

Summary

Unilever
Brazil

Summary based on research by:

Fernanda Raquel, Daniela Sampaio, and João Paulo Veiga

Instituto Observatório Social, Brazil

February 2005 to March 2006

Research conducted in co-operation with SOMO and FNV

Bondgenoten. Commissioned by FNV Mondiaal for the project

FNV Company Monitor

Summary by SOMO, June 2006



Contents

- 1. **Introduction** 1
- 2. **General characteristics of Unilever in Brazil** 2
 - Business description 2
 - Employment 3
 - Company management and relations with the corporation 4
 - Relevant aspects of Corporate Social Responsibility 5
- 3. **Labour relations** 7
 - Freedom of Association and the National Union tradition..... 7
 - The Unions active within the company 7
 - Collective bargaining 10
 - Access to information 10
 - Labour conflicts 11
- 4. **Labour conditions** 12
 - Child labour 12
 - Forced labour 12
 - Discrimination..... 12
 - Wages 14
 - The participation in Profit-Sharing Scheme 15
 - Working hours 15
 - Health and safety 16
 - Training 17
- 5. **Reorganisations and job security** 18
 - Reorganisations and relocation 18
- 6. **Conditions in the supply chain** 20
- 7. **Conclusions** 21

1. Introduction

This study builds on the research by Instituto Observatório Social (IOS) into Unilever Brazil's operations in the context of the first phase of the Company Monitor Project. That study focused on two of the then 16 production units: Vinhedo (SP) and Vespasiano (MG), both in the Beauty and Style segment. It identified a number of problems, including the varying working conditions at the Unilever units in Brazil (in terms of salaries, overtime, machinery), a lack of common guidelines for collective bargaining and the fact that union activities were, in many cases, restricted by the company's management. It found a lack of policies to ensure equal opportunities for women and black workers, and problems related to workers' health, such as the occurrence of many cases of Repetitive Strain Injury (RSI). It also elaborated on the use of child labour in the tomato harvest in Goiás, where the company has its tomato processing factory. Unilever announced the closing of the Vespasiano (MG) unit soon after the conclusion of the field research, and one year before the activities were effectively concluded.

The current research aims to analyse the development of the above issues over the past years. It was made possible by the Chemical Industries Workers Union of Vinhedo, Chemical Industries Workers Union of Pernambuco State, Food and Beverage Industries Workers Union of Garanhuns and the Food Industries Workers Union of Mogi Mirim. All these unions are affiliated to one of the largest confederations of trade unions: the *Central Unica dos Trabalhadores* or CUT. In addition, it was supported by CUT's National Confederation of Food Workers: CONTAC. Furthermore, the president of the "Cocoa Products, Candy and Canned Foods Industries Workers Union" of Pernambuco, which represents the workers at Unilever's ice cream unit in this state, provided a brief interview by telephone, but claimed not to be sufficiently informed to speak about the situation on the work floor. Interviews were also conducted with directors of the Chemical Industries' Workers' Union of Vinhedo and statements were collected from three other union directors during the Planning Seminar of the Unilever Brazil Union Committee in April 2005. A few additional unions were contacted by email and telephone but did not co-operate. All participating unions shared their Collective Agreements and Conventions, documents and brochures. The Collective Agreement finalised by the Cacao, Candy and Canned Foods Industries' Workers' Union of Pernambuco was taken from the website of the Ministry of Labour.

The company was also most co-operative. Researchers were able to meet with company representatives for Human Resources, Government Relations and Social Responsibility. The company responded to a questionnaire that focused on specific issues concerning the operations in Brazil and shared materials such as pamphlets and a video about Social Responsibility programmes.

This research also draws from information gathered during a visit to Unilever's tomato processing unit in Goiânia in June 2005, in the context of a study into the Goiás tomato production sector. At the time, the researchers also interviewed one of Unilever's largest tomato suppliers in Itaberaí.

2. General characteristics of Unilever in Brazil

Business description

In 1929, Lever Brothers Association brought Sunlight Soap to the Brazilian market. The company opened its first Brazilian factory in 1930. It soon diversified its product range and became the market leader for brands such as Lux and Omo. In 1960, Lever Brothers incorporated Cia Gessy Industrial and formed Indústrias Gessy Lever – the name by which Unilever was known in Brazil for nearly 40 years.

In 1970, Gessy Lever launched Doriana, the country’s first creamy margarine. It established a solid base in the food market with the acquisition of Anderson Clayton in 1987, and broadened its activities once again when it obtained control of the Brazilian brands Cica in 1993 and Kibon in 1997. In 2000, with the acquisition of Bestfoods, the company added global brands, such as Hellmann’s and Knorr, and strong local brands, such as Arisco, to its portfolio. In 2001, Gessy Lever was renamed Unilever. São Paulo is home to part of Unilever’s Latin American management.

Gross Billing - Unilever 2003-2004

Billing	2003	2004
Worldwide	€ 48.8 billion	€ 42.9 billion
Brazil	€ 2.4 billion (R\$7,3 billion)	€ 2.9 billion (R\$ 8.6 billion)

Source: www.unilever.com / www.unilever.com.br

In 2003, Unilever Brazil represented 5% of Unilever’s global billing and 50% of that in Latin America.

Corporate structure

Unilever’s global operations were formerly run by the board of the London (PLC) headquarters and that of the Dutch NV in Rotterdam. The two boards were merged in May 2005. The new top management will be based in London.

The company’s management model at a regional level distinguishes processes (Supply Chain, Sales and Brand Development) and fields of support (Human Resources, Legal, Financial, Information Technology and Corporate Affairs). Within each region, local structures are designed to respond to the individual characteristics of factories and markets.

In the first half of 2005, the company’s four Brazilian divisions were merged into Unilever Brazil.

