



OMBUDSMAN CONCLUSION REPORT – STANDARD PROFIL, TURKEY

This report summarizes the CAO Ombudsman process in relation to the IFC-supported Standard Profil project in Turkey.

OVERVIEW

IFC's Project

Standard Profil is the largest manufacturer of automotive sealing systems in Turkey. Established in 1977 and located in Düzce, 200 kilometers east of Istanbul, it is an established private Turkish company owned by financial investors with Bancroft II, L.P., a private equity fund, as the controlling shareholder.

In 2007, IFC invested 22 million euros in the company, adding to an initial investment in 2006 which constituted up to a 25 percent shareholding. The first investment was aimed at improving operational efficiencies at Standard Profil to help it compete effectively in world markets. The second investment was aimed at supporting innovation through the company's research and development (R&D) capacity, and creating employment opportunities for highly skilled technicians in Turkey. The company's Turkish production facilities in Düzce consist of two campuses and five plants. The company has about 1,500 direct employees in Düzce, Turkey.

Through a significant part of the CAO process, Standard Profil management was engaged in supporting its board's process of selling the company.

The Complaint

In September 2008, the CAO received a complaint from TÜRK-İŞ (Confederation of Turkish Trade Unions) on behalf of Petrol-İş (Petroleum Chemical Rubber Workers' Trade Union of Turkey) and the workers of Standard Profil regarding Standard Profil's performance with respect to rights of association and restrictions on joining a

labor union. The full complaint is available on CAO's website at:

www.cao-ombudsman.org.



Standard Profil workers vote for representatives

CAO's Assessment

In responding to a complaint from local stakeholders, the CAO's first step is an assessment of the situation, which is carried out by its dispute resolution team under the auspices of the CAO's Ombudsman function.

In November 2008, a CAO team met both with the company and the complainants to learn about their perspectives on the issues raised in the complaint. In addition, the CAO met with other stakeholders and independent experts familiar with the subject matter to get a broad view of the situation and the issues at stake.

Based on these discussions, the CAO proposed a three-step process to address the issues in the complaint: (1) to promote awareness in the workplace of IFC's Performance Standard (PS) 2 on Labor and Working Conditions; (2) to train workers and company management in PS 2; and (3) to

conduct a labor audit six months after completion of this training. The parties agreed to this approach, which is outlined in Box 1.

Box 1: Three-step agreement

1. Promote PS2 Awareness

Standard Profil will make standardized statements of core labor standards (in line with PS2) visible in the workplace, in a way that is easily understood by workers.

2. Train Workers and Management

Standard Profil management and workers will receive training to enhance their understanding of PS2.

3. Conduct a Labor Audit

In consultation with CAO and IFC, Standard Profil will implement an independent labor audit within six months to provide assurance to Standard Profil management, IFC and CAO of company adherence to IFC's labor standards.

By January 2009, the complainants and the company had agreed that implementing these actions would help resolve the complaint.

IMPLEMENTING THE AGREEMENT

Over the next three years, the CAO supported the company and its workers in the implementation of these agreed actions and establishment of social dialogue structures.

1. Promoting PS2 Awareness

The company prepared posters explaining PS2 in Turkish, which are displayed in common areas in the plant.

2. Training Workers and Management

Worker participation in the process

At the time of CAO's engagement, the complainant union, Petrol-İş, was not legally

recognized to represent the work force: Turkish law requires that 50 percent plus one worker of the company workforce belong to the union for the union to enjoy representation rights. In this context, the company was not willing to dialogue directly with the union.

CAO's role is neither to promote unionization of the workforce, nor to discourage it. Rather, CAO expects that workers are able to choose freely whether or not to join a union, without fear of reprisals, in line with applicable national law and IFC's PS2.

The union's lack of legal recognition and the company's unwillingness to engage with the complainant meant that the CAO process could not directly incorporate the complainant, i.e. union representatives. Instead, both parties agreed to a process which would address the workers' concerns through the participation of company employees.

Representation and training

CAO hired a labor expert to carry out the training, and to help support the company and its workers in implementing social dialogue structures in the work force. To prepare for the training in discussion with workers and management, a CAO team visited the plant in June 2009.

Elections of employee representatives

One of the most important decisions in preparing the training, especially in the context of the complaint's allegations of interference with workers' rights to organize, was determining who among the workers would receive training, and how they would be chosen. This was particularly important because the trained workers, if chosen freely by their peers, would make an obvious choice of candidates to act as worker representatives in the social dialogue structures.



A Standard Profil worker casts his vote.

In early January 2010, 60 workers were chosen by their peers to participate in training in free elections overseen by a third party neutral (Professor Selamoglu, an expert from nearby Kocaeli University). Of these 60 workers, 56 were full time workers and 53 were men, reflecting a predominantly male workforce.

