

INDEPENDENT EXTERNAL MONITORING OF THE NESTLÉ, OLAM, AND BALSU HAZELNUT SUPPLY CHAIN IN TURKEY: 2016

EXECUTIVE SUMMARY

In August 2016, 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 2016 assessments, the companies' responses to the 2016 findings, and notes the progress and remaining gaps after the 2016 round of assessments in comparison with 2015 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.

In the 2016 assessment period, the FLA found that more than ten percent of workers¹ at the visited farms were underage – an increase over the 2.1 percent child labor rate found in 2015, which suggests that the remediation activities implemented by the three companies have not been fully effective. Assessors also noted that the political turmoil and clashes in Kurdish-populated Southeastern Turkey (the origin of the seasonal migrant workers in agriculture) may have affected the increase of child labor this year, especially in the western Black Sea region. The civil war in neighboring Syria has deteriorated the livelihoods of the inhabitants of these regions and some workers stated that they had no choice but to work in hazelnut harvest with their children to earn a living.

While these factors may have increased the systemic risk of child labor, the increase in the child labor rate also suggests that remediation plans of the companies were not able to cope with this risk. Assessors also found a lack of age verification and ineffective child removal systems among the causes of higher levels of child workers. This report also indicates the continued need for progress in other areas like hours of work, wages, discrimination against migrant workers, transportation safety, and working conditions of young workers.



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

¹ The data includes child labor cases identified in both IEMs and IEVs.

Methodology and Worker Demographics

From August 8 to 20, 2016, the FLA and external assessors conducted independent assessments in the supply chains of Balsu and Olam Progida. The assessments comprised four IEMs (Independent External Monitoring) and two IEVs (Independent External Verification) in villages that were already assessed two years before (2014). FLA assessors visited total of 45 farms in the Balsu supply chain (in the western Black Sea region) and 50 farms in the Olam Progida supply chain (30 in western Black Sea region and 20 in eastern Black Sea region) for a total of 95 farms.

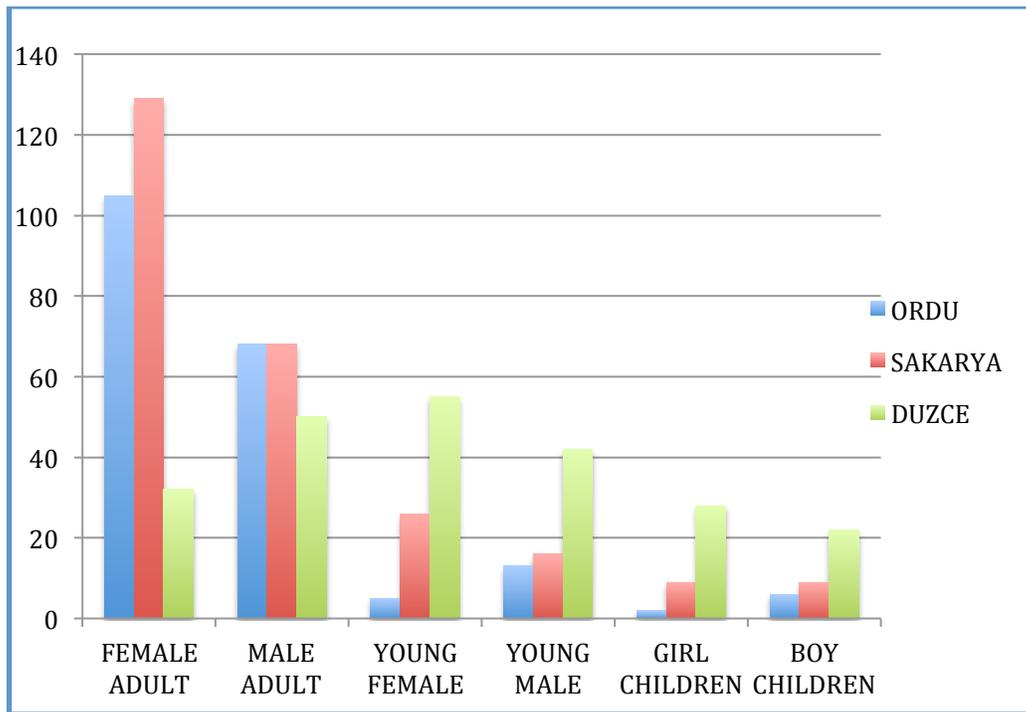
They followed the FLA’s Independent External Monitoring (IEM) methodology, which has four main components: (1) internal monitoring center visits of Balsu and Olam Progida offices, (2) farm visits, (3) profiling visits to camps, schools, and communities, (4) external stakeholder consultations.