Unilever Brazil - Divisions and Units

Divisions	Units	Products	Main Brands
Unilever Higiene e Beleza (personal hygiene and domestic cleaning)	Igarassú (PE), Indaiatuba (PE), Ipojuca (PE), Valinhos (SP), Vinhedo (SP)	Deodorants, hair products, liquid and bar soaps/powder detergents, softeners, cleaners.	Omo, Brilhante, Lux, Dove, Fofo, Minerva, Comfort, Seda, Rexona, Close Up and Axé.
Sorvetes Kibon	Recife (PE), São Paulo (SP, this factory will be closed)	Ice Cream	Cornetto, Magnum, Fruttare, Chicabon, Eskibon
Unilever Alimentos	Garanhuns (PE), Goiânia (GO), Mogi Guaçu (SP), Patos de Minas (MG), Pouso Alegre (MG), Valinhos (SP)	Tomato products, bouillon, mayonnaise, ketchup, corn starch, soy-drinks, teas, margarine.	Doriana, Hellmann's, Cica, Knorr, Arisco, Maisena, Ades, Lipton
Unilever Food solutions		Products and services for restaurants and food service	

Source: www.unilever.com.br, table prepared by IOS, 2005.

According to the Brazilian Institute of Public Opinion and Statistics (Ibope), the British-Dutch company closed the past year with a 64% share of the market for powdered detergent. The Omo brand alone – leader in the premium segment – maintains a 31% market share in volume and 40.2% in market value.

Unilever has been implementing a restructuring process since 2000. It first adopted the so-called “Path to Growth” strategy for 2000-2004 and it currently implements the “Vitality” mission 2005-2010. These exercises entail the closing and transfer of production units, focused at the concentration and mechanisation of production.

Employment

In the second semester of 2005, Unilever claimed it employed 12,494 people in 13 units in the states of São Paulo, Minas Gerais, Goiás and Pernambuco. 60% of the employees work in the factories, 19% in administrative functions and 21% in sales.

The table below shows that the workforce was reduced by about 10% since 2002. It may be assumed that this reduction is related to the restructuring processes. In 2005, 50 of the 200 workers in the administrative sector were laid off as a result of restructuring measures.

Development in number of workers at Unilever Brazil

	2002	2003	2004	2005
Number of workers	13,797	13,175	12,922	12,494

Source: www.unilever.com.br, table prepared by IOS, 2005.

Approximately 25% of Unilever's work force is female. 50% of the workers are aged between 26 and 35. In 2004, 45% of the workers had been at the company for 5 years. In 2005 this percentage fell to 33%.

The Goiânia factory is Unilever's largest operation in Latin America. It employs about 2,340 workers and an additional 360 temporary workers for the processing of tomatoes during the harvest, from June to November. In addition there are 1,500 subcontracted workers. The tomato plantation at Patos de Minas (MG) employs about 60 workers and 230 temporary workers during harvest. The ice cream factories also rely on temporary workers during peak production periods. For instance, the union stated that the Kibon factory in Recife employed nearly 200 temporary workers in the summer to meet the increased demand.

Number of Workers per Unit in 2005

Unit	Division	Products	No. Workers.
Goiânia (GO)	Food	Tomato products, mayonnaise, beans and vegetables, spices, powdered drinks, instant macaroni, sauces.	2,702 (*)
Patos de Minas (MG)	Food	Tomato pulp	292 (*)
Pouso Alegre (MG)	Food	Soy drinks, bouillon, spices for beans, ready to eat dishes, Dextrosol, teas, industrial drinks, mayonnaise	821 (*)
Mogi Guaçu (SP)	Food	Corn starch	53
Valinhos (SP)	Food	Margarine, baking products, cake frosting	385
Garanhuns (PE)	Food	Complementary foods	134
Igarassú (PE)	HB**	Powdered detergent and detergent tablets	156
Ipojuca (PE)	HB	Shampoos, conditioners and spray deodorants	310
Valinhos (SP)	HB	Soaps	542
Indaiatuba (SP)	HB	Powdered detergents	560
Vinhedo (SP)	HB	Shampoos, conditioners, moisturisers, roll-on deodorants, liquid soaps and toothpaste	525
São Paulo (SP)	Kibon	Ice cream	573
Recife (PE)	Kibon	Ice cream	478

(*) Includes a number of temporarily workers contracted in periods of peak production or harvest.

(**) Hygiene and Beauty

Data supplied by the company in July 2005, table prepared by IOS, 2005.

Company management and relations with the corporation

Unilever aims to consolidate its divisions and management processes both at a global level and in Brazil. As a result, management will have an overall responsibility rather than one for a specific product's portfolio.

Unilever wants to present the same brand, quality standard and corporate policies for all its different services and products. In Brazil, its products were "re-branded" with the Unilever logo.

The company adopted corporate policies on issues such as the environment, governmental affairs and labour relations. In this respect, Brazil is presented as a model for other Latin American countries.

Relevant aspects of Corporate Social Responsibility

CSR Policies and Issues

In the Company's Social and Environmental Report 2004, Unilever defines Corporate Social Responsibility as the organisation's commitment to generate a positive social impact in the communities where it is present and in society in general. All of Unilever's operations, stakeholders and business partners are required to uphold the standards formulated in its Code of Business Principles. The Code is available in Portuguese and promoted both to workers at the company and to suppliers. The top local management is responsible for monitoring the code. Unilever is also a signatory of the Global Compact.

The Code of Business Principles offers employees three procedures to confidentially report code violations:

- ❑ An international 0800 line;
- ❑ The Speak with the President Programme (via e-mail or any other way);
- ❑ The Information Control Programme that guides employees through the procedure to follow if they suspect or notice an irregularity.

The CSR staff is composed of only four people and a consulting company. Their communication tools are the corporate magazines, electronic bulletins and a "wall newspaper". It appears a great challenge to effectively implement the CSR standards and procedures and inform all workers throughout the company's operations. The company points out that all plants are included in social responsibility activities, which are developed through a programme called 'Conviver'. The union confirms this, but considered to be disregarded as a stakeholder from the company's point of view. For the unions, CSR actions are restricted to the local communities where the company operates and unions have never been included in any programme. Unionists believe that the company presents a better CSR image than it manages to uphold in the production units. Concerning his workers, the unions argue that Unilever engages in dismissing sick workers, does not submit the Work Accident Notice (CAT) and exercises a lot pressure on workers.

