

Spotlight on Grupo Altex, Mexico

Supporting Employees through Childcare



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1. Context

Mexico is the most populous Spanish-speaking country in the world with over 126 million people (INEGI, 2020), and the second largest country in Latin America and the Caribbean, after Brazil. Female labor force participation (FLFP) in the region has risen considerably over the last two decades—25 percent between 1990 and 2018 (World Bank, 2020). Despite this progress, gender gaps persist. With 42 percent of women aged 15 and older in the labor force, in contrast with 74 percent of men, Mexico has the third lowest FLFP among Organization for Economic Cooperation and Development (OECD) members (OECD, 2020). Closing the gender gap in the labor force offers an opportunity to increase Mexico's GDP by \$800 billion, or 70 percent (McKinsey, 2019).

The Importance of Quality, Affordable Childcare for Women's Employment

The disproportionate time women spend on unpaid work dedicated to household chores and care responsibilities is a key barrier to women's employment. In Mexico, women bear nearly 77 percent of unpaid housework (World Bank, 2019), spending an average of six hours per day—the highest in the OECD—compared with an average of two hours for men.

During the COVID-19 pandemic, women have shouldered increased care responsibilities given closures or restrictions on public and private schools, as well as childcare and elderly care services, including those provided by employers (McKinsey, 2020). During the pandemic, Mexican women have reported an increase of 13.2 hours per week spent on childcare. Men reported 6.3 additional hours. The gap between the time women and men spend on childcare is the highest among 16 surveyed countries (UN Women, IPSOS, 2020).

Engaging men to equally care for children can be a game changer for women's labor force participation. A balanced share of caregiving responsibilities at home can open a pathway for working mothers to remain employed or seek paid work opportunities. Paid paternity leave policies are a way to encourage fathers' active involvement since



childbirth. Studies show that equal parenting behaviors tend to continue as children age (OECD, 2017). Mexico law, however, mandates only five days of paternity leave—a low allotment when compared to that of other OECD countries (OECD, 2017).

The Business Case for Employer-Supported Childcare

Once women are employed, it is critical that employers have adequate policies in place to support women and working parents in general through the different stages of their lives, including during their children's early years. Research by IFC and other organizations shows that companies that provide family-friendly benefits are more likely to profit from increased workforce stability, skills, and productivity. Those gains, in turn, enhance family income and business and economic growth. Investing in childcare solutions is a smart investment for all (Fig 1).

Fig 1. Benefits of Quality Early Childhood Care and Education for Individuals, Families, Businesses, and Society

- Strengthens recruitment
- · Increases diversity and talent
- Enhances corporate reputation
- · Improves staff retention
- · Increases productivity





- Enhances social, mental, physical, and emotional development
- Improves school readiness, retention, completion, and achievement
- Improves outcomes in adulthood
- Increases gender equality
- Improves work-life integration
- Enhances access to better, paid jobs
- Supports parenting and mental and physical well-being





- Builds human capital
- Saves health care costs
- Improves productivity and earnings
- Enhances socio-economic development

Source: IFC Gender and Economic Inclusion Group, 2019

Childcare and Early Childhood Education Enrollment in Mexico

From paid parental leave to flexible work schedules to employer-supported childcare, family-friendly workplace policies can help close gender gaps that are especially exacerbated when the supply of affordable, accessible, and quality childcare does not meet the demand, as is the case in Mexico. In the country, the early childhood education and care system covers children aged 0-5 years old and on average, 60 percent of them are enrolled in an early childhood education center (IDB, 2019).

A Note on Mexico's Estancias Infantiles

In 2019, the Mexican government implemented new austerity measures and ended a major public childcare program called Estancias Infantiles para Apoyar a Madres Trabajadoras (Childcare to Support Working Mothers). The program targeted low-income women aged 15 and older with children between one and four years old and covered about 90 percent of childcare costs (Banco de México, 2014). Since its launch in 2017, Estancias Infantiles served over two million children nationwide and reported an 18 percent increase in women's likelihood to be employed and improvement on children's language, motor, and social skills. Program evaluations showed that thanks to the program, working mothers and fathers gained an average of 34 hours per week to access the labor market, preserve their employment or study (CONEVAL, 2018). The program was replaced with a cash allowance of \$1,600 Mexican pesos per child (around \$80 USD) every two months that the family can decide how to spend. The stipend is higher for families with children with disabilities at \$3,600 Mexican pesos (around \$180 USD) per child every two months.