Training process

In late January 2010, the 60 elected worker representatives and 13 company managers received training over the course of a week. Workers and management were trained in separate one day training sessions with specific objectives (see Box 2).

Box 2: Training objectives

- Educating management and the workforce about IFC's Performance Standard 2
- Preparing management and workers for Social Dialogue

The training included a presentation of PS2 requirements; a self assessment of the company's performance at the time against PS2 requirements; information and examples of social dialogue in practice; and many practical examples and role play exercises to help build skills of workers and managers to work together to address workplace issues.

Establishing social dialogue structures

In February 2010, immediately following the training week, the company established social dialogue structures in consultation with the group of 60 trained workers in meetings facilitated by Professor Selamoglu, the same third party neutral who had assisted in the workers' election. This larger group agreed to establish a smaller 'Consultative Committee' made up of ten worker representatives chosen from among



Workers filling out their ballots

the 60 trained representatives, and five management representatives.

The Consultative Committee first convened in March 2010, and from then on met regularly. At the first meeting, the Committee agreed to establish a 'Social Performance Team' comprising six worker and five management representatives.

Follow up visit for capacity building

In September 2010, the CAO team visited the plant to observe the progress made in establishing social dialogue structures. The team had discussions with management and social dialogue participants; observed a meeting of the Consultative Committee; and carried out an anonymous survey of the workforce.

Worker feedback

This was the first time in the process that the entire workforce was given the opportunity to provide feedback. The survey had a good response rate with 567

respondents representing different shifts, positions, and both permanent and contract workers. The responses were analyzed by Professor Selamoglu.

Standard Profil's workers used the opportunity to give frank feedback. Overall, the workers' desire for a positive change in management attitude, wage policy, and work load all ranked as high priorities. The survey highlighted that company management still had a significant task ahead to convince workers that social dialogue was being taken seriously by management. Mistrust of the social dialogue process, particularly in dealing with critical issues such as workload and wage policy, was highlighted as an issue of concern. Nonetheless, both permanent and contract workers cited that there had also been some positive changes in working conditions at the factory.



Meeting of the Social Dialogue Consultative Committee

Management feedback

During CAO's visit, company management expressed that the social dialogue process had brought about a paradigm shift in the way they dealt with workers. Management was pleased that the open dialogue had made them more knowledgeable of staff concerns.

The positive experience with social dialogue in the Düzce operations prompted Standard Profil management to incorporate this approach to worker relations more broadly in its management systems. This resulted in

Social Dialogue structures being established in the company's Bursa and Manisa locations in Turkey, as well as planned in their growing global operations in China and South Africa.

Box 3: Understanding the value of yogurt

Yogurt – and that it should be available in the canteen every day - was a topic that came up repeatedly in the role play sessions during the training. Both participating managers and workers shared the desire to see yogurt restored to the daily menu, from which it had been cut to economize, as the automobile industry was going through a significant crisis.

Management promptly restored yogurt to the daily menu, a move that can perhaps be counted as the first concrete outcome of the new, open communication between workers and management.

Previously, company management had not been aware how strongly workers felt about this issue. There is a widely held belief among the workers that yogurt has medicinal benefits that can counter impacts from exposure to chemicals. While this belief is not scientifically supported, it is understandable that the company's cut back on yogurt was felt very strongly.

This first insight and response exemplified the value of open communication right at the start of the process.

3. Independent Labor Audit

In April 2011, an independent labor audit was implemented as the final step in the agreed process. An independent audit firm, STR, was hired and supervised by IFC in consultation with CAO and Standard Profil.

The aim of the audit was to help Standard Profil, IFC, and CAO understand whether the company's operations conformed to Turkish labor law and IFC's Performance Standards, and to allow the company to address any concerns highlighted by the audit.

In follow-up meetings between IFC and the company, an Action Plan was agreed to which sets out specific action items for the company on a number of issues, with implementation to be finalized by the end of 2013. The Consultative Committee will play an active role in overseeing the implementation of the agreed action items.

OUTCOMES OF THE DIALOGUE PROCESS

Overall, CAO's involvement has catalyzed and supported some significant and systemic changes in Standard Profil's approach and operations.

Social Dialogue structures have been implemented through which workers and management can openly exchange views on issues of concern and agree on relevant changes. Equally, the implementation of any agreed changes is overseen by worker representatives through social dialogue structures. These discussions have led to some concrete early outcomes (see box 4).

A new **grievance procedure** has been developed in consultation with worker representatives, and is being implemented.

This case has had a **systemic impact** on Standard Profil's operations, as the company has now adopted a Social Dialogue approach throughout its operations in Turkey, with plans to use the same approach in China and South Africa.