From the company's documentation, it appears that the CSR goals are not easy to meet. For instance, the company states that it wants to employ people with special needs and to exceed the quota set by law for this purpose. However, until now, the company has not even managed to meet this legal minimum. The skewed gender balance is another issue that deserves more attention, as it was acknowledged by CSR management, especially in relation to positions of greater responsibilities and salaries.

Corporate Social Responsibility Projects and Supply Chain

Unilever developed Community or Social Responsibility projects on health, education, sport, the environment, art and culture. Furthermore, in collaboration with The Brazilian Association of Technical Norms (ABNT), the company works to develop a Brazil Social Responsibility Norm that defines parameters for the management of CSR issues. One current project aims to hire youths from low-income families, in order to change practice of hiring from social groups that could afford better schooling. The project is run in collaboration with six NGOs.

Projects in the tomato industry

The tomato production chain in Goiás is of key concern to the company. The risk of and actual use of child labour in the tomato production was noted in the 2002 Company Monitor report and was denounced by the “Regional Labour Precinct” (DRT) of the federal Ministry of Labour. Unilever’s corporate legal director stated in 2002 that the company would suspend a supply contract upon any charge of child labour, but that it considered the prevention of child labour to be a responsibility of the Regional Labour Precinct.

Unilever changed this position over the past two years and assumed an active responsibility to combat child labour and improve the conditions in the tomato supply chain. It first commissioned a study in the municipalities of Silvânia and Itaberaí, which supply 40% of Unilever’s tomatoes, to identify the causes of child labour. From this study it appeared that the children not only contribute to the family income but also often have no alternative but to accompany their parents. The company subsequently created the “Protected Childhood” project and built a day care centre and school at the pick-up location for farm workers. In 2005, the project was expanded to the cities of Turvânia and Vianópolis, which, together, supply nearly 20% of the tomatoes for the Goiânia factory. The company aims to expand this project to two or four more municipalities in 2006. Unilever claims the projects are permanently monitored. It appears that child labour in Silvânia and Itaberaí already reduced by 60%, in particular among children from 8-12.

The federal government runs an Eradication of Child Labour Programme (PETI), which makes funds available for specific groups of families to “substitute” the income that would be earned by children. To receive funding, the children must be enrolled in schools with an expanded school day. The Unilever survey in Itaberaí and Silvânia found that the PETI program does not meet the needs of the youth, who are looking for professional development and opportunities. In partnership with the municipalities, Unilever plans to offer computer courses and a monthly food package to this group, to encourage them to stop their field work.

Another main project is Unilever’s “Experimental Farm” in Goiânia. This project aims to develop and share technologies with local farmers, to promote the sustainable use of natural resources and environmental protection. The shared technologies help Unilever’s suppliers to improve their product quality and productivity.

Unilever also runs the Rural Responsibility programme to promote the improvement of health and safety conditions of the rural workers of its suppliers. It focuses on the use of individual protection equipment (EPI), proper nutrition, hygiene and transportation.

3. Labour relations

Freedom of Association and the National Union tradition

Brazil has not ratified ILO Convention 87 Protection of Unions. Although the Brazilian constitution guarantees the right to organise and associate without government interference, it also establishes the so-called “One-Union” System. This system assigns one union to represent an entire professional category in a specific geographical area. This union is thus effectively granted a monopoly position. The system of “One-Union” also implies that multiple unions, representing different categories of workers, may be relevant to a single company. Outsourcing increases this problem because subcontracted workers do not belong to the main union that is most active in a company. The law protects the employment of union directors until one year after the termination of their mandate.

Most unions operate at the municipal level, although some are also active at the state or national level. The law does not recognise federations of trade unions. Although the Federal Constitution allows for union delegates to be appointed at a company level, this provision was not translated in Brazilian labour law. As a consequence, there is often no union representation at the workplace. A few unions negotiated the right to form a factory commissions or another kind of representative mechanism.

The Unions active within the company

The main trade union confederations that are relevant to Unilever are *Central Única dos Trabalhadores* (or CUT), *Força Sindical* and *Confederação Geral dos Trabalhadores* (or GCW). In addition, Unilever has relations with 96 local workers’ unions and conducts collective bargaining with 13 of these. The company appointed a Union Relation Manager subordinated to the HR Department. This person co-ordinates the collective bargaining negotiations and works with the local resources managers of 13 production units of Unilever Brazil.

Union membership at Unilever Brazil

	2001	2002	2003	2004
Unionised labour force as percentage of total	11.8%	12.3%	15.2%	8.5%
Number of employees with leave for Union activities	4	4	7	6
Number of Union directors at the company	39	27	40	46

Source: Relatório Sócio-ambiental Unilever, 2004

The above table shows that the number of active union directors at Unilever continued to grow from 2002 – 2004, even though union membership decreased from 2003 to 2004. Moreover, the company claims that union membership is lower than what the unions state. The rate of unionisation at Unilever is far below the national average for the manufacturing industry, which in 2001 was 21.4%.

In 2003, there was one union director for every 329 workers. This is not in line with the Federal Constitution, which calls for 1 union delegate for every 200 workers. This rate is also much lower than what is provided for in the Union Reform bill that is currently being debated in congress (PEC nº 369/05). This bill proposes 4 union delegates for companies with 301-500 workers.

The low rate of union membership may be partly due to the ongoing restructuring exercises the company has been implementing since 2000. In little more than three years time, Unilever closed three production units in Vespasiano, Itatiba and São Paulo, and it continues to reduce the workforce at the main plants.

Unions' capacity to work

The company maintains that it actively enables the union representatives to do their work, provided the person is an employee, is familiar with the safety regulations and keeps the company informed. Union directors who are not employees are not permitted to enter a factory without previous authorisation.

