Unilever

Overview of controversial business practices in 2007

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Introduction

This company report has been prepared by SOMO (Centre for Research on Multinational Corporations). It provides an overview of business practices that could be regarded as unsustainable or irresponsible which occurred (or might have been addressed) in 2007. In addition, it describes developments on some of the issues identified in a similar overview for 2006.

The overview below describes only controversial practices and not the positive achievements of a company in the same year, except for positive developments related to some of the practices from last year's overview. Information on positive achievements can usually be found in a company's annual and/or sustainability report and on the company's website. The purpose of this report is to provide additional information to shareholders and other stakeholders of a company on controversies that might or might not be detected and reported by the company itself.

This report does not contain an analysis of a company's corporate responsibility policies, operational aspects of corporate responsibility management, implementation systems, reporting and transparency, or total performance on any issue. For some controversies, it is indicated which standards or policies may have been violated and a brief analysis is presented. Apart from this, the report is mainly descriptive.

The range of sustainability and corporate responsibility issues eligible for inclusion in this overview is relatively broad and mainly based on the OECD Guidelines for Multinational Enterprises. These Guidelines are used as a general frame of reference in addition to the company-specific standards.

Sources of information are mentioned in footnotes throughout the report. The main sources were obtained through SOMO's global network of civil society organisations, including reports, other documents, and unpublished information. Media and company information databases and information available via the Internet are used as secondary sources where necessary. Unilever has been informed about the research project in advance and was given two weeks to review the report and provide corrections of any factual errors in the draft version. The company did so only as regards the information on their tea business. This information is provided in the section on tea.

The overview of controversial practices in this report is not intended to be exhaustive. Instead, it focuses on a limited number of issues and cases that might merit further attention or reflection. Where information about the latest developments, either positive or negative, was unavailable, it is possible that situations described in the overview have recently changed. Taking into account these limitations, SOMO believes that the report can be used for improvement and for a more informed assessment of a company's corporate responsibility performance.

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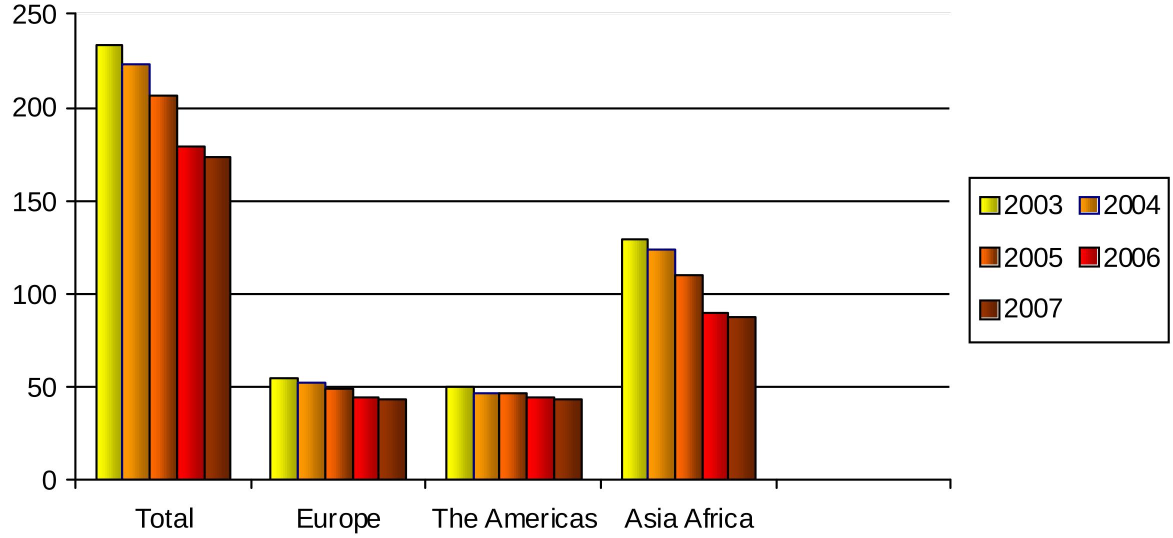
Introduction

Unilever, a leading global consumer company, active in over 100 countries, has unfolded its five year restructuring plan Unilever 2010 in 2004, successor of the 2000 Plan to Growth strategy. While the new strategy does not set clear annual targets, Unilever 2010, intends to improve its capital efficiency, which will include an ongoing restructuring operation. Part of this operation consist of closing or streamlining 50-70 production sites, mainly located in Europe where production cost are highest, and a reduction of employee numbers (see graph below). This information might provide some background on the cases described below.

