

# Laboring for Their Communities: *Initial Results of Border Philanthropy Surveys*



## Project Overview

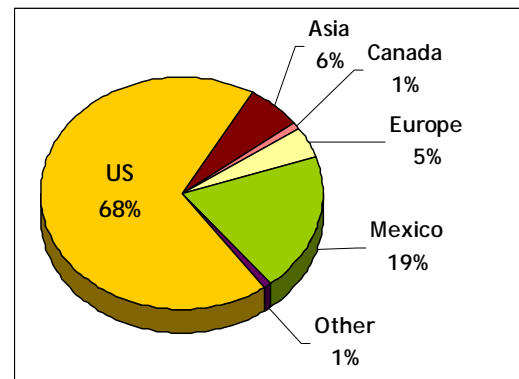
The International Community Foundation, the Synergos Institute, the Fundación Empresarial Sonorense A.C., Crossborder Business Associates, and the El Paso Community Foundation, in collaboration with other organizations along the U.S.-Mexico border, have undertaken a study of charitable corporate giving along the border. The first phase of the project focused on the maquiladora industry in Northern Mexico and on US corporations with a presence in the region. In addition, a component of this study also included questionnaires and interviews of both NGOs and community leaders in major border communities.

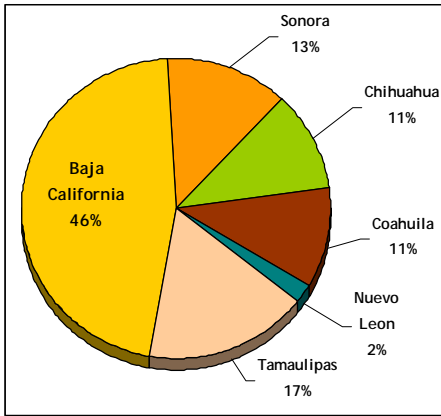
While often a lightning rod for criticism by many in developed countries, Mexico's maquiladora industry has historically provided a major source of foreign investment in Mexico, as well as provided many higher-paying manufacturing jobs in Northern Mexico. Independent data on their role in community development and philanthropy, however, is at best limited, with most indications about their role in terms of charitable giving in border communities being anecdotal. This study, implemented as an independent research project, is intended to both replace anecdotes with facts, as well as to identify the current situation of philanthropy - both by major companies in the border region, as well as any gaps that NGOs might have in understanding how to best approach these firms.

## Maquiladora Survey Results

### *Survey Participant Demographics*

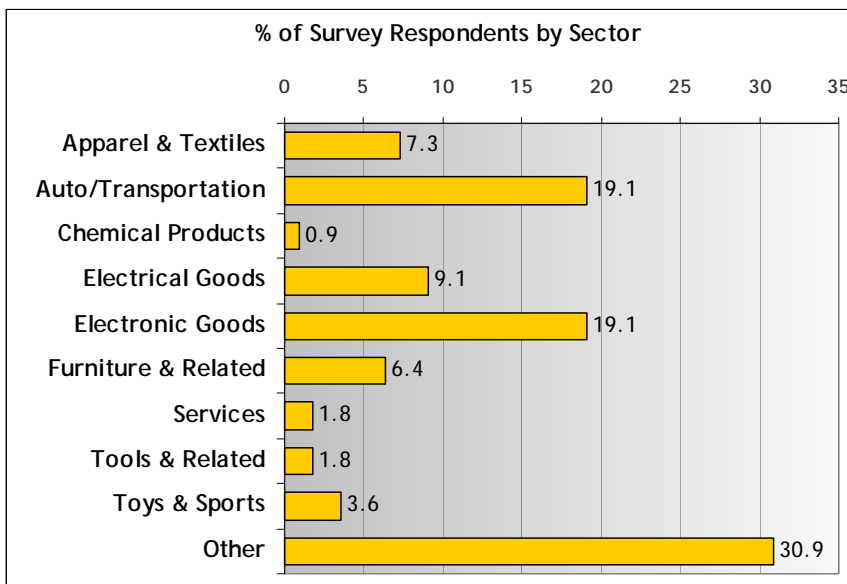
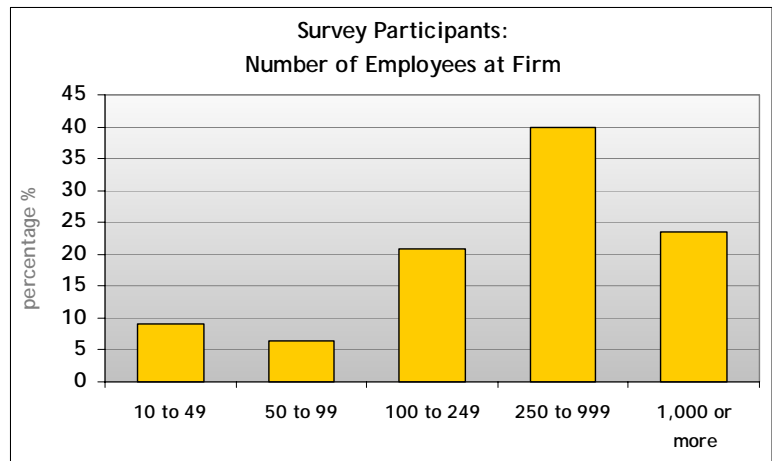
Between March and May of 2005, over eight-hundred maquiladoras in the six border states of Baja California, Sonora, Chihuahua, Coahuila, Nuevo Leon and Tamaulipas were contacted (via email, fax, and/or phone) to solicit their participation in this first-ever Border Philanthropic Survey of the Maquiladora Industry. In the end, 110 maquiladoras completely answered the survey questionnaire (another 23 completed partial surveys, although their responses were not included in this analysis). As seen in the graph at right, maquiladoras that participated identified the origin or location of their parent company predominantly in either the United States or Mexico (approximately 87%).





