

## Paradise lost

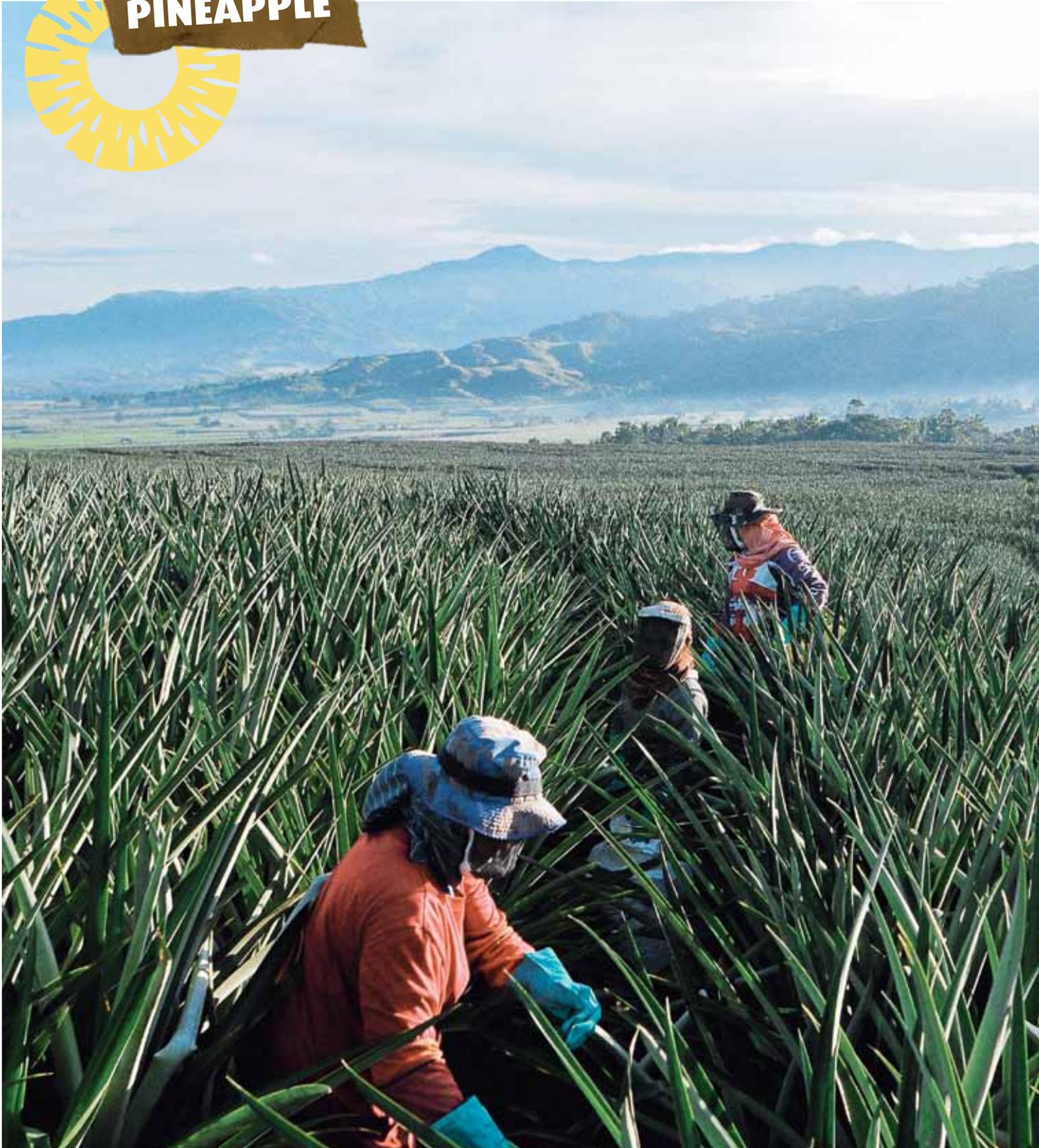
The bitter reality behind working in the Philippine pineapple industry

**FAIRFOOD**  
INTERNATIONAL



Philippines

**PINEAPPLE**





## Executive summary

### SUMMARY

The Philippine pineapple business, dominated by Dole Philippines (Dolefil) and Del Monte Philippines Inc (DMPI), is flourishing. Yet, the majority of the workers within this industry (approximately 24,000 people) are not benefitting from this and are vulnerable to being locked in poverty. These workers, hired within the companies through labour cooperatives (also known as ‘contract workers’ or ‘contractuals’) have wages that cannot cover their basic needs, insecure temporary contracts, and no opportunity to raise their grievances through collective bargaining. Fairfood urges Dolefil and DMPI to take responsibility and make positive changes to the lives of these workers in their supply chains. In fact, Dolefil and DMPI can be leaders in setting a path to living wages: wages that afford them a fair standard of living, for themselves and their families.

### KEY FINDINGS

The workforce in the Philippine pineapple industry shows a trend of ‘contractualisation of labour’: the hiring of labour for pineapple production through labour cooperatives, instead of employing workers directly within the companies. These ‘contractuals’ comprise an estimated 85% of the total workforce of the companies and their numbers show an increasing trend. A survey Fairfood performed amongst the companies’ workers in 2013 indicate that contractuals earn significantly less than their directly employed colleagues and have less social benefits, even though they perform mostly the same type of operations. In 2013, the majority of the contractuals only received the minimum wage on average and 24% of these workers received wages that were actually below the official minimum. Furthermore, contractuals have little security of tenure. Opportunities for contractuals to fight for better conditions are limited. As they are not members of unions or represented in collective bargaining, they are not able to raise their grievances.

## Introduction

The Philippine pineapple industry is largely operated by two companies – Dole Philippines (Dolefil) and Del Monte Philippines Inc. (DMPI) – who grow 80% of its pineapples.<sup>1</sup> Their CSR reports give the impression that they take really good care of their workers. They pay them far above the minimum wage, as well as providing them with significant benefits, such as housing, transport and education. That, of course, is wonderful. However, there are approximately 24,000 workers not included in these reports (comprising an estimated 85% of their total workforce) who also work for these companies.<sup>2</sup>

These workers, also known as ‘contractuals’ or ‘contractual workers’, are employed indirectly through labour cooperatives that are contracted by Dolefil and DMPI. In 2013, the majority of them (76%) only received the minimum wage on average and the other 24% received wages that were actually below the official minimum.<sup>3</sup> They work on temporary contracts or an on-call basis.

The current official minimum wage is already far below a living wage – a wage that is sufficient for workers to fulfil their basic needs to support themselves and their families – and contractual workers do not receive the same benefits as the direct workers who are directly employed by the companies. Furthermore, contractuals are not able

to raise their grievances since they cannot be members of a union and are not represented during collective bargaining. These conditions make them a vulnerable group of workers who become locked in poverty.

In this report, Fairfood uncovers the story that remains hidden from the public eye: that of the thousands of workers that are kept in the shadows of the flourishing Philippine pineapple business. Although they make up the bulk of the worker base – in ever-growing numbers – they are the ones who least benefit from it. The root causes of their insecurities are wages that are barely above subsistence level and insecure temporary contracts that last only 5 to 6 months at a time.<sup>4</sup> It is clear that urgent action is needed now to change this.