The union directors report great differences in their actual ability to do their union work. For instance, the union directors at the Garanhuns unit must inform the management in advance to get access to the work floor. Any information they want to post on the bulletin board must be screened by management first. Meetings with workers take place outside the factory gates. In Igarassú, union flyers can only be distributed outside the factory but the bulletin board is freely available to the union. In the Kibon factory, there are no union directors employed, which means that the union can not easily access the plant and reach the workers, and that union activities are practically non-existent.

National Union Committee

Upon the initiative of the CUT and CONTAC, in 2002 a number of unions created a National Union Committee (NUC). The purpose of the NUC was to strengthen the unions' joint position in the negotiations with Unilever at a national level. The NUC hopes to initiate a dialogue on issues that affect all the factories such as CSR policies, the OECD guidelines, aspects of the restructuring process, health and safety standards, etc.

The company only once agreed to participate in a meeting, provided there would be no collective bargaining, but subsequently refused to engage with the committee. In June 2003, Unilever Brazil's workers participated in Company Monitor project meetings with Unilever Corporate management. In these meetings, the Dutch management agreed to press their Brazilian colleagues to engage in dialogue with the NUC on common issues. However, until this day the

company refuses to do so. It questions its mandate and representation and argues that Brazilian legislation does not recognise this type of worker organisation. For the unions, the NUC poses a tactical and strategic challenge. It mainly constitutes a forum for discussion on issues of interest to both parties, which in some way complements the unions' negotiating process. However, the union directors participating in the NUC can only act on as individuals. Moreover, the composition of the NUC changed and included only four unions in the first semester of 2005.

The company may find it unattractive that a national negotiating process could lead to harmonised standards on remuneration, benefits and rights, which would do away with the advantages that the company currently gains from the regional disparities in labour conditions and wages. Furthermore, these regional disparities in working conditions are an important impediment for the unions to develop a strong joint position or jointly press the company; and, as mentioned, the Brazilian legislation does not recognise a mandate for the unions at a national level.

Infringements on the Right to Organise

It appears that the company's attitude towards the unions greatly varies from plant to plant. There are different reports that Unilever's decisions at times undermine the union's position and work.

At Vinhedo, for example, plans to take over a subcontracted cleaning products' production line inside the factory would imply that these workers would be represented by the union from another category, since the major union only represents workers in the personal products sector. The unions fear that this apparently technical decision is an attempt to weaken the existing Vinhedo Union, even though the company maintains that this was not intended.

Another important incident reported also happened at the Vinhedo Unit. In 2005, a notice was posted offering workers a toll-free telephone number to request that union dues no longer be deducted from their wages. This way, the company actively encouraged workers to give up their membership. This initiative constitutes a violation of national legislation, ILO conventions and OECD guidelines, Unilever's Business Principles and its commitments in the Global Compact. The union contacted Unilever's Union Relations Manager, who ordered the immediate removal of the poster and maintained it did not know about the initiative. In May 2005, CUT and the Vinhedo Union presented the case to the tripartite Social-labour Commission of Mercosur, composed of government officials, workers' unions and company representatives from Argentina, Brazil, Paraguay and Uruguay. The Commission agreed to establish a dialogue between the parties.

In 2003, an international delegation of workers from Unilever Brazil and the Netherlands, representatives from CUT, FNV and the IOS wanted to visit the Valinhos unit, in the context of an exchange programme. Although the company's management had previously agreed to co-operate, the delegation was refused entrance. The reason given was that there were union directors from other unions not representing Valinho workers and their presence could cause a problem between the company and the union in that unit.

Other representative mechanisms

In addition to the unions, each of Unilever units has a minimum of two “representation fora.” One is legally required by the “Regulatory Norm in Labour Health and Safety” (NR5). Half of the members of this commission are appointed by the company, the other half are elected by the workers. The second forum is referred to as GTMAs (Working Groups for Improvement of the Environment) and deals with improvements in the physical working conditions. These working groups have no negotiating power, are not very representative and function as discussion groups.

Collective bargaining

Collective bargaining was effectively revived in the late 1970’s. Collective Labour Agreements (ACTs) and Conventions (CCTs) complement the provisions of the National Labour Law. The conventions are negotiated for a specific sector in a specific region; agreements are based on the Conventions and are negotiated with the local unions. Agreements and Conventions that are negotiated by the companies are valid for one or two years and determine issues such as wage levels, annual adjustments, benefits and some union rights.

It is important to note that all the provisions of the collective convention automatically “expire” and lose their validity upon termination of the negotiated period. This means that a company could frustrate the negotiations and cause workers to automatically lose the rights they previously acquired in the collective agreement. Either of the parties can request the Labour Court to decide on the terms of an agreement or convention, however this process can take years to be concluded. The public authorities can also ask the Labour Court to intervene in the negotiations.

Company practice

In the Food divisions, Unilever commonly negotiates directly with unions. In the Hygiene and Cleaning units it is more common to negotiate through the union representatives at a sector level. In this case, the unions try to improve this agreement at a factory level.

A comparative analysis of the collective agreements negotiated by six unions in São Paulo (by the Food workers of São Paulo, Chemical workers of Vinhedo, Food workers of Mogi-Guaçú) and Pernambuco (by the Chemical workers of Pernambuco, Sweets of Pernambuco and Food workers of Garanhuns), reveals great disparities in salaries and benefits for chemical and food workers. For instance, only a few agreements guarantee payment during sickness. The agreements that include this benefit stipulate different periods for which sick pay is guaranteed, varying from 100 to 330 days of sick leave. Some conventions distinguish illness, work accidents and illness caused by work-related activities. An analysis of the wages is described in Chapter 4 of this report, in the section on Wages.

Access to information

The Brazilian law is silent on the union’s right to information. The law only provides that dismissals be announced 30 days in advance, and it requires companies listed on the stock

exchange to publish annual financial reports. It is the company's prerogative to release more information, even if this information is key to collective negotiations. When a company plans to close a factory, for instance, it is not required to communicate this decision in advance to the workers and the unions.