2. Company Overview: Grupo Altex

Grupo Altex started in 1986 as a supplier to one of the largest bread-making companies in Mexico and became an independent group in 1999. Currently, Altex is a leading agro-industrial business serving national and international clients, such as Grupo Bimbo, Danone, and a variety of companies in the United States, Europe, and Japan.

Altex is one of the largest companies in North America involved in the cultivation and commercialization of hydroponic lettuces, also producing millions of pounds of frozen goods, fruit cups, jams, purees, and citrus products, which are marketed in the food, beverage, and retail industries. Altex also participates in commercial mariculture through the only farm dedicated to fresh tuna in the world.

With an annual revenue of USD\$ 600-650 million and over 7,000 employees, the group is currently led by brothers Roberto and Mauricio Servitje Labarrere, sons of Altex's founder Roberto Servitje Achútegui. Altex has 10 plants or operation centers in rural areas across the country. Its headquarters are in Mexico City with satellite offices in Barcelona, Tokyo, and Miami.

Operation Centers

Mexico





Altex's Employee Profile (2020)

Total number of employees

Women: 3,619 (51%)

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Men: 3,443 (49%)

Total: 7,062

Permanent contract employees

Women: 1,709 (48.3%)

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Men: 1,826 (51.7%)

Total: 3,535

Seasonal contract employees

Women: 1,910 (54.2%)

Women:

2,302 (47.6%)

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Men: **Total:** 1,617 (45.8%) **3,527**

2,530 (52.4%)

Employees aged 18-40

Total:

4,832

Women: 338 (48.1%)

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Employees who have children aged 1-6

Men: 365 (51.9%) Total: 703

Employees in executive management positions

Women: 19 (12%)

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Men: 139 (88%) Total: 158

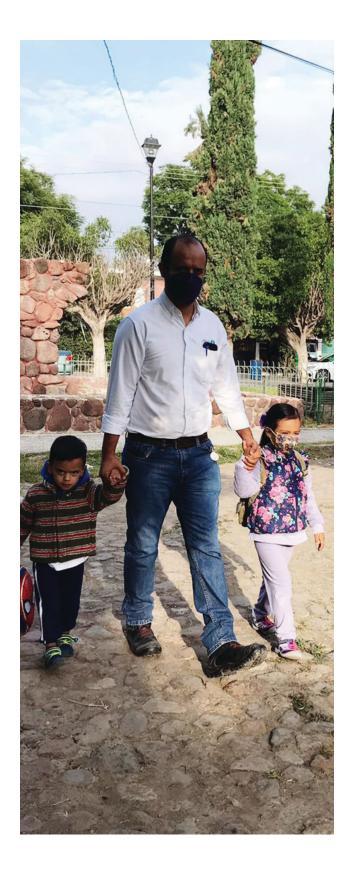
Altex: A Family-Friendly Workplace

Grupo Altex has established a series of policies, benefits, and initiatives destined to make Altex a place where working mothers, fathers, and their families feel welcome and supported. For instance, the group offers subsidized childcare services for employees' children aged 1-6 years old as well as for community members. Here, parents pay a small amount for high-quality service near their workplace—most of them in rural areas where this type of childcare offering is rare.

All Altex employees, regardless of contract type, receive paid maternity and paternity leave in accordance with Mexican law. This means women receive 42 days of paid leave before giving birth and 42 days after the child is born while men are entitled to five days of leave. Lactation breaks are provided. The company has also implemented flexible work arrangements for certain roles and operations centers, a policy that has been expanded due to COVID-19.

Other Family-Friendly Benefits, Initiatives, and Recognitions

Among the benefits Altex offers employees is safe transportation free of cost. It has also implemented Genios Altex, a popular program among employees with the goal to incentivize and recognize strong academic performance of employees' children enrolled in elementary and middle school. Altex employees are bound by a code of ethics, and the company has set up a mechanism to prevent and address sexual harassment, according to its policy on the topic. Additionally, the company assesses its work climate through annual surveys. In the past decade, Altex has been featured among Mejores Empresas Mexicanas (Best Mexican Companies) several times and recognized twice by the Workplace Wellness Council in Mexico for being a responsible and healthy organization.