Unilever total employee numbers over the last five years (x1000)[1]



Developments on previously described issues

Labour conflicts regarding a Mumbai factory of Hindustan Lever Ltd.[2]

After almost twenty years of intense disputes between the workers and the management on refusal of the company to enter collective bargaining and dubious business reorganizations,[3] Unilever's Indian subsidiary Hindustan Unilever Limited (HUL), the former Hindustan Lever Limited (HLL) decided, in 2005 to sell the soap, toothpaste and shampoo factory in Sewri, Mumbai (Bombay) to Bon Limited. At that time, the factory had over 900 employees. A year later, Bon Limited informed the employees that their services were being terminated with immediate effect and that they were invited to accept a compensation offer. In subsequent writings, employees were informed that they had until 9 August 2006, to accept the retirement scheme.

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[1] Unilever, Annual Report 2007, 2008, http://annualreport07.unilever.com/downloads/Unilever_07_annual_report_en.pdf, (April, 2008)

[2] Part of the description of this case is based on a earlier research of SOMO for VBDO Association of Investors for Sustainable Development in 2007 . The report and additional information on this case be found on the website of VBDO: http://www.somo.nl/html/paginas/pdf/VBDO_Sustainable_voting_advice_report.pdf

[3] IUF, "Outlaw Conduct by Unilever Indian Subsidiary Prompts International Union Action at OECD", 4 Oct 2006.

The IUF and the Hindustan Lever Employer Union (HLEU) claim that HLL illegally sold and closed the factory in order to escape its legal obligations vis-à-vis the employees and to avoid taxes.[4] The accusations have been substantiated by the IUF, that filed, in October 2006, a so-called specific instance at the UK and Netherlands National Contact Point (NCP) for the OECD Guidelines for Multinational Enterprises.[5] In addition, in Bon Limited's application for permission to close the factory, HLL explicitly states that it supports the closure.[6]

According to the IUF, the events surrounding the reorganisation and the subsequent transfer and closing of the HLL Mumbai factory demonstrate that the company has breached OECD guidelines, amongst others those with regard to chapter IV that defines employers' general obligation to engage in good faith collective bargaining with trade unions.

In a review of this overview Unilever commented on the allegations of this second conflict by stressing that *"HLL and subsequently Bon Limited have offered favourable voluntary retirement schemes to all employees that far exceed the statutory legal obligations and market practice in India."* And: *"It remains our contention that no breach of the Guidelines has occurred. The IUF has still of this date to present its case and so no decision has yet been made by the UK Contact Point regarding this case."* [7]

Early 2007 the National Contact Point in the UK decided to accept the case: "*The UK NCP has decided that the issues raised in the IUF submissions are in good faith and do merit further consideration and has decided to accept the specific instance" and urged both parties to continue their dialogue while "offering its offices to help the parties reach agreement on what those terms should be.*"[8]

As a result of the NCP interventions, Unilever has committed to finding a solution for the dismissed employees. Until recently however, it seems that the company has bypassed the IUF[9] and after a few meetings with the HLEU (the latest on the 3th 2008), consequently postponed meetings with the local union. While the OECD case is still pending, the Mumbai workers have not yet received any compensation up to date .[10]

Following these events, the All India Council of Unilever Unions (AICUU), another IUF affiliate, set up groups across India to raise awareness among workers at other Unilever factories. "*The IUF-affiliated AICUU has strategically targeted 10 of the newest factories of Hindustan Unilever Limited (Unilever's Indian subsidiary) bringing the Sewri struggle to more than 3,200 workers in the Northern and Eastern Zones. This is the where the company is reaping the greatest profits from its best-selling products which are sold to 700 million consumers nationwide*."[11] The AICUU distributes

[4] P. Varghese, " Jobless in Sewree", Cybernoon, website, 15 Mar 2007, <http://www.cybernoon.com/DisplayArticle.asp?section=fromthepress&subsection=specialreport&xfile=March2007_specialreport_standard198> (Apr 2007).
[5] IUF, "Outlaw Conduct by Unilever Indian Subsidiary Prompts International Union Action at OECD", 4 Oct 2006, <http://www.iuf.org/cgi-bin/dbman/db.cgi?db=default&ww=1&uid=default&ID=3745&view_records=1&en=1www.iuf.org> (Apr 2007)
[6] IUF, "Outlaw Conduct by Unilever Indian Subsidiary Prompts International Union Action at OECD", 4 Oct 2006.
[7] Unilever comments on draft overview of controversial business practices, email to SOMO 2 May 2007
[8] UK NCP, Initial Assesment by the UK National Contact Point for the OECD Guidelines for Multinational Enterprises: Hindustan Lever, May 2008, www.csr.gov.uk/docs/NCP___HINDUSTAN_INITIAL_ASSESSMENT__2_%5B1%5D.doc
[9] Telephone conversation with IUF represntativer, (April 2008)
[10] ICEM, Model of support letter Unilever Pakistan, 11/02/08, http://www.icem.org/index.php?id=7&doc=2576&la=EN
[11] IUF, Management Panics as Unilever India Workers Learn the Truth about the Mumbai Closure, 19/11/07, http://www.iuf.org/cgiin/dbman/db.cgi?db=default&ww=1&uid=default&ID=4650&view_records=1&en=1

a pamphlet, that was printed in eight languages, informing other Unilever employees on the Sewri case.[12] The IUF reports that the campaigners were confronted with local management reacting aggressively by trying to prevent the workers to be informed.

