



INDEPENDENT EXTERNAL MONITORING OF THE NESTLÉ, OLAM, AND BALSU HAZELNUT SUPPLY CHAIN IN TURKEY: 2017

EXECUTIVE SUMMARY

In August 2017, 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 2017 assessments, the companies' responses to the 2017 findings, and notes the progress and remaining gaps after the 2017 round of assessments in comparison with 2016 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 2017 assessment period, the FLA found that 12 percent of workers at the visited farms were underage (younger than 16) – similar to FLA findings in 2016 (11 percent). Despite the companies' efforts to strengthen interventions and build child labor remediation programs, the results show the challenges in improving deeply rooted systemic issues, especially with a largely migrant family workforce. The results suggest that company efforts must continue and must be strengthened. 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 monitors interview hazelnut workers
in the Düzce region of Turkey.*

Methodology and Worker Demographics

From August 9 to 21, external monitors conducted six independent assessments in the supply chains of Balsu and Olam Progida, visiting a total of 89 farms, 15 in the Ordu region and 74 in the Düzce-Sakarya region. Of these, 46 farms were in the Olam supply chain and 43 in the Balsu supply chain. Assessors observed a total of 1,143 workers, 511 of whom were in Balsu’s supply chain, and 632 in Olam’s supply chain. Of these workers, 814 were found to be migrant workers (72 percent of the total workforce of the visited farms), 329 were local and family workers (28 percent), 392 were young workers (34 percent), and 137 were child workers (12 percent). Sixteen child workers were related to the farmer they worked for, and two were local workers; the rest were members of migrant farmworker families.

Monitors followed the FLA’s Independent External Monitoring (IEM) methodology, which has four main components: (1) review of internal management systems of Balsu and Olam Progida, (2) farm visits, (3) profiling visits to camps, schools, and communities, (4) external stakeholder consultations. The assessments included interviews with farmers, labor contractors, local and migrant workers, and their accompanying family members.

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 the overall worker population: gender and age of workers - 2017 (Child workers are younger than 16, workers age 16 to 18 are characterized as “young.”)

