

# Labour rights in a time of crisis



**Third report on working conditions in the Mexican electronics industry  
Centre for Reflection and Action on Labour Issues (CEREAL)  
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# Introduction

CEREAL's new report examines the labour conditions of Mexican workers who, hidden in the supplier chain of the electronics industry, make the mobile phones of Nokia, Xbox videogames stations for Microsoft, hardware for IBM's businesses, Lenovo's docking stations, Hewlett Packard printers, Dell's servers and speakers and TVs for Panasonic. Through testimonies workers in the electronics industry in Mexico tell us at firsthand about their experiences of uncertainty, employment instability, humiliating treatment and overwork. There are 10 emblematic cases chosen from a universe of almost 4000 stories that CEREAL heard directly from the workers in 2008 and 2009. Many of these cases happened in the context of economic crisis, which was used by some electronics companies to make the already very precarious labour conditions of the workers in this sector even worse. At the end of 2009, while the companies in Mexico reactivate production and attract new investments, many workers see their wages going down and temporary contracts shortening. In the end, the workers were the ones who had to pay the greater part of the costs of the crisis.

Nine brands have been mentioned in this report. We have, for sure, seen their names more than once on many of their attractive electronic devices, without stopping to think about the circumstances in which these devices were produced. But that is, precisely, the aim of this report: to help us think about the people who give their strength and energy in a production line, to make it possible for us to use this equipment that is essential to our modern way of life.

Five years ago, CEREAL collaborated with CAFOD, the Catholic agency for development in England and Wales, on the report "Clean up your Computer", showing for the first time the difficult situation of thousands of workers, in electronics sector production lines, all over the world. Five years ago, the global electronic industry also published their Code of Conduct, known as EICC. This code was created with the intention that all companies along a supply chain in the electronics

industry become socially responsible. This is particularly important because most of the factories where the electronic devices are produced are owned by contractors, in assembly plants called "maquilas", and not by the companies that own the brand. Most of the cases in this report happened in these contractors' plants, and only after in-depth research, was it possible to link them with the brands. Five years from CAFOD's report and the EICC we are at the 5th anniversary of this effort to improve the labour conditions of the workers in this sector, and it is, then, a good time for taking stock of the results. This is the aim of the first pages of this report, where we evaluate how many steps forward or back we have taken, in these five years.

This is a report for everyone: workers, businessmen and women, consumers, Human Rights defenders, trade union leaders, lawyers, professionals, because we all can do something to improve labour conditions for the workers in these factories. It could be done by choosing suppliers carefully, buying or not buying a specific product, asking for more information about labour conditions in the factories where it is produced or writing to the heads of electronics companies.

Finally it is important to say that, after these five years of work, there are new initiatives which seek to improve labour conditions in the electronics industry in Mexico. In the last pages of the report we go through these initiatives, with the aim of recognizing the efforts of people and institutions involved in these projects and encouraging them to increase. In this 3<sup>rd</sup> report, CEREAL wants to stress the need not just to solve individual cases, but also to achieve structural changes in the global electronics industry. As long as workers don't have full rights to freedom of association, the other violations of labour rights are going to be very difficult to solve. Achieving change here is a complex task, but, fortunately, we don't have to start from scratch.

# **Chapter 1**

## **The electronic industry and its Code of Conduct in Mexico**



# A STRONG INDUSTRY

## THE ELECTRONIC INDUSTRY IN MEXICO FACING THE CRISIS

Like other productive sectors, the electronic industry also suffered the negative effects produced by the global economic crisis. From mid 2008, most of the almost 200 companies which make up this sector in Mexico experienced a decrease of production which reached, on average, 40%. This resulted in the closure of factories and dismissal of thousands of workers. The bad news piled up. In May 2008, Sanmina dismissed nearly 2,000 workers of one of its factories located in Guadalajara; in December that same year, Nokia also terminated the employment of 2,000 employees working in one of its facilities in Reynosa; and in May 2009, Sony decided to close one of the factories producing TV sets in Mexicali, leaving more than 600 workers without a job. Other companies, such as Flextronics,

Foxconn and Jabil, reduced their workforce considerably and closed down some of their production lines. At the end of the first six months of 2009, more than 6,000 electronic industry workers had been dismissed and everything seemed to indicate that there would be even bigger dismissals. But at the beginning of the fourth quarter of 2009, things started to change. From October onwards many companies announced the arrival of new investments and confirmed the opening of new projects. At that moment, Nokia had already recovered the jobs lost the year before and once again had a workforce of 5,000 workers. Sanmina projected closing the year with a 20 per cent growth compared with the close of 2008, and Flextronics confirmed the hiring of one thousand new

workers before the end of 2009. Jabil was also going through an unusual growth; in just a few months, the number of workers in both facilities went from 3,800 to 9,000, a growth of 136 per cent. HP and IBM also opened new projects.

At the end of 2009, the overview of the electronic industry in Mexico was far from being negative. But what was happening in that sector was not a reflection of what was happening in the rest of the country. Between October 2008 and October 2009 Mexico lost more than 700,000 jobs, a number which according to experts it will take at least two years to recover. During the same period of time, while the global economy contracted 1.4 per cent, the figure for the Mexican economy was 8.5 per

**Number of workers for the main Electronic Industry Companies in Mexico**  
**National Data 2009**

<b>Company</b>	<b>Workers</b>
<b>Flextronics</b>	<b>21,000</b>
<b>IBM</b>	<b>20,000*</b>
<b>HP</b>	<b>13,000*</b>
<b>Sanmina SCI</b>	<b>12,000</b>
<b>Jabil</b>	<b>9,000</b>
<b>Nokia</b>	<b>5,000</b>
<b>Foxconn</b>	<b>5,000</b>
<b>Sony</b>	<b>5,000</b>
<b>Panasonic</b>	<b>2,000</b>
<b>Philips</b>	<b>2,000</b>
<b>Lenovo</b>	<b>1,000</b>
<b>USI</b>	<b>1,000</b>

\*Direct and indirect jobs

cent. This scenario gets even worse considering that, according to the World Bank, the percentage of Mexicans living below the poverty line was, for the first time for many years, more than half of the total population of the country. The World Bank informs that 54.8 million Mexicans, 51 per cent of the whole population of the country, are living below the poverty line.

However returning to the electronic industry, the news was not all good either. In the last two years, the average daily wage of a worker of the industry decreased from 100 to 90 pesos. According to the estimates of CEREAL, that amount is only enough to cover 60 per cent of nutritional requirements; this amount does not cover other basic needs, like transportation, education, housing, clothing and leisure. This decrease in the average wage in the electronic industry in Mexico, added to a small increase in the production costs in China, has reduced the gap between both countries in terms of profits, which explains to a large extent the renewed interest of the investors in Mexico. There is another figure showing the deterioration of the labour conditions in the electronic

industry in Mexico: the notorious increase of temporary workers. In 2007, temporary workers in the electronic industry represented 40 per cent of the total workforce, but at the end of 2009 this percentage grew to 60 per cent. One case that serves as an example of this change is the hiring scheme of Nokia. In 2008, 30 per cent of the 5,000 Nokia workers in Mexico were hired through employment agencies with three months contracts. At the end of 2009, based on discussions with workers CEREAL estimates 75 per cent of Nokia workers have temporary contracts of 28 days. All the temporary workers of Nokia are hired through the agency Manpower.