Responsibility for pressing issues at tea estates and tea sector in general

In March 2006, SOMO, ProFound, and the India Committee of the Netherlands (ICN) published the report "Sustainabilitea – The Dutch Tea Market and Corporate Social Responsibility".[13] The report was commissioned by the Dutch Tea Initiative (DTI), an alliance of Dutch civil society organisations. The report identified various critical issues in the tea sector worldwide, such as poor working conditions, child labour and negative environmental impacts. The report criticised the leading tea packers in the Netherlands for failing to adequately address these issues by taking full supply chain responsibility.

The industry acknowledges that problems in tea producing countries exist and a few leading tea packers such as Unilever have adopted CSR policies that aim to deal with these issues. Yet according to the DTI, the scope of these policies is insufficient. This also applies to Unilever, which up to 2006 sources tea using two different CSR programmes: the Ethical Tea Partnership and Unilever's Sustainable Agriculture Initiative.

Regarding the Ethical Tea Partnership, of which Unilever is one of the 17 members, the report concluded: *"Major objections against the ETP include the unclear commitment to social standards by ETP members and the lack of reference to environmental standards. Moreover, the ETP does not include a serious stakeholder approach. Workers are not involved in monitoring or verification processes. When it comes to transparency, the ETP still has a long way to go. The ETP's audit reports are not made public, which makes it impossible to assess the true impact of the initiative on the livelihood of the workers and farmers involved."*

Concerning Unilever's Sustainable Agriculture Initiative, the report concluded: *"If this initiative is compared with the CSR Frame of Reference of the Dutch CSR Platform, (…) the lack of direct involvement of stakeholders in the governance of this initiative and the lack of monitoring and independent verification (…) are most worrying."*

In May 2006, the DTI initiated a roundtable dialogue with important actors in the industry, including Unilever, to discuss the findings of the report and ways forward to address the critical issues. The dialogue is still ongoing and has among others led joint commissioned study into the effectiveness of current and future CSR initiatives in the tea sector that aim to address issues in tea supply chains via codes of conduct and the monitoring and verification of implementation thereof.

In a reaction to the draft version of this report Unilever states: *"ETP and its members are working on issues of governance, transparency and scope. Developing schemes like ETP in a credible way cannot be achieved over night but is a step by step process with incremental improvements.*

[12] AICUU, The real ugly face of Hindustan Unilever, 2008, http://www.iuf.org/unilever/handbill%20english.pdf
[13] SOMO, ProFound, and India Committee of the Netherlands, Sustainabilitea - The Dutch Tea Market and Corporate Social Responsibility, March 2006, <http://www.somo.nl/html/paginas/pdf/Sustainabilitea_2006_NL.pdf> (Apr 2007).

Around two-thirds of our total global tea purchases come from suppliers who either meet our guidelines or are fully engaged in our tea sustainability initiative. We are currently exploring the possibilities of external certification for our teas.

Smallholder farmers are an important group of suppliers for us, but due to their number and size, can be difficult to communicate with. In 2006, we entered into a partnership with the UK's Department for International Development and the Kenya Tea Development Agency to roll out a programme to communicate our tea sustainability guidelines to 450 000 smallholder farmers in Kenya through farmer field schools. This programme is supervised by an independent Steering Group in which growers are represented." [14]

New developments

In May 2007, Unilever announced that it intends to purchase all its tea from sustainable, ethical sources with the assistance of Rainforest Alliance. The company first aim is to have all Lipton Yellow Label and PG Tips tea bags sold in Western Europe Rainforest certified by 2010 and all Lipton tea bags sold globally by 2015. Also in 2007 the ETP scheme underwent changes that among others led to a clear commitment to the ETI base code this will result in all ETP graded estates being monitored against a more clearly defined and ambitious social code.

Such developments are commendable and the future will learn whether these initiatives have meaningful positive impact in increasing sustainability on primary production level. However meanwhile research by NGOs in tea producing countries that is commissioned and supervised by SOMO into conditions in the tea sector is revealing a number of problems regarding working conditions at its own Kericho tea estate in Kenya and at direct suppliers of Unilever in Indonesia.

Unilever Kericho plantation

Field research was conducted in April and May 2007 at the Unilever Kericho plantation. The interviews with estates workers revealed poor housing conditions, discrimination, casualization of labour, dodging of the security of employment regulations and low wages. Virtually all of problems that were revealed were denied or down played by the local management. Below a brief elaboration on these findings:

- The estate houses tend be overcrowded especially in during peak season and are sometimes in poor condition. Moreover their allocation is riddled with allegations of corruption, tribalism and sexual harassment.

- Discrimination against women in the tea estates takes the form of sexual harassment and 'forced' pregnancy tests. Women pluckers who refuse the sexual advances of their, always male, supervisors are sometimes given too much work or allocated lonely or dangerous plucking zones. All workers are medically tested before being hired women that are found pregnant during this examination are not hired. Promotions and employment at both companies are largely determined by ethnicity.

