

The Coca Cola Company  
Country: Taiwan  
Type of operation(s): Bottling plant & bottle manufacturing plant  
Origin of migrant workers: Thailand, Vietnam, Indonesia

## BUYERS

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Our first case study came from collaboration with The Coca-Cola Company (TCCC) where ICCR was able to participate in a shadow audit of two suppliers in one of the company's most difficult markets, Taiwan. The issue of recruitment of migrant workers in Taiwan has been challenging for the company due to the existing legal framework, the company's minimal leverage with its suppliers, and the lack of other buyers enforcing the No Fees principle.



An audit in progress.

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**Policy Development:**

The Coca-Cola Company (TCCC) was one of the first food and beverage companies to adopt a policy banning the charging of recruitment fees to workers. Recognizing that migrant workers are particularly vulnerable to exploitation and human trafficking, in 2014 the company set out to review its internal policies and due diligence activities with the aim of better protecting such workers in its supply chain. The result was an enhancement to the company’s Supplier Guiding Principles and a public commitment to key principles related to the responsible recruitment and employment of migrant workers. These principles are articulated in the Human and Workplace Rights Issue Guidance, which was launched in early 2014 and is cited by ICCR as an exemplary document addressing the 3 pillars of ethical recruitment. In response to the Executive Order<sup>14</sup>, TCCC conducted auditor trainings globally to facilitate policy implementation in 2015.

In addition to policy and due diligence enhancements, TCCC sought to collaborate with peer companies to share a common message with suppliers and also to raise awareness within their industry. Through industry groups like AIM-PROGRESS, TCCC has conducted joint supplier trainings with peer companies to underscore the importance of protocol updates. During recent supplier trainings in the Middle East in 2014, Turkey in 2015 and Thailand in 2016, specific sessions were dedicated to addressing human trafficking risks. In hopes of raising awareness more broadly, TCCC became a founding member of the Leadership Group for Responsible Recruitment, a group of companies that has committed to the ‘Employer Pays Principle’.

Furthermore, the company has committed to investigate any allegations of worker abuse, including migrant worker abuses, through continuous assessments of suppliers and labor recruiters. For this purpose, the company has developed a Risk-Mitigation Checklist for contract and migrant workers, along with other management tools like enhanced vendor agreements and trainings available via mobile app<sup>15</sup>.

<sup>14</sup> <https://www.whitehouse.gov/the-press-office/2012/09/25/executive-order-strengthening-protections-against-trafficking-persons-fe>

<sup>15</sup> <https://itunes.apple.com/us/app/coca-cola-human-rights/id1035586459?mt=8>>Coca-Cola Human Rights - Coca-Cola</a>

## Migrant Workers

Migrant labor is a prevalent phenomenon in many countries and in many ways good for migrant workers and their families, but if poorly managed can result in exploitation and the abuse of worker rights. Employees may be recruited from their home countries to host countries through a network of labor contractors and a sponsorship system against their will through human trafficking. Recruitment agencies can offer valuable service, but some of the less reputable firms can render workers vulnerable to being in bonded forced labor as they become trapped by debt incurred to pay recruiters, by visa and work permit regulations that bind them to a particular workplace, and by limited access to host country law enforcement. (See Contract Labor checklist)

This checklist identifies key areas for employers to monitor when employing migrant labor. The intent is to respect human rights of migrant workers and thus avoiding instances of forced labor, including human trafficking, by ensuring migrant workers receive full disclosure prior to hire, that they are provided a safe and healthy work environment, and that their freedom of movement is not impeded.

**Complicity:** Complicity refers to when a company knew, or should have known, that a business partner or supplier was engaged in human rights abuses and, as a consequence, it indirectly contributed to a human rights violation. The concept is relevant when dealing with labor recruiters or brokers and highlights the need to undertake human rights due diligence.

This human rights self-assessment tool focuses on the principal indicators of potential human rights impact. The questions are not exhaustive and local conditions may require examination and remediation of additional factors.