Box 4: Social dialogue: Early outcomes

- Change in the shift direction to extend weekly rest times
- Improvements for tea breaks: additional tea and TV screens
- Availability of new working shirts in return for worn out shirts
- Upgrade of older worker shuttles
- Daily availability of yogurt in the canteen
- Consultation on and adoption of a new grievance redress mechanism

The use of **contract labor** was of concern to many workers, and the opening up of dialogue structures, along with the audit results, has led to a restructuring in the way that the company will use contract labor. To date, just under 600 contract workers have been converted to employee positions and the company is undergoing a further review of how they use contract workers, with the aim of converting any contract workers working in core functions in the factory to employee status.

With regard to **freedom of association**, in addition to being able to choose their representatives and bring forward any concerns through the newly established Social Dialogue structures, many workers exercised their labor rights by joining Petrol-İş, the union involved in bringing the complaint to CAO.

CHALLENGES AND LESSONS LEARNED

An ongoing labor dispute

While the company and the complainant – Petrol-is - agree that the atmosphere at the plant has improved, and communication has opened up between management and workers, the relationship between company

management and the union remains unchanged.

At the time of CAO closing the complaint, Standard Profil and Petrol-İş are involved in an ongoing dispute. The union actively worked to mobilize workers throughout the time of CAO's involvement in this case, and in March 2011, Petrol-İş announced that they had achieved the legally required quota of 50 percent plus one worker to gain recognition. The company has requested that the Ministry of Labor verify the legitimacy of this claim, a process that can last two years.

In this period of uncertainty, both parties are watching the situation carefully and are concerned about the potential for process manipulation from the other side. Petrol-İş alleges that 39 of its members were unfairly dismissed between February 2010 and December 2011, including two union organizers. These dismissals, the union claims, may send a signal to the workforce not to join a union, and thereby infringe the workers' rights of freedom of association, the grounds of the union's original complaint to CAO.

Standard Profil maintains that it only dismisses workers legally. It discloses that there are currently 77 outstanding labor court cases, 46 of which have been registered since 2010.

Again, the CAO's role is neither to promote unionization of the workforce, nor to discourage it. Rather, CAO expects that workers are able to choose freely whether or not to join a union, without fear of reprisals, in line with applicable national law and IFC's PS2.

A decision by the Turkish Labor Ministry is pending which will present the Ministry's view on the union's representation rights. This decision will provide the parties with the opportunity to define their future relationship.

A process without the participation of the complainants

The CAO's process was designed to help find resolution to the concerns expressed in the complaint in a context where the company was unwilling to meet with the complainant union, which was not legally recognized to represent the work force. This meant that the complainants themselves did not participate in the ensuing process at the company, but instead, CAO worked with freely chosen worker representatives.

The complainants agreed, at the outset, that implementation of the agreed action steps would represent resolution of the complaint. However, they expressed concern that their lack of involvement meant that they were unable to feel completely engaged with the process and its outcomes. For example, they were unable to see the audit that had been carried out under IFC's supervision, with the agreed action steps and implementation being supervised by worker representatives as part of the Social Dialogue process, and by IFC.

The fact that this process was unable to involve the union representatives is a shortcoming; however it was the only process that was feasible in this context with the consent of both parties. In this case, as in all CAO cases, it is ultimately the parties' decision whether participating in a CAO-convened process meets their interests, and CAO works within that framework.

Effective Social Dialogue needs to tackle priority issues

While the Social Dialogue process opened the lines of communication between management and staff, and afforded employees with some tangible change to their working conditions, the process has yet to tackle more problematic and controversial issues. Concerns around compensation, overtime and workload remain issues of high priority to workers that ought to be addressed effectively through

this forum in the absence of union representation of the workforce.

Overall, however, the process ideally could have been completed in a more timely way.

Social Dialogue participants also need to engage proactively at this time to ensure and oversee that the process is embedded in sustainable practices, including: procedures to renew worker representation periodically based on an agreed process that is independent of management; and training for worker and management representatives, particularly at times when the membership in this forum changes periodically.

Involvement of senior management is critically important

As in other CAO cases, the involvement of senior management in the process is very important. The extent of management exposure to, and ownership of, the structures established in a CAO-convened process can have significant implications for successful and sustainable outcomes.

In this case, the early results and evident benefits of the Social Dialogue process encouraged the company to establish similar structures throughout its operations. On the other hand, more senior management participation in the Social Dialogue training may have helped to prevent later delays in implementing next steps and scheduling the audit.

A lengthy process

From first receiving the complaint in September 2008 to closing it in June 2012, more than three years have passed, which is a lengthy process.

The process was often delayed both by the availability of company management and due to CAO's own capacity constraints. In the meantime, the longer time lags did allow for structures to be tried and tested before CAO's capacity building visit, for example.

All documentation relevant to this case is available on the CAO website at www.cao-ombudsman.org