

INDEPENDENT EXTERNAL MONITORING OF THE NESTLÉ, OLAM, AND BALSU HAZELNUT SUPPLY CHAIN IN TURKEY: 2015

EXECUTIVE SUMMARY

In August 2015, the Fair Labor Association (FLA) conducted independent assessments in the Turkish hazelnut supply chain shared by three FLA affiliates – Nestlé, and its two strategic first-tier suppliers, Balsu and Olam Progida which together account for 100 percent of Nestlé's hazelnut volume in Turkey.

The FLA has been assessing working conditions in the Turkish hazelnut supply chain since 2013. This report summarizes the FLA's findings for its 2015 assessments, the companies' responses to the 2015 findings, and notes the progress and remaining gaps after the 2015 round of assessments in comparison with the 2014 findings.

All three companies are affiliated with the FLA and have monitoring and remediation programs in place. Based on both internal and external monitoring results, company affiliates must develop and implement remediation actions leading to sustainable changes. In Turkey, the three companies closely collaborate to implement monitoring and remediation activities, with Balsu and Olam Progida having a more direct implementation role at field level. Both suppliers are working on progressively tracing their hazelnut supply chain and increasing the number of farms under the scope of monitoring. To date, approximately 20% of Balsu's, 24% of Olam's and 100% of Nestlé's supply chain is traced as reported by the companies.

The FLA's key findings in its 2015 assessments compared to 2014 findings were encouraging. Visiting the same regions – but not the same villages and farms – progress could be identified in different areas including code awareness and training. The FLA also noticed a significant decrease in the reporting of child labor, which suggests that the prioritization of the issue and the remediation activities implemented by the three companies have been effective. The reporting indicates the continued need for progress in other areas like hours of work, wages, discrimination against migrant workers, and transportation safety.

Methodology and Worker Demographics

From August 17 to 27, the FLA and external assessors conducted independent assessments of 51 farms in Sakarya and Ordu for Olam's supply chain, and 48 farms in Düzce for Balsu's supply chain. The assessment team visited a total of 99 farms. They followed the FLA's Independent External Monitoring (IEM) methodology, which has four main components: (1) internal monitoring center visits of Balsu and Olam Progida offices, (2) farm visits, (3) profiling visits to camps, schools, and communities, (4) external stakeholder consultations.



FLA assessors interview hazelnut workers in the Düzce region of Turkey.

The assessments included interviews with farmers, labor contractors, and local and migrant workers and their accompanying family members. Of the 870 workers reported to be working in the orchards, 456 were interviewed – 151 in Ordu, 80 in Sakarya, and 225 in Düzce. Of the 870 workers, the ratio of women to men was 2:1.

The assessment team also visited the local Chambers of Agriculture, the District Directorates of the Ministry of Agriculture, and some civil society organizations operating in the region.

Chart 1: Demographic profile of interviewed workers: gender and age of workers in the three regions - 2015 (Child workers are younger than 16, workers age 16 to 18 are characterized as “young.”)