In order to be somewhat representative of the maquiladora industry along the US-Mexico border, an attempt was made to weight the percentage of respondents from each state in proportion to the actual percentage of maquiladoras that each state has. During this first year of surveying, it was noted that some trade organizations and companies tended to be more or less responsive - based in part on awareness of the study partners (i.e.: ICF, FESAC, CBA, etc.). Ultimately, while there was some slight over-representation from Baja California, Coahuila and Tamaulipas firms, the total number of participants should allow for a high degree of confidence in applicability of the results to the border region as a whole.

To better reflect the situation of more-stable, ongoing operators within the maquiladora industry, the survey attempted to target firms with fifty or more employees. As seen at right, more than 90% of survey participants were from such companies. In fact, nearly two-thirds of respondents were from maquiladoras with 250 or more employees - suggesting that these survey results likely reflect larger companies and multinational firms that operate manufacturing facilities in the border region.

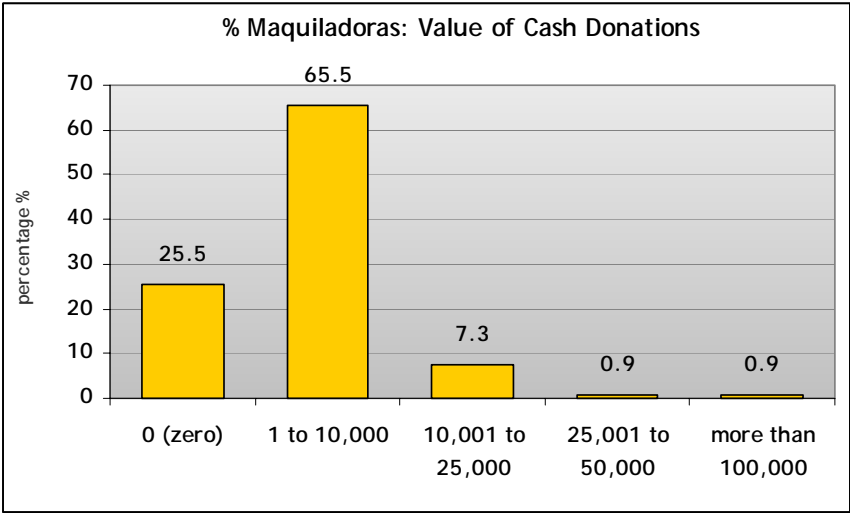


A final goal of the survey was to secure participation from a wide range of industries, albeit reflective of the types of firms operating in the border region. As seen at left, this goal was also achieved, although certain sectors may be slightly under-represented. The category of "Other" is probably over-represented, although each of these categories are somewhat subjective (and participants may fit into multiple categories).