That is why Fairfood is urging Dolefil and DMPI to take responsibility and make positive changes to the lives of the thousands of workers in their supply chains. As stated in the UN 2011 Guiding Principles on Business and Human Rights: Implementing the United Nations ‘Protect, Respect and Remedy’ Framework (also known as the ‘Ruggie Principles’), businesses should respect human rights and address any adverse impacts on human rights for which they are responsible.<sup>5</sup> This includes impacts caused by their associates throughout their supply chains.

### METHODOLOGY

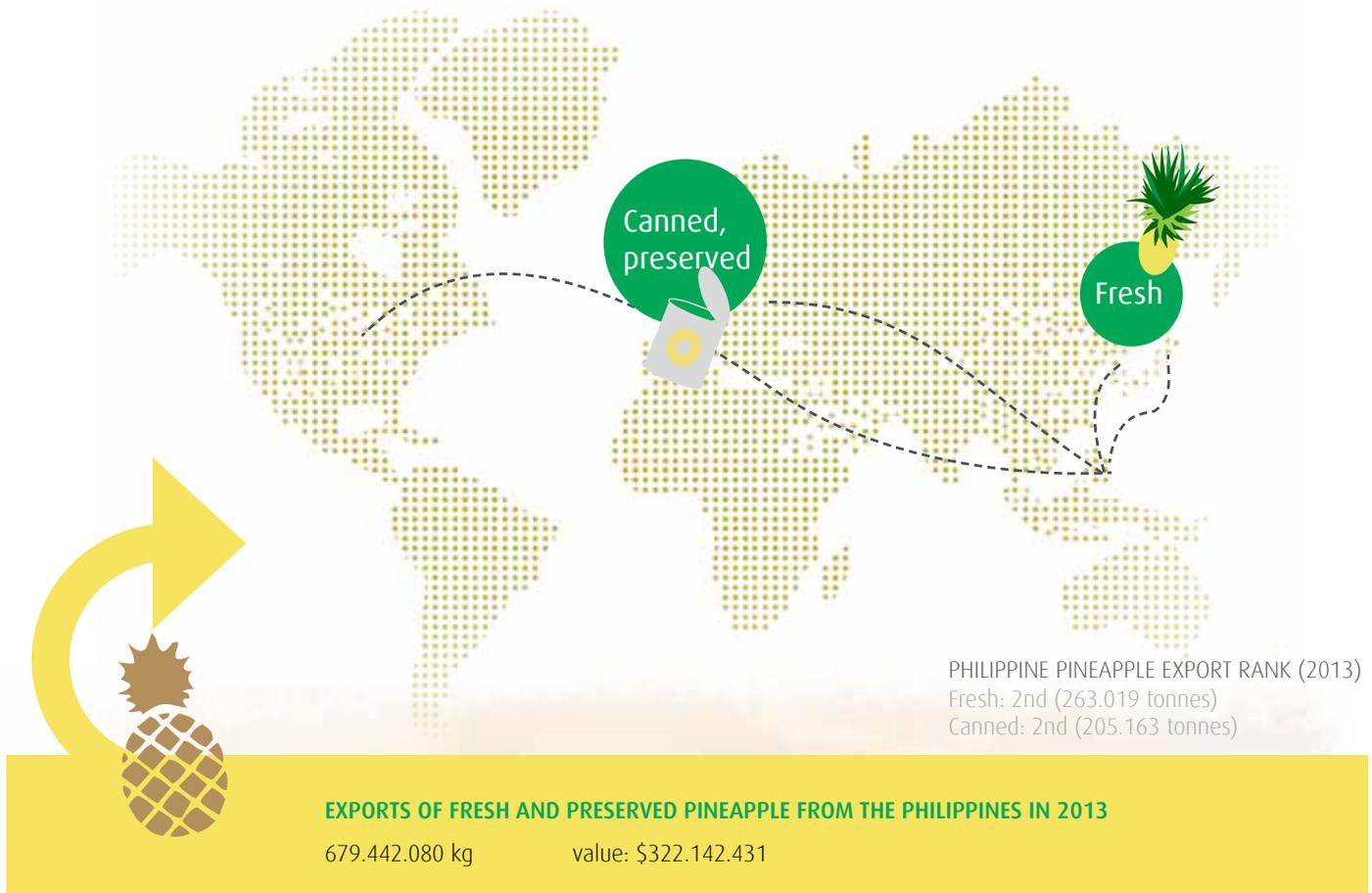
This report is based on in-depth research conducted between 2011 and 2014. The research includes:

- Desk research covering relevant secondary literature and statistical data;
- National and international supply chain research;
- Field research, including a survey of 261 pineapple workers and interviews with local stakeholders, including barangay officials, labour union leaders, farmers’ organisations and retired employees in 25 communities in Mindanao;
- Qualitative in-depth interviews with 14 experts from the public sector, private sector and civil society organisations in the Philippines.

The report further includes fair hearing of Dolefil and DMPI. In this process, we offered the companies the right to reply. Relevant elements of their responses are included throughout the report.



# Pineapple from the Philippines



Spanish rulers introduced the pineapple to the Philippines in the 19th century. Since then, this tropical fruit has grown to become one of the country's major crops, in addition to the Philippines having become one of the world's main pineapple producers.

In 2012, the Philippines was the world's fourth largest producer of pineapples – after Thailand, Costa Rica and Brazil – with a total production of 2,397 thousand tonnes, worth \$683 million.<sup>6</sup> Looking at export volumes, the Philippines is the second largest exporter of both fresh and canned pineapples, as well as pineapple juices.<sup>7</sup> Most of the fresh pineapples are exported to Japan (43%) and South Korea (25%). Processed pineapple exports (i.e. canned, juiced and frozen) mainly go to the US (63%), Europe (14%) and several Asian countries.<sup>8</sup>

