



**Mattel Independent Monitoring Council for Global
Manufacturing Principles**

Mattel Manufacturas DE Monterrey, S.A. DE C.V. (MX3),

Monterrey, Mexico

Follow-up Audit Conducted on November 26, 2001

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MATTEL MANUFACTURAS de MONTERREY, S.A. de C.V. (MX3), MEXICO

This report contains the findings of MIMCO's follow-up audit of Mattel Manufacturas de Monterrey, S.A. de C.V. (MX3) in Mexico on November 26, 2001. The purpose of the follow-up audit was to confirm the actions taken by the plant management to correct deficiencies in plant maintenance and to modify management systems pertaining to employee relations that were found to be in non-compliance with GMP Standards.

It should be noted here that at the time of our audit visit, the plant was not in full operation due to off-peak production season. Consequently, the plant had only 500 employees in attendance compared to a normal workforce of around 1200 workers during peak-load production season.

SECTION 1 – PLANT MAINTENANCE

A thorough examination of the plant's physical layout and maintenance records indicated a dramatic improvement since MIMCO's last visit. Each and every deficiency mentioned in the previous audit had been attended to and corrected through repair and maintenance, and where necessary, through replacement.

In the area of maintenance of toilet and washing facilities, the previous audit had noted a large number of toilets and water taps to be broken and in poor repair, resulting in unsanitary conditions and creating a potential danger to workers' health. We were pleased to note that these facilities had been completely rebuilt and were in first-rate condition. Moreover, the management had scheduled a 24/7 cleaning crew to ensure that these facilities were fully serviced and maintained at all times.

Working Conditions on Assembly Lines and Molding Machines: We are unable to comment on the working conditions under actual operating conditions since these could not be observed during the time of our plant visit. However, in view of the overall

improvements noted by us in all other aspects of the plant, and our examination of plant's records, we find management's assurance in this regard to be acceptable.

Work Environment and Housekeeping: The plant was found to be clean with no oil spills or other sources of hazard.

Electrical Hazards: All observed electrical lines and connections and hydraulic air, water lines and associated equipment had been professionally installed, and color-coded where needed.

Painting Areas: The paint area and its associated equipment had been eliminated, thereby removing a potential source of air and water contamination.

Use of Personal Protection Equipment (PPE), Material Storage and Forklift

Operation: No forklift operators were observed operating vehicles in an unsafe manner. Safety lines had been repainted marking the evacuation routes. All employees were observed to use appropriate PPE.

Ventilation: The air conditioning delivery system was observed at the ground level and it appeared to be clean and operating well. Records show that MX3 conducts industrial hygiene monitoring studies on an annual basis. These were carried out during the years 2000 and 2001.

Maintenance Practices: During the walk-through examination of the MX3 plant, our observations confirmed that all proper measures had been taken to ensure that all facilities were in good working condition.

Waste Storage and Environmental Protection: The waste storage area was in good order. All incompatible chemicals were separated and all containers were properly labeled. No spills or leaks were observed. The proper safety equipment had been installed and was in working order.

Canteen And Kitchen Facilities: The kitchen, including its new floor and the mess hall were clean and inviting. The associated equipment was also clean and grease-free including the

vents and the floor drain. The plumbing and electrical work in these areas were in good working order and had been professionally installed. Facemasks and head covers were provided and worn by all people in this area. Serving and eating utensils and eating trays were observed to be clean.

SECTION 2 – EMPLOYEE RELATIONS

Employee' Opinion of Working Conditions: Interviewed employees expressed a high level of satisfaction with air quality and ventilation (96%), general comfort (84%), and noise level (68%). The last point is worth noting in that one-third of the employees indicated that the noise level in the plant was too high. In response, MX3 management indicated that the plant had completed a noise mapping survey, and in areas of high noise level, the plant has instituted a hearing protection program.