The verification visits (IEVs) were conducted to assess the progress of the companies’ remediation programs and their results at the farm level by visiting the same villages two years after the first assessment. Data were collected by conducting interviews, observations, and record review at the same four levels identified above.

The assessments included interviews with farmers, labor contractors, and local and migrant workers and their accompanying family members. A total of 933 workers were interviewed for both the IEMs and IEVs. Balsu’s assessment took place in Düzce while Olam’s took place in the Sakarya and Ordu regions. The data presented below is based on the data collected for the IEMs, over the total population of 685 workers.² Assessors found that 38.8 percent of the workers were women, 22.9 percent were young workers and 10.6 percent were working children.

The assessment teams 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 workers: gender and age of workers in the three regions - 2016 (Child workers are younger than 16, workers age 16 to 18 are characterized as “young.”)



² IEV data does not include detailed workers’ demographics.

Chart 1 presents an overall distribution of the worker demographics, and shows that female workers predominate across all age categories – adults, young workers, and children. The chart also demonstrates the high number of young and child workers found, especially in Düzce region. The workers represented here tend to be a part of one of three subgroups -- farmers’ family members, local seasonal workers, or migrant seasonal workers. In Ordu, due to low hazelnut yield in 2016, most of the harvest was done by the local seasonal workers and family workers, whereas in Sakarya and Düzce migrant workers were the primary harvesters. Assessors found that 79 percent of the working children and 88 percent of the young workers were migrant workers.

Chart 2 provides the distribution of female workers (young and adult) across worker categories in the three regions. In Sakarya and Düzce, the majority of the female workers were migrant workers, whereas in Ordu, they were either locals or family workers.

Chart 2: Distribution of female workers (adult and young) over three regions in 2106.