As happened in 2002, the electronic industry in Mexico showed its strength in successfully weathering the global economic crisis. It attracted new investments, creating new jobs, but these jobs are more unstable and badly paid than the previous ones. This is a cost that the Mexican workers have had to pay, to keep the industry that provides them with a job afloat. The way that the industry is structured means that it is vulnerable workers who are paying the price.

## THE GAP BETWEEN MEXICO AND CHINA GETS REDUCED

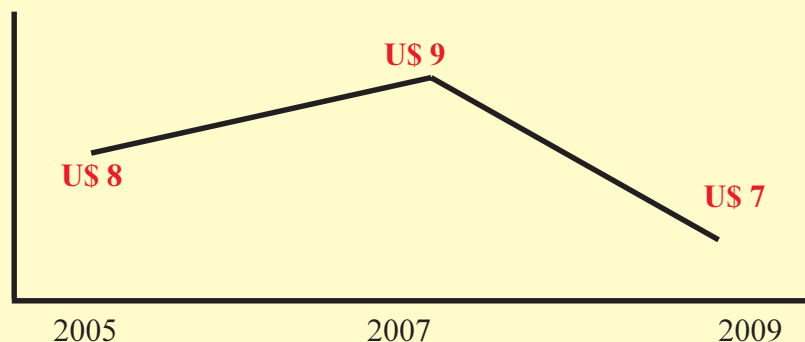
**Labour costs and exchange rate have reduced the benefits about manufacturing in China. The chart shows the cost for manufacturing an aluminium component.**

	2005	2009
<b>CHINA</b>	<b>\$17</b>	<b>\$25</b>
<b>MEXICO</b>	<b>\$18</b>	<b>\$20</b>
<b>U.S.</b>	<b>\$24</b>	<b>\$29</b>

Source: BusinessWeek, June 4, 2009

## AVERAGE DAILY WAGE OF AN ELECTRONIC INDUSTRY WORKER IN MEXICO

Source: CEREAL



## MEXICO'S CONTRIBUTION TO THE WORLD:

- **80% OF BLURAY DISCS**
- **50% OF BLACKBERRY DEVICES**
- **70% OF RECORDED DVD's**
- **MORE THAN 5,000,000 NOKIA CELL PHONES PER YEAR**
- **350,000 HP PCs PER YEAR**

# HIGHS AND LOWS: TAKING STOCK OF FIVE YEARS OF EICC IMPLEMENTATION IN MEXICO

In October 2004, eight of the major companies of the electronic industry joined together to publish the first version of the Electronic Industry Code of Conduct (EICC), a document which contained a series of guidelines that the companies should meet to guarantee socially responsible behaviour. Nowadays, the EICC is in its third version and more than 40 companies have signed it. The three versions of the EICC have been drawn up entirely by the companies themselves, although different organizations have sent multiple recommendations to the companies to improve it. The EICC deals with the issues of environmental protection and labour rights, and its adoption by

the companies is entirely voluntary. Once a company has decided to sign up to the EICC, it must submit to audits to evaluate its compliance with the Code as well as auditing its own suppliers. This means that the writing, implementation and evaluation of the EICC are all run by the same companies that sign the Code. This situation has been criticized by external observers. The Centre of Labour Reflection and Action (CEREAL) is one of the independent organizations that has monitored if the companies are complying with the Code. In the following text, Cereal takes stock of the changes which have occurred in the electronic industry in Mexico after five years of implementation of the Code.



## Job stability

Job instability is perhaps the major challenge faced by the companies while trying to implement the EICC in Mexico. The excessive use of temporary workers is the main indicator of the constant violation of the right to a stable job. Some companies exceed the percentage of temporary workers that is really needed by signing up workers who in reality are permanent on a temporary basis. The companies achieve this by making workers sign a new contract every 15 or 28 days. This practice is illegal because it affects some of the workers' rights, such as the number of days for their annual vacations or the right to severance payment. The Code clearly requires companies to comply with national laws but the issue of regular employment is not addressed explicitly in the current text. This is a major shortcoming, given the difficulties that abuse of short term contracts creates for workers. Given the nature of production in the electronic industry in Mexico, a temporary workforce of up to a maximum of 30 per cent could be considered acceptable for a company. A higher percentage would be difficult to explain. In fact in 2005, 60 per cent of the workers of the Mexican electronic industry worked under temporary contracts. By 2006, this percentage had gone down to 40 per cent, but in 2009 it increased to 60 per cent. At the same time, approximately 90 per cent of the temporary workers of the electronic industry are subcontracted workers hired through employment agencies.

## Sexual harassment

It is very difficult to have a precise figure of the cases of sexual harassment because most of the victims do not report the facts. As an alternative for gathering information on the issue, CEREAL has asked the workers if they have witnessed a case of sexual harassment occurring within their workplaces. Between 2005 and 2006, 90 per cent of the workers participating in this survey responded affirmatively to this question. In 2008, the percentage went down to 80 per cent, but in 2009 it went up again to 85 per cent. The actual claims of sexual harassment received by Cereal were 10 in 2005; 8 in 2006; 12 in 2007 and 2008; and 14 in 2009.



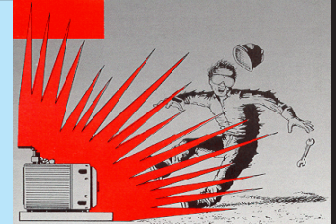
## Discrimination

This is the area where there are the clearest indications that the implementation of the EICC in Mexico has had positive results. CEREAL estimates that in 2005, 90 per cent of the workers of the electronic industry in the country had been a victim of some sort of discrimination practice within their workplaces, above all during the recruitment process. By 2006, this percentage had fallen to 30 per cent; and it fell again to 25 per cent in 2009. This drastic reduction is due to a wide-reaching reform performed by the companies to refine their methods for personnel selection following pressure from CEREAL: they eliminated the questions and tests for identifying pregnant women, people with tattoos, lawyers or law students, union members and homosexuals.



## Work-related accidents

Work-related accidents have also dropped significantly as a result of the implementation of the EICC in Mexico. After having serious accidents due to the lack of foresight by the companies between 2005 and 2006, in which thousands of workers were poisoned, and others were mutilated or even died, between 2008 and 2009, these kind of accidents nearly disappeared. In 2009, collective food poisoning caused by eating in the company's canteen; mutilations of fingers and personnel bus crashes have been reported, but none of these accidents seemed to show a serious lack of security measures taken by the companies. In 2005, nearly 2000 workers of the electronic industry in Mexico were affected by work-related accidents; in 2006, this figure dropped to nearly 700 and then to less than 300 in 2009. However it is important to note that five workers have died in work accidents since the companies began implementing the EICC.