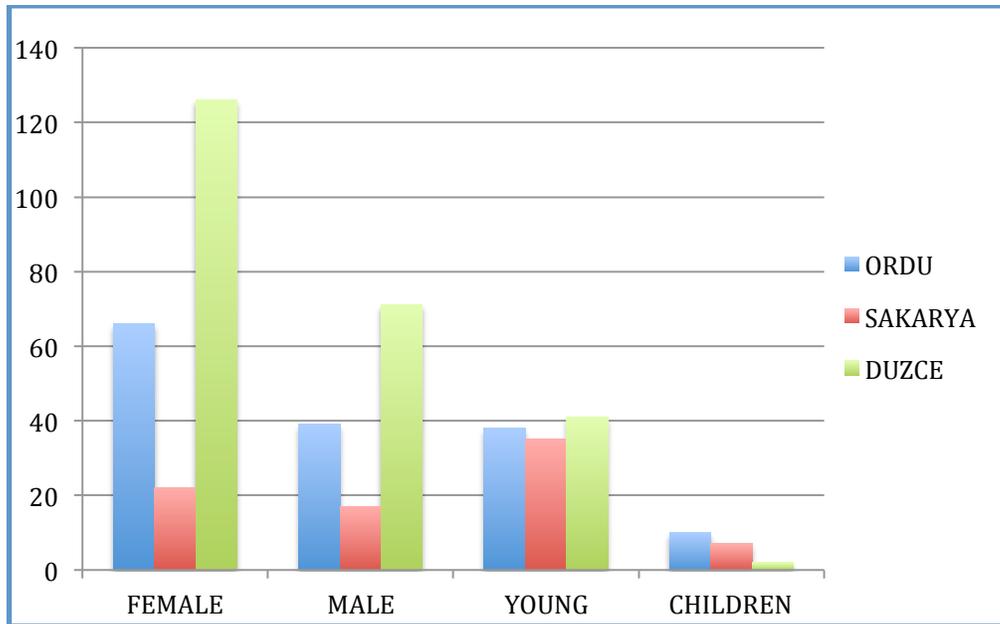
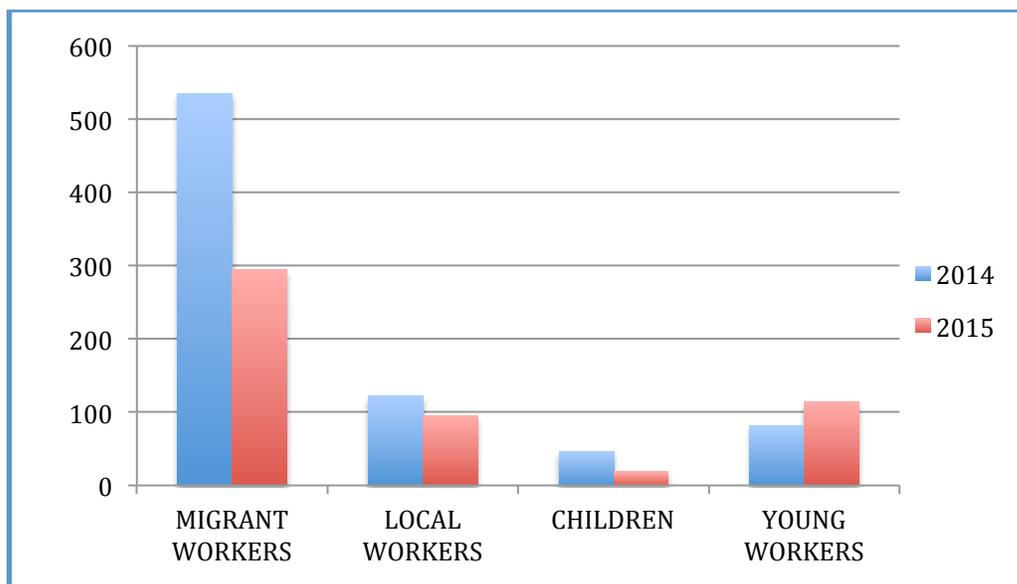


Chart 2: Comparison 2014-2015: Worker Demographics for the total number of assessments over the three regions



The decrease of migrant workers in 2015 is largely due to the fact that two independent assessments were conducted in Ordu where farmers say they prefer to hire local workers rather than migrant workers (the FLA conducted only one assessment in Ordu in 2014). In Sakarya and Düzce regions, the workforce consists mainly of migrant workers and family workers.

The proportion of children¹ in the total workforce has also decreased as compared to 2014, with children representing 8.5 percent of the total workforce in 2014 and 2.2 percent in 2015. FLA assessors visited the same three regions as in 2014 but covered different villages and farms. The number of young migrant workers has significantly increased – constituting 13 percent of the total workforce in 2015 - as the production required substantially more workers in 2015 compared to 2014, a year when yields suffered from a heavy frost. According to the implementation of ILO Convention 182 in Turkey, migrant workers below 18 should not be hired.

2015 Findings

The table below summarizes the key findings from the FLA’s 2015 IEM visits and provides highlights of the corrective action plans (CAP) developed by Nestlé, Balsu, and Olam Progida and submitted in response to the FLA’s findings. To access the detailed reports, please visit <http://www.fairlabor.org/report/2015-assessments-shared-hazelnut-supply-chain-turkey-nestle-balsu-and-olam>