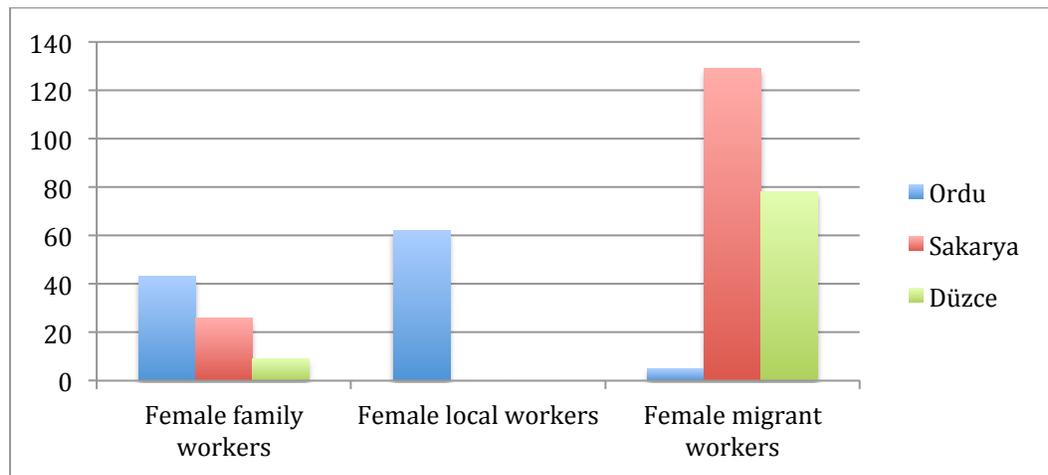
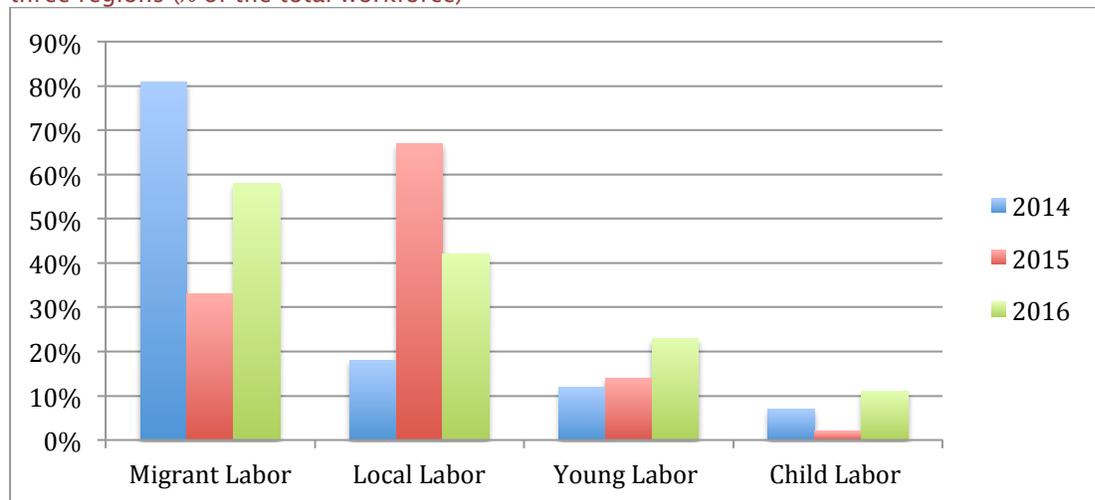


Chart 3 - Comparison 2014-2016: Worker Demographics for the total number of assessments over the three regions (% of the total workforce)



The number of children increased around five-fold from 2015 to 2016 as the percentage rose from 2.1 percent to 10.6 percent. Adding both the young and child workers, assessors found that 34 percent of the workforce was under the age of 18 in 2016. According to the implementation of ILO Convention 182 in Turkey, migrant workers below 18 should not be hired.

The tables below provide details on the child labor findings. Table 1 shows that most of the child workers are in the seasonal migrant workers category. In Düzce region, they represent 21 percent of the total workforce, and represent 5 percent of the workforce in Sakarya.³ In Ordu, where the migrant workforce was lower in 2016, the child labor rates were lower as well.

Table 1: % of child workers in the total workforce, breakdown per region – 2016

Region	Local Children	Family Members	Seasonal Migrant	Total
Düzce	-	1%	21%	22%
Sakarya	-	2%	5%	7%
Ordu	3%	1%	1%	5%

Table 2: Number of child workers identified in the 2015 and 2016 FLA Assessments per region⁴

Region	Year					
	2015			2016		
	N° of farms visited	Total N° of workers	N° of child workers	N° of farms visited	Total N° of workers	N° of child workers
Düzce	48	237	2	45	229	67
Ordu	30	447	10	20	199	8
Sakarya	21	186	7	30	257	24
Total	99	870	19	95	685	99

Table 3: Child labor (% of total workforce) in the villages visited in 2014, and re-visited for Independent External Verifications (IEVs) in 2016). Child labor rates in re-visited villages were lower than in villages visited for the first time in 2016.

Region	2014	2016
Sakarya	8%	6%
Düzce	11%	12 %

2016 Findings

The table below summarizes the key findings from the FLA's 2016 IEM visits and provides highlights of the corrective action plans (CAPs) 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/2016-assessments-shared-hazelnut-supply-chain-turkey>

³ FLA carried out separate research on worker profiling during the 2016 harvest. The results showed that 47.4 percent of the migrant workers were below the age of 18. While 60 percent of migrant young and child workers are also attending high school, 35 percent have dropped out. The data suggest that working children and youth's access to education is compromised.