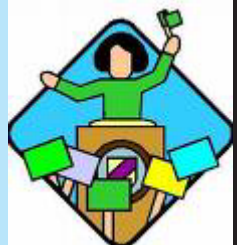
## Exposure to toxics

During the last five years, the adoption of the RoHS directive by the electronic industry companies in Mexico has led to the near elimination of some of the toxic substances that were previously used in the production of electronic equipment. Nevertheless, this directive was designed to protect the environment, not the workers, and, as a consequence, many of the toxic substances that were being used in 2005 are still being used. Among those substances, we find flux, tin, acetone, some acids and epoxy composites. Based on interviews with the workers, in 2005 CEREAL estimated that nearly 4,000 workers of the electronic industry of Mexico were exposed to toxic substances without the proper equipment to protect them. Given that most of these substances are still being used, CEREAL estimates that by 2009, nearly 4,000 workers are still exposed to these substances.



## Freedom of association

The lack of freedom of association is an endemic problem in the Mexican electronic industry. The situation remains the same as in 2005: 90 per cent of the workers of this sector belong to a union that they haven't heard about. In fact, most of them do not even know they are affiliated to these unions. The companies have participated in the forced affiliation of workers to these unions by signing secret collective contracts with so-called union leaders. In 2009, CEREAL registered the first case of 13 workers dismissed as a reprisal for collectively demanding respect for their rights. Recently, three companies of the electronic industry in Mexico have shown some disposition to start a dialogue with CEREAL and try to find alternatives to the problem of lack of freedom of association, however as yet no tangible results have been reached.





## Geographical location of the main electronics industry companies



## **Chapter 2**

### **10 Cases**

The following cases are examples of labour rights violations which occurred during 2008 and 2009 in Mexico's electronic industry. This is not a compilation of all the cases that occurred, but a selection of the more representative cases. In 2008-2009 CEREAL supported almost 4,000 workers, and from these 10 cases were selected to be included in this report. The workers involved in these cases have allowed CEREAL to publish them. The companies have had the opportunity to review the facts.

1

# NOKIA: A MASSIVE SWINDLE

**I**n northern Mexico, right on the border with United States, is Reynosa, the most industrialised city in the state of Tamaulipas. The main economic activity of the zone is the "maquiladoras", factories dedicated to assembling different products with parts imported from other countries. Most of these products (90%) are destined to satisfy the demands of the U.S. market. In Reynosa, in one of the city's three industrial parks, Nokia has two plants, both inaugurated in the last decade, that have become the country's most important production centre for mobile phones.

Just before the end of 2008, both Nokia factories were employing nearly 4,500 workers. But, with sales dropping worldwide, Nokia

had to cut personnel. Between December 2008 and January 2009, Nokia terminated the employment of around 2,000 workers; most of them were subcontracted by two employment agencies, Adecco and Manpower. Nevertheless, Nokia was still their employer, according to Mexican law.

In the midst of the wave of workforce cut backs happening around the world, the staff cut at Nokia seemed like just one more. But, the way Nokia dismissed these workers cannot go unnoticed. To begin with, the workers were asked to sign a "voluntary" resignation.

Afterwards, the workers who doubted whether they were going to sign, were convinced to do so

## Adriana's story

"I used to work for Nokia. My job consisted of assembling mobile phones. When I got fired, in December 2008, the people at the agency Adecco told me that if I signed a resignation form, they would re-hire me, so I signed and took the 800 pesos (USD 61.5, 42 Euros) they gave me as severance



pay. In February 2009, they re-hired me. But, to my surprise, in that same month they fired me again! They wanted me to sign a voluntary resignation again, but I did not accept because I was six months pregnant and I needed the money and the social security, so I sued Nokia, demanding my severance payment and the medical coverage to take care of my pregnancy. The legal demand, however, was not enough. My co-workers and I had to organized public demonstrations and talked to the press. I never understood why Nokia refused to talk with us."



**Nokia tried to avoid the severance payment, putting pressure on the workers to force them to sign a "voluntary" resignation.**

by the promise of being rehired later, if they signed the resignation form. Finally, the workers who definitively refused to sign were threatened with having their names included in a blacklist. To worsen the situation, among those laid off, Nokia included 20 pregnant women who complained of being mistreated during the dismissal procedures.

In Mexico, like other countries, when a worker gets dismissed, he or she is entitled to a severance payment. But if the worker signs a voluntary resignation, he or she loses the right to claim that payment. The procedure implemented by Nokia in Reynosa had the purpose of avoiding the severance pay of these workers; this enraged a group of around 70 workers. They wrote to the executives in Finland, asking them to review the situation. Nokia's answer was delayed for weeks and, when it finally came, the workers' anger was even greater. Nokia explained in a letter that they had conducted an in-depth investigation and had found no irregularity whatsoever in the dismissal procedures. Nokia's

executives also added that they interviewed all the dismissed workers and absolutely everyone had agreed with the procedures of Nokia and its agencies. Soon enough, the workers discovered that none of them, nor any other worker they knew, had been interviewed by Nokia, which revealed the lack of seriousness of the company. Immediately, a group of workers filed a legal demand against Nokia at the labour court, demanding full severance payment. In the following months, Nokia kept refusing to give severance

payment, but also refused to talk with the workers using the argument that the workers had *preferred* the legal way instead of the dialogue.

In this confrontational environment, the workers organized public demonstrations in several occasions, and they appeared on the newspapers, the radio and the local TV channels. After seven long months, Nokia agreed to give full severance pay to the workers and medical cover to the pregnant women that had been

laid off. This represented a victory for the workers and a sign that the workers hired through an employment agency could assert their rights.

Unfortunately, Nokia did not modify its labour policy to prevent future abuses. The company laid off a considerable number of directly hired employees and substituted them with hundreds of workers hired through an agency; they have also made them sign contracts with a duration of between one week and three months.

**2**

### **A mass dismissal without dishonesty**

Can a company behave responsibly during a massive dismissal of workers? The answer is yes. On May, 2008, Sanmina SCI, a company of the electronic industry that makes equipment for Phillips, among other companies, was forced to dismiss nearly 1,300 workers of one of its factories located in the city of Guadalajara. Sanmina did not give full severance pay to all the dismissed workers, but, contrary to Nokia, listened to the dissatisfied workers and complied with their demands. After CEREAL exposed the cases of 19 of the workers who were dismissed, Sanmina gave full severance payment to all of them. According to monitoring carried out by CEREAL, Sanmina is a company that has shown a considerable improvement in their Social Responsibility policies. For example, this company reduced their percentage of temporary workers from 60% in 2005, to 30% in 2009. Sanmina also solved all cases of non-conformity with the EICC code that CEREAL brought to the company during 2008 and 2009.



**These workers proudly show their cheques after receiving their severance payment**



3

# FLEXTRONICS AND MICROSOFT: HUMILIATING TREATMENT

The city of Guadalajara is promoted by its local government as the “Mexican Silicon Valley”. Some consider this an exaggeration, but the truth is that the most important cluster of electronic companies in the country is based in this city: more than 70 companies and more than sixty thousand workers. Flextronics, with more than 18,000 workers is the biggest company of this cluster and, at the same time, the country’s biggest company. One of the many products manufactured by Flextronics is the Microsoft’s Xbox, a video game console. The employees working in the Microsoft area clean and repair the consoles returned by consumers and leave them literally like new,

ready to go back to the market. While they do this kind of work, they have to use cleaning substances that are potentially harmful for their health, but, surprisingly, this is not what worries the workers most, rather it is the way Flextronics manages the temporary breaks to go to the restrooms.