## The Human Rights Due Diligence Assessment

KEY:		✔ Low risk activity	❑ Perform Action	📞 Contact SME
		⚠ High risk activity	📄 Obtain further info	↔ Engage 3 <sup>rd</sup> party
<b>Recruitment</b>				
<i>The facility should formalize arrangements with licensed recruitment agencies to avoid fraudulent practices</i>				
1.	Is there a policy that sets out allowable fees and who is the responsible party for, e.g., recruitment, fees, renewal, work or exit?	YES ✔	NO ⚠	📄
2.	Is the use of subagents prohibited?	YES ✔	NO ⚠	📄 ↔
3.	Does the facility ban recruitment or transport of workers by threat, force, coercion, deception or abduction?	YES ✔	NO ⚠	📄 ↔
4.	Are all employment fees paid by employer (recruitment, visa, medical, etc.)?	YES ✔	NO ⚠	📄
<b>Passports</b>				
<i>Workers should have full control over or access within 24 hours to their passport and similar documentation to ensure mobility is not restricted</i>				
5.	Do the migrant workers maintain access their own passports or similar documentation?	YES ✔	NO ⚠	📄 ↔ ↻
<b>Employment terms:</b>				
<i>Workers should be provided employment terms in advance of employment to avoid deception or misunderstanding which may result in forced labor situations.</i>				
6.	Does the facility require employment terms to be communicated in worker's home country and in the local language?	YES ✔	NO ⚠	📄 ↔
7.	Does facility ensure that no additional terms or requirements are assigned after the employment contract is signed?	YES ✔	NO ⚠	📄
8.	Are workers paid directly at least the legal minimum wage for hours worked and legally mandated benefits?	YES ✔	NO ⚠	📄 📞
9.	Is there a clear process to ensure workers are not discriminated against?	YES ✔	NO ⚠	📄
10.	Is the safe and timely return of migrant workers with all pay/benefits guaranteed?	YES ✔	NO ⚠	📄
<b>Work Environment</b>				
11.	Are work hour regulations complied with?	YES ✔	NO ⚠	📄
12.	Are adequate health and safety measures in place and do migrant workers have unrestricted access to facilities (canteen, restrooms etc.)?	YES ✔	NO ⚠	📄
13.	Are migrant workers treated equally in promotion, compensation, dismissal or other employment decisions?	YES ✔	NO ⚠	📄
14.	Do migrant workers have access to a grievance mechanism?	YES ✔	NO ⚠	📄
15.	Are the freedom of association rights of migrant workers respected?	YES ✔	NO ⚠	📄

Source: TCCC, Risk Mitigation Checklist

The average fee for a migrant worker to get a factory job in Taiwan ranges from \$2,000 to \$6,000, depending on the worker's country of origin. Most pay \$5,500. The average monthly salary in Taiwan for a factory worker is \$630, which is subject to monthly deductions of approximately \$283. The recruitment fee debt amounts to at least one full year of disposable income out of a 3-year contract term.

### Policy Implementation:

The Coca-Cola Company operates in 207 countries with thousands of 1st tier suppliers worldwide. While TCCC has had success in combatting recruitment fees in many markets, other markets such as Taiwan continue to remain a challenge. A few of TCCC's suppliers are based in Taiwan where the problem of migrant labor has lately become a focal issue for a number of industries. The monthly minimum wage in Taiwan is roughly U.S. \$630 - more than twice the average monthly salary of \$260<sup>16</sup> in Thailand, one of several 'sending countries' for migrant workers. For this reason, Taiwan attracts a large number of migrant workers from the entire Asia-Pacific region, with most coming from Thailand, the Philippines, Vietnam, Bangladesh and Indonesia.

Between May 30th, 2016 and June 3rd, 2016, ICCR participated in two shadow audits at two Coca-Cola facilities in Taiwan, at the Supplier A facility in Taichung and the Supplier B facility in Hsin Chu City. Both were led by SGS, a multinational company which provides inspection, verification, testing and third party certification services, as well as TCCC's team members.

<sup>16</sup> "Migrant workers' remittances from Thailand to Cambodia, Lao PDR and Myanmar", ILO, 2010.

The purpose of ICCR's visit was to witness the implementation of new elements added to the TCCC code of conduct in 2014 to specifically address the ethical recruitment of migrant workers through third party auditing mechanisms, as well as direct company-to-supplier communication and cooperation.

During the week of the audits we had a chance to study two drastically different cases:

- Supplier A is a modern but small facility employing fewer than 300 workers, of which 165 are migrant workers, and where TCCC is a primary customer, accounting for roughly 33% of total production.
- Supplier B is a much larger plant with over 1000 workers and 200 migrant workers, where TCCC only accounts for 5% of production.

While both factories employ migrant workers mostly from Thailand, Vietnam, Indonesia and the Philippines and work with recruitment agencies, only Supplier A had a transparent relationship with its recruitment agency, which allowed us to meet with the recruiter and discuss the issues surrounding labor migration, recruitment fees, grievances and opportunities for improvement.

### **Meeting with the Recruitment Agency**

#### Supplier A:

During the meeting with the recruiter for Supplier A, we reviewed its recruitment fee structure which outlined at least 24 different fees, some recurring, that each worker regardless of their country of origin had to pay for the duration of their three-year contract term. Fees paid prior to arrival in Taiwan were different for each country, ranging from \$6,000 for Indonesian workers to \$5,800 for Vietnamese workers and \$4,566 for Thai workers. These fees included: application, recruiting, hiring, placement, medical exams, tickets, deposits and local agent service fees.