## A GROWING INDUSTRY

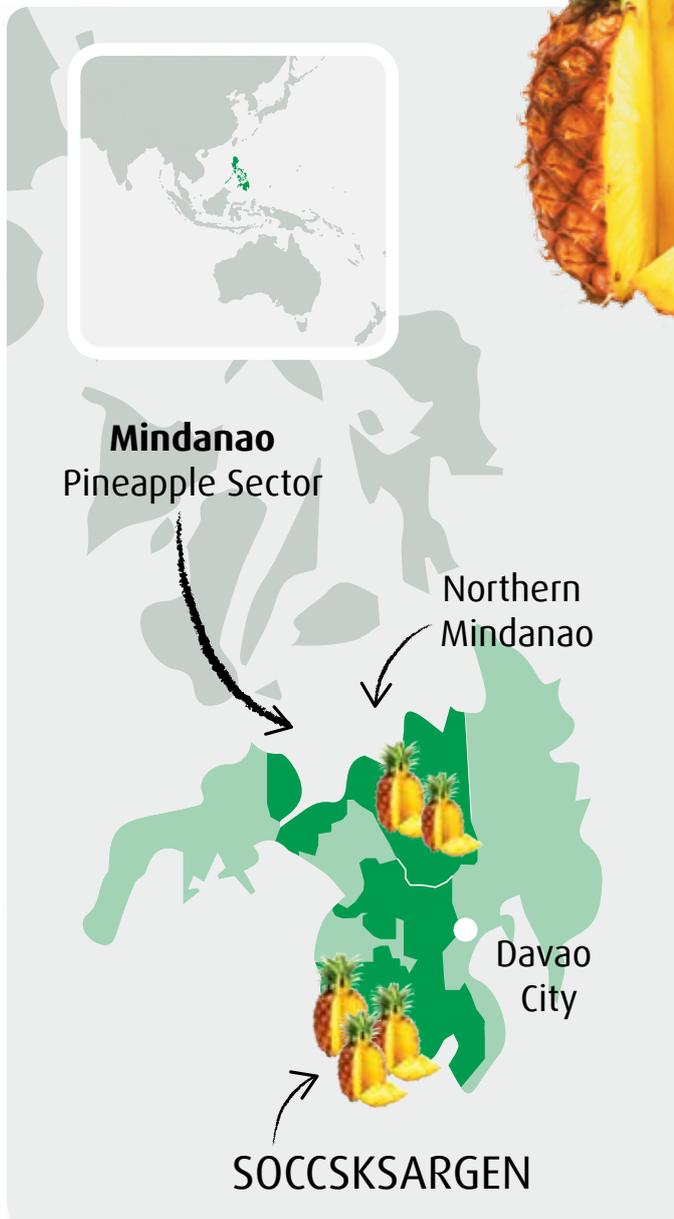
In the past years, the Philippine pineapple industry has been growing considerably.<sup>16</sup> This is true in terms of both its volumes and its value. Fresh pineapple exports have more than doubled in volume and almost tripled in value over the last five years. In the same period,

### DEL MONTE PHILIPPINES INC.

DMPI started its operations in the Philippines in 1926. It is a subsidiary of Del Monte Pacific Ltd (DMPL). Currently, DMPI has a 23,000-hectare pineapple plantation in Northern Mindanao, in the province of Bukidnon.<sup>11</sup> It also possesses a 700,000-ton processing capacity, including a port.<sup>12</sup>

### DOLE PHILIPPINES

Dolefil's pineapple operations in the Philippines began in 1963. The Dolefil pineapple plantation consists of 16,571 hectares of base plantations and private growers in the province of South Cotabato in the region of SOCCSKARGEN.<sup>13</sup> <sup>14</sup> Their business on Mindanao also includes a 750,000 square foot cannery, a juice concentrate plant, a freezer, and an international shipping and wharf facility.<sup>15</sup>



The majority (89%) of Philippine pineapples come from the island Mindanao, where the large companies Dolefil and DMPI are based.<sup>9</sup> They operate 80% of the Philippine pineapple industry.<sup>10</sup> The rest of the Philippine pineapple market is mainly operated by Sumifru, Unifrutti, Asian Hybrid, and Mt. Kitanglad Agricultural Development Corporation (with a few smaller-scale exceptions).

the value of canned pineapples has increased by 28%. Canned pineapple volumes have increased only slightly by 3%.<sup>17</sup>

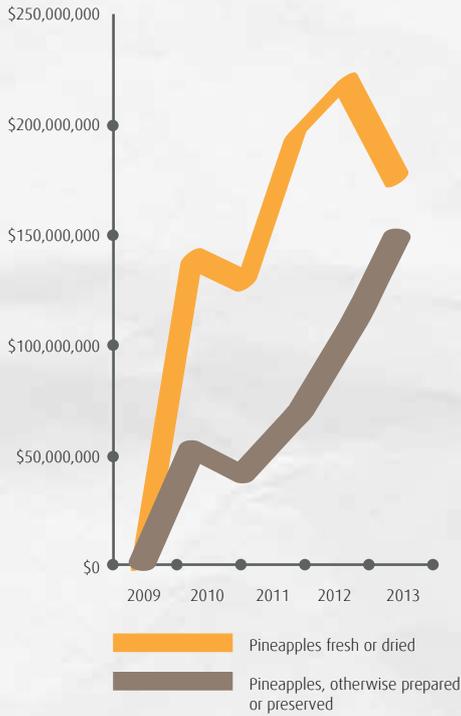
The production of pineapples in the country has steadily increased over the last decade, as is shown by both production and land use figures. Clearly, the production has significantly intensified. Between 2003 and 2012, pineapple production grew by 41%,<sup>18</sup> while official land use increased by 23%.<sup>19</sup>

Production has grown strongest in the provinces of Northern Mindanao, where DMPI has its operations, and SOCCSKSARGEN where Dolefil's plantations and processing plants are located.

The growth in the Philippine pineapple industry's operations, production volume and export value is also reflected in the major profits recorded by the pineapple producers DMPI and Dolefil. In 2013, the Japanese Corporation Itochu took over Dolefil as part of its acquisition of Dole Packaged Foods.<sup>20</sup> According to Itochu's reporting, it earned ¥7.1 billion (€51.3 million) last year from its Dole unit.<sup>21</sup> In April 2014, Dolefil announced that they are planning to double their plantations in the next five years.<sup>22</sup>

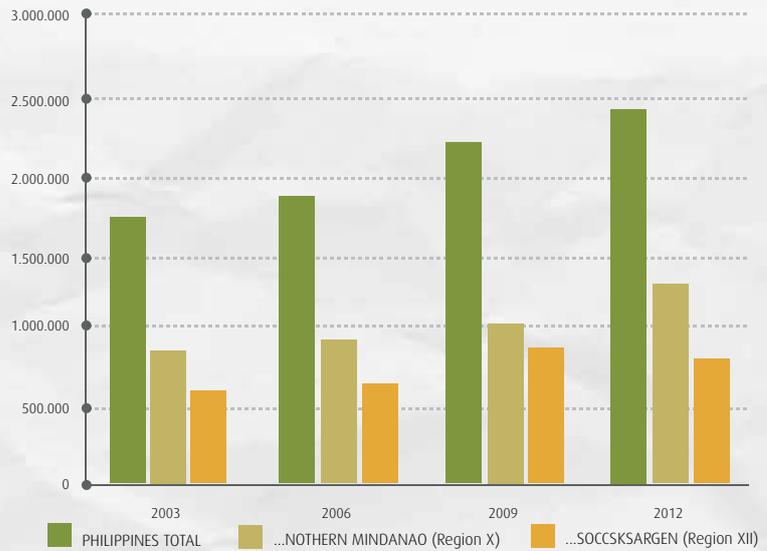
As for DMPI, the profits are less transparent, but based on the reporting of their parent company DPML we can assume that their business is also very profitable. In 2013, DMPL reached record sales of US \$492.2 million.<sup>23</sup> At the beginning of 2014, DMPL finalised the buyout of Del Monte Foods Consumer Products.<sup>24</sup> Adding back the one-off fees of the US acquisition, net profit would have been US \$33.9 million, or 6% higher than that of 2012.<sup>25</sup> Indeed, in the last five years the net profits of DMPL have increased from US \$11.3 million to US \$33.9 million, which represents a 300% increase in five years.<sup>26</sup>