## Humiliating procedures

To manage the temporary breaks to go to the restrooms, Flextronics uses “passes.” One worker takes a pass to go to the bathroom and only when he or she is back can another worker go too. In the Microsoft area there are 70 workers, but only two passes to go to the bathroom. This results in workers



**Even though Xbox is one of the most popular video games consoles of the world, the humiliating conditions of the workers that produce them are practically unknown.**

having to wait an excessive length of time to go to the bathroom, sometimes up to eight hours. Due to this long time waiting to go to the bathroom, some of the workers have urinated involuntarily in the working area. Some others have complained of intestinal pain as a result of waiting so much time to go to the bathroom. Angry with this situation, at the beginning of 2009, a group of workers organized themselves and demanded to talk with their supervisor, Manuel Ruiz. He asked them to name a representative of the group to discuss the issue. A female worker was elected to represent the group, but surprisingly, the response from Flextronics was to switch her to another area, and she was told to be careful not to waste time. Months later, her employment was terminated. In mid-2009, CEREAL sent a letter to the local representative of Flextronics, expressing its concern about this issue. Flextronics did not send a response to CEREAL but in a meeting with the company on 10 November, managers said that the introduction of this policy had been a mistake and that they had now changed the situation.



**The story of Cristina**  
April 2009

"I work in building number 1 of Flextronics, in the area of Xbox. My job is to test the video camera and make sure that it works well. In this area we have passes to go to the bathroom, two passes for 70 workers. This becomes problematic because when you have to go to the bathroom, you have to wait until one of the passes is free. Otherwise, we can't go to the bathroom. I once saw a female coworker, an older one, who had to pee in the working area because she couldn't hold it anymore and wasn't allowed to go to the bathroom. Sometimes, when I have to hold it for a long time, when I'm allowed to go, I can't urinate. I've went to the infirmary because I felt burning in my vagina, especially when I have to hold on for a long time. It happened to me once that I urinated with my clothes on because I couldn't hold it anymore. It was very shameful. On another occasion, I went to the bathroom without a pass and gave my badge to my supervisor and told him that if he wanted to punish me, discount my salary or whatever, he could do so, because I couldn't hold it anymore; I had to go to the bathroom, so I went."

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**In the Xbox area, the waiting time to go to the bathroom is excessively long, sometimes up to eight hours.**

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## The story of Martha

"I'm 54 years old. I started working for IBM on May 6<sup>th</sup>, 2003, hired through the agency APRO. I signed annual contracts, from 2003 to 2009, when they terminated my employment. I was not entitled to my full vacation period, as stated by the law; they only gave six days each year. At the fifth year working for IBM, one representative of APRO scolded us, screaming, whenever someone made a mistake at work: "Are you stupid or you don't understand?"; "if you get it right, you can continue; if you are not, you lose this job"; "there are a lot of people who want a job." I was usually nominated for employee of the month; I was responsible and punctual. But even so, I got dismissed on January 14<sup>th</sup>, 2009. On that day I went to the agency. Lourdes Michel gave me a sheet of paper with my severance payment: a total amount of 1,300 pesos (approximately 100 USD or 65 euros). I told her: "Why is it that I'm only getting this? Is this what I'm entitled to for my six years working here? Am I not entitled to more?" She said: "in fact, we are giving to you what you are entitled to, because each year we dismissed you. Now don't forget all the favours I've done for you. You should be grateful: I hired you in spite of your age. I gave you this job for all these years through APRO." "I didn't sign and I filed a legal demand against IBM.



# 4 APRO AND IBM: UNFAIR LABOUR POLICY

Several years ago, IBM divested the design and production of its personal computers to focus on other areas of the market that it believed were a better match for its business model. In an emblematic shift, IBM sold its Personal Computer division to the Chinese company Lenovo. IBM continued to manufacture other products for itself and began to manufacture for other companies. In Guadalajara, for example, IBM produces Information Technology equipment for the brand DELL. In the case of IBM-Guadalajara, some workers are subcontracted by the supplier Apro. They sign annual contracts, even if there are not adequate grounds for doing so. This is the result of adopting an approach that treats workers as if they were temporary workers, even if they are permanent. This kind of policy is forbidden by Mexican law, which only allows temporary hiring when the nature of the work is

also temporary. At IBM, the kind of work that most subcontracted workers do is not of temporary nature, but IBM makes them sign temporary contracts anyway. The consequences of this policy for the day to day lives of the workers are tragic. None of the subcontracted workers can have vacations as stated by the law, because they only get six days a year, as if they were recently hired workers. Besides, when one of these workers gets dismissed, he or she is treated as a recently hired worker (even if the worker has years working for IBM). They are denied their seniority and the appropriate severance pay. The argument IBM used to justify this policy is that they are dealing, invariably, with workers with less than a year working for them; so, they are not entitled to severance pay. In simple terms, what IBM and APRO are doing is disguising permanent jobs with a temporary contract mask, affecting the workers' rights.

Company response, November 2009: IBM has clarified its position to subcontract labor firms that it does not endorse the practice of sequentially renewing short term contracts and actions have been taken to make this change. IBM has also reiterated that it expects subcontract labor firms to adhere to the prevailing labor law in matters involving separation payments when contracts are completed.



# 5 USI AND LENOVO:

## REPEATED USE OF 28 DAY CONTRACTS

Many companies of the electronic industry in Mexico have their workers sign 28 day contracts, even for several years. This practice is illegal, but it is ironically inspired by a misinterpretation of one article of the Mexican law. According to Federal Labour Law, if an employer dismisses an employee before he or she completes a period of 30 days seniority, the employer does not have to give severance pay. That period is known as a "test period", and the law allows it, but only once. In spite of this, many companies hire their workers for a test period time after time. This illegal practice affects the lives of the workers. In the following testimony a female worker tells of the difficulties she encountered, while making products for Lenovo in Guadalajara employed on the basis of signing monthly contracts for a period of two years.

### Adriana's Story

My name is Adriana. I worked for two years at Universal Scientific International (USI). My work consisted of assembling Lenovo docking stations. My daily wage was 71 pesos (around 5 USD or 3.7 euros).

I had to go through the problem of job instability. During the two years I worked there, I had to sign monthly contracts, which meant that each month my contract terminated and I was re-hired. Sometimes they even dismissed me and did not re-hire me immediately, but then they waited some days, and afterwards they would call me again and re-hire. I started working at USI on April 2007 and my contract was terminated indefinitely on May 2009. During that period of time, I signed 18 temporary contracts and I was



dismissed and re-hired 15 times. I was dismissed without immediate re-hiring on three occasions, and I was finally dismissed. The thing is that then as electronic workers we have to cope with great uncertainty. You can never plan ahead, because you don't know for sure if you are going to have a job the next month. In fact, even now, although I am not working for

USI anymore, I live with that feeling of uncertainty, because the last time they dismissed us, they told us that the project was going to be moved to Taiwan and that was the reason they were firing us, even when they recognized that we were good workers. But they told us they may call us again in four months and re-hire us. Frankly, I don't know what to do.