Company practice

In general, Unilever appears to regularly share information with the unions on common issues such as health and safety, union activities etc. Unilever's Union Relations manager claims that restructuring processes that have an impact on employees are also communicated in advance. The unions are not engaged in the deliberations related to restructuring.

However, unions and workers reported that they often have to learn about developments from the media, rather than from the company. This happened for instance when the Vinhedo toothpaste line was transferred to Ipojuca and when the São Paulo Kibon unit was closed.

Unilever argues that in all restructuring processes, workers and respective unions were the first ones to be informed 12 months in advance and had the opportunity to attend the negotiations. The trade unions state that reality is different. The union found out that the announcement of the dismissals would be made public first on the company's website and on the local press, and that the company would only inform the union afterwards.

Unilever Brazil only releases regionally aggregated information about its financial performance and does not publish the data specific to Brazil. During the negotiations, the company shares limited information about its performance with the unions; however this only happens verbally and "informally", and the information is not shared with workers. The company does report its income in the company newspaper each month or on the bulletin board for the purpose of the profit sharing schemes.

Labour conflicts

About 50 legal actions were filed against Unilever in 2002 and in 2003, mostly by former employees and in relation to labour issues. The company claims there were no suits filed from 2003 to 2005. The last suit was filed by the Vinhedo Union to demand the reintegration of eight injured workers who had been laid off, together with 40 others, following the transfer of the toothpaste production line. The law provides that workers must be in good health when they are dismissed.

The announced closure of the toothpaste production line also caused two strikes at the Vinhedo unit – the only strikes that happened at Unilever in the past five years. Both lasted 24 hours or less. Only few of the 150 affected workers actually lost their jobs. Nearly 100 workers were re-employed within Unilever, others left the company under the Voluntary Dismissal Plan (PDV). This plan guaranteed better compensation and benefits than what were legally required.

4. Labour conditions

Child labour

National legislation

Brazil ratified the ILO conventions on Child Labour. The legal minimum working age is 16. Youth of 14 years of age may work in a trainee programme and at 18 they may accept any forms of employment. Unilever's Code of Business Principles stipulates that the company does not use child labour and that it respect national legislation. Unilever committed to impose the same standard on its suppliers.

Company policy and practice

As described above, child labour is still common practice in the tomato industry in Goiás – home to Unilever's largest tomato processing plant. Unilever developed different projects to counter child labour in different municipalities in this region. It works with the Regional Labour Precinct (DRT-MT), and provides education and day care for the workers' children in the Protected Childhood project.

Forced labour

Brazil ratified the ILO conventions 29 and 105 on forced labour and the use of forced labour is a crime in Brazil. Unilever's Code of Business Principles states that the company does not use any form of forced labour. Although this issue also remains pertinent in the tomato industry, there were never any cases reported of forced labour at the company in Brazil.

Discrimination

National legislation and company policy

The Brazilian Constitution prohibits discrimination on the basis of sex, race or colour, age, religion or political ideas. Brazil also ratified the principal ILO Conventions on this issue and the law prohibits discrimination in salaries and other working conditions. Unilever's Code of Business Principles 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"*. Some collective conventions have a provision that relates to discrimination, equal opportunities and equal pay for equal work.

Workers with disabilities

The company aims to realise a diverse work force by implementing strategies of inclusion for low-income youth and people with disabilities. It set a goal to hire 240 people with disabilities in 2005, and hired 180 disabled workers in the last quarter of 2005.

Sex differences

The company also aims to increase the number of women in management positions. However it has not adopted concrete, targeted programmes or incentives to reach this goal. Equal opportunity policies are also not in place. Instead, Unilever wants to realise this ambition by changing “the corporate culture”. The hiring and promotion of women thus remains a random process.

Unilever claims that, in the past three years, about 22-24% of its workforce was female. Furthermore, about 35% of the management positions and 3-8 % of the positions at director level were held by women. However, the unions maintain that, at their production units, women only work in administrative positions and that there are no female managers. It appears that the company’s data and business principles do not match with the reality at the participating factory units.

Brazilian legislation determines that companies with more than 30 workers must provide daycare for children over six months of age. However, this right is reflected in only two Collective Agreements, which provide for alternative reimbursement for the worker’s daycare costs.

‘Race’ and colour

In Brazil, black people have historically been socially marginalised. However, Unilever has no programmes or policies in place to help reduce the level of so-called ‘racial’ inequalities.

According to the Brazilian census institute (IBGE), the correct way to determine a person’s race and colour is through an individual’s own definition. In its 2004 Social Environmental Report, Unilever published the representation of colour and race in its work force, according to the categories defined by IBGE.

Distribution of workers by colour / race

Colour	2003	2004
Of European descent	60.9%	62.69%
Of African descent	26.8%	2.03%
Of mixed descent	9.7%	10.96%
Of Asian descent	1.8%	0.65%
Indigenous	0.5%	0.05%
Not informed	--	23.63%

Source: Relatório Socio-Ambiental Unilever, 2004 and 2005

It is interesting to note that the combined share of black workers of the Unilever work force dropped from 26.8% in 2003 to a mere 2.03% in 2004. At the same time, a category “not informed” (“*não informada*”) newly appeared in the 2004 overview. It may be assumed that some of the workers who were formerly classified as “black” were now included in this category.

Companies must annually submit an Annual Social Information Report (RAIS) to the Ministry of Labour. The RAIS must include a “racial profile” of the company’s work force. The official

indicators do not provide for the “not informed” category. This suggests that the Unilever data were not collected correctly.

It may be that the 2003 profile was put together by the company’s administrative staff that screened workers’ photos. The company may have changed this procedure for the collection of the 2004 data and asked the workers to state their colour or race. It is not unlikely that the black workers, out of fear of discriminatory consequences, preferred not to indicate their colour.

Wages

From 1 May 2005 onwards, the law provides for a monthly minimum wage of R\$300 (€110). The unions may agree to a lower standard in a collective agreement.