SUMMARY OF FLA IEM FINDINGS	SUMMARY OF COMPANIES’ COMMITMENTS (CAPs)
CODE AWARENESS AND GRIEVANCE SYSTEM	
<p>Monitors observed obvious efforts from the three companies to increase farmers’ awareness of labor standards (CoC) through trainings and other means of communication, resulting in a satisfactory level of awareness among the farmers.</p> <p>In the Balsu supply chain, awareness of the recently established toll-free hotline to report grievances is low and the grievance channel still needs improvements to function effectively. Most of the workers in Düzce region did not know about the line, how to use it, and what measures are taken to ensure confidentiality and non-retaliation. Olam Progida has established a toll-free number with appropriate non-retaliation policies in place.</p> <p>The hotline number established by Nestlé to supplement those at the supplier level ones is not communicated to the farmers and workers.</p>	<p>In 2016, Balsu will improve its current grievance mechanism by: 1) Developing an answering machine available in Turkish, Kurdish, and Arabic that will record any complaint made by farmers, workers, and other stakeholders; 2) Making the answering machine operational 24 hours a day and seven days a week; 3) Communicating the grievance channel’s existence to both farmers and workers through the distribution of leaflets as well as during training sessions; 4) Adding a non-retaliation clause to the communications materials distributed to farmers, workers, and labor contractors.</p> <p>Nestlé’s external grievance mechanism (“Tell Us”), which is accessible for free by phone or the internet, operated by an independent third-party provider guaranteeing full confidentiality and available in various languages will be communicated and complement the hotline operated by Balsu.</p>

¹ A child is any individual less than eighteen (18) years of age. In accordance with the Turkish national legislation, working age and restriction on the employment of children, employment of children who have not completed the age of (15) fifteen is prohibited. Young workers in Labor Law 4857 in Turkey, are defined as persons who have completed 15 years of age but have not yet completed 18 years of age.

CHILD LABOR

The efforts of the three companies were visible in the visited villages and farms in terms of training, awareness raising and prevention of child labor, leading to increased child labor awareness among farmers and workers and, in some instances, decrease in the reports of child labor. However, child labor was still found on 12 of the 99 visited farms and occurred within the seasonal workforce as well as within the local and family workforce.

Children were observed collecting hazelnuts from the ground and filling the buckets. The child labor findings represent approximately 2.1 percent of the total workforce overall². Children are brought to the farms by the labor contractors and their families in order to earn daily wages.

A total of 19 child workers younger than 16 were identified during the 2015 IEM visits: 10 in Ordu and 9 in the West Black Sea region (Düzce and Sakarya).

In the Balsu supply chain in Duzce, two 14-year-old children of seasonal migrant workers were found to be working in the orchards whereas in the Olam supply chain in Sakarya, there were seven children between the ages of 12 and 14 observed. One of the children was a family worker and the rest of them were seasonal migrant workers. In Ordu, migrant workers were not observed in general, however 10 children between the ages of 11 and 14 were working in the 30 visited orchards. Seven of them were family members while three were local hired workers. Hiring local child workers violates Turkish law. Children who are family members may support the family's working members by doing light work such as bringing water, but may not participate in tasks that might be dangerous to their development or health.

A total of 102 young workers (between 16 and 18 years) were found on the visited farms. Sixty-six of them were migrant workers. They were working the same long hours as adult workers, i.e. up to 73.5 hours a week. The three companies have distributed handbooks to the farmers

The three companies report that they will continue to remediate findings of child labor in hazelnut harvesting through awareness raising, close monitoring through their respective Internal Monitoring Systems, and prevention activities.

Balsu aims to scale up its pilot sustainability project and extend it to more villages and more regions. In 2015, the program covered three villages and approximately 349 farmers in the Duzce region.

Balsu and Olam will further strengthen their training program for labor contractors, farmers and workers, and include the training on record keeping. The three companies are planning to work with civil society organizations to train labor contractors. Olam will specifically target training women workers, in addition to the usual worker trainings and trainings with local authority representatives. Olam will cover at least five additional villages in Ordu and Sakarya with the trainings.

Balsu and Olam will aim to encourage the local commissions³ to better communicate their decisions to the villages, farmers, and workers prior to the harvest and inform the commissions about the gap between legal framework and practice in the field. Olam will be providing trainings to local authority representatives on specifically child labour.

In addition, the three companies will ensure that the farmers keep age verification documentation through the use of the notebooks distributed.

Balsu will also be working on creating alternative income-generating activities for young workers such as IT repairing that they will be able to further develop after the hazelnuts harvest season.

² Although FLA monitors did not interview all the workers, each child worker was noted and interviewed in the visited farms.

³ Local commissions are formed under the Governorates and consist of relevant District directorates and chambers and can differ among cities. i.e. Ministry of Food, Agriculture and Livestock, Ministry of Health, Chamber of Agriculture, Municipality Mayor. Local commissions announce rules and regulations pertaining to the seasonal agriculture work.