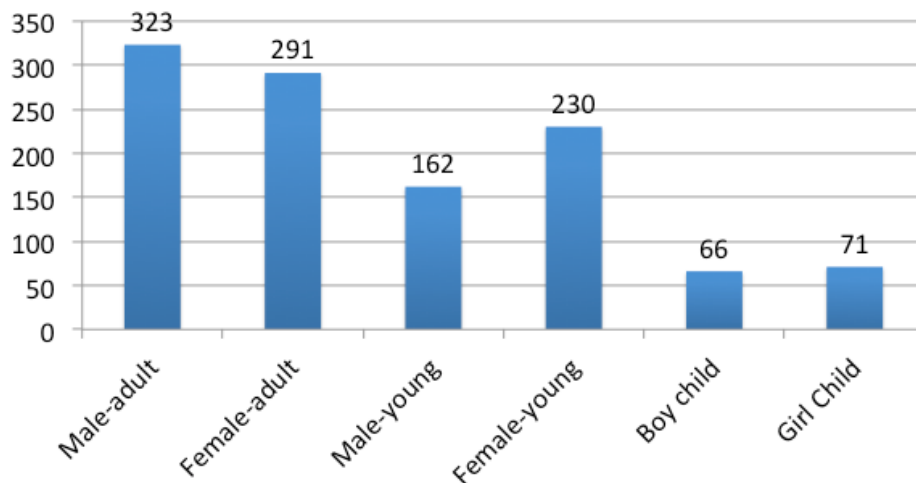
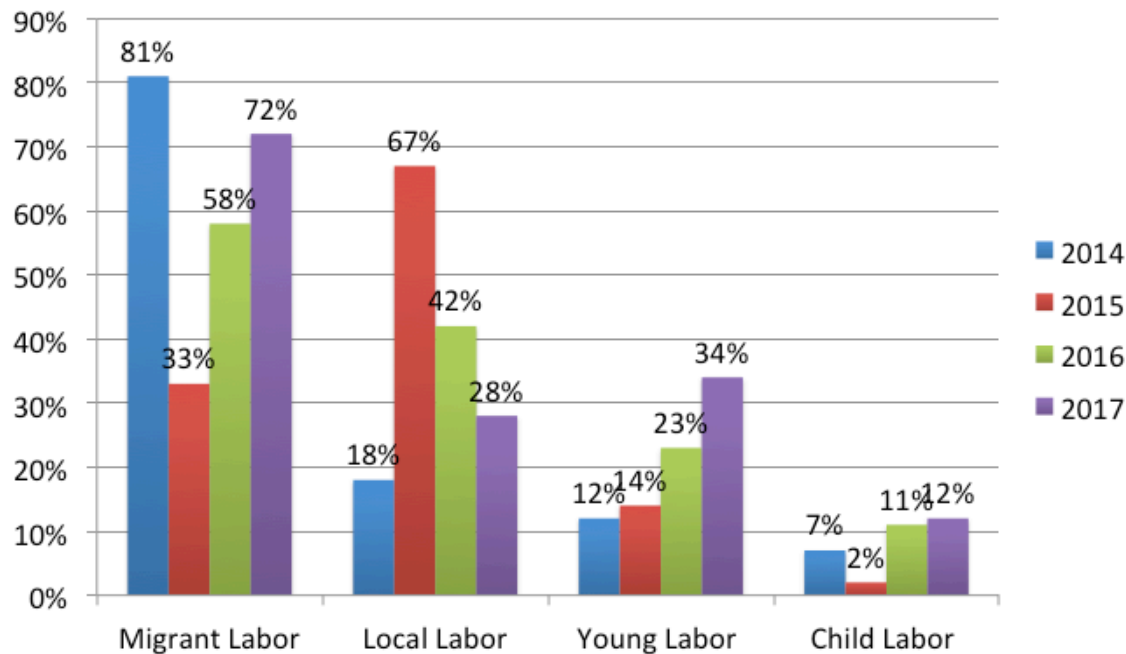


Chart 2: Comparison 2014-2017: Worker Demographics for the total number of assessments (% of the total workforce)



Compared to 2016, the child labor percentage has increased by 1 percent, and young workers by 11 percent. The stark increase in the young work force over the years demonstrates a great risk of further non-compliances related to the employment of young workers and also a substantial risk for interruptions in young workers’ formal education. According to the implementation of ILO Convention 182 in Turkey, migrant workers younger than 18 should not be hired.

Table 1: Child workers breakdown per region - 2017

Region	Local Children	Family Members	Seasonal Migrant	Total
Düzce	-	3	57	60
Sakarya	-	11	62	73
Ordu	2	2	0	4
Total	2	16	119	137

As demonstrated in Table 1, there are more child workers detected in Düzce and Sakarya regions where the seasonal migrant work is a dominant form of labor. Child worker levels are lower in Ordu, where hazelnuts are harvested primarily by family and local workers. This shows a systemic risk of child labor in seasonal agricultural work in Turkey where the migrant workforce is significant.

After the 2016 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 2016 company action plans (CAPs) recur in the 2017 findings, such as the lack of age verification process or record-keeping at the farm level. Some actions described in the 2016 CAPs were not fully implemented, or need longer-term strategies, such as the remediation plans related to discrimination against migrant workers, transportation issues, and issues related to hours of work and wages.

Company Programs and Efforts to Improve Working Conditions

Seasonal agricultural work involves a large migrant workforce, which a growing body of literature describes as highly susceptible to chronic poverty, indebtedness, dependence upon intermediaries, formal employment barriers, low levels of schooling, gender inequality, and ethnic discrimination. The vulnerability of the migrant worker group creates a high risk for child labor, as migrant families must maximize their income. The informal structure of hazelnut production in Turkey exacerbates these risks.

