

Summary

Unilever
South Africa

Summary based on research by:

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1. Introduction

This report reflects the main findings of a research that was conducted into the company's practices and labour conditions at Unilever in South Africa. It builds on a previous research conducted in 2002.

The current research is based on interviews and 'focus group discussions' with workers, shop stewards (union representatives at a factory level, elected for each department) and union officials. The research covered all six Unilever production sites and involved 30 workers, 23 shop stewards and two regional organisers. The table below provides a breakdown of the interviews conducted at each plant.

Plant/site	Union ¹	Workers	Shop Stewards & Regional Organiser
Phoenix – Durban	CEPPWAWU	7	2
Maydon Wharf – Durban	CEPPWAWU	7	5
Boksburg	NUFBWSAW		12
Phoenix – Durban	FAWU	8	2
Prospecton – Durban	FAWU	8	1
Pietermaritzburg	FAWU		3
Total		30	25

Source: estimates by shop stewards.

Specific information about Unilever's operations in South Africa (SA) is not publicly available – all company information relates to aggregated numbers and developments, concerning the company's worldwide operations. For this reason, the researchers developed a questionnaire that inquired about the company's view and approach to issues such as: employment conditions; management relations with4in the company; business and development strategies; dilemmas and policies of corporate social responsibility (CSR) and the implementation of CSR standards; and supply chain matters.

The researchers were able to set up one initial meeting with the company's Human Resources (HR) Director. At this meeting, it was agreed that management would respond to the questionnaire, that it would facilitate the researchers contact with plant managers, workers and shop stewards

However, despite repeated reminders and requests, management failed to respond to the questionnaire. According to the company, this was due to problems in the planning of the research, unclear information requests and unrealistic expectations. The draft report therefore did

¹ The Unions at Unilever are further described below.

not reflect the management's view. Moreover, management showed little willingness to facilitate the research, despite the researchers' repeated requests for assistance. As a consequence, the research was delayed by three months; the researchers resorted to alternative arrangements with the unions and had difficulties interviewing workers. Ultimately, a HR manager was willing to help facilitate focused group discussions in Durban. The management of Unilever South Africa provided a response to the draft report after it was submitted by FNV to the corporate management. The comments of the management were subsequently incorporated throughout the report.

Finally, it should be noted that management found it extremely difficult to respond to some of the allegations contained in the report, and would encourage anyone feeling aggrieved to use the company's grievance procedures.

2. Unilever in SA - General characteristics

Business description

Unilever first entered the SA market in 1890 with Sunlight Soap. The SA subsidiary of Lever Brothers was registered in 1904. The first factory was built in 1912 in Cape Town, followed with the opening of a factory at Maydon Wharf in Durban in 1914. In 1954, a margarine factory was built in Boksburg, Gauteng.

Unilever's business interests in SA centres around two categories: Home and Personal Care (HPC) and Foods. It is a market leader in a number of product ranges. The food division has a number of brands such as Rama, Ola, Lipton, Joko, Glen tea, etc. Similarly, the chemical division hosts a range of brands including Sunlight, Skip, Axe, Dove, Shield, Sunsilk, etc. Some products are SA specific, such as Mrs Balls Chutney.

Unilever operates eight factories in two provinces. In KwaZulu Natal, it operates two chemical plants in Mardon Wharf and Phoenix, and three food plants in Phoenix, Prospecton and Pietermaritzburg. In Gauteng it operates a chemical plant and a food plant in Boksburg.

As mentioned above, financial information pertaining to the company's SA operations is not publicly available. The company information obtained during the 2002 research serves as the most recent information available. At the time, the findings were as follows:

- ❑ Unilever SA's estimated annual turnover in 2002 was R7.7 billion (which would have equalled approx. €700million).
- ❑ Its expenditure in the previous decade exceeded R1 billion (which would have equalled approx. €92.5 million)
- ❑ SA accounts made up for more than half of Unilever's profits in Africa.

- The HPC division accounted for R4.35 billion or 56% of total turnover; Unilever Bestfoods Robertsons (UBR) was created and accounted for R3.3 billion (which would have equalled approximately €402 and 305 million respectively)
- Although UBR had an average 57% of the market share in the food and beverage sectors where it was active.
- Lever Pond's held a number one position in South Africa for HPC products.
- Turnover per employee had more than doubled since 1988 from approximately R637,000 (€88,500) to R1,450,000 (€201,500) per employee in 2001.