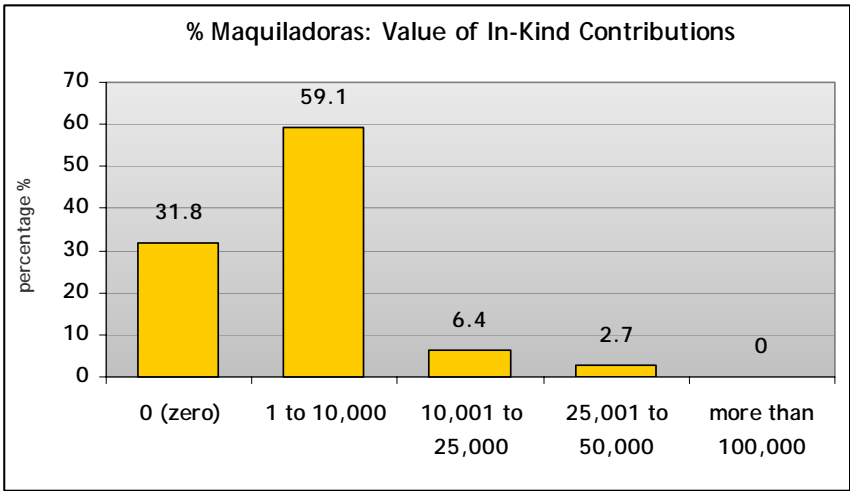
### Charitable Activities of Border Maquiladoras

One of the first sets of questions dealt with maquiladora charitable activities undertaken in 2004 (Note: all values provided are in US dollars).

**Question:** *Please estimate the approximate amount of cash or in-kind charitable giving made by your facility in 2004 in each of the following (values in US\$ dollars)*



Based on the results of 110 maquiladoras, nearly 75% stated that some level of cash contributions were made by them in 2004. In fact, only about one-quarter of maquiladoras stated that they provided no kind of cash contributions in 2004. More surprisingly, about 9% of maquiladoras provided more than \$10,000 in contributions to their local communities.



Similar to the results for cash contributions, slightly more than two-thirds of maquiladoras reported providing some level of in-kind contributions (products or otherwise) to their communities in 2004. Again, just over 9% stated that they made more than \$10,000 worth of in-kind contributions; and about one-third stated that they made no such contributions last year.

While these results show that a majority of maquiladoras do provide charitable donations of cash and/or in-kind contributions on a regular basis, two facts must be noted: First, most charitable giving appears to be less concentrated at levels less than \$10,000/year for most facilities; and second, that a core percentage of maquiladoras - approximately one-quarter or one-third - do not appear to be active at all in philanthropic activities.

Anecdotal comments from interviews undertaken as part of this study imply that the above results may be a factor of the tax structure for maquiladoras, and that they have little operating cash of their own from which to provide large amounts of cash contributions. Some comments have also implied that individual executives of maquiladora plants may “pool”

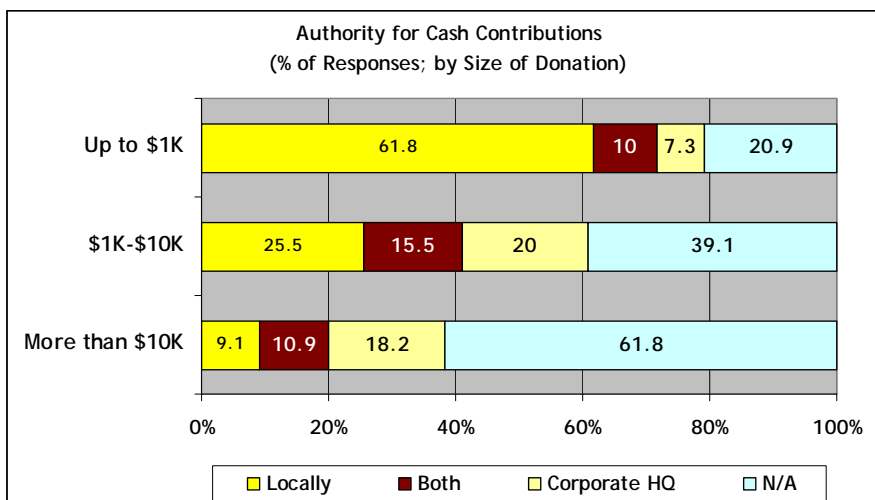
their money, and provide larger amounts of funds either to local trade associations (which then make charitable contributions), or to political representatives (which then turn the money over to charitable groups). Some of these comments are explored later in this project.

