brazilians earn less than 2 minimum wages, or R\$ 600.00 at the time of the study).

Subcontracting, as a cost reduction mechanism, may have contributed to the reduction of average salaries in the industry. This observation can be reinforced by the information from a unionist who said:

“When subcontracting began it upset our entire salary. When the subcontracting began, the law relaxed and they began at the minimum wage. A mechanic often receives much less than a monitor. So, a minimum wage is the salary level for the position and there is no limit. It is really very precarious. Before, when these workers were at Philips, mechanics, masons and electricians earned about R\$900.00 with signed papers. With subcontracting, Philips laid off these personnel and contracted the services of Cargo Engenharia. This company began to pay this personnel – who studied hard to specialise – the base salary for the category, or R\$ 900.00. Unimed, Dentalplan and various other social rights were lost. This is the cost of subcontracting for Brazilian workers.”

Work Shift

In Brazil, the maximum work shift is 44 hours per week, guaranteeing one paid day a week for rest. In the case of work in uninterrupted shifts, the maximum daily shift is 6 hours, totalling 36 hours a week. In this case, collective accords can establish a different number of hours per day. In addition, some professional categories have the right by law to a shift lower than 44 hours, due to the taxing working conditions. There are many accords that define a work shift lower than 44 hours, most of which limit it to 40 hours a week.

The overtime hours can be realised at a maximum of 10 hours a week and 2 hours a day and only in cases of an imperative need for service. Normally, salary for overtime hours should be at least 50% above the norm or 100% on Sundays and holidays.

Until the year 2001, overtime could be compensated for free hours on another day as long as it was on the same workweek. This rule was changed to allow the exchange be made in a larger time period, of up to a year, depending on an accord with the representative union¹⁰. This measure, which was known as the “hour bank” allowed greater flexibility, and principally, the non-payment of additional salaries for overtime. The accords that were reached creating the system, normally stipulated the maximum and minimum limits of overtime hours that could be accumulated for future compensation, the maximum period for this to be conducted, and considered the cases where the payment was mandatory, among other issues.

In relation to overtime, the three CCT 2003-2004 establish the following:

¹⁰ CARRION, Valentin. Comentários à Consolidação das Leis do Trabalho: legislação complementar e jurisprudência. São Paulo, Saraiva. 29ª ed, 2004. pp. 105-107.

Table 3: Amount Of Overtime In The Professional Categories Of Metallurgical, Hotel, Security and Plastics Workers in Relation to Normal Hours.

	CCT 2003-2004 Metallurgical %	CCT 2003-2004 Security %	CCT 2003- 2004 Hotel Workers %	CCT 2003-2004 Plastics %
Monday to Saturday	60	50	50	60
Sundays – Holidays and Nights	110	100	100	100

Source: Collective Conventions of STIMM, hotel workers and SINDEVAM
Preparation: Observatório Social 2004

As can be seen, the CCT for the metallurgical and plastics workers raised the additional pay, with overtime pay based on different criteria for specific situations. The additional pay would be 60% (sixty percent) when worked from Monday to Saturday; 110% (one hundred and ten percent) up to a limit of 8 (eight) hours per day, when worked on Sundays, holidays or at night (from 10 p.m. – 5 a.m.) and on bridge days already paid for, while in this case the additional overtime pay would be 150% (one hundred and fifty percent). In this aspect, it is noted that the CCT for the hotel workers and the security workers is restricted to compliance with the Brazilian law, and does not offer workers additional rights.

Conclusions

The study of Philips da Amazônia reinforces the idea that this company, as one of the leaders in its sector and in the industry in the region, offers working conditions that are within standards considered normal. The research did not find any problems of extreme gravity or sharp criticisms concerning the themes of the study (basic labour rights and working conditions). This does not mean, however, that there are no problems to be overcome.

Some areas can be identified where it is possible to improve labour relations. The absence of the organisation of workers at the company level, with autonomy in relation to such organisation, which can serve as a channel for expression about internal issues, is one of them. The (CIDOP) created by the company as a form of improve dialogue between his workers and the Direction of the Unit, is good as an instrument of upgrade industrial relations. However, as the perception of the workers - the research of the IOS indicates - they do not have adequate protection, workers would feel more comfortable if they had a 'protection' (stability).

In this sense, the Union is the only form of organisation representative of workers, but also confronts limits to its activity at the company level. Its effective presence at the company depends on the election of company employees to the union's management organs. The mission of the union is to collectively represent metallurgical workers as a category, so that factors internal to single companies are diluted.

Without discussing the merit of the positions at stake, the internal political disputes at the Metallurgical Union that are being heard in court were a clear impediment to union organisation within the company, for they create uncertainty about the leadership of workers.

All of these points do not depend exclusively on the conduct of the company, because aspects of legislation and the political rights of the union are also involved. Thus, in the monitoring of Philip's conduct, it is necessary to consider this complex set of intervening factors, and try to identify if the company actions create an environment where workers can make decisions in a democratic and autonomous manner.

Concerning working conditions, we would like to emphasise four points: labour discrimination, salaries, sub-contracting and the work pace. Women at the company continue to have a situation that is less advantageous than that of men (they have lower participation in management positions for example). The company has an interesting position, because it has an active policy and openly discusses the issue. This initiative opens the field for intervention from union organisations.

Salaries at the company are low, even if Philips stands out in relation to the sector and the region, making it clear that this situation is determined in large part by the economic context of the country as a whole and of the Manaus Industrial Zone. But, it should be noted that the collective bargaining is restricted to the base salary, and does not regulate the salary structure at the company. This is a field where there can be advances.

The growing subcontracting can result in worsening working conditions. Even if Philips

requires that subcontracted companies comply with labour laws and safety conditions, salaries and benefits can come to be reduced in this process. It would be important to adopt a position of caution and vigilance about possible new subcontracting. Union representatives can act jointly on this issue.

One relevant point that was not dealt with in the study is the work pace and its effect on worker health. The company set the pace on the production lines without negotiating with the union. This point can be the object of a study in the realm of the Company Monitor Project.

Philips has a social responsibility policy that recognises workers' rights, which is revealed by its certification to the norm that clearly requires compliance with the principal ILO conventions, SA8000. This code certainly contributes positively to the reaffirmation of compliance with those rights that depend on subjective elements, such as non-discrimination at work and respect for workers organisation. But, the study found that the company mechanisms to adapt to the norm, its management system, do not allow for active union participation. Other initiatives, such as the Ethics Line and the Standout Committees, create opportunities for worker participation.

The participation of the unions in this sense depends on each case, reflecting to a large degree the history of organisation and mobilisation of the main union entities. The most vulnerable situation continues to be found among the subcontracted workers, from the more fragile local companies that do not have a union tradition. This is despite the fact that the unionisation rates may be comparatively higher, for this is true not because of a more present union action but because of the attraction of medical and dental services.

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