

# A more detailed description of the four cases relating to our operations at Rahim Yar Khan and Khanewal in Pakistan and Sewri and Doom Dooma in India

## **Rahim Yar Khan, Punjab, Pakistan**

In November 2007, the IUF submitted a complaint to the OECD on behalf of the Unilever Employees Federation regarding the treatment of temporary labour at our Rahim Yar Khan factory in Pakistan.

This case was subsequently withdrawn at the request of the local union.

However in November 2008 the IUF re-submitted the complaint on behalf of another local union, the Pakistan National Federation of Food & Beverage Workers. The complaint alleged that Unilever Pakistan dismissed 292 temporary workers who had decided to join a trade union. The company was also accused of retaining workers through third-party service providers in order to reduce the costs associated with the provision of welfare and other benefits.

Unilever Pakistan denied any breach of the OECD Guidelines. Temporary workers were not excluded from re-employment because of their desire to join a union but as part of the wider re-organisation of the factory. This involved outsourcing most of the packing and non-core operations on the site to a third-party supplier. Outsourcing is a common business practice in Pakistan.

All temporary workers were advised of this fact in line with the requirements of national labour law. A number of the affected temporary workers were offered employment by the outsourced service provider.

Unilever Pakistan's use of workers employed through third-party service providers is consistent with local employment law and practice. We require our third-party suppliers to comply with Unilever's Supplier Code (which recognises the right to freedom of association). The Code specifically requires that our service providers comply with local employment law with respect to minimum wage, social security and retirement contribution requirements.

Throughout the period of this dispute, Unilever Pakistan had been in dialogue with local trade union representatives to discuss the issues of outsourcing in the Pakistani market and sought to agree a possible way forward that could allay the concerns of all involved. We also maintained an open and ongoing dialogue with the IUF at international level.

While we refuted any breach of the OECD Guidelines or any discrimination against union members, Unilever Pakistan agreed to co-operate fully with the OECD process to seek resolution of this case. In particular, we agreed to address the numbers of permanent employees relative to outsourced workers at the Rahim Yar Khan site.

In June 2009 Unilever Pakistan reached agreement with the IUF as part of the conciliation process of the OECD UK National Contact Point. Through this agreement, we have established an additional 120 permanent posts at Rahim Yar Khan.

A minimum condition of employment at our factory is proof of secondary education qualifications. Those who can substantiate this will be appointed to these posts as of 24 June 2009. For those few people who cannot prove they have obtained these qualifications, we will offer scholarships equivalent to either one or two years' basic salary to help them attain them. These posts will be held open until the qualification is attained.

Those temporary workers who were dismissed in October and who accept permanent employment will also receive a one-off lump sum payment conditional upon their confirmation of withdrawal of any related court cases.

For those remaining workers for whom we are not in a position to offer permanent employment we have agreed to offer a one-off lump sum payment equivalent to an average of three years' salary. This offer is conditional on the agreement that current and future legal action relating to this matter is dropped.

### **Khanewal, Punjab, Pakistan**

Unilever Pakistan's Khanewal tea factory employs a mix of permanent and outsourced workers. To keep operations effective and competitive, Unilever Pakistan uses third-party service providers to supply workers for our non-core operations. Non-core elements include end-of-line packaging operations as well as ancillary services such as housekeeping, catering and security. Outsourcing non-core operations is widespread in Pakistan, and Unilever Pakistan's practice is in line with that of other multinationals and local competitors.

On average, some 533 people are employed at Khanewal, including 22 permanent employees who work in roles such as process, plant and utilities operators and technicians. The number of people employed varies due to the demand-led nature of the business, which affects the number of people required for packaging operations. The outsourced workers are employed by licensed third-party service providers. We require our third-party suppliers to comply with our Business Partner Code (which recognises the right to freedom of association). Unilever Pakistan seeks to ensure that our service providers comply with local employment law with respect to minimum wage, social security and retirement contribution requirements.

In March 2009 the IUF lodged a complaint with the OECD alleging that Unilever's employment practices undermine the rights of workers to fair or decent pay as well as freedom of association.

It is common practice to use temporary labour in Pakistan. However, in both the Rahim Yar Khan and Khanewal factories this practice had evolved to the point where the ratio of permanent to outsourced workers was skewed too far in favour of outsourced workers. We acknowledged that this was an issue for workers and their union representatives and recognised the need to address it. We offered to increase the number of workers on permanent contracts using fair and transparent criteria.