For example, there are no contracts between the hazelnut producers and supplier companies, and farmers are often inclined to sell their products to whichever company pays more at any given time, or to the local merchants. Since there is no direct or contractual relationship between the hazelnut producers and supplier companies such as Balsu and Olam, there is no direct authority of the companies over the employment practices of the farmers. These two important characteristics make it difficult for Balsu and Olam to effectively implement labor compliance programs and to fight child labor in their supply chains.

Since 2015, the three companies have been participating in a USDOL-funded project (led by the FLA) that aims at testing the U.S. Department of Agriculture’s “Guidelines for Eliminating Child and Forced Labor in Agricultural Supply Chains.” This project supplements the existing company programs by strengthening their internal management systems and testing remediation strategies that could lead to greater and more sustainable impacts.

Including both the company and USDOL project related activities,¹ various projects and programs are implemented in pilot locations to mitigate unethical labor practices in the hazelnut supply chain. These include:

- **Renovations** and improvement of shelter standards for workers: 24 houses were renovated during the project.
- **WASH** (Water, Sanitation, and Hygiene): workers are provided with access to clean water, hygiene products for women workers, cleaning supplies, and mobile toilets.
- **Grievance mechanisms**: a smart phone application that can serve as a third party grievance mechanism was piloted during the project and proved to be a successful method that workers can use.
- **Trainings** : a total of 2,470 harvest workers, 287 farmers, 219 labor contractors, 256 community members, 139 government officials, 34 company personnel and 123 teachers received training on worker rights, child labor and responsible recruitment practices.
- **Summer schools**: 509 children attended the summer schools and were provided with safe spaces and nutritious food.
- **Personal Protective Equipment (PPE)**: companies distributed personal protective equipment to workers.
- **Traceability systems** : company traceability systems were developed to include recording of training and remediation work at village level.
- **Labor contractor registration program**: 89 labor contractors acquired labor intermediary licenses as a step to formalize employment relationship.

The 2017 IEMs took place in villages and farms that are covered by the companies’ sustainability programs, including the USDOL project.

2017 Findings

The table below summarizes the key findings from the FLA’s 2017 IEM visits and provides highlights of the corrective action plans (CAPs) developed by Nestlé, Balsu, and Olam Progida in response to the FLA’s findings. To access the detailed reports, please visit www.fairlabor.org (workplace monitoring reports).

¹ For more information on the project activities, please refer to project webpage: <http://www.fairlabor.org/global-issues/hazelnut-project-in-turkey>

SUMMARY OF FLA IEM FINDINGS	SUMMARY OF COMPANIES' COMMITMENTS (Corrective Action Plans)
CODE AWARENESS AND GRIEVANCE SYSTEM	
<p>Assessors observed efforts from the three companies to increase farmers' awareness of labor standards and the FLA Workplace Code of Conduct through trainings and other means of communication. However, the awareness of the workers on the code of conduct and employment terms remain low in Balsu and Olam supply chains.</p> <p>Additionally, all visited farms lack any documented disciplinary procedures.</p>	<p>Balsu and Olam committed to improve awareness at the worker level by implementing the following actions:</p> <p>Balsu will adapt the training modules and hire social workers to disseminate the trainings to farmers and workers throughout the harvest period. Balsu will also conduct a training in the hometown of the workers (Mardin) prior to the harvesting season.</p> <p>Olam will pilot new training methods and deliver trainings at the hometown of the workers (Şanlıurfa and Mardin) throughout the year. Company staff incorporated trainings into their "village motherhood program," which trains local women to provide one-to-one childcare support for other worker families in the city they come from.</p> <p>Balsu and Olam reported they will develop disciplinary procedures. Balsu will train labor contractors, worker leaders, and farmers, and Olam will distribute documented procedures in 20 villages.</p>
CHILD LABOR	
<p>In spite of company efforts to reduce child labor, a total of 137 child workers (workers younger than 16) were detected at the 89 assessed farms; 86.9 percent of these children belong to the migrant seasonal workforce. The child labor findings represent approximately 12 percent of the total workforce overall.²</p> <p>Children were observed collecting hazelnuts from the ground and filling the buckets. Children are brought to the farms by the labor contractors and their families in order to earn daily wages.</p> <p>Hiring local and migrant 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.</p> <p>A total of 392 young workers (between 16 and 18 years) were found on the assessed farms. Most of them were migrant workers (372, or 95 percent). They were working the same long hours as adult workers, up to 73.5 hours a week. The three</p>	<p>To reduce child labor, the three companies committed to strengthen their remediation efforts.</p> <p>Balsu reported that the company will open three summer schools in Düzce region. They will work with a national NGO (Genç Hayat Foundation) and the ILO for the implementation of the children's referral to rehabilitation services and access to education centers (summer schools) during the 2018 season. Balsu social workers will visit seasonal agricultural workers as soon as they arrive in the hazelnut-growing region to work. Children will be identified, and according to a needs assessment conducted by the social workers, they will be referred to summer schools or other public services in the region. If the local school-year begins during the harvest, Balsu will arrange an awareness-raising session on how to enroll in school outside of a child's hometown, and will distribute brochures on this procedure.</p> <p>Balsu will also train workers and farmers on the requirements for employing young workers. The company will distribute young worker registration</p>