**PINEAPPLE EXPORTS (TRADE VALUE, IN US \$)**



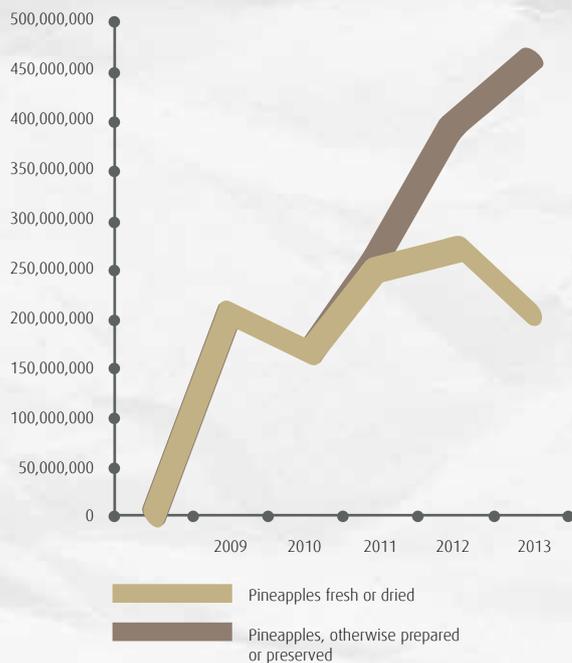
Source: UN Comtrade (2013)

**PHILIPPINE PINEAPPLE PRODUCTION (IN TONNES)**



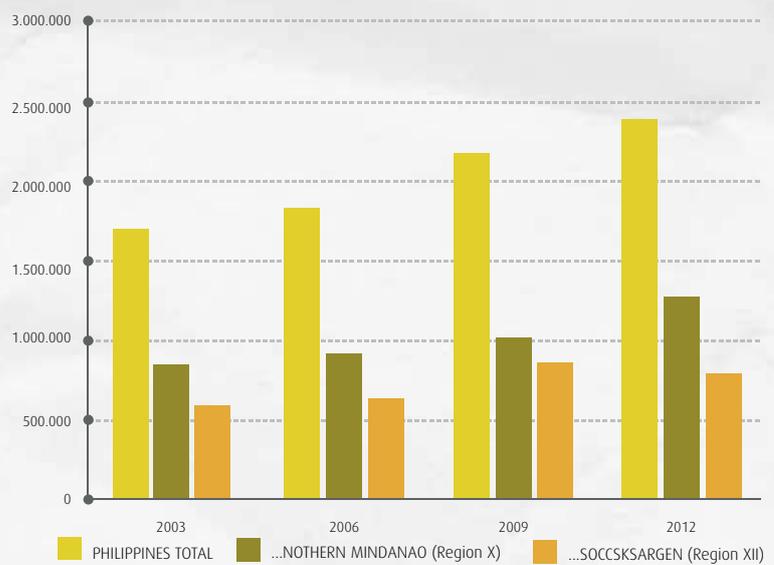
Source: Philippines Statistics Authority, Bureau of Agricultural Statistics (2013).

**PINEAPPLE EXPORTS (TRADE QUANTITY)**



Source: UN Comtrade (2013)

**PHILIPPINE PINEAPPLE AREA PLANTED (IN HECTARES)**



Source: Philippines Statistics Authority, Bureau of Agricultural Statistics (2013).

# Workers in the Philippine pineapple industry



In spite of the growing trend in production and the major profits, not everyone is benefitting from this. In their CSR reports, both Dolefil and DMPI recount impressive stories of how well they take care of their employees. They receive wages well above the minimum wage, as well as significant benefits.

Unfortunately, this story is only true for the workers who are directly employed at these companies. The CSR reporting does not go as far as to include the thousands of other workers that DMPI and Dolefil employ – indirectly through labour cooperatives. These contractuales (or contractual workers) are ever increasing in numbers, and their labour conditions are worse than those of the direct workers. Most importantly, they earn wages that cannot cover their basic needs and they are not represented by labour unions.

## WORKERS IN DOLEFIL'S SUPPLY CHAIN

In 2008, the International Labour Rights Forum (ILRF) estimated Dolefil's total labour force at 20,000 people, including about 15,000 contractual workers.<sup>27</sup> According to their own communications, Dolefil currently hires 4,400 direct employees and 9,800 contractual workers.<sup>28</sup> We suspect the difference in numbers is because their calculations do not account for ancillary workers.

## WORKERS IN DMPI'S SUPPLY CHAIN

In 2011, the DMPI reported having 12,714 workers in total, comprising 4,027 direct employees and 8,687 'service providers'.<sup>29, 30</sup> As of 2014, their website states that they have over 3,600 directly hired employees, which thus demonstrates a decrease in direct workers compared to earlier years.<sup>31</sup> Looking at these numbers in conjunction with the ongoing trend towards labour contractualisation throughout the cooperatives, we expect that the number of so-called 'service providers' has increased. Overall, DMPI estimates that 15,000 families and 75,000 individuals depend directly or indirectly on the company.<sup>32</sup>

## WHAT IS HAPPENING?

Since the late 1980s, the workforce in the Philippine pineapple industry has shown a trend towards 'contractualisation of labour': the

hiring of labour for pineapple production through labour cooperatives, instead of employing workers directly within the companies. This practice became legal because of the so-called 'Herrera Law' that was passed in the Philippines in 1989 through The Republic Act 6727 (named after Senator Ernesto Herrera who authorised the Act).<sup>33</sup> Since then, Dolefil's and DMPI's employee base has shown a rapid increase in the indirect hiring of workers through cooperatives.<sup>34</sup>

The cooperatives hire the workers on a contractual basis for limited periods of five to six months, or even on an on-call basis.<sup>35</sup> In 2008, the International Labour Rights Forum (ILRF) estimated the share of contractual workers for Dolefil at 77%.<sup>36</sup> Based on the annual report from DMPL, 68% of the workers of DMPI were employed as 'service providers' (as they call the contract workers) in 2011.<sup>37</sup>

At the time of our field study in 2013, 85% of the respondents (working in Dolefil's and DMPI's supply chain) were employed on an indirect temporary contract.<sup>38</sup> This shows an increase from the figures in 2008 and 2011.

Even though Dolefil and DMPI have not completely stopped hiring direct employees, the field research shows that their direct workforce is relatively old and more of them retire each year.<sup>39</sup> The companies replace only a small share of the retiring workforce by new direct employees, whilst contractual workers take over the majority of the work.<sup>40</sup> This indicates that the number of contractual workers in these companies' supply chains, overall, will keep on increasing in the future – unless this trend is reversed.

## WHAT DOES THIS MEAN?

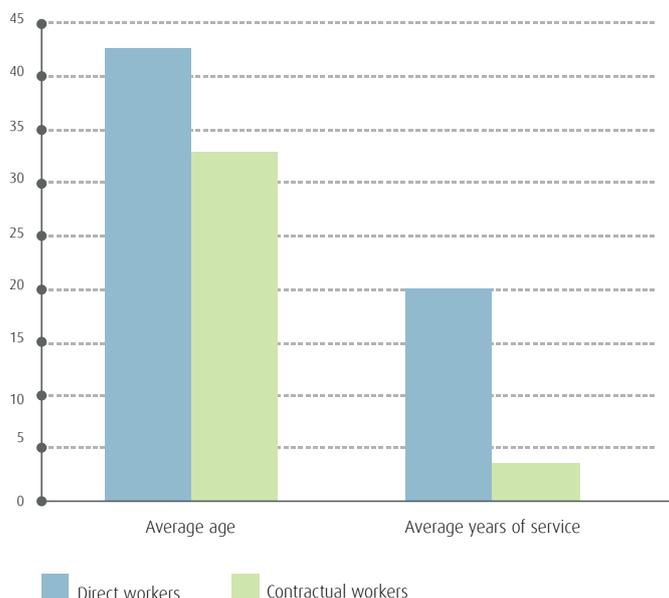
### Job insecurity

Our survey indicates that contractuales only get five to six month contracts. In practice, the labour cooperatives often renew these contracts after the contract period ends. Yet, they only hire through temporary contracts, which means that the contractuales will never receive a permanent contract. As a result, they have limited job security. Direct and contractual workers report large and significant differences in years of service. Almost 90% of the interviewed direct workers have been working for Dolefil or DMPI for more than five years.<sup>42</sup> Less than 20% of contract workers report the same.