In 1999, Unilever announced its new worldwide strategy "Path to Growth". One of the main elements of this strategy was to significantly slim down the number of brands by focusing on major ones, and to reduce the number of production sites. The company aimed to concentrate production for the international market in some 150 key sites worldwide for the "world-class" supply chain. A number of remaining sites will serve to produce local or national products. In Unilever's language these are "local heroes" - factories that produce goods with a leading or profitable position in local markets.

In SA, the "path to growth" was implemented in the Phe-ZULU Project. This project aims to reposition key manufacturing sites in Durban as regionally and globally competitive suppliers for a range of personal products, while the Boksburg soap powder factory will be benchmarked in line with globally competitive standards for soap powder production. Fitting with this strategy is Unilever's aim to "up-skill" its workforce. This means that minimum skills and education requirements were reviewed and raised. These developments are further described below.

Employment and employment trends

Employment levels at Unilever sharply declined since 1988. In 1988 the company employed a little more 8,000 employees. This number dropped to an estimated 5,100 in 2002 (2,031 at HPC and 2,860 in Foods). In 2005 total employment is estimated at 2,862 with 1,493 and 1,369 employees from the HPC and Foods divisions respectively. This figure does not include head office staff.

The following table shows the estimate number of workers per plant, excluding plant management. The numbers were provided by stop stewards during interviews. Similar to the findings in the 2002 study, the table shows that approximately 30% of the workforce consists of temporary workers. Unilever management stated that the figures below are not correct and temporary workers constitute 13% of total factory site numbers.

Plant	Permanent	Casual/Temporary	Total
Maydon Wharf (chemical)	488	90	578
Phoenix (chemical)	33	12	45
Boksburg (chemical)	650	220	870
Boksburg (foods)	400	230	630
Phoenix (foods)	80	50	130
Pietermaritzburg (foods)	89	20	109
Prospecton (foods)	280	220	500
TOTAL	2,020	842	2,862

The company is reportedly inclined to hire external candidates with higher education rather than to invest in training for its own personnel, and to outsource work that is done in lower-scale jobs. An attempt by Unilever to introduce this system in the HPC side of its operations was brought to a halt by the unions.

At different plants, Unilever uses labour brokers to employ temporary workers. As described in Chapter 5 of this report, this practice often denies workers of the basic benefits of a regular employment relation for prolonged period of times.

Company management and relations with the corporation

Since Unilever management failed to return the questionnaire, this report does not provide a comprehensive description of:

- ❑ the extent and level of influence of corporate management on the national or local management, and national management's level of autonomy. However unions claim that local management merely executes corporate management's decisions;
- ❑ the decision making processes within corporate and national management, and which decisions are taken at the corporate level; and
- ❑ the company's future plans and strategies, including on issues such as subcontracting, outsourcing, employment structure and relations.

Relevant aspects of Corporate Social Responsibility

CSR in the SA context

Regarding CSR policies and implementation, interviews with shop stewards provided the following information:

- ❑ at Maydon Wharf a newsletter is circulated with details of the current CSR activities;
- ❑ at Boksburg there is a Social Investment Committee, which includes shop stewards. However this committee has not met since mid-2004. The union has now started requesting CSR information;
- ❑ at Phoenix foods, there is no feedback process in place. Occasional information on the company's contribution in the fighting against Aids in made available;

- ❑ The Prospecton shop stewards are provided with general figures on the company's CSR activities, but no reports have been issued since Unilever took over the plant from Robertsons in 2003; and
- ❑ at Pietermaritzburg, CSR feedback is given through the Communications and Social committee. Shop stewards are part of this committee.

These reports suggest a fragmented approach to the promotion of CSR issues and the implementation of the Code of Business Principles. They also signal that Unilever considers philanthropic initiatives as part of its CSR.

In its response to the report, Unilever explains that it interprets CSR as social investment and understands this to be its usual meaning in South Africa. Therefore, similarly to the shop stewards response on CSR, the company mainly emphasises its philanthropic activities. Although such an interpretation is common among private sector entities, it would be incorrect to suggest that CSR in South Africa always means social investment. From a South African NGO perspective, for example, CSR is generally understood as a company having good policies and practices on corporate governance, environmental issues, labour matters, community engagement, etc.

Unilever's Code of Business Principles

In 1996, Unilever formulated its "Corporate Purpose." This mission statement was made operational in its "Code of Business Principles", which was revised in 2001–2002. This code of conduct basically reflects the OECD Guidelines for Multinational Enterprises.

