

Reaction to Unilever's reaction on 'Adding insecurity to life' :

A summary of Stakeholder Concerns and Our Response

FNV Mondiaal & FNV Bondgenoten
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Unilever responded to the 'Adding insecurity to Life', produced by FNV Mondiaal and FNV Bondgenoten, with support of TUC, Unite and the India Committee of the Netherlands.

We welcome the Unilever response to our report. In that report Unilever says that it takes the allegations seriously and that they are committed to maintain an open dialogue with the trade unions, such as the FNV and IUF, to seek an appropriate and sustainable long-term solution to the issues. As trade unions, we strongly support an open dialogue and hope that we will proceed with the dialogue in due course. Since most of the policies of Unilever and the Code of Business Principles are managed at global level, we need to have a dialogue at the global level in order to be able to address the issues properly, and not just at local level, as until now is the policy of Unilever.

However, a lot of responses of Unilever are not correct or adequate in our view.

In this response we will not look into every detail, because most of the cases are documented on the websites mentioned in our report. Our response will focus primarily on the more general response of Unilever when Unilever refers to their Code of Business Principles and their Business Partner Code. After that we will invalidate some of the responses of Unilever.

Unilevers Code of Business Principles and Business Partner Code.

Unilever writes: "We have a long track record of operating responsibly and with integrity in all markets. (...) Every Unilever company must comply with international and local legislation and our own strict code of business conduct (our Code of Business Principles). Unilever's Code of Business Principles commits us to conduct our operations with honesty, integrity and openness, and with respect for the human rights and interests of our employees. Our Business Partner Code also makes clear the standards to which we expect our suppliers to adhere. "

In Unilever's response a lot of references are made to the Code of Business Principles and the Business Partner code presuming that, because of the simple existence of the code, non-compliance can't be the case. Sentences can be found like: "We require our third-party suppliers to comply with our Business Partner Code (...) and ensure that our service providers comply with minimum wage, social security and retirement contribution requirements". On the website of Unilever information is given on the Business Principles, however, nothing is written about the compliance mechanisms and verification in place, except for mentioning these mechanisms. Assurance on the reporting of Unilever is done with a very narrow focus: health and safety, fatalities and number of employees dismissed as result of breaches of the code of Business Principles. How the codes are really monitored, and verified, is not clear and transparent at all. Also is not clear what happens when non-compliance is found.

Monitoring and verification of the suppliers is even more unclear. Unilever states: 'Our risk assessment suggest 10-20 % of supplier sites may lack sufficient management capability to provide us the necessary positive assurance. In 2007 we launched a programme of audits with these suppliers in order to make explicit the corrective actions required.'

This is highly problematic because of the ongoing restructuring and outsourcing process that Unilever is executing which leads to more and more people making or distributing Unilever products without working directly for the company. For example regarding the case in Turkey Unilever, where drivers for a transport company were illegally dismissed, Unilever states: "Unilever therefore does not have any direct relationship with the employees of these companies. Their business contracts are outside the terms of our reference." At the same time Unilever also states that they respect the right of employees to freedom of association and *expect their suppliers to recognize the same practices* (where this is permitted by law)". These statements contradict each other.

Unilever writes that “Each year, our country chairmen must provide positive assurance that their business adheres to the Code. We view any breaches as a serious matter.” Unclear and not backed up by any evidence is how that ‘positive assurance’ is provided. Also it is not made public how many breaches have been taking place, how many corrective actions were started, what issues emerged etc.

Our main problem is that, despite the existence of the Unilever code, a lot of problems occur in a lot of countries. These problems that affect ordinary workers who make or pack the Unilever products can be found nowhere in the reporting of Unilever. We presented different examples from different countries to show that cases of non-compliance with the Business Principles are not isolated incidents. The opposite is the case: a lot of problems are connected to the restructuring and outsourcing operations of Unilever worldwide, leading to job insecurity, strongly deteriorating working conditions and benefits, a worsening dialogue with unions or no dialogue at all. Unilever says to acknowledge that ‘there is an issue with the outsourced workers in Khanewal in Pakistan and recognizes ‘the need to address it’. We really hope that Unilever will address this together with the international union IUF and the national unions involved.

Restructuring:

Unilever states: We have sought to manage this process of change sensitively to minimise the impact on affected employees. Throughout we have also co-operated and informed relevant trade union organisations.

Dialogue with trade unions:

Unilever also states: Where employees are represented by a legally recognised trade union, we will establish a constructive dialogue with their freely chosen representatives. Unilever is committed to bargaining in good faith with these representatives. (...) Similarly, where appropriate, Unilever also promotes partnership strategies, involving trade union partners in management deliberations at earlier stages than typically required under national legislation.