Unilever has a job and salary plan for all levels of the organisation, including the factory floor. The workers are familiar with this plan. The criteria used to define remuneration relate to the amount of responsibility inherent to the position, and to the employee’s performance. The remuneration policy also includes a variable portion that relates to the achievement of specified goals. Unilever conducts an annual salary study of the local labour market.

In Igarassú, the union requested reconsideration of the Job and Salary Plan when it found that some workers received lower salaries than workers in similar positions at other units. The company recognised the issue and restructured the salaries.

According to Unilever, the lowest salary paid by the company is R\$343. (€125). The average nominal salary paid by the company is R\$ 1,500. (€550). More than half the Unilever workers receive a wage between R\$ 300 (€110) and R\$ 1,500. (€550). No one receives the minimum wage only. In São Paulo, the salaries are higher than in other states. The table below provides an overview of the base salaries by *category of workers* represented by unions.

Salary levels by category of workers at Unilever, 2004 / 20005

Categories / Units Represented	Salary Levels (R\$)	Salary Levels (€)
Food Industry Workers of São Paulo / Kibon – SP	550.00	201
Chemical Industry Workers of Vinhedo / Vinhedo – SP	562.25	206
Chemical Industry Workers of Pernambuco / Igarassú – PE	336.00	123
Candy Industry Workers of Pernambuco / Kibon – PE	310.50	113
Food Industry Workers of Garanhuns / Garanhuns - PE	416.00	152

Source: Collective Conventions 2004/2005 for the various categories. Table prepared by IOS, 2005

The stark difference in wage levels in Pernambuco and São Paulo is striking. According to a survey by DIEESE (The Interunion Department of Social Economic Statistics and Studies), the average cost of a “basic food basket” in São Paulo in August 2005 was R\$ 175 (€65) while in Recife, PE it was R\$ 134 (€50). One could therefore assume that the difference in the cost of

living between these two regions amounts to 24%. However, it appears from the table above that the difference in wage levels approximates 35%.

Unilever justifies the differences in salaries by referring to the regional inequalities, based on periodic studies. It appears that the location of production lines strongly determines the labour costs, and at least partly explains the company’s decisions to transfer or close production lines.

The participation in Profit-Sharing Scheme

Brazilian law allows companies to offer a Profit or Result Sharing scheme that is exempt from taxes, on the basis of a collective agreement. This scheme should be negotiated with a commission of workers. The union may appoint one of the commission members, while the company names the others.

Since 1994, Unilever implements the so-called “Participation in Results Program” (PPR) at the factories. This scheme is best characterised as a bonus rather than a profit sharing scheme. The PPR is based on goals set for the entire company and for each unit. On the basis of these goals, PPR commissions at the different units subsequently determine the targets for each area of production. The annual pay is subsequently calculated on the basis of the following scale:

Compensation scale in Participation in Results Program at Unilever Brazil

Goal	Range	Payment (% of monthly salary)
Exceeded	Above 110%	120
Completely reached	95 - 110%	100
Partially reached	80 - 95%	80
Not reached	Below 80%	Zero

Source: data supplied by the company.

According to the company, the PPR in Garanhuns is directly negotiated with the union. It was agreed that no goals would be set for 2004. Instead, every worker received 120% of their regular salary. However, salaries in Goiânia were all calculated with reference to targets. Most goals were reached or exceeded at this unit.

Working hours

National legislation

In Brazil, the general maximum working week is 44 hours, with one paid day of rest. Uninterrupted shifts may be not longer than 6 hours, totaling 36 hours per week, but the daily number of hours can be altered by collective agreement. By law, some jobs with harsh working conditions must have less than 44 working hours per week. Collective agreements may provide for a different number of daily working hours and maximum hours per week.

The law provides that overtime can be worked to a maximum of 10 hours per week and 2 hours per day, and only in exceptional circumstances. Compensation by equal time off needs to be

legally given within the same working week but, when agreed in the collective agreement, this can be done through an “hour bank” system over a one-year period.

Company policy and practice

The majority of Unilever’s units run three shifts of eight hours each. On average, Unilever workers work about 4 overtime hours per month. At most units, the amount of overtime is annually calculated and compensated. The unions in Vinhedo and Igarassú did not opt for the “hour bank” system, although the company would have preferred this. Overtime hours are compensated with an increased hourly rate of 70% and 60% respectively, and of 110 - 100% on days off, Sundays and holidays.

The company aims to reduce overtime. In the factories, overtime is commonly used for emergency repairs and for training. According to the company, the administrative offices usually work overtime to close the monthly accounts.

Overtime is planned in advance at Igarassú, based on requests by the manager. Without this request, there is no payment of overtime. The union that represents this unit conducted a campaign for the reduction of overtime hours in exchange for new hiring. This led to the employment of an additional 37 workers, and the regular working week now provides for two days off after six days of work.

In Vinhedo, requests for overtime are made by the co-ordinators of the production lines, and workers are subsequently able to indicate if they would like to work. As in Garanhuns, the overtime hours are recorded in the “hour bank” system and should not exceed the maximum of two hours per day, and weekly working hours may not exceed the 56 hours.

Health and safety

Brazilian law makes a wide range of provisions on issues related to health and safety. To ensure the participation of workers in the prevention of occupational accidents and diseases, the law provides that Internal Accident Prevention Commissions (CIPAs) must be created at specified factories. Half of the CIPA members are elected by the workers; the company appoints the other half, including the CIPA’s President. Unilever’s Code of Business Principles state that the company is committed to safe and healthy working conditions for all employees.

One of the main health concerns reported by the unions is the company’s refusal to acknowledge Repetitive Strain Injuries (RSI) as an occupational illness. The 2002 company monitor report also indicated RSI as the main health issue among Unilever workers. The exact cause of RSI is medically very difficult to determine, however it may be assumed that the manual activities in the production line at least contribute to this injury. Unilever continues to mechanise its production lines, and this may lead to a reduction in the number of RSI cases.