The Code explicates that Unilever complies with the laws and regulations of the countries in which it operates. With respect to its employees it states:

"Unilever is committed to diversity in a working environment where there is mutual trust and respect and where everyone feels responsible for the performance and reputation of our company. We will recruit, employ and promote employees on the sole basis of the qualifications and abilities needed for the work to be performed. We are committed to safe and healthy working conditions for all employees. We will not use any form of forced, compulsory or child labour. We are committed to working with employees to develop and enhance each individual's skills and capabilities. We respect the dignity of the individual and the right of employees to freedom of association. We will maintain good communications with employees through company based information and consultation procedures."

In most cases, the unions are aware of the existence of the company's Business Principles, the Business Partner Code and other Code of Conduct; however they have not been provided with copies. At all the plants surveyed, all documents provided by management (including the Corporate Code, Employee Code, Skills and Equity Plans) are only in English.

A Code of Conduct booklet is available at the Maydon Wharf and Boksburg chemicals plants. Both Prospecton and Pietermaritzburg foods have a chart format of the employee code of

conduct on display. Shop stewards at both plants requested but to date never received the more comprehensive booklet copies of the code.

The unions noted that there are no formal procedures in place to monitor code compliance. Neither could they name the responsible manager. They felt that the closest thing to compliance monitoring mechanism would be the monthly management/union meetings on labour issues. Unions mentioned that most labour issues they confronted happen at a plant level.

Unilever management notes that it is committed to consultation and negotiation on all matters that impact on the employment relationship and has put in place robust grievance and consultation procedures. However, it is not completely clear what procedures are referred to exactly. The management also indicated that safety, health and environment (SHE) at all sites is externally audited by an independent organisation. Other aspects of CSR are not audited, though.

Supply chain policy

Unilever's Code of Business Principles also states:

"Unilever is committed to establishing mutually beneficial relations with our suppliers, customers and business partners. In our business dealings we expect our partners to adhere to business principles consistent with our own."

The Business Partner Code

In 2004, Unilever developed a "Business Partner Code." This code is based upon the Code of Business Principles and covers items such as business integrity, responsibilities concerning employees, consumers and the environment. In its most recent corporate strategy, Unilever committed to requiring its first-tier suppliers everywhere in the world to undertake a self-assessment and implement the Code of Conduct. It is stated that by the end of 2005, Unilever would expect from all first-tier suppliers a positive assurance of adherence to the Code.

Supply chain issues in SA

Without management's input, it was impossible to get a comprehensive picture of Unilever's relations with suppliers and contractors, including the question whether Unilever imposes CSR- or labour related conditions or how it monitors such issues.

Shop stewards and workers were not aware of any monitoring mechanisms or conditions imposed other than the requirement to deliver quality goods on time and to keep prices low. Some suppliers are based at the site of a Unilever plant. They are monitored for compliance with health and safety standards and can lose their contract if they don't. Shop stewards believe that the company does not monitor other suppliers' labour conditions.

Unilever states that it has a Regional CSR Leadership Team, comprising the Vice-President Supply Management, Quality Assurance Leader, SHE Leader, and CSR Co-ordinator. The objectives of this team are to ensure complete communication to all suppliers, provide a risk assessment of priority areas, and developing action plans for high risk suppliers. Unilever

perceived it is well on its way to meeting all its objectives in this regard. Surprisingly, though, none of the suppliers studied have mentioned meetings or other contacts with the Regional CSR Leadership Team.

3. Labour Issues

National Legislation

In the wake of the 1994 elections that brought an end to the apartheid era with the election of the ANC, an array of labour legislation was passed to redress the profound racial inequalities that existed in the labour market. It recognises the need for development of employees' skills and capacity and the empowerment of previously disadvantaged social groups. The overview below describes the key legislation.

Unilever's Code of Business Principles stipulates that Unilever's operations comply with national laws and regulations.

The National Economic, Development and Labour Council (NEDLAC) was established in 1995 and aims to redress the unilateral decision-making that characterised the apartheid-era. It is an institution for dialogue between representatives from government, labour unions, organised business and community groups and aims to reach consensus through debate on social and economic policy issues.

The Labour Relations Act (LRA) aims to promote economic development, social justice, labour peace and the democratisation of the workplace. It reflects the standards of the ILO Conventions 87 and 98 on Freedom of Association, the Right to Organise and Collective Bargaining. The act specifically protects the establishment of trade unions, collective bargaining and the right the collective bargaining.