- The management of the estate acknowledged that for a number of years they had not been hiring new permanent workers anymore but instead rely exclusively on temporary labour to save on

[14] Unilever comments 2007

labour costs. Companies have been using a loophole in national legislation that allows for some "temporary workers" to have been employed for six years on end. Most workers interviewed had worked for more than 3 years at the plantations without any letters of appointment that they there were entitled to. While when they did get the formal documents they were often flawed. *Casualization of labour* is a major concern because workers are not guaranteed job security and other benefits that permanent workers accrue such as pension and access to medical care for their children.

- Pluckers are paid using the piece rate system. This means that their monthly income fluctuates with the amount of tea collected which depends on the season, strength, health and agility. The target set by the company is of 33.5 kilograms of green leaf per day in the high season. This would result in roughly 3 dollars a day which in turn is almost three times the minimum wage for unskilled employees in the agricultural sector of $35 (2,536 shillings) per month[15]. Pay slips during the field research revealed monthly wages for pickers that were about 50 USD which is a little above the lowest agricultural minimum wage for unskilled employees. The minimum wage does not provide a decent standard of living for a worker and family[16].

Unilever suppliers in Indonesia

Field research was conducted predominantly in summer 2006 and 2007. It included PTPN VIII and PT Kabepe Chakra two major suppliers of Unilever tea in Indonesia and two tea packing factories of Unilever Indonesia (PT Unilever Indonesia Tbk) the Lipton factory (Cikarang) and PT Sariwangi AEA. The latter is a supplier for Unilever's Sariwangi brand in Indonesia of which Unilever owns the production facilities but labour is outsourced to Sariwangi AEA. The interviews with workers revealed high casualization of work and weak unions. In addition in the estates the wages were low and only males are becoming supervisors. The findings of this study were made available to the national Unilever management to allow for comments and correction of factual mistakes but they simply objected to it being published. Below a brief elaboration on these findings:

Low wages

In the private and government (large) estates that were surveyed, which are all suppliers of Unilever[17], half of the workers was employed temporary and the other half permanent. Temporary workers get paid per kilogram of tea leaf collected. Their income therefore fluctuates, however, it usually is below minimum wage levels. Permanent workers are paid monthly wages that are just above minimum wage levels. The majority of the workers in primary tea processing on the estates are permanent workers. Wages of permanent factory workers range from just above to twice the regional minimum wage. The wages of many non-permanent factory workers are below regional minimum wage levels. In Unilever's higher processing factories (packing and blending) most of the workers are temporary workers and wages were found to be above minimum wage levels. Minimum wage levels in Indonesia often do not provide a worker and family with a decent standard of living.

Less benefits for temporary workers

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[15] http://www.state.gov/g/drl/rls/hrrpt/2007/100487.htm
[16] http://www.state.gov/g/drl/rls/hrrpt/2007/100487.htm
[17] The sample included PTPN VIII and PT Kabepe Chakra

Permanent factory and field workers usually enjoy benefits such as free housing, medical care and transportation (schools usually are not). Yet it is difficult, especially for permanent pickers, to make ends meet even less so to save money and or send their children to senior high school. Hence workers normally look for additional income. The situation of temporary workers often is even more precarious because, in addition to often lower and irregular income and low job security, they might enjoy annual and holiday bonuses only. Discrimination was found in the sense that in the tea estates, more female workers work in the field but only male workers become supervisors.

Union tradition is still very weak in the Indonesian tea sector. While some companies might support union activity, companies normally intervene to ensure that union leaders are loyal to company management. For instance when unions were formed, the union executives in state plantations were elected by company management. The role of unions is undermined by increasing casualization of work in this sector: half of the workers in the fields and in more than half in higher processing (tea packing) plants is non-permanent and there for not unionised.

Company review

The company was asked to correct factual mistakes and comment on all of the findings in this overview. It only responded to the tea findings above. Below we cite from the companies reply[18] (printed in italic). It is mostly in form of a reaction from one of their senior tea people:

As for Indonesia. The PTPN VIII estates are not ours and I can guarantee they will not bother to comment. It will just annoy them, especially as the questions originates from Holland, and I will have to contend with accusations of Dutch colonial interference again, just as our team are on the ground in Indonesia with PTPN VIII working with them towards RA certification in 2009.

Kenya. I do not doubt that practices endemic in Kenyan rural society as a whole are evident to some degree in UTK. The point is that they are unacceptable to Unilever and I do not believe that management would ignore them if these were brought to management attention. As usual the report is a gross simplification of complex issues that often have local cultural roots and change requires time and education. Allegations about poor housing and other practices at UTK should be validated before they are used in a report as criticism. Some examples:

If a house occupant has a fault then I believe there is a reporting process to obtain rectification. Was it followed because if not then how would the appropriate action be instigated and followed up on. That process should be checked before this type of complaint is used as criticism. Housing associations' are responsible for maintaining their own company housing and requesting materials from the company for this if they need them. Was that done to redress the issues being complained about?