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

<p>companies have distributed handbooks to the farmers providing guidance and practical tools on how to record and verify workers' ages. 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>Monitors also reported that children who do not work but accompany their parents are exposed to natural risks such as falling down steep hills or being bitten by insects, and that there are no measures in place to try and mitigate those risks.</p>	<p>forms to farmers, which will help to track the working hours and conditions of young workers.</p> <p>Regarding non-working children on the premises, Balsu will refer children to summer schools or other public services within Balsu children protection program, and provide a one-time risk-prevention training.</p> <p>Olam committed to open three summer schools and to increase training sessions for workers and farmers. Olam's policy is to remove farmers from any of its certification/premium programs if child labor is detected during internal and external monitoring visits, and to start the immediate child removal and referral procedure.</p> <p>For the employment of young workers, Olam will distribute a "Young Worker Registration Form" and "Young Worker Family Permission Form" to the farmers in five pilot villages and perform checks during internal monitoring. The forms will help farmers to record ages and working hours of young workers. Olam will also train the labor contractors and farmers on proper employment conditions for young workers and the types of light work that they are allowed to do. For non-working children on the premises, Olam reported it will renovate two houses and inform farmers and workers of the risks that children may be exposed to. The renovated houses will be more hygienic, and this will also reduce the risk of insect bites.</p>
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FORCED LABOR

<p>Monitors reported a risk related to freedom in employment and movement because migrant workers often must complete the entire harvest season before labor contractors arrange the transportation back to their hometown.</p> <p>Monitors also reported issues related to forced overtime since migrant workers are working an hour longer than local workers and have no choice to refuse and stop working.</p> <p>Finally, the farmers pay the wages in total for all workers to the labor contractors or supervisors, who then pay the head of the family. Workers do not have separate contracts and are not paid individually.</p>	<p>Balsu committed to reinforce training to farmers, workers, worker leaders, labor contractors, and families about proper working conditions and the right to freedom of movement in employment. They will update their training module with information on working hours and the voluntary nature of overtime and its payment. The training module will also include information about legislation requiring workers to be paid in person rather than through a labor contractor or head of their family. Balsu will inform workers about the Balsu grievance channel and public hotlines that workers can use to reach company or state officials.</p> <p>Olam will train their sustainability department field staff and social workers to disseminate the Olam grievance channel and collect face-to-face</p>
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	<p>feedback from workers through the interviews conducted by social workers. They will inform the workers about public hotlines during the interviews. Olam will also train the labor contractors on forced labor risks.</p> <p>Regarding individual payments, Olam will pilot contracts between farmers and labor contractors, where the list of workers would be included in the annex. Through this action, Olam aims to ensure that the workers are paid individually.</p>
NON-DISCRIMINATION	
<p>As in the previous years, monitors have found discriminatory practices related to compensation and hours of work 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 (60 TRY) while local workers are paid an average of 70 -80 TRY to do the same work for shorter hours. Farmers do provide migrant workers with accommodation, which implies some 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>Moreover, in the Olam supply chain in Ordu, monitors reported that the farmers in the region prefer working with local workers and want to avoid recruiting migrant workers from East and Southeast of Turkey who are of Kurdish origin, mainly due to the latest political tension in the country.</p>	<p>Both Balsu and Olam reported they will provide trainings to farmers and workers on non-discrimination principles covering compensation and hours of work. Additionally, both companies will continue to engage in advocacy among local and national NGOs, other hazelnut exporters, and local authorities to raise awareness on discrimination.</p> <p>Nestlé will distribute to workers its Responsible Sourcing Best Practices Handbook that covers the equal compensation principle, in order to educate them on their right to equal treatment.</p> <p>Regarding the ethnic discrimination issue observed in Olam supply chain, Olam committed to focus efforts in the Ordu region in order to prevent all forms of discrimination. Discrimination-related principles will be included into the training content.</p>
HARRASSMENT AND ABUSE	
<p>Monitors reported that in one farm in the Olam supply chain, a worker supervisor was constantly yelling at the workers in order for them to work faster.</p>	<p>Olam reported it will organize trainings for farmers on harassment, abuse, and violence, especially in the village where the incident happened. They will add a section on the principle of non-violence to all the training contents.</p>
HEALTH, SAFETY, AND ENVIRONMENT	