The Basic Conditions of Employment Act (BCEA) establishes minimum standards of employment. It covers working hours, minimum age, regulates overtime and overtime wage, leave, deductions, etc. The BCEA established the Employment Conditions Commission to further the aims of the Act and to advise the Minister of Labour. Compliance is monitored by the Department of Labour.

The Skills Development Act (SDA) seeks to remedy the racial inequalities in skills development by formalising 'workplace learning arrangements.' The SDA's aims are translated in the National Skills Development Strategy and implemented through the Sector Education and Training Authorities (SETAs). The SDA is financed through the Skills Development Levies Act, which obliges employers to pay a small percentage of their monthly payroll as a 'skills levy' and to organise trainings.

The Employment Equity Act (EEA) aims to promote equality in the workplace, eliminate discrimination, and create a workforce that is representative of all South Africans. The EEA affects almost every aspect of employment policy and practice: recruitment procedures, advertising and selection criteria; appointments and the appointment processes; job classification and grading; remuneration and employment benefits; and terms and conditions of service

The Unemployment Insurance Act stipulates that the employer and the employee equally contribute a Fund and regulates unemployment benefits for all employees. It also covers maternity leave.

Labour Relations at Unilever

There are three unions organised at Unilever plants. These are the Chemical Paper Printing Wood and Allied Workers Union (CEPPWAWU), with a total national membership of 67,000; the Food and Allied Workers Union (FAWU), who represent 85,000 workers nationally; and the National Union of Food Beverage Wine Spirits and Allied Workers (NUFBWSAW), with a total membership of 10,000. Both CEPPWAWU and FAWU are affiliated to the Congress of the South African Trade Unions (COSATU), the largest trade union federation in the country representing some 1,6 million workers. NUFBWSAW is affiliated to the National Congress of Trade Unions (NACTU), the third largest federation in the country, representing some 350,000 workers.

CEPPWAWU is well organised in KwaZulu Natal. It represents 80-90% of the workforce at both the Maydon Wharf and Phoenix chemical plants. FAWU exclusively represents the workers at Unilever food plants in KwaZulu Natal. Union membership at Unilever plants varies between 80 and 90%.

Within each plant department, a Steering Committee composed of the shop stewards and management is established. It should meet once a month, however this does not always happen in practice. In addition:

- ❑ there is a Communications Forum at Maydon Wharf and the Phoenix chemical plants where management and the union discuss labour issues;
- ❑ quarterly 'Manufacturing Excellence meetings' are organised at Boksburg; and
- ❑ there is a Training Forum at the Prospecton plant.

Respondents confirmed that workers are free to join a union and that union members are generally treated the same as non-union members. Union leaders generally have unrestricted access to the plant, as long as they provide management with prior notice and the distribution of union information at the workplace is usually not inhibited.

However, a number of serious incidents were also reported.

- ❑ At least at one plant, supervisors/controllers have 'punished' union members who stood up for their rights by assigning tougher tasks and shifts to them.

- ❑ Shop stewards are at times practically impeded in their right to meet and in other shop steward's duties.
- ❑ Some shop stewards noted that non-union members are treated preferentially, especially if they are white.

Furthermore, it appears that the company does not always engage the unions in paramount decisions on labour issues. As described below, some different unions stated that they were not involved in management's decision to lower the retirement age to 50, even though this measure caused a significant attrition of the work force.

Labour Conflicts

The last strike happened in 2002, in a wage conflict at the Boksburg plant. There were two incidents of work stoppage over equities and benefits, at the Boksburg and Prospecton plant respectively.

Collective Bargaining

All the Unilever plants are engaged in collective bargaining at site level only. Management does not conduct negotiations at a regional or national level. The company states that, to date, it has not received any union demands for bargaining at the national enterprise level.

Access to Information

Unilever's Code states that it maintains "good communications with employees through company based information and consultation procedures."

Access to information varies from plant to plant. In general, the unions feel they have sufficient access to information about productivity, profits and other corporate developments.

However incidents were also reported. Some unions complained that plant management too frequently refuses to release information that it claims to be too sensitive. At Maydon Wharf and Phoenix chemicals, the unions had to reason with management before they could get information on the Phe-ZULU project. All unions reported that management consistently refuses to disclose information regarding managers' salary packages, annual increases or incentives.

Other Issues

Both workers and unions mentioned they are concerned about management's threats to shift the SA operations to overseas. In some instances the management has confronted the workers with statistics to show that the performance of overseas operations is better. This constitutes a violation of the OECD Guidelines for Multinational Enterprises (See article IV sub 7).