“We are asking management to set a fixed number for direct workers. On the average, 8-10 direct workers retire every month and they are being replaced by contractuales. Management only hires about 10 new direct workers every year while regulars who retire total about 96 to 120 each year. In 2016, it is estimated that there will be only 700 direct workers. In 2010, there were 1,506 direct workers.”

(Anonymised expert)<sup>41</sup>

#### AVERAGE YEARS OF SERVICE OF DIRECT EMPLOYEES AND CONTRACTUAL WORKERS



Source: Alternate Forum for Research in Mindanao and Fairfood International (2014).

#### JOB INSECURITY IN DOLEFIL'S SUPPLY CHAIN

Eighty-seven per cent of the workers we interviewed in Dolefil's supply chain are employed by the labour cooperatives on contracts of five to six months, or an on-call basis. In a response to the report findings, Dolefil states that "Approximately 80% of these workers are regular employees of the cooperatives, having been employed by them for at least one (1) year, and who therefore enjoy the security of tenure."<sup>43</sup> It remains unclear whether this means these workers receive permanent contracts, and thus to what extent this security of tenure reaches.

#### JOB INSECURITY IN DMPI'S SUPPLY CHAIN

From our 2013 survey, it emerges that contractuales generally work seasonally or have a contract of five to six months.<sup>44</sup> Sixty-nine per cent of the indirect workers have worked for the labour cooperative for one year or longer and should therefore be treated as a regular worker.<sup>45</sup>

In response to our findings, DMPI states that since the contractual workers are "owners of the cooperatives, they do enjoy security of tenure", based on the reasoning that the cooperatives can provide services to as many clients as they want.<sup>46</sup> The company further says that "as long as they remain members in good standing with the cooperative, they will continue to be deployed in DMPI."

This statement from DMPI is supported by our field research. We are not contesting that the short contracts are often renewed by the same cooperative – this contract is quite often renewed by the same labour cooperative – but it remains unclear whether they will receive a permanent contract, as the cooperatives only hire through temporary contracts. This would indicate that they will never have full security of tenure.



### NO LIVING WAGE

Our field research data indicate that 75% of the families of contract workers live on incomes below the Family Living Wage (FLW).<sup>47</sup>

This situation is reflected in the way these workers report on their income. The majority of the contract workers consider their income insufficient to meet family needs and 90% of them claimed to have debts.<sup>48</sup>

## A LIVING WAGE IS a human right

Several international treaties and conventions call for the payment of fair remuneration, including the United Nations Universal Declaration of Human Rights, the ILO Declaration on Social Justice for a Fair Globalization, and the OECD Guidelines for multinational enterprises.<sup>49</sup> Fairfood uses the following definition of a living wage:

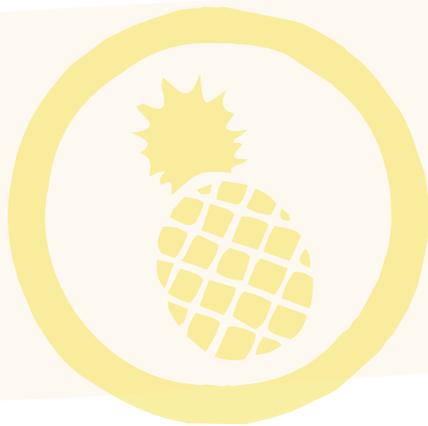
Remuneration received for a standard working week by a worker sufficient to afford a fair standard of living for the worker and her or his family. Elements of a fair standard of living include food, housing, clothing and footwear, utilities, transport, education, health, communication, participation in socio-cultural activities, purchase of household goods, savings, and childcare.

In many countries (including the Philippines), a living wage is different from a minimum wage. Unlike a living wage, a minimum wage is set by law and is much lower than the living wage.

### THE FAMILY LIVING WAGE

In 2008, the National Wages and Productivity Commission (NWPC) of the Philippines set the Family Living Wage (FLW) for all regions in the Philippines. Whilst these specific FLW estimates are no longer publically available, several sources refer to them and the table with the original rates can be found in Annex 1.<sup>50</sup>

The living wage was defined per region and varies with the area-specific cost of living. According to the NWPC, a family of six in region XII should have an income above 781 Philippine pesos (PHP) (€13.82) per day in 2008.<sup>51, 52</sup> The authority set the living wage for region X in the same year at 818 PHP (€14.74) per day.



Contractual workers earn significantly less than their directly employed colleagues (depicted in the graphic), even though they perform mostly the same type of operations.<sup>57</sup> This is all the more striking as the contractuels’ jobs are a lot less secure. It is clear that the income they receive does not nearly compensate for this. Moreover, could the lack of living wages be compensated by secondary benefits such as housing, food, and other necessities; this is not the case for most contractuels in the Philippine pineapple industry. In fact, it is only the direct employees – who already receive better wages – who benefit most from these arrangements.



Worker Type	Average wage	Minimum wage	FLW
Direct worker	471 PHP (€8.32)	249-270 PHP <sup>i</sup>	781 PHP
Contractual worker	264 PHP (€4.66)	(€4.40-€4.77)	(€13.81)

Worker Type	Average wage	Minimum wage	FLW
Direct worker	612 PHP (€10.82)	279-306 PHP <sup>ii</sup>	818 PHP
Contractual worker	319 PHP (€5.64)	(€4.93-€5.41)	(€14.46)

Alternate Forum for Research in Mindanao and Fairfood International (2014)

**WORKERS WITHOUT LIVING WAGE IN DOLEFIL’S SUPPLY CHAIN**

In fact, an estimated 75% of all families in Dolefil’s supply chain (including both contractual and direct workers) reported wages that are below the FLW.<sup>53</sup> This means that there is still a significant improvement that the company can make to benefit all workers’ lives. Yet, it is important to note that the contractual workers are far worse off. On average, the workers in Dolefil’s supply chain that we interviewed in 2013 only earn approximately half of the direct employees’ wage.

In a response to the FLW used in this report, Dolefil states: “There is no official standard for a FLW. Whatever government declaration or issuance there has been on the subject in years past was “embargoed” after serious disagreements were raised by other, line government agencies with reference to the mechanism and methodology of its establishment; there has been no declaration or issuance on the subject since. (...) The company is not opposed to the government establishing a FLW on a level playing field for all businesses and industries in the country.”<sup>54</sup>

**WORKERS WITHOUT LIVING WAGE IN DMPI’S SUPPLY CHAIN**

About 70% of the families of all workers (contractual and direct) in DMPI’s supply chain need to survive on an income below FLW.<sup>55</sup> If we look at only the contractual workers, it appears that 74% of them are earning below this wage. Furthermore, the contractual workers employed (indirectly) by labour cooperatives contracted by DMPI only earn approximately half of the direct employees’ wage on average.