### Factors Influencing Maquiladora Giving

Beyond knowing the basic levels of contributions that maquiladoras made, it has not been clear what the motivating factors might be for firms to be involved with charitable causes in their local communities. The following table provides some insight into these factors:

On a scale of 1 to 5 (1 being "least important", and 5 being "most important"), please indicate the importance of each factor in terms of why your company gives charitably in the border communities:	(1) Least Important	2	(3) Neutral	4	(5) Most Important
Good Business Practice for Company	10.0%	5.5%	37.3%	22.7%	24.5%
Improves Employee Morale/Spirit	6.4%	1.8%	23.6%	26.4%	41.8%
Being a good Corporate Citizen in the Community	8.2%	2.7%	15.5%	23.6%	49.1%
Brand and Corporate Image Identification	21.8%	9.1%	30.0%	25.5%	13.6%
Improves Shareholder Value	56.4%	8.2%	20.0%	9.1%	6.4%

Based on the results above, it appears that maquiladoras have mixed reasons for undertaking charitable activities. A majority appear to consider such activities as something that they do for internal purposes - either to demonstrate their philosophy at being a "good citizen" in the community, or to promote community goodwill amongst their employees. Further, given the mixed or low responses for "external benefits", it appears that maquiladoras either do not expect (or do not expect to receive) such benefits for their charitable activities - nearly 65% saw no relationship between border giving and improving shareholder value (i.e.: using border giving to build goodwill and/or sales for their brand); and over 30% felt that brand or corporate image development was one of the "least important" factors for border giving.



### Decision-Making Authority

Another factor that must be considered by the philanthropic community is what level of decision-making authority local maquiladora management might have over various levels of contributions. As seen in the graph at left, local authority declines as the contribution levels increase. While this might

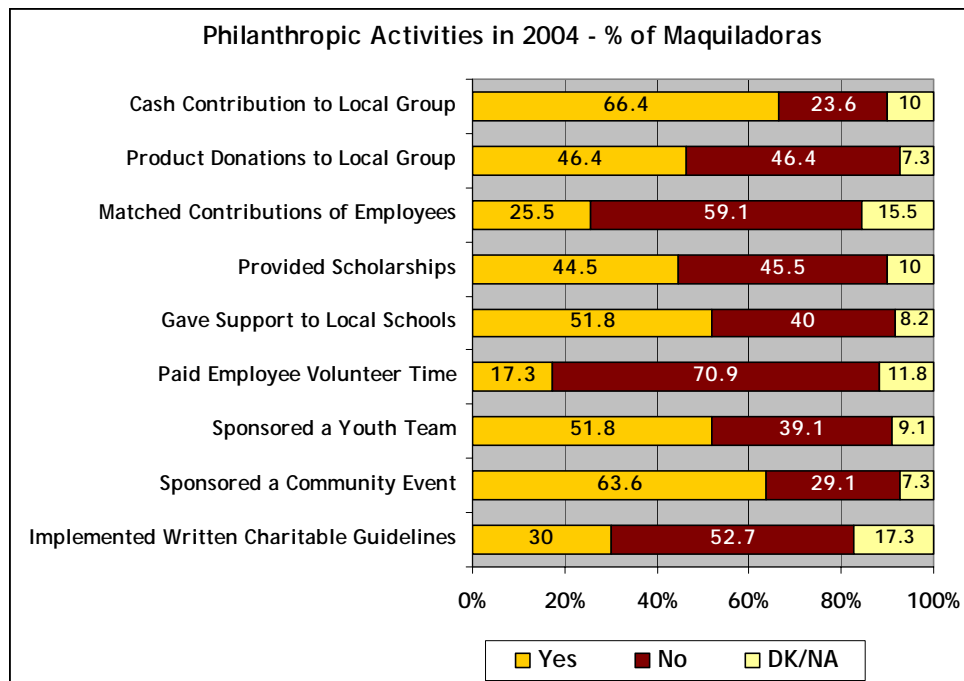
perhaps be intuitive, the specific results of the question “For the following types and levels of charitable contributions, please indicate whether the authorization is made locally (at plant), at corporate headquarters, both, or if it is not applicable” hold some interesting details:

- Nearly two-thirds of maquiladoras appear to have local authority to provide contributions of up to US\$1,000; nearly one-quarter have local authority to make donations between \$1,000 and \$10,000 in value; and nearly one-in-ten state that they have local authority to make donations of over \$10,000 in value - amounts that certainly are substantial for many NGOs in Mexico.
- Nearly two-thirds of maquiladoras are either unaware of appropriate policies or are unable to make contributions of greater than \$10,000.
- Corporate headquarter decision-makers do not play a singular role in philanthropic activities of their maquiladoras - in fact, local or a mixed local/HQ decision-making appears to be at least equal if not the dominant way that contribution decisions are made.