Unilever responds that it uses international benchmarking to identify areas for improvement as well as to learn from each other and adopt best practice. The results of these exercises are always shared with employee representatives. According to the management, this is not done as a threat, but as part of the company's good industrial relations practices.

Unions have asked management for a thorough assessment of all aspects of the production process, in order to help improve efficiency and productivity. However, to date, no response has been received.

4. Labour conditions

Child and forced labour

SA ratified ILO Conventions 138 and 182 on Minimum Age and the worst forms of child labour, and 29 and 105 on the abolition of forced labour. These conventions are translated in the BCEA. These provisions are translated in the BCEA. The Code of Business Principles specifically prohibits the use of child and forced labour.

Company practice

No incidences of child or forced labour were reported.

Discrimination

SA ratified ILO Conventions 100 and 107 on equal remuneration and non-discrimination. These conventions are enforced through the Employment Equity Act. The issue of equal remuneration is not regulated and left to be settled in the collective bargaining process. The Code of Business principles states that Unilever recruits and promotes its employees on the basis of qualifications and required abilities only. The Code does not explicitly refer to other discriminatory practices on the work floor, but explicates the need for mutual respect and trust, as well as the commitment to develop each individual's skills and capabilities.

Company practice

A number of discriminatory practices were reported. One incident of sexual harassment was noted, following which the offender was dismissed.

The Phe-ZULU project is also an example of a discriminatory practice. This project is reportedly aimed at increasing efficiency and cost reduction. It included a revision of the 'job grading system' and the matching educational and skills requirements. For instance, jobs previously graded JC 16 were re-classified as JC 15; a scale that pays less. In effect, Unilever now requires a higher level of education for the same work. Work experience is not taken into account. Many workers who had been educationally disadvantaged during apartheid had to accept a lower salary or be made redundant.

The management responded that these projects are in line with Unilever's Path to Growth strategy. The company asserts that unions were extensively consulted and comprehensive agreements were reached with both CEPPWAWU and NUFBWSAW. It is emphasised that the whole matter of educational qualifications was aimed at building the capacity and skills of the shop floor employees.

Other reported discriminatory practices concerned the following groups:

- ❑ union members, who do not qualify for variable pay schemes or bonuses and are reportedly less often promoted;
- ❑ women, who for instance are mainly assigned to automated lines;
- ❑ black workers, who are not properly represented at the (mainly white or Indian) managerial level, more frequently assigned to night shifts and physically strenuous work, are less readily hired and receive lower wages.

Unilever management responded that the above points are false or misleading. For unionised employees, alternative incentive schemes are required, and have been implemented in the Boksburg and Prospecton plants. Furthermore, managers are measured and rewarded on the basis of their achievement within affirmative action targets that include Gender Equality.

Wages and bonuses

SA ratified ILO Convention 26 on minimum wage fixing machinery. Unilever's Code of Business Principles does not mention wages.

Company practice

Wage levels seem to significantly differ from plant to plant. In general, entry-level wages don't seem to fall below the current CLA minimum of R3,500 per month and range up to R4,500. All hours worked are usually properly paid out and no major salary-related problems were reported.

Shop stewards and workers believe that wages are lowest at Phoenix and Prospecton foods. Management reportedly failed to adjust wages since Unilever took over from Robertsons. In addition, it does not provide the training needed for workers to access better paid jobs and focuses disproportionately on reducing costs.

Benefits

A pension contribution system is in place at two plants. Maternity leave, leave for family responsibilities are provided, although the length and compensation vary significantly.

Working hours

SA did not ratify the ILO Conventions 30, 52 or 14 (on working hours, holidays with pay and weekly rest). However, these issues are regulated in the BCEA. The Code of Business Principles does not explicitly refer to this issue.

Company practice

Unilever plants usually maintain a 40-hour working week. The Phoenix food plant is the only known plant that runs a 43-hour week. The common amount of overtime worked differs from plant to plant, ranging from approximately 15 to 40 hours per month. However, it generally stays within this legal maximum of 10 hours per week. Overtime happens to meet occasional peaks in product demand but is regular practice at some plants.

If overtime shifts are scheduled for the weekend, they are usually announced on the Wednesday before. However, at times, this information only reaches the workers by the end of the week. Shop stewards at Boksburg and Prospecton plants noted that overtime is mostly announced at last minute.

Overtime is voluntarily in theory and only required if there are not enough workers available. Moreover, workers who refuse overtime shifts are often criticised by their supervisors.

Overtime generally pays time-and-a-half during the week and on Saturdays, with double pay on Saturday nights and Sundays. At Prospecton plant, workers are compensated at the regular rate for overtime during the week. This constitutes a violation of the labour legislation.