3. Altex's Support to Childcare

Why and How It Started

Grupo Altex opened its first childcare center in 2016, in San Cristóbal, Guanajuato, where the company has two plants. Altex was motivated by a desire to offer employees, including its many women and manual workers, a healthy, strong workplace and to help improve the lives of people in its communities. The Group's leadership also thought offering childcare support to employees could help increase retention and reduce absenteeism. The company was interested in exploring what kinds of benefits, beyond increasing salaries, it could offer that could have a real impact on people's lives. Altex had always employed a significant percentage of women and at the time, the company was expanding rapidly.

Once Altex's leadership met childcare provider Hipocampus, the two organizations conducted research that revealed that families were often paying between \$20 and \$50 Mexican pesos per day (between \$1 and \$2.5 USD), a high cost given their income levels. Options for childcare in the communities where Altex is present were often scarce and/ or of low quality. When the federal government cancelled its popular Estancias Infantiles program, it aggravated the situation further. According to Roberto Servitje, Grupo Altex's Co-CEO, investing in childcare for their employees was consistent with his father's values, who had founded the company years earlier. This was also around the time Roberto was having his own children, so the importance of quality care for young children was very much present on his mind. "We wanted it to be a place where we'd feel comfortable enrolling our own children," he said.

What Altex Offers

Altex currently has five childcare centers run in partnership with Hipocampus. Four of them serve Altex employees as well as community members and one of them targets children from supply chain workers, as part of the sustainable development initiative *Madre Tierra*, led by Danone, one of Grupo Altex's clients, with strong participation by Altex and NGOs NUUP and Technoserve.

Madre Tierra catalyzes the efforts of seven organizations with the goal to support small strawberry farmers. According to Georgina Alvarado Díaz, Manager of the Madre Tierra initiative, they noticed that many children were spending their days in the fields, so they decided to conduct a survey, uncovering demand for childcare for small farmer families.

"It was key for this initiative to simultaneously create positive social and environmental impacts. In the long run, this not only benefits the community, but also our business by strengthening our relationships with international buyers and other companies."

Georgina Alvarado Díaz



Altex's Childcare Centers

1. San Cristóbal, Guanajuato

Serving Altex's operations Xtra León & Next Vegetables

2. Zamora, Michoacán

Serving Altex's operation Frexport Zamora

3. Martínez de la Torre, Veracruz

Serving Altex's operation Citrex

4. Celaya, Guanajuato

Serving Altex's operation Xtra Celaya

5. Maravatío, Michoacán

Serving the children of Altex's small strawberry farmers in the community of Maravatío, where the Madre Tierra social initiative takes place

In 2021, 117 children aged 1-6 years attended Altex's childcare centers, which offer high-quality care and education, inspired by the Montessori methodology, according to a low-cost model. Since the Group started offering childcare services in 2016, 721 children have benefited from the services.

Describing Hipocampus' childcare provision, Germán Zubía, the organization's co-founder, says that access and quality are key words. In the case of Grupo Altex, as with other organizations Hipocampus works with, the childcare centers are well-integrated into the communities, employing local women, using local materials, and establishing strong relationships with the families of children enrolled.



A Note on Hipocampus

A B-certified social enterprise* created in 2016, Hipocampus' mission is to increase access to quality childcare services at a price that is affordable to most families in Mexico. Hipocampus does this by partnering with companies interested in offering quality childcare services to their employees. In addition to developmental benefits for children, access to quality care contributes to a stable workforce for businesses and decent work for women.

When working with the private sector, Hipocampus partners with companies to adapt its childcare solutions to their needs and the needs of their workforce, customizing location, opening hours, cost, and teaching methodology. Hipocampus' objective is to design solutions to adapt to the way people learn, live and work today, aiming to put children, parents, and communities at the center, seeking to participate in the construction of a culture where quality early childhood care and education is accessible, valued and paramount.

According to Germán Zubía, the private sector is central to helping increase access to quality childcare in Mexico. "Corporate leaders have an important role to play. If you want to build businesses that last, business as usual is no longer possible."

*recognized as a 'Best for the World' organization by B Lab, which certifies companies that meet high standards of social and environmental performance, accountability, and transparency.

What Employees Say

For Jessica Fernanda Rodríguez, who has been working in Altex's Next Vegetables plant in San Cristóbal for two years, knowing her children are well-cared for is comforting. "Having them there and going to work, it gives us peace of mind that they are well, learning, safe," she said.