Our experience is that Unilever is not at all in all circumstances prepared to have a substantial dialogue with the trade unions. Research of our FNV Company Monitor shows that during a long period in a lot of countries the company’s attitude towards the unions varies greatly from plant to plant, depending a lot on the local managers attitude. There are different reports that show that Unilever’s decisions at times undermine the union’s position. Union leaders have been denied access to the work floor, for example. Access to information also varies from plant to plant. Regularly, unions are informed about upcoming reorganisations through the media rather than through ‘involvement at an early stage’ by the company. During our Company Monitor research we have never come across ‘partnership strategies involving trade union partners’.

How many people are making or contributing to Unilever products?

We stated in our report that approximately 300.000 are employed in the manufacturing and distribution of Unilever products globally. Since there is no public information on this figure we made an estimation ourselves. The figure is also based on the public information that in 2000 Unilever had +/- 300.000 employees.

Unilever states that, beside the 174.000 employees, in addition app 35.000 people work at their facilities under temporary contracts with third parties and app 11.000 workers provide back-office support in areas outside the manufacturing operations. Another 40.000 workers are employed by third party manufacturers. These groups add up to 86.000 people in total, not 300.000 as claimed by the FNV.

Answer: FNV did not claim 300.000 contract or outsourced workers but altogether we estimated the total workforce: 174.000 Unilever employees plus app 126.000 contract and third party workers. Which

is not much more than 174.000 and 86.000 which makes 260.000. The problem of the constant process of restructuring and outsourcing is that it is not clear anymore how many people are actually making the Unilever products, whether they are employed by Unilever or not.

Turkey

Unilever states: The case at our supplier's factory in Turkey was resolved locally in January 2009.

What Unilever says is only partly correct.

The management of the subcontracting companies serving to Unilever agreed on a protocol with Tümtis, the union organising the workers at sub-contractors.

- 1) The protocol resolves the problems of individual workers. This means some workers who were fired received payments from employers, while others – which had won court cases over unfair dismissals – received add-ons to their indemnity payments. Some workers did get reinstated, while the union is still seeking reinstatement for others.
- 2) The protocol does not give Tümtis recognition status for representing hundreds of warehouse workers in the city of Gebze and collectively bargaining on their behalf. This conflict is supposed to be resolved at the labour court.

Kenya Tea:

Unilever denies serious problems relating to working conditions at its Kenyan tea plantations brought to the table by SOMO and KHRC. The findings confirmed observations at these estates in 2007 by SOMO and KHRC of, among other things, sexual harassment, discrimination and bad housing conditions, to which the company has reacted in exactly the same way: by denying. Nonetheless SOMO and KHRC will continue to monitor and seek acknowledgement and remediation by Unilever of these issues that impact their Kenyan tea workers.

Tea India:

Unilever states: We strongly dispute the accusation that these estates are not paying the legally required minimum wage. The estates pay wages in complete compliance with Indian law. (..) The estates meet both the requirements laid down by Indian law as well as those needed to achieve Rainforest Alliance Certified status.

The answer given by Unilever is purely formal and does not go into the trick used by the Nilgiri Planters Association – which is explicitly prohibited by the High Court of Tamil Nadu – which ensures that benefits such as contributions to pension funds are NOT paid on the basis of the full minimum wage. They do this by dividing the minimum wage into a so-called 'basic wage' and the so-called 'daily allowance and terrain allowance' while only paying benefits on the basis of the basic wage. This leads to strongly reduced pension and other benefits.

We have taped interviews with several workers regarding this issue. In order to prevent the workers from possible harassment, the names can't be publicised. We, including the India Committee of the Netherlands, are willing to discuss this matter further with Unilever and the Rainforest Alliance.

Beigel and Beigel:

Unilever explains that it takes time to disinvest from Beigel and Beigel. They also say that the decision to disinvest was on economic grounds only. Unilever doesn't mention that, as long as they have not disinvested, Unilever is still a mayor shareholder of a company which operates in an illegal Israeli settlement.

Khanewal Pakistan:

Unilever states that the service providers comply with minimum wages, social security and retirement contribution requirements.

IUF states as follows, in an update of 1 July 2009:

The 22 permanent workers are paid at least 18,000 Rupees (€176) per month. This is the lowest level on their wage scale. In contrast the 723 contract agency workers are paid the legal minimum wage of 6,000 Rupees (€59) per month. This equal to 33% of the lowest wage paid to permanent workers.