Health and safety

The Occupational Health and Safety Act (OHSA) sets health and safety standards for the workplace. It spells out responsibilities for users of machinery and obliges employers to establish 'safety committees' at the workplace.

The Company strictly enforces health and safety standards; however temporary workers are often not formally trained on this issue.

Skills Development and Training

Shop stewards and workers have stated that the company only provides infrequent and ad-hoc training. New workers are trained on the job by fellow-workers. A training department used to exist but has now been closed.

The Skills Development Act (SDA) requires employers to carry out a 'skills audit' and design a 'Workplace Skills Plan'. This plan and regular progress reports must be submitted to the Sector Education and Training Authorities. Following the Employment Equity Act (EEA), employers must

address the position of previously disadvantaged social groups in the Workplace Skills Plan and explain how inequalities and imbalances will be addressed.

Both the SDA and the EEA require the establishment of a committee, composed of worker and management representatives. These committees are to develop strategies and timeframes to achieve the law's goals, and shop stewards are to sign off on these plans.

The required committees are in place at each plant, however their functioning strongly differs. The Equity Forum, required by the EEA, was reported to be inactive at most plants. Moreover, it appeared that corporate management draws up generic Workplace Skills plan and Equity plans for all plants. The Workplace Skills plan is thus not tailored to fit the different skills requirements. These plans were generally presented to the shop stewards, but copies were not made available.

CEPPWAWU refused to sign off on the Workplace Skills plans, since management had failed to consult with it in the drafting process. Management subsequently simply requested the other union, NUFBWSAW, to sign off on it. The company responded this was for practical purposes, to obtain one signature from Boksburg where the Training Manager was based, and amicably resolved when it was brought to the attention of the management. Both unions agree that the Workplace Skills plan has little substance to it and fails to meet the objectives of the Skills Development Act. Unilever defends that its manufacturing facilities spend approximately 6.5% of their total wage budgets on training and development, which is above the industry norm.

Unilever also offers Adult Basic Education Training (ABET) in literacy and basic math skills. Workers who attend these courses are required to do so in their own time. Unilever refunds the cost of the course if the worker passes.

5. Reorganisations, outplacement, work flexibility and job security

Reorganisations and relocations

The 2003 Summary report on Unilever in South Africa provides a description of five major restructuring initiatives. These included the 2001 Apollo Project (which relocated the Unifoods plant to Boksburg); the Phe-ZULU project (described above); and the 2002 Vuka Project (in the context of the restructuring of the Boksburg plant, further described below).

More recently, Unilever sold the Simonberg/Melrose cheese plant and the Quality Products plant in 2002/2003. These changes might explain the great drop in employment since the 2002 Unilever research.

Boksburg plant's NUFBWSAW shop stewards stated that they were consulted in the few restructuring projects that led to cutbacks. The company provided occasional training for these workers. The union was told that one SA liquids plant may be closed in the near future. This led to Project Thala in the liquids section.

The aforementioned Project Vuka led to 289 job cuts, mainly in the liquids and powders sections. A system of early retirement was part of the cutback process. Unilever retained some of these early retirees for specific projects. Some of the redundant workers were hired by the subcontractor who took over the distribution section; some were redeployed in other Unilever plants, and some were given training to establish their own small businesses and secured supply contracts. However, this latter group of small businessmen were hired on different terms and low salaries.

When Unilever entered into a joint venture with Robertsons in 2003, the CPG plant was shut down. Sixty-five workers were made redundant. The plant did not offer small business training for these former-employees.

The company only occasionally provides training for redundant workers; however this usually pertains to driver's license training or various three month courses.

Outsourcing

At Pietermaritzburg, the Joko tea packaging function and some sections of Glen tea have been outsourced to Connoisseur. The Unilever workers affected were either retrenched using natural attrition or redeployed. The interviewed shop stewards stated that Connoisseur pays lower wages than originally promised in its proposal to Unilever. They believe that Connoisseur achieves low operation cost by relying mainly on temporary workers. Workers made redundant by Unilever reportedly preferred not to work for Connoisseur, due to the much lower wages.

In 2002, the Boksburg plant's distribution section was outsourced to Tibbett and Britten Logistics. Workers believe that the working conditions at Tibbett and Britten are not as good as at Unilever. Union activity is reportedly suppressed and workers are prevented from joining a union.