# 6

## FLEXTRONICS: SEXUAL HARASSMENT



Sexual harassment is the daily reality for many workers in the electronic industry in Mexico. Although many companies have recently implemented preventive measures, cases of sexual harassment keep occurring. 90 per cent of nearly four thousand workers interviewed by CEREAL during 2008-2009 were certain that they had known of one or more cases of sexual harassment that has taken place in their workplaces.

The growth of this problem can be explained by both cultural and psychological causes. The stalkers frequently feel secure under the protection of a high rank position and the victims

seldom report the facts, fearing to be stigmatized as immoral persons or, simply, fearing to be fired.

Unfortunately, these fears are not unsubstantiated. The machista culture prevailing in Mexico portrays the victims of sexual harassments as "provocative" and, given that almost all cases involve a high-rank employee or supervisor harassing a female low-rank worker, the possibility of being fired as a consequence of reporting these facts are quite real. To face this situation, effective policies of the companies to prevent and confront the cases of sexual harassment are of the highest importance. A female worker who

has been a victim of sexual harassment would not dare to denounce her stalker unless she feels safe and secure that her claim is going to be taken seriously by the company. In consequence, it is imperative that the companies provide this guarantee to their workers, solving swiftly and effectively the claims of sexual harassment expressed by the employees.

Regrettably, this is not always the case. The case illustrating this section of the Report occurred in Flextronics, a company that has adopted a policy against sexual harassment several years ago. The policy of Flextronics covers almost every aspect that a policy against sexual harassment

should include; it even considers a procedure that can be used by the workers to denounce any kind of abuse. But, we find no explanation on why this next case was not solved quickly. Nearly three years after the event, this sexual harassment case is still open.

Lupita, the victim of the harassment, denounced her alleged harasser to the company's representatives several times, but in spite of this, she did not receive an acceptable answer. She filed a lawsuit and is now demanding the payment of a substantial amount of money as a compensation, which could have been avoided if the case would have been solved sooner.

## Lupita's Story

My name is Lupita. I'm 21 years old. On August 2006 I started working at Flextronics, hired by the agency PAT. I was working at the warehouse 23B, packing printers, keypads and laptops of the brand HP. The general supervisor of the warehouse was Mister Mario Gonzalez. Since he came, on April 2007, he began harassing me. We would approach me, from behind, touch my shoulder, caress all my arm and touch my hand and say to me: "How pretty you look today, Lupita!" Then, he would address the men and tell them: "aren't you angry that we come to your city, go to bed with your women and, on top of that, we are your bosses?" This disagreeable situation was repeated again and again in a three month period. On one occasion he asked me to train a person, but at that moment I was working on something else and I

told him to wait a few minutes. He got angry and went to Human Resources (HR) and filed a report against me because "I wasn't obeying orders". On that occasion, the people at HR told me they were going to move me to another area on two weeks, which was good news for me. That way I would not have Mario near me. But the two weeks went by and they did not move. Mario kept harassing me, so I denounced him to Jesús Millán, of HR. Again, they promised me they were going to move me to another area in three weeks, but, again, the time went by and they didn't move me. The following weeks I denounced Mario to four other persons of HR, but nobody put a stop to the situation, until one day I arrived at the warehouse and the people of security wouldn't let me in. They told me they were following Mario's orders. I asked them to call

him, and then he came, took me by the arm to production lines and told me: "So you're being gossipy with my boss, eh? But if you don't understand the good way, you're going to understand the bad way. And you're going to follow the rules." I cried and told him: "Your boss told me he was going to talk with you and I am going to tell him what is happening here." But Mario told me: "if you go on telling him, something could happen to you." I talked with Montemayor, Mario's boss, and told him what had happened. He told me to talk with Mario. But when I came back to my place, I couldn't use my computer; someone had changed the password. I commented this situation to Montemayor and he called Mario. Mario's answer was this: "I changed the password because Lupita is going to resign." At that moment I thought that was



too much harassment. It became obvious to me that they were going to dismiss me, so the following day I didn't show up to work and filed a legal demand against Flextronics with the authorities.

Company response: After learning the details of the case from CEREAL, Flextronics held an investigation of the facts. At a meeting with CEREAL on 10<sup>th</sup> November, the company said that they couldn't find any internal record that such a complaint of sexual harassment had been made by Lupita. In addition, when Flextronics interviewed Lupita's colleagues none of them confirmed having observed any of the events that she describes in her testimony. Surprisingly when CEREAL interviewed the same workers they confirmed that the facts were true and even said that they themselves also had been victims of sexual harassment by the same person. This situation led the company managers and CEREAL into uncertainty. Which of the two versions was true? There were considerable challenges in trying to determine the truth. CEREAL does not have access to the company's internal complaint system, and the workers that confirmed Lupita's declaration with their testimony, didn't agree to reveal their names as they are afraid of being fired. Despite of these restrictions, CEREAL decided to publish this case as it seems a mystery why after so long it has not been solved.

# FLEXTRONICS AND BLACKBERRY:

## Lack of freedom of association

The Mexican labour law establishes that every year, during May, all the companies have to share 10 per cent of their profits from the previous year with their employees. So, as accustomed, the workers of Flextronics Guadalajara were waiting impatiently for May when the company would pay them their profit share. But when they received it, the amount was considerably less than previous years. So they thought that there may be a mistake. To clear up doubts, 10 Flextronics workers, who were producing electronic equipment, including Blackberry mobile phones, took part in a press conference arranged by the National Coalition

of the Electronic Industry Workers, an organization of workers from different companies of this industry. In that press conference, the workers asked their employers, including Flextronics, for an explanation regarding the noticeably low amount of profit shares. The companies did not give an answer to the workers and as the days went by; it seemed that the issue was forgotten. But in June 2009, some of the Flextronics workers who had participated in the press conference delivered a letter to the plant's Human Resource Director asking for a wage raise, arguing that they were being paid less than the rest of the employees who were doing the



**The three workers dismissed by Flextronics claimed that the company fired them as a punishment for daring to claim their rights. In Flextronics they produced electronic equipment, including Blackberry mobile phones.**

same job. The next day, three of the workers who made the request and participated in the press conference were dismissed. Flextronics explained later to CEREAL that due to lack of production, there was no work for them, but the workers asserted that it was a reprisal against them, because they

dared to demand respect to their rights. Surprisingly, although CEREAL has a copy of the request for a wage raise produced by the workers on which a signature appears stating that the plant's Human Resources Department received it, the manager to whom the document was addressed told



CEREAL that she never received it. She apologized about that, saying they were deficiencies in the company's internal communication procedures. In addition, a colleague working in the same area as the dismissed workers told CEREAL that the supervisor (Rubén Topete) told them that "they received the order from above that [the workers] must be dismissed because the company was displeased that the workers had sent a document asking for an increase in the level of wages." Another colleague confirmed that: "Rubén Topete our supervisor told us that Manuel Mariscal, from Human Resources Department, had told him that our area was not going to have a wage raise, as a punishment for making trouble and that we were going to be under surveillance, that they were going "to keep an eye on us." The day after the dismissal of these workers, the Coalition held another press conference to give a follow up on the profit shares issue. There, the three workers that were dismissed announced that they were going to file a legal demand against Flextronics; their goal was to be reinstated. To support the dismissed workers, the Coalition decided to take

action and, a week later, approximately 30 people held a demonstration outside Flextronics preventing the access to the factory compound of at least seven buses transporting workers, during half an hour. The company was displeased with this demonstration and its reaction was to accuse the protesters of being a group of activists managed by CEREAL with the sole purpose of damaging the image of Flextronics. When the workers knew of the company's reaction, they insisted even more on being reinstated. They even refused to consider other possible ways out of the conflict; a severance pay, for example. This would have been a legally acceptable way to conclude the conflict, but would have put an end to the labour relationship between the workers and the company, something that the workers did not want. They wanted to go back to work in Flextronics, convinced that their dismissal was illegal. Flextronics, on its side, refused to reinstate the workers, meaning the conflict reached a dead end. Since there was no arrangement by means of dialogue, the workers will have to wait the verdict of the authorities, which is going to take at least a year.