In addition, once in country, the workers were subjected to additional monthly deductions of \$280 that included:

- Housing - \$173
- Local recruitment agency - \$56
- National tax - \$35
- Insurance - \$16

#### Supplier B:

The fee structure was similar for Supplier B workers. All workers had to pay recruitment fees in their home countries to secure their employment in Taiwan and additional fees to recruitment agencies in Taiwan while on the job. In addition, as in the previous example, all migrant workers had to pay a monthly broker fee of \$56 to their local recruitment agency in Taiwan, as required by law.

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Some of the fees that were withheld from paychecks were for services that workers did not use or fully understand. In addition, factories coercively made deductions from monthly wages for workers' savings accounts in the amount of \$94, further contributing to the financial burden that migrant workers experience. Average take-home monthly pay after deductions was between \$495-\$619, with the variance attributable to overtime pay.

Many migrant workers experience a large financial burden not just from paying broker fees before departure and while on the job, but also from government-imposed requirements to take loans that secure their return to their home countries. Excessive government-imposed fees create enormous risks for workers: they incentivize illegal migration through unregistered brokers that bypass those government regulations, placing many vulnerable job seekers at risk for human trafficking<sup>17</sup>.

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A migrant worker on a production line in a glass-blowing facility in Taiwan.

### Outcomes:

Overall, in the course of interviews with over 50 workers (20 from the Supplier A operation and over 30 from Supplier B), workers in both factories confirmed a significant financial burden imposed by the recruitment fees, yet they said they were satisfied with their terms of employment, working conditions and working hours, with the exception of strict labor laws in Taiwan that restrict the amount of overtime workers can take, therefore delaying repayment of the fees. All the workers in both factories had signed written contracts in their native languages, in line with TCCC policy, and understood their terms of employment. Both suppliers had copies of contracts on file. The workers did not state any discrepancies between their expectations based on terms of employment presented by the recruitment agencies in their home countries and their actual employment or wages. Both suppliers provided workers with employee-only accessible safe deposits to keep their personal documents, and workers confirmed that they always have access to their documents. Many workers in both cases renewed their 3-year contracts for a second or third term. However, the workers considered the excessive fees and deductions a norm and would never address the issue with management or recruiters on their own without a TCCC policy in place.

<sup>17</sup> [https://www.youtube.com/watch?v=JuLX3u94q\\_Y](https://www.youtube.com/watch?v=JuLX3u94q_Y)

Since TCCC's code prohibits its suppliers from charging recruitment fees to workers, the violations were presented to the management of both companies with an ensuing non-conformance report in both cases. The response of management in the case of Supplier A was receptive, and management agreed to commit to the remediation and reimbursement of the following fees to workers:

1. Labor broker fee in Taiwan for the duration of the contract (3 years);
2. Work permit;
3. Health checks; and,
4. Return ticket at the end of the contract term.

The grand total up for reimbursement by the supplier for the 165 migrant workers working on a 3-year contract at the factory amounted to \$894,000.

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In the case of Supplier B, management was decidedly less responsive to the non-conformance report. This was principally due to the relative size of TCCC's production line versus other, larger clients that do not require their suppliers to adhere to a No Fees policy. TCCC is committed to addressing this problem through supplier trainings and leveraging other brands and retailers to adopt the same set of standards for recruitment.

While policy implementation in its early stages encounters many challenges, having a policy on recruitment fees in place establishes a crucial channel of communication. Conversations with suppliers and their recruitment agencies help provide the necessary information to understand fee structures and initiate remediation. Importantly, these conversations and sharing of successes and challenges in policy implementation create opportunities for other stakeholders, including industry partners and government representatives, to participate, learn and advance ethical recruitment efforts.

**Full transparency is a crucial best practice, and The Coca-Cola Company has established itself as a distinct leader among its peers by sharing these detailed findings from its most challenging market.**

## EMERGING BEST PRACTICES

### 1. POLICY:

a. Leadership position on developing and adopting a forward-facing policy and a guidance document that addresses recruitment of migrant workers, covering the 3 pillars.

### 2. WORK WITH SUPPLIERS:

a. The recruitment fees that the company bans are clearly defined and put into supplier contracts and are communicated to suppliers.

### 3. AUDITING TOOLS:

a. The scope of supplier audits includes suppliers' recruitment agencies.

b. The fee structure presented by the recruitment agency is transparent and is verified through worker interviews.

c. The company follows up and verifies reimbursement of fees after the date set for completion.

### 4. INDUSTRY LEADERSHIP:

a. The company collaborates with other companies directly and through industry initiatives to gain leverage and implement the policy collectively on the industry level. Supplier payment of recruitment fees can be a major new cost. Buyers need to consider sharing the costs, especially in the first phase of implementation.

b. The company is engaged in the development of a sector-wide approach to changing the recruitment system through the Consumer Goods Forum's Forced Labor Initiative and is taking a public leadership role in eliminating worker-paid fees through the newly formed Leadership Group for Responsible Recruitment.