Sexual harassment is illegal in Kenya. Was the harassment reported? Neither UTK or the Kenyan authorities can act on it if they don't know about it. There would be a reporting and recording process at UTK for such incidents. Did the report writers check this had been followed?

Dirty insides to houses are a problem because occupants use wood burning cooking facilities in their homes. Houses can't be repainted weekly.

The comments on the ETP have some validity but are exaggerated. Unilever spent twelve months trying to move the ETP towards a more effective and valid organisation in the context. Companies

[18] Email sent by the company 26 April 2008

like Finlay's were full supporters of this move. We resigned partly because the rest of the membership were unwilling to change and partly because we were unable to support intended ETP claims about what it does on the ground that were not backed by actual substance on the ground.

Indonesia. Unilever does not have the power to implement instant changes in organisations owned and managed by indigenous entities in the country where they operate. Especially state owned companies like PTPN VIII. The best we can do is educate and persist in our efforts for change. As we have done with the KTDA in Kenya. That is why we are making major efforts to move both the KTDA and PTPN VIII towards RA certification."

The company added that the high volume of commodities and other inputs it sources to fulfil production requirements it is compelled to work with companies that are not all producing according to their standards. Yet it beliefs that it is better to do business with such suppliers than not to do so because it might influence them into working towards these standards.

It is noted that the company did not correct any factual mistakes but comments on its position regarding some of the findings. SOMO will not comment on each detail of this reaction because it is not appropriate in the context of this overview. However for the information to be more balanced below a short reaction on the position of Unilever.

The company claims that "allegations (….) should be validated before they are used in a report as criticism." The issues pertaining to Unilever Tea Kenya presented above were raised, in among others, interviews with their workers. Naturally if we would have reason to believe that these issues were invalid or should have been "validated" we would not have confronted the company with them. Moreover, by allowing companies to react on findings before publication, in this case even twice, we feel we have adequately allowed for (further) "validation" of findings.

It should be mentioned that SOMO had the company dispose of the full draft reports of the case studies conducted by our partners in Indonesia and Kenya to provide background and context information. Suffices to say here that in our opinion Unilever so far has not dealt appropriately with the serious issues raised in these reports such as discrimination, sexual harassment, low wages and bad living conditions be it within their company or at suppliers. Admittedly these issues are delicate and some of them are difficult to address. Yet the company stance, somewhat fatalistic as regards Indonesia and reluctant as regards Kenya, does not inspire much confidence that they will be working towards finding solutions to these issues soon. We recommend that in both cases the company seriously investigates these issues and, in the case of Kenya, also the effectiveness of its complaints mechanism. For this the case study report provides fertile ground and SOMO would gladly provide additional information where necessary and possible.

New issues

Mercury Poisoning

The mercury scandal in Kodaikanal can hardly be called a new issue.[19] However, the 2001 event was fueled in 2007 and 2008 by protest actions in India and other countries intended to urge the company take its full responsibility regarding the spoiled environment and the involved stakeholders. To provide a short overview of the events, in 2001 Greenpeace and Palni Hills Conservation Council, reported that Hindustan Lever, a subsidiary of Unilever, dumped 7.4 tons of mercury contaminated glass wastes behind the factory onto the areas leading to the Pambar Shola forest. Unilever decided to close down its mercury plant and, after heavy campaigning by several NGO's, send the waste to the US for recycling in 2003. But despite an order of the Supreme Court Monitoring Committee on Hazardous Wastes (SCMC) to "reinstate/restore damaged/destroyed elements of the environment",[201] and a recommendation of the Court to take responsibility towards the affected workers, no overall cleanup is completed and workers have not received any heath remediation or compensation. Several stakeholders have pressured the company in the last six years to provide financial compensation, health remediation, and more extensive environmental clean-up.

Ex-workers state that during the 16 years that the company was operational they have been exposed to mercury in the workplace. "Anytime you went to the shopfloor during work hours, you'd find mercury on the floor. The oven room and distillation rooms were thick with mercury vapour and none of us had proper masks or protective equipment."[21]

May 2007, the Ponds Hindustan Lever Limited Ex-Mercury Employees Welfare Association, representing more than 100 former workers, organised a press conference on the day of the Annual General Meeting of Hindustan Unilever to urge the shareholders to raise the issues of mercury contamination and long term medical remediation of the victims.[22] Several ex-workers exposed to toxic mercury were present and highlighted "the various health like neurological disorders, tremors, bleeding gums, heart disorders, renal malfunctions and high levels of abortions among women during their work at the thermometer factory."[2] To pressure their point five children of former workers were also present. These children suffer from various known mercury related sicknesses like brain disorders, heart disorders and congenital deformities

On the press conference, the former workers demanded that HUL:[23]