**Members of the National Coalition of Electronic Industry Workers prevent buses transporting workers from accessing the Flextronics compound as a protest against the dismissal of three workers.**



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# FLEXTRONICS: POOR INFORMATION THAT CAUSES PROBLEMS



On June, 2009, nearly 120 workers of Flextronics signed a collective letter addressed to the Human Resources (HR) department of the company, asking for an explanation regarding the noticeably low amount of profit shares paid this year. Norma (in the photo right) had received just \$1.00 Mexican peso for profit payment (equivalent to 7 US cents), and so she decided to help with gathering signatures. After the document was handed in to the company, the company's reaction was to

summon the workers one by one, to offer them explanations about the low profits and ask who had collected the signatures for the letter. Subsequently, several days later, five of the female workers that collected the signatures, Norma included, were dismissed. Although hundreds of workers were also dismissed during the same period of time because of a drop in production demand, CEREAL decided to raise the case of the five people who were dismissed, with a representative of Flextronics. CEREAL wanted to share their concern about the

possibility that they were dismissed as a reprimand for having gathered signatures. Although the intention then was just to clarify if the dismissal was a reprisal or not, CEREAL commented on the case to a representative of Flextronics. This representative explained to the CEREAL team that the company suspected that those workers were acting under the orders of CEREAL and also indicated that the workers' action had annoyed the company. Ultimately it was impossible to determine if the dismissal was a



punishment measure, but ironically, Norma decided to visit the office of CEREAL for the first time just after a HR representative ask her "Are you being advised by CEREAL?", and she answered: "What's that?"

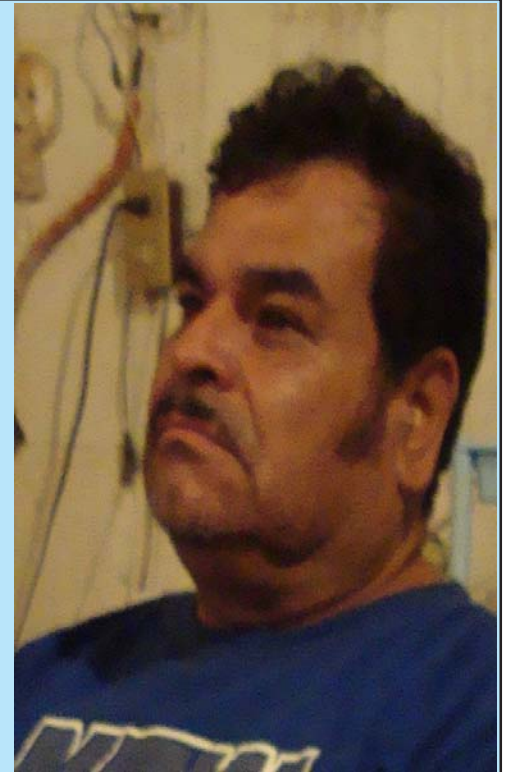
# 9 APOLOTRAN AND DELL: WORK OVERLOADS

One situation that makes it easier for violations of labour rights to occur inside the factories of the electronic industry is the scarce surveillance by the companies of the providers of many of the services. The supply chain in this industrial sector is quite large. A big brand company, like IBM or DELL, usually subcontracts the manufacture of equipment to other companies, and the latter, for their part, usually subcontract the management of personnel to employment agencies (catering, transportation of workers, transportation of parts, security services, etc.). These services are, without a doubt, part of the production process of electronic equipment. But, in spite of this, the electronic industry companies do not always seem to demand from their service providers compliance with the Mexican labour law or with the Electronic

Industry Code of Conduct (EICC). As a result of this lack of surveillance, the companies providing many of the services engage in unethical practices. This is the case of Apolotrán, a company that transports parts for the IBM factory based in Guadalajara, where DELL equipment is produced. This company –Apolotrán– forces their personnel to work up to 16 hours a day without paying them overtime. Apolotrán pays their drivers a weekly wage of 750-800 pesos (58 USD or 39 euros, approximately). Besides, Apolotrán punishes the workers that dare to speak up their discontent with work overloads or salary deductions. Cases like this could be prevented if the brand companies would monitor their providers more effectively and demand that they always comply with the law.

## Working 16 hours a day

**My name is Daniel. I'm 53 years old. I've working as a driver for the IBM factory settled in Guadalajara the last three years. The company that provides transportation of parts to IBM, the one that hired me, is called Apolotrán. Our labour conditions are very tough. We work 16 hours a day, that's double the journey allowed by the law. Supposedly, after the first eight hours, they have to pay us double for the overtime, but they just don't do it. I get an eight-hour salary, that is: 120 pesos (9 USD or 6 euros, approximately). To be able to work this double journey, I have to leave my home at six a.m. and I come home at twelve. On June 2009 they deducted part of my salary, so I complained because it seemed unfair to me. They informed me that they were going to move me to the Flextronics factory, instead of the IBM factory. But the Flextronics factory it's even further away from my home than the IBM factory. The company knows that if they move me to Flextronics I would have to wake up at four a.m. and be back at home at two a.m. That being that the case, I would only sleep two hours and wouldn't be able to work under those conditions. They insisted on moving me, so I had no other way but to quit my job. I think that's very unfair.**





**I**n Mexico, Panasonic has several factories, including two based in the city of Reynosa. Panasonic produces speakers and TV sets with plasma screens with cutting-edge technology there. In 2009, about 20 workers approached CEREAL to report humiliating treatment. The following testimony tells the story of one of the workers and leaves no doubt of the need to improve the way that Panasonic treats their employees. Panasonic's Code of Conduct states: "We will strive to create a safe and pleasant workplace by avoiding speech or conduct that violates human rights, such as defamation, insults, sexual harassment or violent acts."

# PANASONIC: Humiliating treatment

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Angélica, at home.