⁴ Table 2 presents the data of IEMs and IEVs combined

SUMMARY OF FLA IEM FINDINGS	SUMMARY OF COMPANIES' COMMITMENTS (CAPs)
CODE AWARENESS AND GRIEVANCE SYSTEM	
<p>Assessors observed efforts from the three companies to increase farmers' awareness of labor standards and their company codes of conduct through trainings and other means of communication, resulting in a satisfactory level of awareness among the farmers. However, the awareness of the workers remained low.</p> <p>Olam Progida has established a toll-free number with appropriate non-retaliation policies in place. Balsu also established a toll-free grievance hotline that is available in four languages (Turkish, Kurdish, Arabic and English). In the Balsu supply chain, awareness of the recently established hotline 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.</p>	<p>Balsu, Olam and Nestlé are partners of the project entitled 'Partnership to Reduce Child Labor and Forced Labor in Imported Agricultural Products Piloting the USDA Guidelines' funded by US Department of Labor (hereinafter USDOL project). In the framework of the project activities, standardized and detailed training modules to cover all code elements will be prepared. A training of trainers session will be provided to the company staff in order to enhance the training capacities. Balsu and Olam will hire a total of eight social workers during the peak activity time who will be responsible for providing trainings and social assistance to workers, farmers and farmer's families. Olam will prepare an educational audio recording explaining code elements and distribute it to the minibuses for the workers to listen to during their commute to the orchards.</p> <p>Balsu commits to prepare a grievance procedure and further disseminate their grievance channel through trainings and brochures.</p>
FORCED LABOR	
<p>Assessors reported that farmers pay the total amount of workers' wages to labor contractors and the labor contractors make the payment to workers. If labor contractors are working with a group of workers who are member of the same family, the total amount of the payment is made to head of the family. There are no separate payment records or arrangements for individual workers who are from one family. This indicates that not all workers have equal access to their wages.</p>	<p>As a pilot study in 10 villages in the Kabataş region, Olam will inform farmers about wage-payment requirements within the framework of FLA program, including that each worker must be paid directly. Olam will develop follow-up cards for payroll records and will provide detailed information on the use of the cards during training. If the pilot is successful, Olam will scale up the implementation in following years.</p>
CHILD LABOR	
<p>In spite of company attempts to reduce child labor, a total of 99 child workers were detected within the seasonal workforce as well as within the local and family workforce in IEM and IEV assessments. Children were observed collecting hazelnuts from the ground and filling buckets. The child labor findings represent approximately 11 percent of the total workforce overall. Children are brought to the farms by the labor</p>	<p>The three companies commit to improve their traceability system in order to ensure a functioning farm-level age verification system. For the 2017 harvest, companies will use software to collect labor-data (number of workers, gender and age data, hours of work, and total days of work). The system will be piloted at a minimum of 50 farms in Balsu's supply chain and 100 farms in Olam's supply chain. The objective of the system is to</p>

contractors and their families in order to earn daily wages.

As per local and international regulations, 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. Assessors reported that children of the farmers were working for long hours, which constitutes a non-compliance.

Assessors found a total of 157 young workers (between 16 and 18 years) during the farm visits for the IEMs. Nearly 88 percent of them (138 young workers) were migrants. For the IEVs, 104 young workers were identified. All young workers were working the same long hours as adult workers, up to 73.5 hours a week. The three companies have distributed handbooks to the farmers 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 mechanisms for workers and do not keep any record of age proof.

detect child workers at the farm level and refer them to appropriate local services and to summer school projects to be run by Balsu and Olam in collaboration with NGOs. Moreover, through this system, the companies will be recording young workers and tracing their working conditions.