Work Flexibility

A large percentage of the Unilever SA workforce consists of temporary workers. At the plants researched, temporary workers made up for 25-50% of the workforce. Reportedly, one plant's division is entirely staffed by temporary workers.

A distinction should be made between temporary workers employed directly by the company and those employed via a third party, commonly referred to as a 'labour broker'. Wages and benefits for labour broker workers are usually poorer than for those temporary workers employed directly by the company.

However it appears that temporary workers - whether hired directly by the company or via a labour broker - never receive benefits other than the standard leave and Unemployment Insurance Fund coverage provided by labour legislation. Temporary workers usually do not get any training other than basic instructions on health and safety and to operate machinery. Across all plants, unions note that temporary workers are not allowed to form or join unions. This constitutes a violation of the country's labour legislation.

Different reports were received of plant management practices to retrench permanent workers, only to rehire them against lower pay, on a temporary contract. Different reports related of plant management practice to lay off temporary workers right before they qualify to receive the annual bonus. Many plants hire temporary workers over and again for extensive periods of time – at times for up to 10 or even 15 years on end - without offering these workers a regular contract.

Unions believe that plant management receives incentives to cut expenses, and are doing so by focusing on labour costs.

All unions have taken issue with temporary workers' vulnerable position and tend to defend their interests as well. Unions successfully blocked management's attempts to introduce a labour broker at the plant site in Maydon Wharf and Boksburg. The Union at Boksburg successfully stopped management's practice of retrenching temporary workers just before they qualified to receive the annual bonus, and reached an agreement in principle with management that new temporary workers positions will be made permanent. Unions across plants have argued that temporary workers are given a preferential treatment when permanent positions open up.

Generally, management does not offer training to help temporary workers qualify for the same positions. However in 2005, the company started an Adult Basic Education and Training Program in math and science for temporary workers. This training had already been available to permanent workers for a few years.

6. Conditions in the supply chain

The study looked into the relation of Unilever with Consol Glass and Plastics and Nampak Corrugated, two of Unilever's main and long-standing suppliers. For this purpose, interviews were conducted with shop stewards at these companies' plants in Wadeville. At both sites, management was not available for an interview.

The purpose of this part of the research was to conduct a quick scan of the working conditions, which might give an idea of Unilever's relation with suppliers, and whether it actually and sufficiently screens its suppliers on compliance with the Code of Business Principles.

Consol Glass and Plastics

General company characteristics

Consol Limited is a SA packaging group engaged in the manufacturing of glass and plastic packaging. It operates plants and supplies to producers of food and beverages, household cleaners, and personal products. The glass division consists of four glass-making factories, one decorating shop, one engineering workshop and a glass sand manufacturing plant. Consol's plastics division consists of three factories, a rigid plastic operation in Wadeville, and both a rigid and thermoforming plastic (Plastform) operation in Cape Town.

The 2004 interim results for Consol reflected a turnover improvement of 3.5% to R1.24 billion, an operating profit of 8.7% and an operating profit margin of 22.6% (in 2003 it was 21.6%). The company states that their 2004 results were achieved in a 'challenging' trading environment. It expects another positive performance in 2005 by focusing on driving operational efficiency, lowering costs and increasing market and pack shares. The plastics plant retrenched a number of workers in 2002, and consolidated production in the rigid section by dropping poor selling products. Consol employs 4,000 workers nationwide. The surveyed plastic and glass plants employ 200 and 270 respectively.

Unilever accounts for 35% of Consol's sales.

Labour and CSR Issues

No major irregularities, violations of worker's rights or labour regulations were reported. Working conditions do not appear significantly poorer than in Unilever plants.

Freedom of association actually exists and CEPPWAWU is active at the plastic and glass plants. Two other unions are also active at the glass plant.

Shop stewards at Consol believed that Unilever does not require Consol to uphold labour standards. Unilever does conduct an annual commercial audit of the supplier plant operations. It requires the supplier to sign a stock level service agreement and a confidentiality agreement, and a Code of Conduct that bans bribery between the two parties. The shop steward had never heard of Unilever's Business Partner Code.

Nampak Corrugated

General company characteristics

Nampak represents approximately 40% of the SA packaging industry. It operates packaging plants and supplies manufacturers of food and beverages, household cleaners and personal products with packaging solutions involving paper, plastic, metal and glass. The company operates plants in South Africa and Europe, with business interests and partial ownership of a number of African businesses in other African countries.

In 2003, Nampak's global revenue stood at R18.4 billion, 4% of this turnover and 6% of profits were generated by the African operations outside South Africa. According to the group's 2005 interim report, group sales from continuing operations are down by 9%. Improved financial performance in 2006 is expected to follow the restructuring and cost containment initiatives.