My name is Angélica, I'm 34 years old and I'm handicapped. I started working at Panasonic on November 9<sup>th</sup>, 2005, earning 720 pesos (approximately 53 USD or 38 euros) a week. From the beginning, I was treated badly by my supervisors; I had to put up with verbal mistreatment for not having enough schooling or for being handicapped. One day, for example, during the recess, I was walking in a corridor and a young man walking by kicked my orthopedic device and told me: "step aside, you're in the way!" I fell down, I couldn't get up, and they carried me to the infirmary and gave a pill. Minutes later I was back at my place, doing my work again. On another occasion, someone knocked me down and my crutches broke, I went to the infirmary and the security guard told me: "I think you did this yourself to avoid working", but, as on other occasions, minutes later I was at my place working again. It's not true that Panasonic gives work to all people, without discriminating. To me it's clear that I had to put up with physical and verbal mistreatment, insults,

humiliations, and I had to go under a lot of pressure and threats of being dismissed at anytime. They frequently told me they were doing me a favour, hiring me, because I was handicapped. On October 17<sup>th</sup>, 2008, I had to go to the bathroom since I had my period and I had to ask permission of our supervisor, Sandra. She told me: "I'm tired of having you going to the bathroom. If you go, no one is going to take your place. You should be grateful because no one is going to hire you in your condition, and if you keep going to the bathroom, they are going to fire you". So I told her: "I have to go to the bathroom, I'm in my period and I have diarrhoea", but she didn't let me go to the bathroom. Minutes went by and I couldn't hold it anymore, so I did it with my clothes on, on my chair. Afterwards I stood up and went to the bathroom to clean myself. Then I got out of the factory. I was so indignant that the following day I didn't show up to work. I went to the labour authorities and filed a legal demand.

## **Chapter 3**

# **Actions in favour of labour rights**

Just as sometimes actions are taken which go against labour rights, there are also actions which support them. The following are some examples of different approaches that institutions, companies and workers are using to try to improve the labour conditions of the electronic industry in Mexico.



# THE DIALOGUE BETWEEN CANIETI AND CEREAL: TAKING STOCK OF AN ATTEMPT TO IMPROVE LABOUR CONDITIONS

After the EICC began to be implemented in Mexico, CEREAL and the National Chamber of the Electronic, Telecommunications and Information Technologies Industry (CANIETI) started a dialogue in 2005 aiming to solve the cases of violation of labour rights. After four years, this dialogue has progressed and nowadays it is not limited to the resolution of cases, but also looks at preventing new ones from appearing. This is not an easy task, because the approach to the analysis and the search for solutions frequently places both institutions in open disagreement. Taking into account that these are two different ways of thinking, has it been useful to continue this dialogue for almost five years? The following chart compares the positive and negative aspects of the CEREAL-CANIETI dialogue. As can be seen, it is clear that there are still many issues outstanding, but the dialogue has not been in vain.

## Positive results of the dialogue

1. As a consequence of the dialogue, the incidence of cases of discrimination in the electronic industry in Mexico dropped from 90 per cent to 25 per cent in a period of only five years.
2. The number of work-related accidents has also dropped considerably. In addition, the accidents that still occur have been of a lesser magnitude than the ones occurring before.
3. After five years of dialogue, cases are being solved more rapidly. Before, the average time it took to solve a problem was one year; now: two months.
4. The current agenda of dialogue includes issues such as freedom of association and temporary contracts, which were avoided before because of the impossibility to reach an agreement.
5. The continuity of the dialogue has allowed the creation of an efficient mechanism of joint work to document, communicate and solve cases of violation of labour rights, if companies are prepared to use it.



## Main difficulties of this dialogue

1. Not all the companies grouped in CANIETI have the same level of commitment with the EICC; some of these companies, still today, avoid the dialogue with CEREAL.
2. Some cases still go unsolved for far too long. It is necessary to improve the time it takes to give a proper answer to all the cases.
3. Some of the cases are related to complex problems, such as freedom of association and the use of temporary contracts and employment agencies. The companies' reluctance to engage with CEREAL on these structural issues until 2008 has created bottlenecks, getting in the way of progress.
4. The lack of precise information on issues such as sexual harassment or the exposure to toxic substances makes difficult to reach a shared analysis, provoking disagreements that slow down the solution of the cases.
5. Most of the workers are not aware of the EICC, so they are not able to demand that it is respected.

# HUMANIZING OUTSOURCING?: THE PROCESS OF SOCIAL RESPONSIBILITY CERTIFICATION FOR THE EMPLOYMENT AGENCIES

**I**n mid-2008, the Electronic Production Chain (CADELEC) began to offer a process of certification in social responsibility to the employment agencies. Why? Because many of the violations of labour rights in the electronic industry in Mexico were related to the bad practices of the employment agencies.

For example, the discriminatory procedures used during the process of personnel selection, which affected 90 per cent of all workers in the industry in 2005 were implemented in the most part by the employment agencies. The use of 28 day contracts –one after the other– and the denial of severance payment to workers who were entitled to it were also related to the procedures of the agencies.

To avoid these kinds of abuses, the CADELEC, an institution founded by the companies and backed by the Mexican government, decided to certify agencies on social responsibility. The expectations raised by this action are high, because CADELEC intends to propose to the companies of the electronic industry to hire certified agencies only. This would focus the attention of the agencies on the certification process. But, will the procedures of the certification process be sufficiently robust to have confidence in the results? It is too soon to know, but at the end of 2009, the first employment agencies to enrol themselves in this process were finishing their paper work for certification. So, expectations are high, but we will have to wait.



**60 per cent of all workers of the electronic industry in Mexico are hired through employment agencies. The goal of certification is to improve labour conditions for those workers.**



# SELF-DEFENCE: THE ELECTRONIC INDUSTRY NATIONAL WORKERS COALITION

Since 2007, faces covered with white masks have appeared in the pages of local newspapers. Sometimes they just held press conferences, but other times, they led eye-catching public demonstrations, in which they symbolically close the offices of an employment agencies or prevent buses transporting workings from accessing the factory compound. We are talking about a group of workers who call themselves the "Electronic Industry National Workers Coalition"; their objective, in their own words, is the self-defence of their labour rights.

The precise number of members is unknown, but they have members in almost every factory of the electronic industry in Guadalajara, Jalisco, and in some other Mexican states. The founders of the Coalition are some of the ex workers of Hitachi who organized to fight for their

severance payment after the company announced it was closing down the factory. Some of the members of this group were dismissed from Hitachi because of their activism, so they began to wear masks. The ex workers of Hitachi began to work in other companies of the electronic industry, so the Coalition spread easily. The analysis which this group has of the labour conditions of the electronic industry in Mexico is very negative. Even so, their voice must be heard because we are talking of the only organized group of workers of this industry who are actively defending their rights. We must not forget that although there are unions in this sector, they are all inactive. In the following text, the Coalition expresses its point of view, five years after the EICC was first published. For them, no progress has been made; on the contrary, there are even more abuses now than five years ago.