Balsu will establish "Village Information and Referral to Public Services Centres" and collect the demographic profile of the seasonal migrant workers when they arrive to the hazelnut harvest. The aim is to identify the migrant children once they arrive to the village and to track whether they are working in the orchards or not. Balsu is also working with the Ministry of Labor and Social Security, Düzce University, and local development agencies to strengthen schooling of the children of seasonal migrant workers and better integrate seasonal workers into community life. For this project, Balsu will run a summer school in the western Black Sea region during the 2017 harvest.

Both companies will be providing training to the workers, farmers, and labor intermediaries on child labor. The social workers hired by Balsu and Olam will be responsible for tracking and reporting the child labor cases to the companies.

Olam will prepare a "Young Worker Registration Form" and "Young Worker Family Permit Form" which will be distributed to farmers. Through these forms, Olam aims at collecting the consent of the families which is a prerequisite for employing young workers and aims at identifying young workers at farm level to be able to monitor their working conditions.

Olam and Balsu will run summer schools during the 2017 harvest. Olam will continue its Esmahanım school project in collaboration with ILO and public education centers. Within the scope of USDOL project, Balsu and Olam will run two other summer schools particularly for the children of the migrant workers will be run in collaboration with the Young life Foundation.

NON-DISCRIMINATION

<p>Similar to the FLA’s 2015 summary, in 2016 assessors continued to find 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 (55 TL) while local workers are paid an average of 70 TL to do the same work for shorter hours. Farmers provide migrant workers with accommodations, which also 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>Both Balsu and Olam reported they will provide trainings to farmers and workers on non-discrimination principles.</p> <p>Olam and Balsu will contact the local commissions⁵ and urge them to add guidelines on the principle of non-discrimination and equal remuneration, in the communication they provide to farmers.</p> <p>Nestlé will prepare a “Responsible Sourcing Best Practices Handbook” to cover equal remuneration, fair treatment, and no-tolerance to discrimination. The handbook will be shared with the supply chain actors: manavs/middleman, suppliers, farmers, labor contractors, workers and related state-officials.</p>
<p>HEALTH, SAFETY, AND ENVIRONMENT</p>	
<p>The FLA assessments found that the three companies have still 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, some of the workers interviewed complained about housing conditions. They also reported that sanitation facilities are not always available in the orchards.</p> <p>In Balsu’s supply chain, assessors reported workers are not aware of the procedure on access to medical facilities and do not know what to do in case of emergency. Moreover, proper labeling and MSDSs for chemicals are missing at the farm level.</p> <p>Even though the farms are open area and easy to evacuate in case of fire, the workers have not been provided training for safe evacuation neither by Balsu nor the farmers.</p>	<p>Olam will conduct a risk assessment study at the farms and design training materials to cover the transportation risks. Balsu and Olam will be training farmers and workers on health, safety, and environment (HSE) principles.</p> <p>Balsu will pilot a project to renovate four houses where workers stay according to basic occupational health and safety (OHS) standards.</p> <p>Nestlé in collaboration with Balsu and Olam will provide mobile toilets to be placed close to the orchards.</p> <p>Balsu will communicate information on medical facilities at the trainings. Brochures containing relevant information on how to reach medical facilities will be prepared and distributed to workers, farmers and labor contractors. Labor contractors and farmers will be trained on the emergency procedures and on what to do in case of an emergency. Moreover, Balsu will include chemical management and evacuation requirements and procedures into the training content.</p>
<p>HOURS OF WORK</p>	

⁵ 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, more specifically the daily wage and daily working hours.