In a response to the report findings, DMPI states that “the minimum wage prescribed by law constitutes a living wage.”<sup>56</sup>

<sup>i</sup> Min-max based on wages for agricultural workers (PhP 249-252) and workers in agricultural processing (PhP 270).  
<sup>ii</sup> Min-max based on wages for agricultural workers (PhP 279-294) and workers in agricultural processing (PhP 306).

“ Land preparation is mechanised so this is contracted out to big equipment companies. Other operations are mixed with direct and contracted workers. Previously, harvesting was done by direct workers and contractals were hired only during peak months. Now, most of the operations are done side-by-side by both direct and contracted workers.”

(Atty. Jay S. Albarece, Bukidnon Provincial Gov't Board Member and Chair of Labour Committee; Associated Labor Union Legal Counsel).<sup>59</sup>

## EQUAL PAY FOR EQUAL WORK

The difference in pay between direct and contractual workers is in contrast to the equal pay for equal work principle. Workers providing equal work should receive equal pay, as determined in the Universal Declaration of Human Rights (article 23(2)): ‘Everyone, without any discrimination, has the right to equal pay for equal work’.<sup>58</sup>

The International Covenant on Economic, Social and Cultural Rights, to which the Philippines is a party, also stipulates equal pay for equal work in article 7(a)(i) stating that ‘Fair wages and equal remuneration for work of equal value and without distinction of any kind [...] with equal pay for equal work’.

### A LACK OF BENEFITS

Whereas direct employees in Dolefil’s and DMPi’s supply chains enjoy numerous secondary benefits, the same amount of benefits is not guaranteed for all contract workers.<sup>60</sup>

In the past, several cases were reported where labour cooperatives neglected to remit social benefits for contractual workers to the concerned agencies.<sup>61</sup> Stricter contracts and increased monitoring of the labour cooperatives by the companies have generally led to improvements; the workers are now provided with the social benefits that they are required to pay by law. Those include SSS, Phil-health, PAG-IBIG and 13th month pay.<sup>62</sup>



**SOCIAL SECURITY SYSTEM (SSS):**

Filipino Social Security System, covering sickness, disability and death resulting from work-related injuries, as well as retirement and maternity leave.

**PHIL-HEALTH:**

The Philippine Governments' national health insurance programme.

**PAG-IBIG:**

The Home Development Mutual Fund, which aims to provide its members with adequate housing through an effective savings scheme.

However, experts agree that it is likely that in some cases remittance of social benefits by the labour cooperatives continues to be problematic, and that the contract workers in this respect are worse off than workers that are directly employed at Dolefil and DMPI.<sup>63</sup>

Our survey showed that 76% of them in 2013 did not receive paid sick leave and 84% claimed their employers do not pay maternity leave. In addition, whilst officially contractual workers seem to be entitled to five days a year of paid leave, the majority of them claimed not to receive paid vacation leave.<sup>64</sup> The differences between direct workers' benefits and those of contractual workers are largely the same for Dolefil and DMPI.

It is important to note that the workers are formally members and co-owners of the labour cooperatives who offer their services to companies. This does give them the right to annual dividends. However, the dividends are considerably low, and do not seem to compensate for the difference in benefits nor wages between contractuales and direct workers. For example, one of the experts we interviewed mentioned that the largest labour cooperative of DMPI (GSC) provides an annual dividend of 72 PHP (€1.27) per share.<sup>65</sup> The contractuales would need to have many shares to make up for the wage difference between them and direct workers – let alone to constitute a living wage.

**BENEFITS PER WORKER GROUP DOLEFIL**

Type of benefits	Direct employees	Contractual workers
<b>Average daily wage</b>	471 PHP (€8.32)	264 PHP (€4.66)
<b>Salary increases</b>	Yes  (based on performance and promotion)	Yes  (based on minimum wage increases, or new practices)
<b>SSS, PhilHealth, PAG-IBIG</b>	Yes	73% Yes
<b>13th month pay</b>	Yes	74% Yes
<b>Paid sick leave</b>	88% Yes	37% Yes
<b>Paid vacation leave</b>	88% Yes	26% Yes
<b>Transportation allowance</b>	Yes	No data available
<b>Accident insurance</b>	Yes	Sometimes, depending on labour cooperative
<b>Medical and dental services</b>	Yes: • Access to Howard Hubbard Hospital • free pre-employment and annual general medical check-up	Yes: • Access to Howard Hubbard Hospital • Other health benefits are sometimes provided, depending on labour cooperative
<b>Free hospitalisation</b>	Yes (up to 60,000 PHP (€1060)/year/illness)	Sometimes, depending on labour cooperative
<b>Health insurance</b>	Yes (regular accident insurance)	Sometimes, depending on labour cooperative
<b>Educational allowance</b>	Yes (family educational allowance of 1,900 PHP (€33.54)/year)	Sometimes, depending on labour cooperative
<b>Annual dividends</b>	Not applicable	Yes

Sources: Alternate Forum for Research in Mindanao and Fairfood International (2014) DMPI Annual Report (2013).



**BENEFITS PER WORKER GROUP DMPI**

Type of benefits	Direct employees	Contractual workers
<b>Average daily wage</b>	612 PHP (€10.81)	319 PHP (€5.63)
<b>Salary increases</b>	Yes  (based on performance and promotion)	Yes  (based on minimum wage increases)
<b>SSS, PhilHealth, PAG-IBIG</b>	Yes	Yes
<b>13th month pay</b>	Yes	95% Yes
<b>Paid sick leave</b>	90% Yes	11% Yes
<b>Paid vacation leave</b>	90% Yes	7% Yes
<b>Housing &amp; electricity</b>	Yes	Sometimes, depending on labour cooperative
<b>Transportation allowance</b>	Yes	No data available
<b>Accident insurance</b>	Yes	Sometimes, depending on labour cooperative
<b>Medical and dental services</b>	Yes	No data available
<b>Educational allowance</b>	No data available	Sometimes, depending on labour cooperative: educational loans
<b>Annual dividends</b>	Not applicable	Yes

Sources: Alternate Forum for Research in Mindanao and Fairfood International (2014) DMPI Annual Report (2013).

“It is possible for piece rate workers to have lower than the minimum wage especially when they do not reach the prescribed output based on the time and motion study which calculated the average output of a person within 8 hours.”

(Engr. Edwin Morales, Supervising Labour and Employment Officer, Department of Labour and Employment (DOLE) – Region XII)<sup>70</sup>

**SOCIAL BENEFITS FOR CONTRACTUALS IN DMPI'S SUPPLY CHAIN**

In response to our findings, DMPI states that all contractual workers receive paid sick and vacation leave as required by Philippine Labour Law. Also, “contractor’s workers receive other social benefits that are not being enjoyed by DMPI’s direct employees [...] such as emergency, housing, educational loans, insurance, and of course their annual dividends.”<sup>66</sup>

Whilst this may be true, there still remains a disparity between the benefits of the contractuales and the ones that direct workers enjoy (see graphic). These benefits thus do not compensate for the difference in wages, nor do they constitute a living wage.