Nampak employs approximately 13,000 workers in South Africa and about 20,000 workers globally. The surveyed plant employs 280 people. Retrenchments have recently occurred in 2005, with 10 older workers receiving voluntary redundancy. There are currently 20 apprentices on the site. The number of casuals has decreased dramatically during the restructuring, as the union insisted that they go first before permanent workers were made redundant. There are no labour brokers at the plant.

Labour and CSR Issues

Similar to the situation at Consol, freedom of association is not an issue at this plant. Nearly all the workers are members of CEPPWAWU - the only active union. Union activities are unrestricted. In addition, there are a Health and Safety Committee, a Training Committee and a Grading Committee in place.

CEPPWAWU does not maintain any relation with the Unilever unions, even though it does maintain relations with the unions at Nampak suppliers.

No major irregularities, violations of the labour law or worker's rights were reported. Nampak working conditions seem similar, and perhaps better, than in Unilever operations. The shop steward at Nampak believed Unilever requires Nampak to adhere to basic health and safety standards. The union was not aware of any other demands by Unilever.

7. Conclusions

Unilever, in general, provides fair working conditions and complies with the SA labour legislation. However, several critical issues were identified. Sometimes real or apparent contradictions between information provided by the unions, workers and management could not be solved during the research process. This is reflected in the conclusions below.

Unilever seems to comply with applicable labour legislation with some contempt. For example, the South African labour regime encourages joint decision making between the company and its workers and advises all parties to reach consensus. It seems that Unilever management fails to act in that spirit. A good example of this attitude would be the company's failure to engage with CEPPWAWU in the development of the Workplace Skills plan, as described above. When CEPPWAWU rejected the plan, the company simply approached NUFBWSAW for approval. Unilever management regards this conclusion as disturbing and misplaced and claims to have a proud track record of sound industrial relations.

The Phe-Zulu project, which introduced higher educational job requirements, further limited the professional opportunities of older black workers in particular. They might have the necessary work experience to properly perform the job responsibilities, but lack the newly prescribed academic qualification. This also seems to contravene the spirit of the labour legislation, which appeals to companies to help build the capacity and skills of its work force, and in particular those social groups that were disadvantaged during the apartheid regime. The management, however, emphasised that the whole matter of educational qualifications was aimed at building the capacity and skills of the shop floor employees and was agreed with the unions.

The virtually permanent use of temporary workers is another very questionable practice. Shop stewards estimated that approximately 30% of the total workforce consists of temporary workers. According to Unilever, this figure is only 13%. By not offering these workers a regular contract, the company deprives them of basic benefits and employment security. Moreover, if it were true that temporary workers are not allowed to join a union, this would constitute a violation of the Labour Relations Act. On the positive side, the unions at Boksburg and Maydon Wharf reached an agreement with management to convert the long-term temporary workers employment status to permanent positions.

The research found important variations in pay and working conditions across Unilever. According to the unions, this is primarily driven by the management's refusal to negotiate at a company level, although the unions have requested to do so. The management, on the other hand, states that it has not received any union demands for bargaining at national enterprise level.

It appears that, in practice, the company disfavors unionised workers who are part of the collective bargaining unit. These workers do not qualify for the variable pay scheme and the impression exists that, at least at some plants, they are not readily promoted. These practices not only discourage workers from joining a union, but might also qualify as discriminatory. The company defends its position by explaining that for unionised employees, alternative incentive schemes are required, and these have already been implemented in the Boksburg and Prospecton plants.

In its 2004 Social Report the company states "*...we are working with our first-tier suppliers on human rights, labour standards, working conditions.*" However, it appears that only suppliers based at the Unilever plant sites are monitored, and only for compliance with health and safety standards. It appears that Unilever fails to inquire into the working conditions of its "external" suppliers, let alone to use its leverage to demand improvement where this might be appropriate. Unilever states that it has a Regional CSR Leadership Team that is on its way to achieve complete communication to all suppliers. Surprisingly, though, none of the suppliers studied have mentioned meetings or other contacts with the Regional CSR Leadership Team.

Finally, the overt competition between Unilever plants globally puts workers under the constant threat of operation's transfer and job losses. While this practice may be beneficial for the

company's economic returns, some perceive it shows little respect for employees. Unilever management emphasises that international benchmarking is not used as a threat, but as part of the company's good industrial relations practices to share information with unions and employees.