<p>Daily and weekly working hours are excessive, especially for migrant workers. Migrants work 10.5 hours per day and up to 73.5 hours per week, which exceeds local laws in Düzce and Sakarya, as well as FLA standards (48 hours for a regular work week, or 60 hours with overtime). In Ordu, they work 9.5 hours a day. The majority of the workers stated that they work every day of the week without any rest-day during whole harvest, which lasts around one month.</p> <p>In Düzce, the local commission defined working hours as 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>Both Balsu and Olam committed to get in touch with the local commission and inform them about decent employment principles related to hours of work.</p> <p>Balsu, Olam and Nestlé will pilot working with a private employment agency to recruit seasonal migrant workers. The objective is to formalize the employment relationship in order to be able to control working hours and rest day of the workers. The workers will be registered to social security system and will be compensated according to the minimum wage standard.</p> <p>Balsu and Olam will integrate a labor-data registration component to their farm-level traceability systems. Through this system, they plan to register the working hours and days of the workers and remediate non-compliances. However, the companies have not provided a detailed remediation action for the excessive working hours apart from strengthening record-keeping practices.</p>
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WAGES, BENEFITS AND OVERTIME COMPENSATION

<p>In all regions, seasonal migrant workers do not always receive the legal minimum wage. Farmers are paying the minimum daily wage to migrant workers (TRY 55) but the labor contractors are deducting 10 percent commission to pay for their services, which reduces workers' pay to a rate below the legal minimum.</p> <p>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>Since the farmers do not directly pay wages to workers (it is done through the labor intermediaries), there is no system in place to verify if workers received the exact amount they earned or not.</p> <p>There is a voluntary social security system for the workers who work in temporary agricultural work. Workers' awareness of the social security system is low and they are not provided training</p>	<p>Farmers, labor contractors, and workers will be informed about daily wages and good employment practices before and during the harvest.</p> <p>Nestlé, Balsu, and Olam will pilot working with a private employment agency to recruit workers for 20 farmers. The objective is to formalize the employment relationship by registering the workers to social security system and to ensure that workers work within the limits of weekly working hours and receive at least the minimum wage. The companies have not provided any action plan to eliminate deductions from workers' fees.</p> <p>Balsu and Olam commit to improve the traceability system to improve farm-level record-keeping . The traceability system aims at recording the workers profile, working hours and compensation they received. The system will be used as a means to verify compensation received by the workers.</p> <p>Balsu and Olam will prepare a training module on the recruitment conditions and social security system and provide trainings to the workers with the help of social workers.</p>
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<p>by the companies.</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>	
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Progress and Remaining Gaps in Nestlé, Olam Progida and Balsu Supply Chains

After the 2015 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 2015 company action plans (CAPs) recur in the 2016 findings, such as the lack of age verification process or record-keeping at the farm level. Some actions described in the 2015 CAPs were not fully implemented, or need longer-term strategies, such as discrimination against migrant workers, transportation issues, and issues related to hours of work and wages, leading to recurring issues in the 2016 assessment findings.

The below table summarizes the progress noted in the Nestlé, Balsu, and Olam Progida supply chains following corrective action plans in 2015 and shows recurring issues and remaining improvement areas identified in 2016

Code Elements	Progress identified by FLA comparing the 2015 and 2016 assessment results	Areas where sustainable improvement is still needed
Code Awareness	Increased code awareness among farmers	Workers' awareness about terms and conditions of employment and code awareness is low. Farms do not maintain disciplinary procedures.
Forced Labor	-	Workers are not paid individually
Child Labor	-	Age verification is not recorded at farm level. Child labor prevention, removal and rehabilitation systems need to be strengthened across all locations, especially given the increasing risk of child labor

		Special regulations on employing young workers are problematic in terms of working hours, consent letters, and tasks that can be hazardous to workers' health
Health and Safety	Increased numbers of trainings on HSE principles	Transportation safety for conveying workers to orchards should be improved.
		Accommodation areas and access to sanitation facilities should be improved.
Hours of Work and Compensation	Distribution of record-keeping notebooks to farmers	To eliminate discrimination, the same rates of compensation and hours of work for local and migrant workers should be established and in-kind benefits for migrant workers should be credibly calculated.
		Hours of work should be kept within the limits of national labor law for all workers.
		Commission of labor contractors is still being deducted from workers' wages, leading to wages below the legal minimum
		Record-keeping for hours of work and compensation should be effectively implemented by farmers