<p>providing guidance and practical tools on how to verify and keep workers' age records. However, awareness of this process is still low among farmers. None of the labor contractors or farmers applies any strict age verification of workers and do not keep any record of age proof.</p>	
<p>NON-DISCRIMINATION</p>	
<p>As noted our 2014 summary, FLA assessments found discriminatory practices against migrant workers as compared to local workers. Local workers receive higher wages and work shorter hours than migrant workers. Migrant workers are paid the daily minimum wage (42.45 TL) while local workers are paid an average of 60 TL to do the same work for shorter hours. Farmers do provide migrant workers with accommodation, which implies electricity and water costs, but no clear and transparent cost calculation has been done to justify the significant wage difference paid between local and migrant workers.</p>	<p>The companies will engage with the local commissions charged with setting guidelines for seasonal workers' employment terms, and will emphasize the importance of preventing discrimination against migrant workers in their wages and hours of work. They will try to influence the commissions' decisions so that discrimination is eliminated. Training to farmers and labor contractors will specifically cover these topics.</p> <p>Balsu will advocate for more research and analysis to be carried out on this issue -in particular on the cost of accommodation of migrant workers.</p>
<p>HEALTH, SAFETY, AND ENVIRONMENT</p>	
<p>The FLA assessments found that the three companies have not adopted responsible measures to mitigate transportation-related risks or to prevent accidents or injuries. For example, workers commute between their settlements and the fields while sitting on top of fully loaded tractors traveling on steep roads.</p> <p>While most of the workers are satisfied with the houses provided by the farmers in Düzce, about 10 percent of the workers interviewed complained about housing conditions. This information could not be verified by the assessors.</p>	<p>Balsu will perform risk analysis for the FLA findings. Precautions and preventive measures will be shared with the farmers, workers, and labor contractors in the next season's health and safety trainings. The legal obligations and the risk of fines and penalties will be communicated in the meetings and trainings.</p> <p>Nestlé and Olam will contact the local commissions and ask them to add clauses on transportation safety to their decision circulars. This information will be communicated in the villages through banners and during trainings to farmers and labor contractors.</p> <p>Balsu will assess the living standard of seasonal workers in a sample of villages through the use of a checklist. Subsequently, Balsu will inform the farmers about the improvements that they need to make in order to meet the minimum requirements for good living conditions. Good examples will be compiled and made available to farmers and other relevant stakeholders, including the Ministry of Agriculture and the Exporters Union of Turkey.</p>

HOURS OF WORK	
<p>Daily and weekly working hours are excessive especially for migrant workers. Migrants work 10.5 hours per day and 63 hours per week (if they work six days) or 73.5 hours per week (if they work seven days), which in both cases exceeds FLA standards (setting 48 hours for a regular work week, or 60 hours with overtime). Workers are not provided with overtime compensation.</p> <p>Local workers are working in the orchards from 7am to 6pm with a 1.5-hour break, or a total of 9.5 hours per day, excluding transportation time. The weekly working hours total between 57 hours (for six days) and 66.5 hours (for seven days).</p> <p>Farmers follow the guidelines provided by the local commission, which recommends working hours of 10.5 hours per day (from 7am to 7pm with a 1.5-hour break). These guidelines contradict the national labor law setting limits of 45 hours a week for regular hours and 60 hours a week including overtime.</p>	<p>The three companies will engage with the local commissions to further discuss hours of work conditions and advise them to add information that is aligned with the national legislation to the circulars distributed to farmers before the season.</p> <p>The farmers, labor contractors, and workers will also be informed of the hours of work regulations that should be applied during the harvesting season and they will be requested to obey the related items of the Turkish Labor Law.</p>
WAGES, BENEFITS AND OVERTIME COMPENSATION	
<p>Local workers receive TL 60 per day, which is above the minimum daily wage stated by the local commission as TL 42.45 per day. However, seasonal migrant workers do not always receive the legal minimum wage. Farmers are paying a daily wage to migrant workers between TL 42.45 and TL 48 and the labor contractors are deducting a 10 percent commission to pay for their services, which reduces some workers' pay to a rate below the legal minimum.</p> <p>The daily pay rate is only fixed after the workers start working on the hazelnut orchards. Workers know the minimum daily wage fixed by the local commission but they do not know how much they will actually be paid by their employer. Farmers wait for the big sellers to set the market price and then align to this price. The workers start working without knowing how much they will be paid at the end of the harvest. Workers do not receive their payments before the harvest of the farmer's orchard is completed, and sometimes payment comes even later.</p>	<p>The three companies report that they will engage with the local commissions that set the rules and regulations for seasonal workers before the next hazelnut harvesting season to discuss compensation-related issues, such as labor contractors' commissions, wage discrimination, overtime compensation, timely payment of wages, and registration of workers with the social security system. Specifically, the companies say they will seek ways for labor contractors to be remunerated without deducting their commission from workers' wages.</p> <p>The companies say they will encourage farmers to maintain records of hours of work and wage payment during training sessions, and that they will work on increasing workers' awareness of the minimum wage regulations and the social security benefits to which they are entitled.</p> <p>The companies will inform the farmers, labor contractors, and workers of the minimum legal wage that workers must receive, despite any deductions by labor contractors. Balsu and Olam</p>