**NOT EVEN A MINIMUM WAGE**

Although minimum wage is obligatory, still 24% of our survey respondents claimed to – on average – earn less than daily minimum wage.<sup>67</sup> Ninety-eight per cent of these workers were contractuales.<sup>68</sup>

This was the case in 2013. Over the past 12 months we have seen the pineapple companies working to change this, amongst others by actively monitoring the payment of minimum wages by the labour cooperatives. Still, experts agree that wages below the minimum wage line may still happen, and that this can be attributed to the practice of piece-rate payment.<sup>69</sup>

**MINIMUM WAGE:**

The National Wages and Productivity Commission (NWPC) from the Department of Labour and Employment (DOLE) is the Philippines’ authority that sets the daily minimum wage rates. The wages are defined per region and distinguish between agricultural work and industrial work, which applies to workers in agricultural processing. In 2013, the daily minimum wages were as follows:<sup>71</sup>

	<b>Agricultural production</b>	<b>Agricultural processing:</b>
<b>Northern Mindanao (region XII)</b>	279-294 PHP (€4.81-€5.16)	291-306 PHP (€5.15-€5.41)
<b>SOCCSKSARGEN (Region X)</b>	249-252 PHP (€4.40-€4.46)	270 PHP (€4.47)

#### MINIMUM WAGE VIOLATIONS IN DOLEFIL'S SUPPLY CHAIN

Our 2013 field research uncovered that an estimated 36% of the workers in Dolefil's supply chain earned less than the daily minimum wage in 2013.<sup>72</sup> Almost all of them (98%) were working on the plantations and 55% were being paid piece rates.

When we presented these findings to Dolefil, they stated that they were paying the cooperatives contract rates that allow them to pay their workers at least an industrial minimum wage – which is higher than the agricultural minimum wage – and that they perform regular audits. The piece rates they apply are established based on time and motion studies which are in line with those determined by (and even more generous than) the Department of Labour and Employment (DOLE).<sup>73</sup>

#### MINIMUM WAGE VIOLATIONS IN DMPI'S SUPPLY CHAIN

When we performed our field research survey in 2013, we identified that 12% of the interviewed workers earned below the legal daily minimum wage.<sup>74</sup> When we presented these findings to DMPI, they informed us that they abandoned the piece rate scheme after the time we did our field research, as they "realised that said scheme was not optimal to the workers and therefore we decided to discontinue it".<sup>75</sup> DMPI also states it has an internal audit group that regularly audits cooperatives on paying the minimum wage, as well as periodical audits by the Department of Labour Employment (DOLE). According to the company, their internal audits are at random and unannounced and include surveys and interviews with contract workers.

Fairfood is satisfied that companies are finally taking steps to address the problem that workers could fall below daily minimum wage. However, we are alert to the issues, as we can still see workers who work at piece rate and seasonally may be at risk of falling below minimum wages over a longer period. Workers may not be able to complete a full working week because of seasonal work or inclement weather, and this is where disparities arise.



“Relatively, there is freedom of association, but not genuine freedom of association in the pineapple industry. There is diminishing bargaining power for direct workers in the pineapple industry since they are now only about 20 to 30% of total number of workers. They cannot paralyse work, thus, they have less bargaining power.”

(Atty. Jay S. Albarece, Bukidnon Provincial Gov't Board Member and Chair of Labour Committee; Associated Labour Union Legal Counsel).<sup>80</sup>

## THE RIGHT to freedom of association

Freedom of association and the right to collective bargaining are key labour rights that are part of the Universal Declaration of Human Rights.<sup>76,77</sup> They enable workers to bargain with the companies to ensure that their rights, including the right to a living wage<sup>78</sup>, equal pay for equal work and security of tenure, are respected.

### INABILITY TO UNIONISE

Direct workers are officially represented by elected unions who enter into Collective Bargaining Agreements (CBAs) on behalf of their members. Conversely, contract workers cannot easily resolve their insecurities themselves because they lack the bargaining power to do so. As they are officially not employed by the labour cooperatives, but are owner-members, they cannot enter into Collective Bargaining Agreements the same way the direct workers do. They might be able to influence the cooperatives' policies, but they are not equipped to unite themselves across several labour cooperatives to bargain with Dolefil or DMPI directly for better labour conditions.

Furthermore, it is important to note that with growing numbers of contract workers as opposed to direct workers, the bargaining power of the directly employed is strongly diminishing. Given that they form only about 15% of the current workforce, this does not enable them to create enough leverage to bargain for better conditions.<sup>79</sup>

### GRIEVANCE MECHANISMS IN LABOUR COOPERATIVES

Workers for labour cooperatives legally are members and co-owners of the cooperative. Therefore if they would unionise this would mean that they are effectively organising against themselves.<sup>82</sup> As members, formally they have a voice in the cooperative's decision making process. Every labour cooperative consists of a General Assembly (GA): the decision-making body in which all members have a vote.

The GA rules the Board of Directors and Management of the cooperative. All labour cooperatives are supposed to have a grievance committee, and all complaints and questions raised by members should be addressed in the GA.<sup>83</sup> Theoretically, since workers have a voice in the decisions of the labour cooperatives, they do not need to be represented by a labour union. However, in practice it is doubtful whether these formal mechanisms function properly and many workers do not know about them.<sup>84</sup>

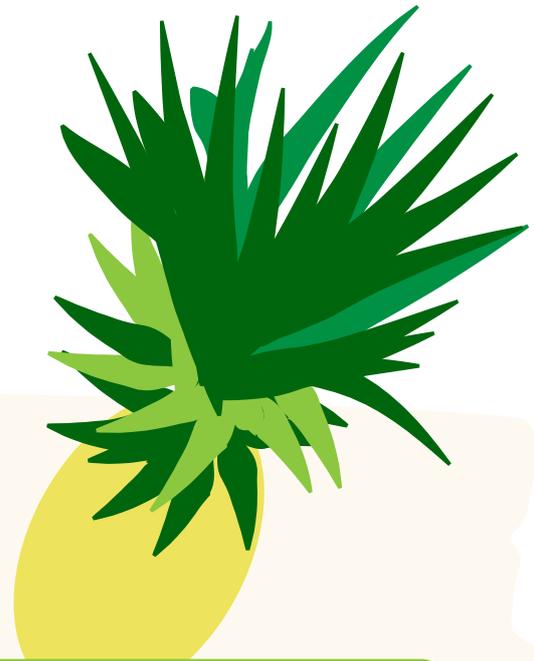


“We tend to have no bargaining power, no voice. We cannot afford to be vocal for fear that we may lose our jobs and be blacklisted.”

(Anonymised survey respondent)<sup>81</sup>

In a reply to our findings, both companies state that they will not interfere if contractual workers want to organise themselves and Dolefil even recognises their right to do so.<sup>85</sup> Effectively though, the legal construction of the labour cooperatives seems to make this impossible, and it is extremely difficult for contractals to enter into a CBA with the companies.