The table below provides an overview of the number of worker accidents.

Worker accidents at Unilever Brazil

Health and Safety at Work	2001	2002	2003	2004
Average annual work accidents per worker	0.071	0.062	0.054	0.15
Total accidents with absence	113	27	39	119
Total accidents without absence	999*	819	687	1,793

(*) Derived from the purchase of Bestfoods

Source: Relatório Sócio-Ambiental Unilever, 2004 e 2005.

The table shows a sharp drop in the number of grave accidents (with absence) in 2002 and 2003. However, in 2004, there was a troubling increase in the number of accidents, both those that led to absences and the less serious ones that did not. It is unclear what caused this increase. One possible explanation is that accidents were more accurately and strictly recorded. One of the reasons for the decrease in 2002 may be an additional investment in health and safety training.

Training

Unilever sees the continuous education of its employees as key to its business results. For this purpose, it offers training that is tailored to the employee's and the business' needs. In 2004, it provided a total of 218,730 hours of training to 8,318 employees.

Professional Development and Training at Unilever Brazil

	2002	2003	2004
Hours of professional development per employee	36	57.4	17
Hours of training per production worker	34	58	17
Hours of training per administrative employee	34	54	19
Hours of training per management employee	75	46.5	18
Hours of training per employee at director level	18	10.13	0.66

Source: Relatório Sócio-Ambiental Unilever 2005.

The table shows a sharp drop in the hours of training per employee from 2003 to 2004. The company maintains that in 2004 priority was given to training on Human Resources and Finance management, and that these issues are not considered as professional development training.

At the Igarassú unit, requests for training are made by production area and for all the workers, including sub-contracted. Sub-contracted workers do not participate in training at the Garanhuns unit. At the Vinhedo unit training is provided if new production systems or machinery needs to be used. It appears that training for personal improvement is not offered.

5. Reorganisations and job security

Reorganisations and relocation

The company maintains that the process of change is inherent to its business goal to best serve its customer, and that restructuring measures are the basis for business growth and the creation of new jobs. From 2000 to 2004 restructuring was guided by the strategic plan called the “Path to Growth”. This strategy aimed to eliminate more than 1,000 brands from the global product portfolio entailing the termination, transfer or licensing of production lines and brands.

With the acquisition of Bestfoods in 2000 the company added a number of large brands to its portfolio. This allowed Unilever to focus on the stronger global brands and give up the smaller ones. The company concentrated its productive capacity in fewer factories and dismissed 10% of its employees. The following table shows the job losses related to some of these main restructuring measures.

Workers affected by restructuring measures at Unilever Brazil 2002 – 2005

Units closed or production lines transferred	Number of workers laid off
Rio Verde (closing tomato processing unit)	300
Vespasiano (transfer of operations to Indaiatuba)	300
Itatiba (transfer of operations to Indaiatuba)	40
Vinhedo (transfer toothpaste line to Ipojuca)	150

Source: news media, information from unions and interviews with company representatives.

The company also created a number of new jobs in the Indaiatuba, Igarassú, Ipojuca and Goiânia units. With the benefit of fiscal incentives in the Pernambuco Development Program, this unit generated 120 new jobs from 2004 to 2005, in addition to the workers that were transferred from other Unilever beauty and hygiene units.

In August 2005, Unilever announced the closing of the Kibon ice cream factory located in São Paulo. The closing should occur within 12 months and production should be transferred to other units. The union was not engaged in this decision, which, according to the union, will entail the dismissal of 1,500 workers and administrative staff. The company maintains that the measure only affects 343 factory workers, and that compensation and assistance will be offered beyond what is required by law. The unions believe it will be difficult to reallocate the workers at other units, as the company promised. These units are further away from São Paulo, and the reallocation will need to happen through a procedure known as “*job posting*”. Furthermore, all workers will be required to first take a test. The unions mentioned that a similar procedure was followed for the closing of the Vespasiano unit in 2003, and few workers were actually rehired.

Responsible Restructuring

In 2001, Unilever’s headquarters, in co-operation with the European Works Council, developed a document that sets out a process of “Responsible Restructuring”. Written in Portuguese from

Portugal, it describes a number of “best practices” for a procedure that aims to implement the restructuring process in a manner that actually benefits the workers. Unilever explained that the document guided all closings of factories and transfers of production lines since the Vespasiano factory was shut down. The company in Brazil has an English version, but refused to share it because it is an internal document.

Responsible Restructuring includes previous warnings to workers and unions, in accordance with the legislation, culture and social conditions. Employees should understand why the changes are taking place and be reassured that their concerns are taken into consideration. When there is sufficient time, the company should engage in discussions with workers’ representatives and implement damage limitation measures. The laid off workers should be supported in finding new work, preferably within the company. This requires flexibility on the part of the employee to work for another unit and perhaps move to another region. The company must provide sufficient information about the availability of jobs and perhaps facilitate visits to other units.

The company maintains that in all Brazilian restructuring cases, the workers, unions and government authorities were informed about 12 months in advance. However, the Vinhedo Union maintains that the transfer of the Vinhedo toothpaste line, which caused the lay off of 150 workers, had not been adequately discussed and negotiated with the workers representatives, as specified in the OECD guidelines for multinational companies. The union had not been consulted on the decision and the workers had to learn the details about the closing from the local newspapers. Moreover, after the decision had been announced, management threatened to shift the entire factory if the union did not stop its activities. For these reasons, CUT, the Unified Chemical Workers Union and the National Confederation of Chemical Workers (CNQ) filed a complaint with the National Contact Point (NCP) for the OECD Guidelines. Unilever presented a document to the NCP clarifying the facts and the subject was closed. According to the Trade unions, this was unfair and the NCP did not handle the case properly, because both parties should have been heard.