<p>Balsu and Olam have distributed handbooks to farmers for keeping records of workers' hours and wages. However, the farmers' awareness of this process is still low and they are not keeping any records.</p>	<p>will make sure both farmers and workers have the latest updated information about wages, payments, and working conditions.</p> <p>Balsu commits to asking farmers to keep the copies of workers' national ID cards, to distributing notebooks for record-keeping, and to improving their Internal Monitoring System to better monitor this issue. Olam will continue to distribute materials useful for maintaining a contract system, which helps farmers and labor contractors keep track of workers, their ages, number of days worked, and daily wage and total amount to be paid. This contract system increases transparency and information-sharing with workers.</p>
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Progress and Remaining Gaps in Nestlé, Olam Progida and Balsu Supply Chains

The FLA's key findings in its 2015 assessments of hazelnut farms in the Ordu, Sakarya and Düzce regions compared to 2014 findings were encouraging, especially with regard to child labor and code awareness of the supply chain actors.⁴ The below tables illustrate the child labor findings.

Table 2: Child workers breakdown per region - 2015

Region	Local Children	Family Members	Seasonal Migrant	Total
Düzce	-	-	2	2
Sakarya	-	1	6	7
Ordu	3	7	-	10
Total	3	8	8	19

In 2014, assessors visited 70 hazelnut farms and identified a total of 46 child workers. Though the number of workers increased in 2015, FLA assessors found a total of 19 children in the same regions. This demonstrates a significant decrease in the reporting of child labor, which suggests that companies' prioritization of the issue and their remediation activities have been effective.

Table 3: Number of child workers identified in the 2014 and 2015 FLA IEMs per region

Region	Year			
	2014		2015	
	N° of farms visited	N° of child workers	N° of farms visited	N° of child workers
Düzce	37	30	48	2
Ordu	12	5	30	10
Sakarya	21	11	21	7
Total	70	46	99	19

⁴ The 2014 IEM visits took place in different villages and farms from those visited in 2015. To access the detailed 2014 IEM findings and related Executive Summary, please visit: <http://www.fairlabor.org/2014-hazelnuts-independent-external-assessments>

After the 2014 assessments, Nestlé, Balsu and Olam developed corrective action plans to be implemented in the monitored farms and progressively throughout their hazelnut supply chain. Some of the issues taken up in the 2014 company action plans (CAPs) recur in the 2015 findings, such as the lack of age verification process at the farm level. Some actions described in the 2014 CAPs were not fully implemented, or need longer-term strategies, such as the discrimination against migrant workers, the transportation issues, and the hours of work and wages related issues, leading to recurring issues in the 2015 assessment findings.

The below table summarizes the progress noted in Nestlé, Balsu, and Olam Progida supply chain following corrective action plans in 2014 and shows recurring issues and remaining improvement areas identified in 2015.

Code Elements	Progress identified by FLA comparing the 2014 and 2015 assessment results	Areas where sustainable improvement is still needed
Code Awareness	Increased code awareness among farmers, workers, and labor contractors	Awareness of grievance mechanisms among farmers and workers (Balsu supply chain)
Child Labor	Significantly lower rates of reported child labor	Age verification and recording at farm level Safe areas for removal and rehabilitation of children located in the farms (Olam supply chain)
Health and Safety	Distribution of first-aid kits and personal protective equipment to farmers	Safe transportation of workers to orchards
Hours of Work and Compensation	Distribution of record-keeping notebooks to farmers	Establishing the same rates of compensation and hours of work for local and migrant workers; calculation of in-kind benefits Keeping the hours of work within the limits of national labor law for all workers Commission of labor contractors still being deducted from workers' wages, leading to wages below the legal minimum Record-keeping for hours of work and compensation being effectively implemented by farmers