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[19] For a more comprehensive overview of the events see the site of Basel Action Network, Unilever's Dumping Fever, 2001, http://www.ban.org/Library/unilevers.html or CorpWatch, Unilever's Mercury Fever, 2001, http://www.corpwatch.org/article.php?id=624, (March, 2008)

[20] SCMC, *Rehabilitation and Remediation of HLL site, Kodaikanal, 16/08/05,* http://www.scmc.info/special_issues/scmc_to_hll_kodaikanal.htm (April, 2008)

[21] N. Jayaraman, Wrong questions. Wrong answers, Info Change Agenda, 2004, http://www.infochangeindia.org/agenda1_01.jsp (March, 2008)

[22] SIPCOT Area Community Environmental Monitors, Hindstan Lever Profits From Poison, 17/05/07, http://www.sipcotcuddalore.com/pr_170507.html, (March, 2007)

[23] Bio-Medicine, Poisoned Workers of Hindustan Lever Demand Treatment, October 2007, http://www.bio-medicine.org/medicine-news/Poisoned-Workers-of-Hindustan-Lever-Demand-Treatment-21661-4/, (April, 2008)

- ❖ Should own up to its liabilities for the mercury contamination in Kodaikanal and its impact on workers, their families and residents of Kodaikanal.
- ❖ Clean up its toxic factory site in Kodaikanal in a transparent operation to mitigate damage to a unique forest and lake ecosystem
- ❖ Publicly declare the toxics in each of their Consumer products, (manufactured or distributed) as they are required to under EU regulation, whether or not HUL thinks they pose a danger.

On the 7th of March 2008, during the global day of action against Unilever, several groups around the world organized protest actions to demonstrate their solidarity with the struggle for justice in Kodaikanal.[24]

Labour dispute at Unilever factory in Rahim Yar Khan, Pakistan

September 2007, Unilever Pakistan, a 70.4% owned subsidiary of Unilever PLC,[25] came into conflict with its workers and local unions as a result of increased tensions due to persistent cost-cutting measures including outsourcing to local subcontractors and the replacement of workers with permanent contracts with temporary contract workers and day labourers.[26] The discontent among the workers of Unilever Pakistan factory in Rahim Yar Khan and the involved unions on the systematic preference and increased use of temporary and contract workers by Unilever Pakistan must be seen as the background of the labour-management conflict which set off September 2007.[27] As can be read below, the conflict resulted in a lock-out

In general, Unilever Pakistan directly employs around 8000 people at five factories and offices throughout Pakistan. While the legal minimum after which workers should obtain a permanent contract is nine moths, the majority of the workers are currently employed on temporary contracts.[28] According to the IUF only 22% has a permanent contract and due to extensive outsourcing of production there has been no new hiring of permanent workers since 2000.[29] Legally, the workers at the factory are represented by the Lever Brothers Employees Union Rahim Yar Khan/Unilever Employees Federation of Pakistan, which is member of the IUF-affiliated Federation of Food, Beverages & Tobacco Workers and signed its latest collective bargaining agreement in the summer of 2007.

More specifically, on the 16th of September the management of the Rahin Yar Khan factory tried to remove machinery from the factory without notification to the union. As a result, the union, concerned that the removal of machinery was part of broader outsourcing activities, communicated its distress to the management immediately. Three days later, on the 19th, the union publicly announced in the factory that it prepared to allow temporary workers to become member. During

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[24] SIPCOT Area Community Environmental Monitors, Struggle for Justice in Kodaikanal website, http://www.sipcotcuddalore.com/Kodaikanal/axn.htm, (April, 2008)

[25] Website Unilever Pakistan, http://www.unileverpakistan.com.pk/ourcompany/unileverinpakistan/UP_ataglance.asp, (March, 2008)

[26] IUF's letter to the UK National Contact Point of the OECD, Concerns: Violations of the OECD Guidelines on Multinational Enterprises at Unilever Pakistan, 21/11/07, http://www.iufdocuments.org/www/documents/Unilever%20Pakistan%20OECD%20submission.pdf, (March, 2008)

[27] IUF's letter to the UK National Contact Point of the OECD

[28] Ibid

[29] Response to Unilever Pakistan's letter: The facts about the struggle at Rahim Yar Khan, IUF's website, 09/11/07, http://www.iuf.org/unilever/2007/11/response_to_unilever_pakistans.html, (March, 2008)

the night shift of that same evening management asked three temporary workers, while it was agreed practice that only permanent workers could perform this work, to pack and send material to subcontractors. This resulted in physical confrontation and the management filling a complaint against an involved union member and claiming that the union President and General Secretary was threatened managers during the events of the 16th. Hereafter, the situation escalated quickly. The 23rd armed policy force and private security were deployed at the main gate and threatened and harassed union leaders. On the 25th, the union decided to allow temporary workers to join the union, this decision was formalised on October the 7th.