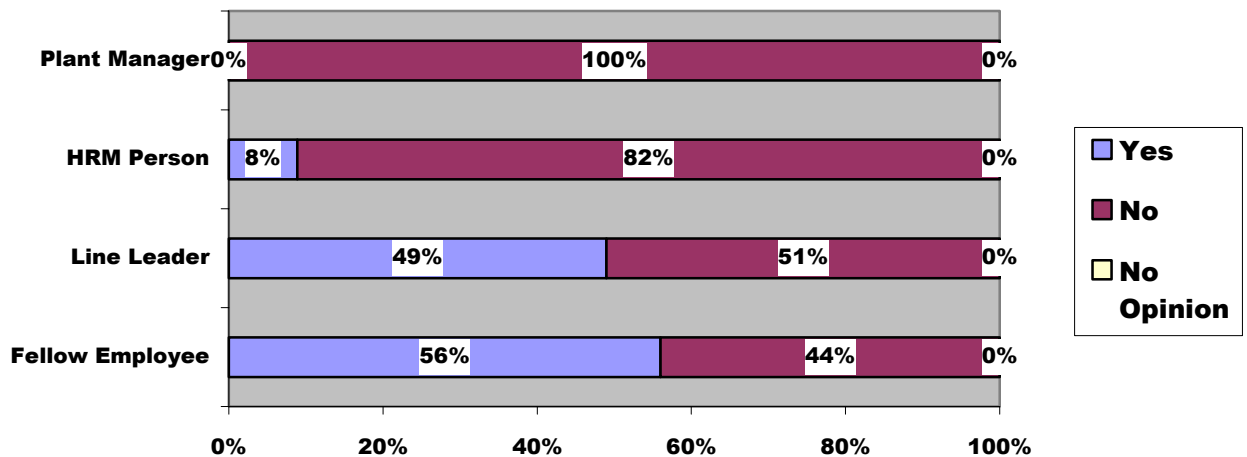
Freedom of Association and Access to Management: During the employee interview phase, workers were asked a series of questions designed to elicit information about their experiences pertaining to (a) freedom of speech and the right to organize, and (b) the extent to which they felt that they had access to various levels of management with regard to grievances and whether or not their views were taken into consideration on issues that affected their working and living environment.

Despite union leadership participation during the one-day new employee orientation, most employees stated that they did not know they had a union (72%). However, all of the employees stated that neither they nor anyone they knew had been intimidated harassed or fired for union-related activity.

A majority of workers (84%) indicated that they could freely talk to their supervisors when they had questions pertaining to work related or personal problems about their access to different levels of management. Their response to this question, however, differed for other levels of management (Figure 1).

Figure 1

PERSON MOST LIKELY TO BE APPROACHED BY EMPLOYEES FOR ADVICE IN CASE OF QUESTION OR PROBLEM



Asked for suggestions for improved management-worker relationships, workers' comments include: equal treatment, more communication, more aggressive HR involvement, promote an attitude of respect, base promotion on experience rather than 'looks', and, choose better supervisors and train them in how to treat workers.

During the open-ended, unstructured phase of worker interviews, a number of employees stated that plant supervisors were unfriendly and indifferent. 36% indicated that they had observed verbal abuse by supervisors, and 16% reported that their supervisors had shouted at them. It should be noted here that employees in the previous audit had expressed similar concerns. In response, the plant management indicated that they were cognizant of this situation, which pertained to two supervisors. "Both of these supervisors have been attending leadership development training classes. We fully expect to resolve this situation through training."

Recruitment: MX3 recruits new workers to ensure that it has the required number of workers to staff its production lines. Among the workers interviewed by MIMCO, 60% got their jobs simply by walking in and applying directly at the plant. Another 20% got their jobs through

referrals from friends and current workers. The remaining 20% found their jobs through other sources including the help of professional recruiters.

Orientation and Training: Each worker receives one-day (7.0 hours) of orientation training before starting work. This orientation includes a brief description of the plant's history, discussion of GMP, policies and procedures regarding working conditions, wages and benefits, pay days, safety training and training related to specific jobs, description of canteen and food services, location of bathrooms and toilet facilities, the specific information relating to rest periods, shift and work schedules for various job classifications, information on transportation to and from the work site, and a tour of the plant.

Workers interviewed by MIMCO, almost unanimously (96%), indicated that they received a signed copy of their employment contract.

MX3 has initiated an aggressive training and education program for both production employees and supervisors and managers. These training programs are related to both job related skills enhancement, environmental, health and safety training, and general plant awareness training. Resources to complete this training are both internal and in some cases drawn externally from local universities. This training represents a significant commitment and the HR department should be commended for these programs. Of the workers interviewed by MIMCO, 92% reported that they had been trained on skills not directly related to their jobs.

Awareness of GMP: Among the workers interviewed by MIMCO, 96% indicated that they were familiar with GMP. A majority of the workers indicated that they received GMP-related information at the orientation meeting (53%).

The General Manager has initiated weekly meetings, which are held with small groups of employees to discuss common problems, and solicit employee suggestions on all issues of employee concern. The program includes a feedback loop to ensure that employee suggestions and concerns are addressed in a timely manner. 96% of the workers interviewed reported that the plant managers had recently addressed them as a group.