For Mónica Medina López, who also works at Next Vegetables and whose 3-year-old son has been attending the childcare center for two years, well-balanced meals, an emphasis on local traditions, and the fact that her child really likes the center all contribute to a positive evaluation of the childcare center. Similarly, for María Eleazar, who works at Xtra León, it is the progress that her two-year old daughter has made in

language acquisition, especially in comparison with other children who don't attend a high-quality childcare center, that has impressed her the most.

For Alan Daniel Guerrero Agustín, thanks to the center's opening hours, leaving his daughter in the care of Hipocampus, "has helped me a lot to be punctual at Frexport." Lucero Anguiano, from Xtra León, reinforces the importance of the childcare center in her work life.

"For me, what I like the most are the operating hours, compatible with my work hours. The first year it was my mother-in-law who cared for him, but it was quite difficult because she sometimes had to go out, go to medical appointments, so I had to miss work to stay with my son as I didn't have anyone else with whom I could leave him [...] but now that there is Hipocampus, it has helped a lot."

Lucero Anguiano

Business Benefits and Costs

While Altex's leadership is clear that offering this type of support to their employees, both male and female, as well as their communities, is part of the group's DNA and contributes to the company's commitment to strengthen their value chain, one of the reasons Altex chose to open its first childcare center in San Cristóbal was the rapidly increasing number of new employees in its plants in the region and issues with high rotation among those new additions.

In San Cristóbal, as well as in the three other locations where Altex has opened childcare centers targeting employees, the rotation rate has been going down at least since 2019 and stands at under 7 percent on average. While this decline cannot be fully attributed to the childcare centers, the company's HR believes investments in childcare have contributed to the decline because lack of childcare is one of the main reasons cited by working mothers in the past for why they were leaving the company. The same is the case for absenteeism rates, at an average of 4 percent for the plants in 2021, which have been declining since at least 2019 and are often associated with "personal matters," including childcare.

"From what we have done, I believe the most important and where we've invested the most were the childcare centers, and we have improved considerably."

Roberto Servitje

To help companies understand the impact of their childcare support, Germán Zubía from Hipocampus says they periodically surveys working parents with children in their centers, even as there are many intangibles to the bottom line that are difficult to measure, like the impact of having a higher number of women in leadership positions.

According to a 2021 survey with 46 Altex parents covering the four childcare centers open to Altex employees:

- 100 percent believe that access to the service has allowed them to increase their productivity,
- 60 percent of parents said that Hippocampus was a factor in their decision to join the company,
- 97 percent mentioned that the service increases the probability of continuing to work in the company,
- 40 percent mentioned having turned down an opportunity in order not to lose the Hipocampus service,
- 98 percent say the service has helped them better balance work and family responsibilities.



Altex also associates their investment in childcare with helping to strengthen the company's social responsibility. Because Altex's plants are often located in small towns, the noise and traffic they generate, for example, can inconvenience some people. Others associate large companies with exploitation of local resources. For the Group, it was important to clearly demonstrate that in addition to the economic benefits it generates to a region, including through employment, that it is also invested in their social development.

"Part of what we are gaining with this is strengthening the company's image. It helps us to have people notice an authentic interest, that we don't want to simply benefit the company, but also in a way give back, share, and benefit the communities where we operate."

Mauricio Servitje

Altex has made a capital investment of approximately \$3 million Mexican pesos (\$150,000 USD) in its childcare centers. While the company covers most of the operational costs for its employees (community members pay a slightly higher fee), it is important that families also contribute to monthly fees to foster accountability and co-responsibility. While the company pays around \$1,000 Mexican pesos (\$50 USD) per child per month—in addition to other operational costs—family contributions are around \$250 Mexican pesos (\$12.5 USD) per child per month, which various families have rated as "very accessible."

Overcoming Challenges

As with any new, innovative program, delivering high-quality, affordable childcare also has come with some challenges. The COVID-19 pandemic was one of them. Similar to many childcare centers around the world, Altex's centers shut down in 2020 for an average of five months. When the centers reopened, they did so according to rigorous health and safety protocols, says Hipocampus. However, some parents were still concerned about COVID-19, so they chose to keep their children at home longer. Enrollment levels dropped by 62 percent between when Altex's childcare centers closed in March 2020 and when they reopened in July-October of the same year. While attendance has increased since then, it is yet to reach pre-pandemic levels, which is a challenge faced by many centers around the world.