The 4th of October, the General Secretary of the IUF addressed a letter to the Miquel Veiga Pestana, Vice President of the Global External Affairs Unilever plc to demand: the surreptitious and unauthorized removal of machinery by management staff; the reassignment to posts away from the factory gate of those security guards who had attempted to prevent the removal of machinery; the deployment of armed police at the factory; the filing of a police complaint against a shop steward and the false accusations against trade union officers made in the complaint.[30]

Some days later, temporary workers filled individual petitions in the labour court to obtain permanent contracts. The court granted them stay orders which meant that there could be no change in employment status during the consideration of their case by the court. However, on 20 October the management issued termination letters to all 292 temporary workers and replaced them by casual agency workers. Temporary workers arriving to their shift were ordered by armed policy into a meeting room where the management handed out termination letters. Some of the workers went to the Labour Court to file additional petitions against the illegitimate, in light of the stay orders, termination.[31]

On 22 October, Mr Haroon Waheed, Human Resource Director at Unilever Pakistan, replied to the 4 October letter of the General Secretary of the IUF.[32] Without going into detail on all the remarks a few of the comments can shed some lights on the concerns of the managements:

"It is a matter of serious concern that in spite of the above excellent conditions of employment, the discipline in the Rahim Yar Khan Factory has been adversely affected because of the continuously aggressive and negative attitude of the union officials over the last few months."[33]

"Prior to the incident of 20 September 2007, few staff members (unionised employees) deputed at the factory gate obstructed the movement of materials/machinery in flagrant violation of the specific instructions of the factory management. This was in continuity of the earlier event (mentioned at (v) above) to unjustly pressurise the factory management".[34]

On the 21st of November, IUF filed an OECD complaint with the National Contact Point of the OECD in the UK against Unilever Pakistan for violating the OECD's Guidelines for Multinational Enterprises at its Rahim Yar Khan factory. The IUF considered the management action to be a breach of the following OECD guidelines:[35]

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[30] IUF"s Letter to Miguel Veiga-Pestana, Vice-President Global External Affairs Unilever plc, Concerns: Conflict at Rahim Yar Khan factory, 12/11/07, http://www.iufdocuments.org/www/documents/Unilever%20Pakistan.pdf, I(March, 2008)
[31] IUF documentation, Unilever Pakistan Calls on Paramilitary & Police as Union Resists Outsourcing, 28/09/07, http://www.iuf.org/cgi-bin/dbman/db.cgi?db=default&uid=default&ID=4562&view_records=1&ww=1&en=1, (March, 2008)
[32] See remarks in the IUF"s Letter to Miguel Veiga-Pestana,
[33] Ibid
[34] Ibid
[35] IUF's letter to the UK National Contact Point of the OECD, Concerns: Violations of the OECD Guidelines on Multinational

- Article II, 1: Enterprises should contribute to economic, social and. environmental progress with a view to achieving sustainable development
- Article II, 2: Enterprises should respect the human rights of those affected by their activities consistent with the host government's international obligations and commitments
- Article IV 1(a): Respect the right of their employees to be represented by trade unions and other bona fide representatives of employees, and engage in constructive negotiations, either individually or through employers' associations, with such representatives with a view to reaching agreements on employment conditions;
- Article IV 2(b): Provide information to employee representatives which are needed for meaningful negotiations on conditions of employment.
- Article IV 2(c): Promote consultation and co-operation between employers and employees and their representatives on matters of mutual concern.

On the 4th of May, Unilever Employees Federation of Pakistan send a mail to the IUF general secretary asking to withdraw the OECD case since 'Unilever Pakistan has agreed to negotiate with the federation to deal with all issues'.[36]

Labour conflict at Unilever factory in Assam, India

Mid 2007, a labour conflict arose between the Hindustan Lever Workers Union and the management of Hindustan Unilever Ltd. in the in the north eastern state of Assam, India. Unilever owns a majority stake (51.1%) in Hindustan Unilever Limited. The Hindustan Levers Workers Union officially represented the plant's 696 permanent workers since 2004 in collective bargaining.

According to the IUF, the immediate source of the conflict centers around the managements failure to pay the monthly Settlement Implementation Allowance which should have been paid to all union members form the 1st of April 2007 as agreed by the term of the collective agreement of 2004.[37] The management of the plant claimed that the workers had failed to comply with the clauses of the agreement and had indulged in various illegitimate activities such as 'illegal' strikes.[38]

When the union members did not receive their allowance in their pay slips of May, the Hindustan Levers Workers Union asked an explanation from management of the plant. In the weeks thereafter, the situation deteriorated, with management refusing to respond to union concerns and cancelling and postponing meetings. A meeting finally, which lasted over 16 hours, took place on the afternoon of 6 July, ending without result on the morning of 7 July. On 8 July the management

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Enterprises, 18/10/07, http://www.iufdocuments.org/www/documents/OECDUnileverAssam.pdf, (March, 2008)

[36] This correspondence was send to SOMO by Chris Dutilh, CSR Manager of Unilever N.V., on the 16th of May, Letter from Nabi Ahmed (UEFP) to Ron Oswald (IUF) on 04/05/08

[37] Ibid

[38] The Economic Times, India, Work resumes in Hindustan Unilever factory, 03/09/07 http://economictimes.indiatimes.com/News/News_By_Industry/Cons_Products/FMCG/Work_resumes_in_Hindustan_Unilever_factory/rssarticleshow/2335583.cms (March, 2007) and the One India , Suspended Hindustan Unilever worker commits suicide in Assam, 19/08/07 http://news.oneindia.in/2007/08/19/suspended-hindustan-unilever-worker-commits-suicide-in-assam-1187561306.html, (March, 2008)

suddenly claimed that they had been ‘held’ for 16 hours by the union, issuing 8 suspension orders as well as filing a complaint with the police.