## ***Excerpt from a statement by the National Coalition of Electronic Industry Workers***

*The National Coalition of Electronic Industry Workers, declares that five years after the publication of the Electronic Industry Code of Conduct: the same companies that signed the Code are the ones violating the human labor rights.*

*The Code states (part A-7) that the signing companies should respect the workers' freedom of association. This right, in our Federal Labor Law, is constantly violated. We recall two recent cases. The first one: the dismissal of more than 10 workers of Flextronics, only because they demanded transparency on the issue of profit shares.*

*The second case was the dismissal of Aureliano Rosas Suárez, Omar Manuel Montes Estrada y Vicente de Jesús Rodríguez Roa, sacked because they demanded their right to have their wages leveled. They also worked for the company Flextronics.*

*We inform the International Electronic Industry that the members of the National Coalition of Electronic Industry Workers will continue to use this mask as a symbol of our repression. But the coalition will continue demanding and defending our human labor rights.*

# CEREAL's Ranking of Company Performance 2009

Position	Company	
1	Sanmina SCI	VERY GOOD
2	Hewlett Packard	VERY GOOD
3	Jabil	GOOD
4	Microsoft	GOOD
5	Intel	GOOD
6	Philips	GOOD
7	Sony	REGULAR
8	Foxconn	REGULAR
9	USI	BAD
10	Panasonic	BAD
11	IBM	BAD
12	Benchmark	BAD
13	Nokia	BAD
14	Blackberry	BAD
15	Flextronics	BAD

**RANKING  
SYSTEM  
based on  
CEREAL's  
experience  
and cases of  
worker  
complaints**

<b>VERY GOOD</b>	Low incidence of cases. All or almost all of the cases solved.	<b>GOOD</b>	Low incidence of cases. More than half were solved.	<b>REGULAR</b>	Low incidence of case. Few or none solved.
<b>ADEQUATE</b>	High incidence of cases. All or the majority of cases solved.	<b>DEFICIENT</b>	High incidence of cases. Some cases solved.	<b>BAD</b>	High incidence of cases. Few or none solved.



## Annex

*The following is a document provided by the Electronic Industry Citizenship Coalition.*

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The Electronic Industry Citizenship Coalition (EICC) was developed in 2004 to promote a unified approach for responsible business practices across the electronic industry's global supply chains. The EICC is a voluntary coalition of companies working together to create a comprehensive set of tools and methods that support credible implementation of the EICC [Code of Conduct](#). We believe that through the application of the Code, companies can enhance social, economic and environmental outcomes for those involved in the electronic supply chain. The benefits include increased efficiency and productivity for customers and suppliers, improved conditions for workers, economic development, and a sustainable environment for local communities.

EICC appreciates the opportunity to dialogue with CEREAL regarding their report, which covers working conditions in the electronic sector in Mexico. Engaging with local stakeholders such as CEREAL expands our awareness of issues in the electronics sector – especially at the country level – and enables us to ensure the views of all parties are understood; we are committed to continuing this relationship. From the first meeting with CEREAL in September 2005 to the present, we have conducted a number of in-person meetings, which have advanced our mutual understanding of the issues, concerns, and improvements occurring over this timespan.

We also recognize the close relationship with CANIETI, the National Chamber of the Electronics, Telecommunications and Informatics Industry and the successes that have been driven by the members of this organization (many of whom are EICC member firms). One particular example, the Grievance Escalation Process, was developed between CEREAL and CANIETI and in parallel with discussions with the EICC, and is a successful model of dialogue between industry and civil service organizations. This collaborative approach to providing rapid and clear channels of communication on Code-related issues has been used successfully to facilitate a significant number of grievances through the interaction of the involved parties.

### **EICC Update: 2008 – 2009**

2008 and 2009 were growth years for the EICC with new members, new issues, and new stakeholders. These times were also challenging with the global economic uncertainty and multiple priorities which all required attention. However, these circumstances did not slow activities to improve social and environmental conditions throughout the electronic supply chain.

Recent work focused on raising Code awareness and conducting capability building sessions across the supply chain, and included activities for both members and suppliers. Building member and supply chain capability and contributing to a broad knowledge base will help supply chain participants achieve success in the continuous improvements that the EICC initiative entails.

We also broadened our scope to include new work areas and renewed our commitment to stakeholder relationships.

- **Enhanced the EICC audit process to increase efficiency and value** through the shared audit process (2007-2008: 50+ audits) and the 2009 launch of the Validated Audit Process in China and Mexico
- **Created and launched e-learning modules** for EICC members' commodity and supplier managers covering the basics of social and environmental responsibility as well as practical guidance on how to implement a successful supply chain initiative
- **Initiated new workgroups on critical issues:**
  - *Working hours:* audit results highlighted working hours as one of the higher frequency issues seen in emerging market geographies; this workgroup seeks to understand the causes and effects in order to recommend possible solutions to this complicated issue
  - *Extractives:* increased attention on responsible mining of metals led to collaboration with six layers of the supply chain and selected NGOs; their focus is on metals coming from global regions experiencing civil strife
- **Conducted joint EICC/GeSI supply chain training** sessions designed to increase awareness and adoption of the Code and compliance to its standards; initial training occurred in Shenzhen, China, covering the EICC Code and the supply chain audit process
- **Launched Asia network**, the EICC's first regional network for member companies focused on deployment of global strategies specific to the region
- **Developed and launched the EICC carbon reporting tool for supply chain reporting**, providing companies (and suppliers) with a tool to measure their carbon footprint and energy usage
- **Published our [first annual report](#) covering 2004 - 2008**, created to give more insight into the work of the EICC

### **Specific Initiatives**

We believe all work that we undertake is important to furthering our mission. We paid particular attention to these areas over the last two years.

#### **The EICC Code of Conduct**

The work of the EICC is based on the standards documented in the [Code of Conduct](#); we strive update the Code on a periodic basis, while allowing adequate time to deploy and implement changes across a global network of companies. In 2009, we completed the third revision of the Code and translated the updated Code into 14 languages. We accepted requests for changes from both members and external stakeholders. Members voted on the submitted changes, and those changes receiving a majority of support were included in the current version of the Code. In the 2008-2009 revision process, members approved 36 changes to the Code.

#### **Validated Audit Process**

EICC Validated Audits are conducted by specially trained, independent, third-party auditors, thus ensuring objectivity in the auditing process. The audit provides companies with an evaluation of a supplier's labor, ethics, occupational health and safety, and environmental practices relative to the Code of Conduct, and identifies supplier practices that require improvement in order to meet the Code standards.

In 2009, the EICC is deploying its Validated Audit process in China and Mexico and over a six month period, will coordinate over 100 audits for members and their suppliers.

#### **Stakeholder Engagement**

Through stakeholder dialogue we gain an appreciation of different perspectives on the conditions in the electronic supply chain and on suggestions of how to address them. We expanded stakeholder engagement to include more frequent and in-depth discussions with the stakeholder community. For example, the EICC and member companies met with [GoodElectronics](#) and [makeITfair](#), along with other stakeholders, in May 2009 to discuss several topics related to improving labor conditions.

Through these activities and other stakeholder sessions we are able to better understand and respond to supply chain complexities faced by member companies.

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Errors remain the responsibility of the authors.

We would welcome feedback on the report. Please write to [cereal-gdl@sjsocial.org](mailto:cereal-gdl@sjsocial.org)  
Translation: David Foust

### **Centre for Reflection and Action on Labour Issues (CEREAL)**

CEREAL is a project of Fomento Cultural y Educativo A.C. (Cultural and Educational Promotion A.C.), part of the apostolic works of the Mexican Province of the Company of Jesus, which for the last 35 years has been devoted to educating and organising Mexican popular sectors.

CEREAL provides legal assistance, labour rights training and organisational support for workers' groups; it also carries out research on working conditions in different productive sectors in the country and promotes public awareness campaigns with regard to workers' situation.





**CEREAL**  
CENTRO DE REFLEXION  
Y ACCION LABORAL **GDL**