In March 2005, after finalising the transfer and voluntary layoff of a number of Vinhedo workers, Unilever announced another 48 lay-offs. This reportedly violated the agreement established between the company and the union in April 2004. Moreover, the union maintained that most of these 48 employees were injured or close to their retirement age. Unilever argued that it had sought voluntary lay-offs whenever possible, and that it had based its decision on performance and professional qualification. Moreover, in addition to the legally required compensation, everyone received complementary and tailored assistance and benefits.

Unilever agreed to compose a medical team to review the cases of the injured workers. For the people close to retirement, the bureaucratic procedures would be expedited. However, these suggestions did not appear to work and the Vinhedo Union filed suit to demand the rehiring of the injured working.

Unions believe that the main reason for the transfer and closing of production lines is the reduction of labour costs (by benefiting from regional disparities in wages). The main reason for job losses is the ongoing mechanisation of production (where manual labour is replaced by robots).

Subcontracting and temporary workers

Unilever maintains that it does not sub-contract its core activities. Activities that are subcontracted include the canteen service, cleaning and gardening. The company also engaged an independent company to manage the toll-free number that workers can call to relate concerns or ask questions. Workers complained that this service operates very slowly and unprofessionally. The company relies on temporary contracts to cover busy periods or, for instance, to replace a worker on maternity leave.

6. Conditions in the supply chain

Unilever started its first operations in Goiás, Brazil's main tomato producing region, in 1999. Unilever's Cica brand at the time accounted for 40% of Brazil's tomato products market. With the acquisition of Bestfoods in 2001, Unilever also took control of Arisco and its 20% market share. Unilever Brazil's plants process 500 thousand tons of tomatoes per year, and the Goiânia unit accounts for 330 thousand tons. It is the largest Unilever factory in all of Latin America, with some 2,700 employees. Goiânia is also the location for the company's second global centre for tomato research.

Unilever works with 51 tomato suppliers in Goiás and another 29 in Minas. This is much less than the 150 suppliers it worked with in 2003. The company reduced the number of suppliers to better control the quality and processes. Suppliers get one year contracts that regulate issues such as: exclusivity; pre-fixed price; technical assistance and training provided by Unilever; guaranteed purchase of the entire production; Unilever's control over the production process; premiums and discounts according to the product quality. For the tomato producers, the contracts are particularly attractive because of the guaranteed sale at fixed price and access to technology.

According to the tomato farmer interviewed, most suppliers only have a very small number of permanent workers, and hire some 150-200 temporary workers during harvest. Shifts vary from 8 to 12 hours per day. If true, this would constitute a violation of the Law and ILO conventions, which prohibit shifts of more than 10 hours. Moreover, these extended shifts do not guarantee any form of overtime pay, since the workers earn as much as they pick. In most cases, workers are hired through contractors, popularly known as "gatos" or cats. These contractors are responsible for the transport and payment of the temporary workers. Workers are paid on a daily basis, according to their production, measured by the number of full boxes.

The Unilever Code of Business Principles states that the Code's standards should also be upheld by the company's business partners. For the tomato industry, the company is working towards

this goal with the development of projects to counter child labour and to improve the safety of the plant's workers. These projects are described above. It may be noted that IOS is currently conducting an in-depth study into the labour conditions in the tomato industry, including the issue of child labour. Unilever participates in this research. The final report of this study will be presented in March 2006

7. Conclusions

From this study, as well as from the research conducted in 2002, it can be concluded that Unilever's practices throughout its business operations do not comply with its Code of Business Principles, the responsibilities that follow from the Global Compact initiative, the ILO Conventions and the OECD guidelines. The main concerns relate to the company's engagement with the unions and to its decision making processes on issues that have a serious impact on its workers. On the other hand, a few encouraging developments should be also noted.

Freedom to Organise and Associate

Within the company and its different units, the attitude towards unions greatly varies. In general, the company appears not to regard the unions as full-fledged stakeholders in its operations. Channels for communication and dialogue, as well as collective bargaining, appear inadequate and inequitable, at least with the unions that have been surveyed in the research project. There are others trade unions that were not part of Brazilian committee, and were never in IOS survey.

The strength and position of the local unions relevant to Unilever's productive units also varies. Most unions lack the organisational capacity to strongly confront the company with irregularities, and union leaders often fear retaliatory measures. However, if the unions are more 'vigilant', the company appears to more readily stifle the dialogue. In Vinhedo, the company even actively discouraged union membership by offering the workers a toll-free number to request that union-dues no longer be taken of their pay cheques. This constituted a flagrant violation of the right to freely associate.

Moreover, Unilever Brazil so far refused to engage with the National Union Committee that was formed as a joint initiative of seven unions, even though it would not address the collective bargaining issues, and despite a promise to the contrary by the Dutch Holding company. Unilever prefers to deal with the unions separately. This allows the company to negotiate different labour standards, rights and benefits with each of the different unions and maintain regional disparities.

Furthermore, it may be noted that the company is involved in a number of serious conflicts with unions in Brazil and South America. In Brazil, a complaint was filed with the National Contact Point for hampering the right to freely organise. Abroad, a complaint was filed against the company with the Mercosur Labour Committee, the only tripartite organ of the regional block, with similar allegations. The company was also brought before the Chilean NCP.

Commendable Initiatives in the Goiás tomato processing industry

As an encouraging development, the company shifted its position and recognised its role and responsibilities to help combat the use of child labour in the tomato production. Unilever developed and successfully implemented the first projects to provide day care and education for the children of tomato farm workers in Itaberaí and Silvânia. These programmes are being expanded to other municipalities.

The development and implementation of restructuring processes

The company has taken the commendable initiative to formulate uniform guidelines, based on best practices, for its ongoing restructuring processes. These include advance notice, benefits and various forms of assistance in re-employment for dismissed workers.

On the other hand, it appears that, in practice, the company never involves the unions or workers' representatives in key decision making processes. Not once, in the four years that IOS monitored the company, did Unilever engage in dialogue with stakeholders to find alternatives to the proposed restructuring measures that would result in job losses. In this respect, there is much room for improvement if Unilever is sincere in its rhetorical commitment to uphold its social responsibilities.