The contract agency workers can only receive 6,000 Rupees per month if they worked 26 days or more in a month. If they work less than 26 days in a month then they are paid just 232 Rupees (€2.30) per day.

'No work, no pay' - the 723 contract agency workers are informed of their work assignments at the Unilever factory on a daily basis. They arrive at the factory and are assigned work. If they are not given work they must go home and are not paid.

Some contract workers are only given 8 to 18 days work per month, which means they are earning just 9% to 24% of the lowest wages paid to permanent workers. Those contract workers most active in the campaign have been specifically targeted to receive less days of work.

The 723 contract agency workers receive no other benefits such as bonus, paid leave, sick leave, overtime pay rates, and are not entitled to join the union at the Unilever factory.

	22 permanent workers	723 contract agency workers	Unilever claims	The truth is
Paid annual leave	YES	NO	Yes	No. These legally required benefits were denied to the vast majority of the contract workers for decades. Only <u>after</u> the Casual-T campaign was launched to support workers' demands did Unilever Pakistan agree on 13 March 2009 to <u>start</u> paying these entitlements to all workers for the first time in 25 years. Minutes of a meeting between the action committee representatives, NFFBTW on 20 March 2009 show that implementation of legal entitlements was <u>just getting started</u> including
Paid public holidays	YES	NO	Yes	
Paid sick leave	YES	NO	Yes	
Paid emergency leave	YES	NO	Yes	
Medical benefits/insurance	YES	NO	Yes. Covered through Social Security benefits as per the relevant law.	
Death benefits	YES	NO	Yes. As per the law.	
Annual bonus	YES	NO	Yes. An annual bonus is termed under the relevant law as a "Profit Bonus". This is negotiated with and paid by the employer – the service provider.	

				the promise to issue ID cards to workers <u>for the first time</u> . But now these legal benefits are no longer being monitored as agreed.
Overtime pay rates	YES	NO	Yes. As per the law.	No. It was never paid in the past. Workdays have been cut in response to the campaign so there is no overtime.
Right to join the union at Unilever	YES	NO	Yes. Under the relevant law they have the right to form their own union.	No. Workers can't join the union of Unilever since they don't have a contract with Unilever. See Facts 3 & 4 below.
Covered by Collective Agreement	YES	NO	Yes. Under the relevant law Collective Bargaining Agreements are made with the employer. Therefore this responsibility rests with the service provider.	No. See Facts 3 & 4 below.

FACT 1: The Casual-T campaign has forced Unilever to make a major concession to the Lipton tea workers in Khanewal – to implement the law. But at the same time that these benefits were paid for the first time, management also slashed workdays, making these benefits meaningless in the face of the loss of more than half their wages.

FACT 2: Beginning April 27, Unilever began sending home without work some two-thirds of the 237 casual workers who have joined the Action Committee. Workers who joined the Action Committee and filed legal cases in the courts contesting their permanently precarious status are being given just eight days to a maximum of eighteen days' work per month. That is just 9% to 24% of the lowest wage of permanent workers.

Please read: [Unilever Drives Casual Tea Workers Deeper into Poverty for Claiming Rights](#) 17 June 2009

FACT 3: The service providers are in fact exclusive labour suppliers whose only officers are located inside the Unilever Lipton factory.

FACT 4: The key issue is that Unilever Pakistan has deliberately constructed a system of employment based almost exclusively on contract labour. One of the main purposes of this system is to limit the ability of workers to exercise their rights to freedom of association and to bargain collectively with Unilever as the responsible employer. Under this system, it is Unilever which determines staffing levels and individual job assignments on a daily basis, thereby directly determining the working conditions for these contract workers.

Unilever's managerial authority as the real employer is attested to by the fact that the main contract labour agencies supply exclusively to the Khanewal factory. Riaz Ahmed & Brothers and Abdul Majeed & Sons - whose official addresses, are private residences and whose sole operations are in fact located in the Unilever Khanewal factory - together supply over 450 workers.

While maintaining absolute authority to determine the employment and employment conditions of the many hundreds of workers in the Unilever Khanewal factory, the system allows Unilever to restrict the rights of these workers to represent themselves in collective bargaining with the company. This right is limited to a mere 22 workers.

Attached are testimonies of workers of the Khanewal Tea factory about the payment of benefits and the unequal treatment of workers who are active in the action committee.

See for regular updates the IUF website: http://www.iuf.org/cgi-bin/dbman/db.cgi?db=default&uid=default&ID=6068&view_records=1&ww=1&en=1