### Types of Border Giving

Another topic addressed in this survey was the types of philanthropic activities that maquiladoras undertook in 2004. As seen at right, the three following activities were the most popular for maquiladora giving last year:

- Making cash contributions to local groups (66.4%);
- Sponsorship of a community event (63.6%); and
- Sponsorship of a youth team, and giving support to local schools (tied with 51.8%).



What is also notable about the above results is the near complete absence of the concept of paid time off for employee volunteers, or matching of employee contributions. In addition, it is clear that a great majority of maquiladoras do not appear to have either created or implemented written policies for charitable giving.

### *The Problem With LISR*

*One reason that a majority of maquiladoras may not have written guidelines for charitable contributions - and a major factor for why the quantity of contributions drops off above \$10,000 annually - may have to do with Mexico's Ley del Impuesto Sobre la Renta (LISR).*

*According to Mauricio Monroy (Managing Partner for Deloitte & Touche in Baja California), while most Mexican firms can deduct charitable contributions from a company's taxable base, current fiscal treatment of maquiladoras doesn't allow for this. Rather, maquiladoras are typically taxed on their total cost of operations - which (if not previously deducted) additional "expenses" made for charitable gifts would only increase. In other words, under the current taxation structure for maquiladoras, charitable contributions actually increase a firm's taxable base, rather than decrease it.*

*Needless to say, this creates a disincentive for maquiladoras to participate in philanthropic efforts. According to Mr. Monroy, "This treatment plays an important role in the inappropriate perception that many have of maquiladoras in terms of them having little or no interest in their communities."*

### *Interactions With & Perceptions of NGOs*

As mentioned, although much blame is placed on maquiladoras for their "lack" of supporting community groups, results from our surveys indicate that some blame must also be shared by NGOs.

<i>Which best describes the frequency with which non-profit community groups or schools contact your local company for charitable support?</i>	
0 (zero/none)	9.1%
1-2 times/year	31.8%
3-6 times/year	28.2%
12 - 24 times/year	18.2%
25 times/year	9.1%

For instance, nearly 70% of respondents stated that they received less than 6 requests per year for charitable support from NGOs. Less than one-third of maquiladoras indicated that they received solicitations from NGOs at least once/month.

<i>Of these, approximately what percentage of these requests does your company support?</i>	
0%	17.3%
1% to 25%	46.4%
26% to 50%	14.5%
51% to 75%	13.6%
76% to 100%	8.2%

...While only approximately 36% of maquiladoras indicated that they supported more than one-in-four of the requests that they did receive, it is also noteworthy that about one-fifth of companies indicated supporting more than half of all requests made.

<i>Please select the primary reason that your company did NOT support a request from a local charitable or community organization:</i>	
Company policy against making charitable contributions at a local level	17.3%
Funds were not available	24.5%
Difficult to evaluate the credibility of the requesting organization	10.9%
Request did not match company's charitable Priorities	18.2%
Did not receive formal request for support	13.6%
Other	11.8%

When asked to select the primary reasons they had for NOT supporting a charitable request, only about 42% indicated that they either had no authority at the local level to make donations, or that they had no funds available. Of note, a similar number of respondents (about 43%) indicated that the decision to not provide support was related to the request itself - either the maquiladora could not confirm the credibility of the requestor, the request didn't match the maquiladoras' priorities for contributions, or that no formal request was submitted.

Related to the issue of potential NGO weaknesses, when asked to rate the sophistication of charitable requests generally made to their companies, only 29% of maquiladoras rated the requests as "high" or "very high". Maquiladoras, however, do feel that they are receiving a fair amount of goodwill in their communities from their charitable activities: nearly 45% rated the amount of goodwill received as either "high" or "very high". This positive feedback may also explain why nearly 15% of maquiladoras stated that they supported 4 to 5 NGOs on a regular basis; and another 17% of maquiladoras supported more than 5 NGOs on a regular basis.