<p>FLA assessments found that the three companies have not yet 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>Monitors also reported that most of the hazelnut farmers do not have special chemical storage rooms; they usually store chemicals in improper conditions. Even though the companies have installed containers for disposal of pesticides in the villages, farmers’ awareness in using the containers is not high yet.</p> <p>Monitors also found issues related to access to clean water in one farm in the Olam supply chain.</p> <p>In the Balsu supply chain, monitors reported an issue related to access to medical treatment for a pregnant woman who had been bitten by a tick.</p>	<p>Olam reported it will conduct a risk assessment study at the farms and design training materials to cover transportation-related risks. Balsu and Olam will be training farmers and workers on health and safety principles and legislation related to safe transportation.</p> <p>Regarding chemical management, Olam will further inform farmers and workers about how to dispose of empty agricultural pesticide boxes and bottles. Within the scope of its Good Agricultural Practices Project, Olam will distribute pesticide storage cabinets to more than 1000 producers and will continue to place pesticide cabinets with farmers who joined the program recently. Regarding access to clean water, Olam will contact the Public Health Directorate in collaboration with the labor contractors about the problem in the village where the non-compliance took place.</p> <p>For chemical management, Balsu will update a guidance document and share a copy with farmers during monitoring visits and will inform farmers about good agricultural practices principles on proper storage of chemicals. They will train the farmers on the adverse effects of pesticides using a body risk-mapping exercise.</p> <p>Balsu will distribute brochures on what to do in case of insect bites and also will inform workers about the emergency numbers that can be called in case of an accident or illness.</p>
<p>HOURS OF WORK</p>	
<p>Daily and weekly working hours are excessive especially for migrant workers. Migrants work 10.5 hours per day, 73.5 hours per week (if they work seven days), which exceeds FLA standards (48 hours for a regular work week, or 60 hours with overtime). Additionally, the time they spend on the way to the orchards is not counted in the work time. The majority of the workers interviewed complained about the long working hours.</p> <p>Local workers in Ordu 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>Both Balsu and Olam committed to get in touch with the local wage-determination commission and inform them about decent employment principles.</p> <p>Balsu, Olam, and Nestlé reported they 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 with the social security system and will be compensated according to the minimum wage standard.</p> <p>Balsu and Olam will also integrate a labor-data registration component into their farm-level traceability systems. Through this system, they expect to register the working hours and days of the workers, be able to better track the issue, and</p>