But even prior to the pandemic, filling the childcare centers with children was not an automatic proposition. Lack of information about the benefits of quality childcare services for children's development is common in rural parts of Mexico. Resistance to enrolling children in care outside of the home is also influenced by social norms around who should care for young children (e.g., the mother, the family). In other cases, the low quality of care of public and private centers around the country, sometimes involving accidents and child abuse, rightly worries parents and leaves the impression that all centers are the same, generating a persistent uneasiness around the topic.

In the case of Rosario Bautista, mother of a 3-year-old who attends the Maravatío childcare center, for example, it was her husband who was against enrolling their son. The husband was worried about "things that have happened in other childcare centers." What convinced the family that a quality center could be valuable was the fact that their only child almost did not speak at the age of three. "On his first day, he came out very happy. Now he talks a lot. The results are showing already, and we're fascinated with them," says Rosario.

For Mónica del Carmen Torres, an Altex employee at the Xtra León plant, it was also her husband who thought their son was too young for a childcare center and that he was better off at home. But Monica got tired of seeing the child on the phone or in front of the TV all day, so she enrolled him in the childcare center. "It happened very fast. At home, his grandparents and his aunts, even though they miss him because they were the ones caring for him, they really see that there is a benefit, so they say, yes, he should keep going."

On the business side, maternity return rates are still relatively low at Altex. After new mothers go on maternity leave, in some plants only about 30-45 percent are still working with Altex one year later. While some of this is due to mothers preferring or being expected to care for their young children themselves and to the seasonality of the work (50 percent of Altex employees are seasonal workers), it might also be related to lack of safe and reliable childcare. Children must be at least one year old to enroll in Altex's childcare centers, so the period between the end of maternity leave and the time the child turns one is not covered. Because extending care to very young children is different from adding more children to existing spots, in that it requires specialized care and lower teacher-child ratios, Altex has been in conversations with Hipocampus on the feasibility of lowering its entry age.

As some of the childcare centers are still operating under capacity of 60 children per center, Altex leadership and Hipocampus have also had to be creative in showcasing the benefits to families and children. Often, the benefits are best communicated by parents of enrolled children themselves. Various Altex mothers and fathers reported that seeing the



development of other children who attended the centers – and wanting that for their own children – was what made them decide in favor of the centers. In situations where social norms play a role, being able to count on the endorsement of users, including of men, is important. Next Vegetables employee Aarón Abrahám Ferniza Durán said he felt very comfortable discussing the topic in his community.

"The service and the way they educate the children seems right to me; my kids have learned a lot of numbers, words, to socialize with other children. I value this very much and without any doubt I could recommend the service to other parents."

Aarón Abrahám

To expand access to their childcare services, in early 2022 Altex also expanded enrollment to three new groups of children: employees' younger siblings, employees' nephews and nieces, and employees' grandchildren, said José Leonardo Hernández Robles, Organization and Compensation Manager at Altex.

"The childcare centers are an excellent benefit for our employees and their children because they are located in safe spaces, are based on a learning system that truly stimulate children's cognitive development, promote children's autonomy, offer customized learning, and teach children how to be responsible and respectful, while their moms and dads can be relaxed to perform their other activities."

José Leonardo Hernández Robles

By expanding access to childcare, Altex is also hoping current caretakers, typically adolescent girls and other women in the family, could be freed to attend school and/or take on paid work, increasing family well-being and income, Leonardo Hernández adds.

Importantly, Altex has also taken operational measures to help facilitate access to their childcare services. The company, whose business model involves seasonal workforce (based on agricultural timings) and shift work, has made efforts to fix the shifts of working mothers with young children (e.g., ensure they work the day shift) so they can keep their sons and daughters in the childcare center and spend the evenings with them at home.



One of the lessons Grupo Altex has learned on its childcare journey has been the importance of establishing good partnerships. Co-CEO Roberto Servitje is keen to highlight Altex's work with Hipocampus.

"If we tried to do this internally it would have been very difficult, we don't have this expertise, so we believe it's key to find a strategic partner, an expert in managing childcare centers, with a shared philosophy and vision."