From the morning of the 7th of July until a lockout notice on 15 July, the management did not report to work at the factory despite all workers reporting for work. This continued for a week, until the management issued a lockout notice. After the imposition of the lockout, the management insisted that all union members would renounce their membership of the Hindustan Lever Workers Union and instead join the Hindustan Unilever Democratic Workers Union (Hindustan Unilever Shramik Sanga, HUSS), to which the HLWU and the IUF refer to as a yellow union.[39] The company actively approached workers to join the new union telling them that the plant would have to close down if workers would refuse to change membership. At the same time, people of the HLWU started to collect signatures from members in support of their union and from the general public in protest against the lockout. The level of desperation among the union can be related to Ratul Bora, who was among the seven leaders of the workers' union hanged himself on the 18th of August at his house in Rupai Santipur area of Doomdoma.[40]

During the lockout, the local government, via Assam Industries and Commerce Minister Pradyut Bordoloi also interfered, stating on 20 July that state government would not allow the Hindustan Unilever Ltd factory at Doomdoma to close down,[41] as the management threatened to do. Mr Bordoloi highlighted that the factory was a success story in the state and the government was actively pursuing to end the conflict. He also emphasized that the government would not allow the company to close referring to tax incentives under the NE industries act of 1997 and the company would have to pay up the entire amount in arrear if it decided to close it.

On 3 September, after fifty days, the company announced that the lockout was over. When some of the workers appeared at the factory, the management, together with the management sponsored union the HUSS, instructed them not to enter the plant before they had signed a statement that they resigned from the Hindustan Lever Workers Union.

In October 2007, the IUF filed a case against Hindustan Unilever Ltd. with the UK NCP.[42] The IUF claimed that the management’s actions constitute a breach of Articles of the OECD guidelines:

- Article IV: “Respect the right of their employees to be represented by trade unions and other bona fide representatives of employees, and engage in constructive negotiations, either individually or through employers’ associations, with such representatives with a view to reaching agreements on employment conditions”
- Article II paragraph 2: “Enterprises should respect the human rights of those affected by their activities consistent with the host government’s international obligations and commitments”.

[39] IUF’s documentation, Vicious Union-busting Continues at Unilever Assam Plant, 04/09/07, http://www.iuf.org/cgi-bin/dbman/db.cgi?db=default&uid=default&ID=4531&view_records=1&ww=1&en=1, (March 2008)

[40] the One India , Suspended Hindustan Unilever worker commits suicide in Assam, 19/08/07 http://news.oneindia.in/2007/08/19/suspended-hindustan-unilever-worker-commits-suicide-in-assam-1187561306.html, (March, 2008)

[41] The One India, HUL not to be allowed to close factory: Assam Minister, 20/07/07, http://news.oneindia.mobi/2007/07/20/394447.html, (March, 2008)

[42] IUF’s letter to the UK National Contact Point of the OECD, Concerns: Violations of the OECD Guidelines on Multinational Enterprises, 18/10/07, http://www.iufdocuments.org/www/documents/OECDUnileverAssam.pdf, (March, 2008)

Since the case is still pending, no further information on the development of the OECD case can be given. However, a representative of the HWLU states that the situation did not particularly improved in the last couple of months after the OECD complaint filling.[43] On the 9th of November, workers of the factory organised a production stop protest action of half an hours to object against suspension of their colleague Sanjoy Gogoi, who one day earlier defended the original union and got, as a result, suspended by the management.[44] In the fist months of 2008, the conflict between the management and the HUSS on the one side and the HLWU on the other intensified.

March 2008 the HLWU had filed a writ petition against the Assam Government as well as the HUL Management seeking a restraining order against the HUSS & HUL Management for signing any wage settlement. On 24th March the Gauhati High Court passed an Interim Order in favour of the HLWU. The HUL Management refused to abide by this Interim Order, instead they continuing to negotiate with the yellow union pertaining to the charter of demand.[45]

[43] Email exchange with a HLWU representative, 04/04/08
[44] IUF's documentation, Assam Fightback: Workers take industrial action to protest suspension of Sanjoy Gogoi, 11/11/07 http://www.iuf.org/unilever/2007/11/assam_fightback_workers_take_i.html#more, (March, 2008)
[45] Email exchange with a HLWU representative, 04/04/08