### *Sampling of NGOs Currently Receiving Maquiladora Support*

Below is a partial listing of some of the NGOs identified by maquiladora survey respondents as recipients of charitable aid from the companies:

- Albergue de Tarahumaras
- Albergues Siquem
- Alfa Omega
- AP Orphanage
- Arbol de la Esperanza
- Asoc. de Medicina Ocupacional de Piedras Negras
- Bomberos
- Caritas de Matamoros
- Casa Amparo a la Mujer
- Casa de Esperanza
- Casa de la Misericordia
- Casa del Migrante
- Casa Hogar Amparo a la Mujer
- Centro de Aprendizaje y Convivencia, AC
- Centro de Atencion Multiple # 20

- Centro de Rehabilitacion CIRAD
- CETYS
- CONALEP
- Delegacion de Policia
- DIF
- Down's Syndrome Association
- Fondo Unido A.C.
- Fronteras Unidas Pro-Salud A.C.
- Hospital de las Californias
- Instituto Mexico
- Instituto Tecnologico de Matamoros
- Instituto Tecnologico de Tijuana
- Little League Baseball
- Lyons Club
- Niños Con Leucemia
- Orfanatorio de Morelos, Coah.
- Red Cross
- Rotary International
- Special Olympics
- Tarahumaras
- Tecate Rotary club
- Teleton
- UABC
- Youth Soccer Team

## Sample of Comments from Maquiladora Survey Respondents

While it may be clear from the survey results that the majority of maquiladoras in Northern Mexico participate in some form of charitable activities within their community, the depth of feeling that many maquiladora managers have about participating within their communities was notable. When asked about what results their charitable activities had within their communities, or if they had any additional comments, most survey participants wanted to say something. A sample of their responses follows:

*Nuestra empresa cuenta con un presupuesto pequeño, aproximadamente \$50,000 [pesos] anuales. Sin embargo tratamos de hacer que este dinero cuente, por lo que nos aseguramos que los donativos lleguen a aquellos grupos que nos interesa desarrollar. Si existiera algún estímulo fiscal por dar donativos, creo que la labor altruista de las empresas se multiplicaría.*

Over the fourteen years this company has been in existence, we have donated large sums of money for paving roads in our Colonia (\$1500), to a new university - Universidad Tecnológica del Norte de Coahuila (\$3000), new Guardaria in our colonia (\$4000); [and] cleaning and repainting schools, parks, sports facilities. Management has been totally involved in the community being on the board of directors of Rotary Club, Canacintra, Consejo de Maquiladoras, Maverick County Development Corp., [and] any and every committee that comes up.

*Escuelas con mejores instalaciones, estudiantes con oportunidades de desarrollo, familias con una vivienda digna*

We take pride in working with our local community and providing opportunities for professional and personal development. The vast majority of maquiladoras are not sweatshops that violate laws and take advantage of employees.

*[Nuestra compañía] no cuenta con un fondo disponible para este tipo de acciones. Tengo entendido que el corporativo en N.Y. es quien suministra el fondo de donativos.*

[In 2004], we had a flood that drowned more than thirty people and wiped out 6 colonias in Piedras Negras. The management and employees worked on the relief effort for six weeks. The first week many worked 16 hours a day for more than seven days....[The] Manager accepted responsibility for the Centro de Acopio, receiving donated food and goods, controlling the inventory seeing that it was distributed to the needy families with the aid of various social clubs (Rotary, Lions, Red Cross, and local churches). Employees did everything that was necessary from shoveling mud out of homes, filling sand bags, sorting donated food and clothing, distributing food and clothing, and working in the Centro do Acopio unloading and reloading donated items.... We did not track the daily hours or cost, we did what we felt was our duty and responsibility.

*Nuestro enfoque como organización es hacia 4 grupos prioritarios: Nuestros clientes por los cuales es la razón de ser como organización; nuestro personal (asociados) para los cuales buscamos una mejora de vida para ellos y sus familiares; nuestros accionistas los cuales nos apoyan en inversiones para crecer; y NUESTRA COMUNIDAD LA CUAL NUNCA OLVIDAMOS QUE SOMOS PARTE DE ELLA Y EN ELLA NOS DESARROLLAMOS Y CRECEMOS COMO PAIS.*

Keeping young kids in school rather than only working, especially 16 year old girls.

*Ojala y que todas las industrias participen en programas de apoyo a su comunidad ya que de esta forma estamos colaborando a formar un Mexico mejor para nuestros actuales empleados, sus familias y los futuros profesionistas de la industria.*

Supporting charitable groups and organizations helps as an example to other businesses to also contribute.

## Conclusion

While this report includes nearly all of the major questions from our 2005 survey of maquiladoras, additional details as well as responses from nearly 50 NGOs operating in Mexico's border region, will be included in the final report to be released to the public. What

is already clear, however, is that there is already a growing culture of philanthropy amongst the border-region's maquiladoras - despite regulatory impediments and the need for better-trained NGO development staff. It is hoped that this study will provide the basis for tracking the growth of the latent power that maquiladoras and NGOs throughout Northern Mexico have for making their communities places with "better schools, students with opportunities for development, families with dignified living."