The story of the right to collective bargaining employees in the pineapple industry in Mindanao is very much in line with a recent publication of the ILO. The ILO Report of the Committee of Experts on the Application of Conventions and Recommendations states that in practice the right to freedom of association is not fully respected throughout the entire Philippines.<sup>86</sup>



#### THE INABILITY TO UNIONISE IN DOLEFIL'S SUPPLY CHAIN

Dolefil's workers have little ability to protect their rights through unionisation. This is reality to the 87% contract workers in their supply chains that are not unionised due to the fact that they are owner-members of a labour cooperative.

In a response to our findings in light of this report, Dolefil says: "The right to unionise was not historically recognised for members of cooperatives pursuant to prevailing jurisprudence."<sup>87</sup> However, with the advent of Department Order No. 18-A, Series of 2011, the right to organise was expressly recognised for job contractors. It may only be a matter of time before employees of job contracting cooperatives also organise themselves into unions."

#### THE INABILITY TO UNIONISE IN DMPI'S SUPPLY CHAIN

The 84% contractual workers in DMPI's supply chain are not unionised due to the fact that they are owner-members of a labour cooperative.<sup>88</sup>

In a response to our findings, DMPI replies: "We wish to state that DMPI's policies do not prohibit our workers, both direct and the contractor's, from joining or organising unions. The company does not in any way, overtly or otherwise, interfere with the rights of workers to self-organisation. We leave it wholly to our workers to decide whether or not to organise themselves into a union or association."<sup>89</sup>



## Conclusion

With the contractualisation of the workforce in the Philippine pineapple industry, Dolefil and DMPI have created a two-tier system in which one group of workers (the directly employed) receive better wages and benefits than a second group of workers (the contract workers). Even though both types of workers most often perform the same type of labour and work alongside each other, in practice this does not lead to them getting equal pay – in spite of this being an acclaimed principle of international law.

The reality leaves the contract workers trapped in a situation of poverty that hard for them to escape. They do not have a clear path to collective bargaining that could help them in improving conditions for themselves, as opposed to the direct workers that are represented by elected unions that can enter into CBAs with the companies. This is why it is all the more important that we, as Fairfood, speak up for them.

### What needs to change

Dolefil and DMPI are equally as accountable for the conditions of the contractuales as they are for their direct employees, especially because the vast majority of the workers who produce their pineapples are employed via the labour cooperatives. They should extend equal conditions to workers that perform the same job. Equal pay for equal work should be a presiding condition for any contract that they enter into. In this way, the gap between the contractuales and the direct workers will close.

In fact, Fairfood has an increasing suspicion that the companies are using arm's length management as an excuse not to pay living

wages. Whilst Dolefil and DMPI have both made considerable progress in eradicating minimum wage violations in their supply chains, this still falls below the levels required to meet the basic needs of many of the families that work in the plantations.

Dolefil and DMPI can be leaders in setting a path to living wages. It shouldn't be solely up to governments to set wages in private companies. Rather, the companies themselves can, and should, decide what their workers at all levels are paid. A living wage is a human right, and businesses should respect human rights and address any adverse impacts on human rights for which they are responsible. Now Dolefil and DMPI should agree that a thriving industry should also allow its workers and their families to thrive and not to shrivel up, like the weeds on their plantations.



# Annex 1.

NEDA Estimates of Family Living Wage per Day 2005-2008  
 The National Wages and Productivity Commission (NWPC) started publishing estimates of the Family Living Wage (FLW) as early as 2000.<sup>90</sup> The last FLW rates were published in 2008, but these FLW estimates are no longer publically available. Several sources refer to the publication of the FLW in 2008.<sup>91</sup> Apparently the FLW for the National Capital Region (NCR) was calculated at 917 PHP (€16.21).<sup>92</sup>

Living Wage was defined by the NWPC as: “the amount of family income needed to provide for the family’s food and non-food expenditures with sufficient allowance for savings/investments for social security so as to enable [...] a decent standard of human existence beyond mere subsistence leve” (Arana Arao, 2006). The FLW assumed that a family had six members on average and that two family members are earning.<sup>93</sup>

Estimates of Family Living Wage Per Day Based on NSCB Cost Menus (In Pesos)  
 and Food Expenditures Ratios of Family in the 5th-7th Deciles  
 Solely Dependent on Wage and Salary  
 (Family Size is 6)

Region	NSCB MENU 1/				FE RATIO 2/ Ave 5th-7th Decile	2005*					2006*					2007*					September 2008*				
	2005	2006	2007	2008		TE (P)			10% of TE	FLW	TE (P)			10% of TE	FLW	TE (P)			10% of TE	FLW	TE (P)			10% of TE	FLW
						FE	NF	Total			FE	NF	Total			FE	NF	Total			FE	NF	Total		
NCR	32.27	34.11	35.23	38.67	41.2	194	434	627	63	690	205	494	699	70	768	211	531	743	74	817	232	601	833	83	917
CAR	32.45	33.90	34.43	38.76	42.3	195	420	615	61	676	203	467	670	67	738	207	494	701	70	771	233	570	803	80	883
Region I	34.46	35.97	36.88	41.24	44.8	207	394	591	59	650	216	435	651	65	716	221	470	691	69	760	247	535	782	78	860
Region II	32.12	33.83	34.40	38.52	45.9	193	329	522	52	574	203	373	576	58	633	206	405	612	61	673	231	465	696	70	766
Region III	34.39	36.20	37.20	41.70	47.8	206	337	543	54	598	217	377	594	59	653	223	423	646	65	711	250	485	735	74	809
Region IV	32.49	34.42	35.38	38.46	45.0	195	360	555	56	611	207	405	611	61	672	212	454	667	67	733	231	505	735	74	809
Region V	29.96	31.54	32.63	36.92	44.5	180	351	531	53	584	189	392	582	58	640	197	429	626	63	688	221	494	716	72	787
Region VI	28.39	29.79	30.84	35.07	46.5	170	305	475	48	523	179	334	512	51	564	185	366	551	55	608	210	427	637	64	701
Region VII	28.87	30.77	31.41	35.79	39.6	173	433	606	61	667	185	487	671	67	738	188	524	712	71	783	215	613	828	83	910
Region VIII	27.43	29.27	30.31	35.32	52.3	165	230	395	39	434	176	259	435	43	478	182	284	466	47	512	212	343	555	55	610
Region IX	28.15	29.81	31.12	36.30	39.5	169	381	550	55	605	179	430	609	61	670	187	477	664	66	730	218	579	797	80	876
Region X	28.62	30.49	31.63	36.32	43.8	172	353	525	52	577	183	398	582	58	640	191	446	637	64	701	218	526	743	74	818
Region XI	30.49	31.94	33.18	37.93	45.1	183	341	524	52	576	192	382	574	57	631	199	415	614	61	676	228	488	715	72	787
Region XII	30.21	31.80	33.14	38.15	43.9	181	329	510	51	561	191	365	556	56	611	199	405	603	60	664	229	481	710	71	781
AFMM	37.85	41.39	43.66	50.10	38.8	227	565	793	79	872	248	668	917	92	1008	262	764	1,026	103	1,128	301	902	1,202	120	1,322

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Fairfood is an international non-profit organisation. Our mission is to improve the socio-economic conditions of vulnerable people, such as smallholder farmers, workers (especially women) and consumers in our food system and to ensure the sustainable production and consumption of food, by influencing the policies and practices of global food and beverage companies and governments