Roberto Servitje

The importance of extending childcare services to community members, beyond the company's employees, is also something that Altex's leadership wants to highlight for other companies interested in investing in childcare. "It was always very important that the centers were not exclusive for our employees because [...] in many cases these are small communities that have limited access to many services, especially to education. So, it was very important for us to offer this benefit to the whole community, not limiting it just to Altex employees," said Mauricio Servitje.

Altex and Hipocampus are continuously working to improve Altex's childcare offerings and make the service available to those who can benefit from them. In the future, as more children attend existing centers and the pandemic subsides, Altex may consider opening additional centers to serve some of their other operations around the country. Eventually, the company might also be interested in finding ways to support rural education and women's health.

In 2022-2023, Altex will participate in Empresas Mexicanas X Equidad, an IFC program that aims to help close the gender gap and promote diversity and inclusion in the private sector in Mexico. Through this program, Altex plans to work on childcare and women leadership, among others.

Message to Other Companies

For Altex's leadership, it is crucial that the private sector adopts a longer-term view related to social investments. According to Héctor Espinosa Trujillo, the company's HR Director, "a short-term view can cost a company a lot." The costs associated with providing quality childcare services, for example, can be high, he says, but when you are interested in people, in families, in the community, you are able to put the short-term view aside. For Roberto Servitje, "the intangible benefits can be much more important in the longer term."

For Mauricio Servitje, taking the time to understand an issue and to study successful cases of companies already active in a particular space is important, helping to increase a firm's level of comfort with the topic, leading to benefits for everyone.

"The message I wanted to convey is that our doors are open, and we would gladly share with you the things we have achieved and the benefits we have reaped. We would like more companies to join this type of initiative every day so that the impact would be much greater and considerable change would happen. It is in our hands, as business leaders, to open these opportunities to people, especially to those who have given so much to us and to our companies. If we intend to make sustainable change in the country, it is in our hands, the hands of the private sector; we know that this goes far beyond ourselves."

Mauricio Servitje



Annex I: Additional Background Information

The Importance of Quality, Affordable Childcare for Women's Employment

Working mothers in Mexico face increased difficulties to engage in paid work, regardless of their level of education or income status—mainly due to social norms backing the unequal distribution of care, the limited offering of quality, affordable, and accessible childcare services, and parents' barriers to adapt to the childcare supply (World Bank, 2020).

The challenges faced by women to engage in paid work have a negative impact not only on women's employment opportunities, income, and promotion, but also on children's well-being. For instance, global research shows that child poverty reduction is closely associated with growth in maternal employment (OECD, 2018).

In Mexico, women in formal employment are entitled to 42 days of paid leave before giving birth and 42 days after the child is born (<u>Ley Federal del Trabajo, 2021</u>). In 2017, 739,000 working women between 15 and 49 years old across Mexico mentioned receiving maternal care during birth, pregnancy complications, or abortion. Out of these, only 45 percent said to have obtained maternity or medical leave at work (<u>INEGI, 2017</u>).

Childcare and ECCE Enrollment in Mexico

While preschool is mandatory in Mexico, in 2018, 82 percent of 3-5 year-olds were enrolled in ECCE programs and primary education (OECD, 2020). It is also reported that 20 percent of children aged 3-4 years present inadequate development in at least one area related to literacy, numeracy, and physical and social-emotional skills (IDB, 2019).

Childcare provision is contemplated in Mexican federal law with the purpose of coordinating, improving, and evaluating public, private, and mixed childcare services. The law outlines minimal safety requirements for childcare facilities—which are allowed to receive children as young as 40 days old—and establishes national registration to centralize

information and facilitate supervision. ECCE in Mexico is also guided by the <u>National Strategy for Early Childhood</u>.

As of 2019, there were over 13,570 registered childcare centers in the country with the highest concentration in the State of Mexico and Mexico City (INEGI, 2019).

The latest national survey on employment and social security in Mexico (INEGI, 2017) showed that from the 14 million children aged 0-6 years old:

- 13.7 percent were cared for by their grandmothers while their mother was at work
- 7.2 percent were under the supervision of someone else
- 3.1 percent went to a public childcare center
- 1 percent went to a private childcare center

The rest who are not accounted for in this survey are cared for by their mother at work, their mother doesn't work, are left alone, or go to school.

From the children 0-6 years old who were cared for while the mother was working, prior to the end of the public *Estancias Infantiles* program:

- 75.7 percent attended a public childcare center
- 24.1 percent attended a private childcare center



Creating Markets, Creating Opportunities