<p>In Duzce, the local commission provides working hours guidelines, claiming that it is legal to be required to work 10.5 hours per day (from 7am to 7pm with a 1.5-hour break). In Ordu, the commission declared working hours from 7 am to 6 pm. The farmers are therefore following those guidelines, which contradict the national labor law setting limits of 45 hours a week for regular hours and 60 hours a week including overtime.</p> <p>Monitors also reported that protected workers (pregnant, nursing, and young workers) work for same duration with the other workers while their daily working hours should not exceed 8 hours per day.</p>	<p>remediate any non-compliances.</p> <p>Olam will create some forms to register pregnant and nursing women. These forms will include some information about age and tasks.</p> <p>The tasks that pregnant, nursing, and young workers should not work will be identified and information will be given to the migrant workers and farmers.</p>
<p>WAGES, BENEFITS AND OVERTIME COMPENSATION</p>	
<p>Minimum wage issues for migrant workers persist in the hazelnut gardens. Local workers in Ordu receive minimum TRY 70 per day, which is above the minimum daily wage stated by the local commission as TRY 60 per day. However, seasonal migrant workers in the Olam and Balsu supply chains do not receive the legal minimum wage. Farmers are paying a daily wage to migrant workers but the labor contractors are deducting a 10 percent commission to pay for their services, which reduces 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 their employer or labor contractor will actually pay them. Also, workers are not compensated for the overtime they work.</p>	<p>The companies reported they will continue giving trainings to the workers and farmers on the principle of equal wages for equal work. They committed to train workers, farmers, and labor contractors on the minimum wage requirements.</p> <p>Balsu will communicate all related legislation about workers rights and related mandates to labor contractors along with details of the local commission decision during the trainings. Moreover, Balsu will create an online farm level software to trace wages paid to workers and hours of work. For worker awareness on wages, Balsu will advertise the daily wage rate in coffeehouses at the villages. They will also hire a Kurdish speaking social worker to reach and inform Kurdish speaking workers.</p> <p>Olam is working towards creating a labor contractor database and they train labor contractors to get an official license to perform their job. The official license brings legal obligations on the labor contractors who will not be able to deduct labor intermediary commission from workers wages.</p>

Progress and Remaining Gaps in Nestlé, Olam Progida and Balsu Supply Chains

The below table summarizes the progress noted in Nestlé, Balsu, and Olam Progida supply chains following corrective action plans in 2016, and shows recurring issues and remaining improvement areas identified in 2017.

Code Elements	Progress identified by FLA comparing the 2016 assessment results	Areas where sustainable improvement is still needed
Code Awareness	Grievance systems are improved.	Workers' awareness about their work contracts and company codes of conduct is low. Disciplinary procedures at the farm level need to be developed.
Non-Discrimination		<p>Migrant workers work longer than local workers and they are paid less. Compensation discrimination needs to be addressed.</p> <p>Workers of Kurdish origin may face discrimination during recruitment. Discrimination against ethnic minorities needs to be addressed.</p>
Forced Labor		<p>Risks related to forced overtime and freedom to leave work need to be addressed for migrant workers</p> <p>Payments need to be made individually to workers, not to the head of the household.</p>
Child Labor		<p>Age verification and recording at farm level needs to be developed.</p> <p>In spite of the summer school projects, child removal from the farms was ineffective.</p>
Health and Safety	Increased numbers of trainings on health and principles have been conducted; infrastructure of workers' accommodations have been improved; personal protective equipment has been distributed widely	<p>Workers must be provided with safe transportation to orchards</p> <p>Proper storage rooms for pesticides are needed</p>

<p>Hours of Work and Compensation</p>	<p>Distribution of record-keeping notebooks to farmers</p>	<p>Companies and farmers must work to establish the same rates of compensation and hours of work for local and migrant workers; to achieve this in-kind benefits must be fairly and transparently documented</p>
		<p>Companies and famers must keep the hours of work within the limits of national labor law for all workers</p>
		<p>Labor contractors' commission must not be deducted from workers' wages, leading to wages below the legal minimum</p>
		<p>Farmers should effectively implement record-keeping for hours of work and compensation</p>