On 21 October 2009, Unilever Pakistan and the IUF reached an agreement under the OECD conciliation procedure to resolve the issue (retroactively applicable to 15 October). Under its terms Unilever Pakistan will create 200 permanent positions at the facility in addition to the existing 22 positions at Khanewal.

To ensure a fair and transparent selection procedure for the appointment of these permanent positions, the IUF and Unilever Pakistan will form a committee to oversee and implement the process. The selection of workers will be made on the basis of seniority and skill with priority being given to members of the local trade union Action Committee (Unilever Mazdoor Union Khanewal). The Action Committee will also oversee the implementation of the agreement.

Furthermore, Unilever Pakistan has agreed that it will ensure its third-party service providers make lump sum payments to all contract agency workers (whether they will be given a permanent position or not) to cover any outstanding mandatory financial obligations. The company will also ensure that the third-party service providers have fulfilled their statutory obligations regarding payment of state pension and social security-related benefits for all their employees. In return, the Action Committee members have agreed to withdraw all pending court actions.

Unilever Pakistan has confirmed its intention of continuing operations at Khanewal and has made a commitment to invest in these operations. However, this will include implementation of automation or other efficiency measures to ensure business viability.

Both Unilever Pakistan and Action Committee members have committed to a process of ongoing dialogue. The IUF and its affiliates will be entitled to exercise full representational functions within the facility without interference. Implementation of this agreement will be monitored by the IUF and Unilever at national, regional and global levels.

### **Sewri, Mumbai, India**

In 2006, Hindustan Unilever (formerly known as Hindustan Lever) closed its Sewri factory in Mumbai as the factory had been uncompetitive for a

number of years. It had been plagued by strikes throughout its history, for example in 1987 alone there were more than 50 stoppages.

The closure was carried out in compliance with Indian labour laws and all the workers were offered a full and fair redundancy package, the terms of which were between eight and 22 times greater than the legal minimum. More than 100 workers accepted the redundancy terms. The remainder of the workers (782 people) rejected the package and chose to contest the closure in the Indian courts. These workers were paid their legal separation dues.

Acting on behalf of local Indian trade union HLEU, the IUF logged a complaint to the OECD in 2006 alleging that the factory had been closed illegally and that workers had been financially disadvantaged as a consequence.

In September 2007, the OECD agreed not to proceed further with the complaint subject to Hindustan Unilever and the HLEU negotiating a settlement at local level. Hindustan Unilever had always sought to explore ways of finally settling the matter with the HLEU.

On 13 October 2009 a settlement was reached with the mutual consent of the IUF, local trade union (HLEU) and Hindustan Unilever.

### **Doom Dooma, Assam, India**

In November 2007 the IUF logged a complaint with the OECD on behalf of the Hindustan Lever Workers Union (PPF) at our Doom Dooma home and personal care factory in Assam, India.

The complaint alleged that Hindustan Unilever had conspired to force workers to join a new trade union as a pre-condition for their continued employment at the factory, and by doing so, breached the freedom of association provisions of the OECD Guidelines.

We maintain that Hindustan Unilever has not breached the OECD Guidelines or our own Code of Business Principles.

There had been significant disorder at the factory over a long period. In one instance in July 2007, a group of managers, including a woman, were detained against their will by the workers. The company imposed a 'lock-out' to restore order. When the factory re-opened in September 2007, a majority of the employees then set up an alternative trade union to represent them (INTUC). This union was recognised by the Assam State Labour Commissioner. The new union reached an accord with the company in April 2008 and subsequently the situation at the factory stabilised.

In parallel, the IUF-affiliated union (CITU) challenged the decision of the Assam State Labour Commissioner to recognise the new union in the Assam State High Court.

Hindustan Unilever petitioned the Assam State High Court to request the Court's view on how best to organise 'free and fair' elections. Finally, in March 2010, the Court ruled in favour of the Assam State Labour Commissioner and stipulated that no further action was necessary to re-open the terms of the settlement.

The OECD invited both Unilever and the IUF to once again seek a resolution to this case. A series of meetings have taken place with the IUF under the auspices of the OECD national contact point in the UK. The most recent and final meeting was held in July at which an agreement was reached on a methodology for resolving the issues at Doom Dooma. This agreement is now being implemented

Hindustan Unilever remains committed to working with the OECD, the local government and unions and the IUF to find an appropriate solution or resolution to this case.