COFFEE Project

Root Cause Analysis of Labor Violations in the Coffee Sector

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Introduction

This tool is one of 17 tools comprising the Socially Sustainable Sourcing Toolkit (S3T), which was developed as part of Verité's Cooperation on Fair, Free, Equitable Employment (COFFEE) Project through generous funding from the US Department of Labor's Bureau of International Labor Affairs (USDOL-ILAB). The S3T was developed in alignment with USDOL's *Comply Chain* model, with at least one tool created for each of the eight steps of *Comply Chain* (see graphic below). Many of the tools are derived from tools created for the *Responsible Sourcing Tool,* developed by Verité with funding from the U.S. Department of State's Office to Monitor and Combat Trafficking in Persons (J/TIP). The tools can be used á *la carte*, but it is important that companies have systems and tools in place for each step of *Comply Chain*.

STEPS OF COMPLY CHAIN AND CORRESPONDING TOOLS

U.S. Department of Labor Comply Chain Model

S3T Socially Sustainable Sourcing Toolkit

STEP 1. Engage Stakeholders and Partners
- Guidance on Stakeholder Engagement

STEP 2. Assess Risk and Impacts
- Risk Evaluation for Action in the Coffee Trade (RE-ACT) Dashboard
- Root Cause Analysis of Labor Violations in the Coffee Sector
- Self-Assessment Questionnaire for Coffee Traders
- Self-Assessment Questionnaire for Coffee Producers
- Self-Assessment Questionnaire for Labor Brokers
- Guidance on Screening and Selection of Labor Brokers

STEP 3. Develop a Code of Conduct
- Sample Code of Conduct Provisions
- Sample Social Responsibility Agreements
- Primer on Recruitment-Related Risks in the Latin American Coffee Sector

STEP 4. Communicate & Train Across Supply Chain
- Guidance on Communicating Objectives and Standards Across the Supply Chain

STEP 5. Monitor Compliance
- Guidelines on Monitoring of Coffee Farms
- Guidance on Monitoring of Labor Brokers
- Worker Interview Guide Focused on Recruitment and Hiring

STEP 6. Remediate Violations
- Management Systems Framework for Preventing and Remediating Labor Risks

STEP 7. Independent Review
- Framework for Independent Verification of Ethical Sourcing

STEP 8. Report on Performance
- Guide on Public Reporting for Private Sector Stakeholders

Introduction to the Tool

The purpose of this guide is to help coffee sector stakeholders better understand the underlying factors that increase the risk of labor and human rights violations in coffee supply chains. This can provide valuable insights to coffee companies, allowing them to identify and address labor risks among farmworkers. Strong sourcing networks are a pathway to building long-term profitable businesses. The leading coffee businesses of the future must therefore incorporate socially sustainable sourcing practices to promote the eradication of forced labor and child labor in the coffee sector.

Background

Labor violations and the challenges that farmworkers face in supply chains are often symptoms of higher-level or fundamental market malfunctions –root causes. Differentiating the deeper causes of a range of labor problems and their deeper causes will help to inform coffee companies' decision-making processes in order to improve supply operations and ethical sourcing strategies.

Root Cause Analysis (RCA) is an exercise that helps companies understand the causes of supply chain malfunctions by differentiating between short-term problems (symptoms) and their deeper causes. That said, the overall objective is not to reduce a complex problem to one specific root cause, but instead to probe deeper into the bottlenecks within companies' sourcing systems that are driving social sustainability challenges and labor violations, such as forced labor, child labor, and other related social issues that impede progress in promoting better working conditions in the coffee sector. If coffee companies are truly committed to building a sustainable coffee sector that creates and distributes value among coffee producing regions and farmworkers - the supply chain actors that are most essential to the future of the sector, yet the most often forgotten and neglected - they must implement ethical sourcing practices across their supply chains, and actively work in collaboration with their sourcing partners.

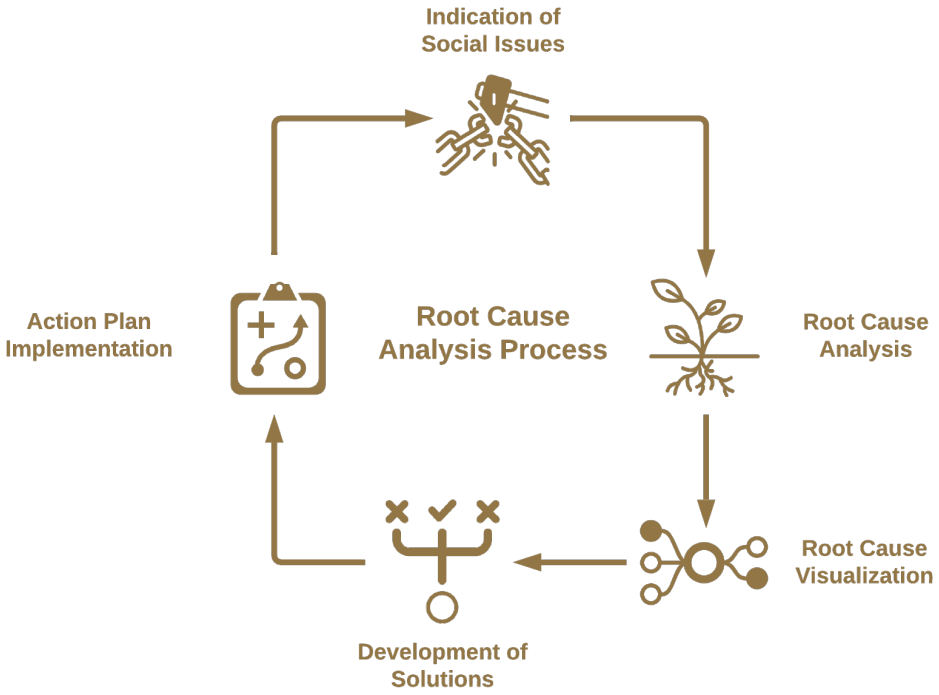
RCA can be used both **reactively**, to investigate an adverse event that has already occurred, and **proactively**, to analyze and improve processes and systems before they break down. Independent of the approach, addressing these root causes will help coffee companies to develop appropriate sustainability and business strategies to address labor issues and strengthen understanding of ways to improve the adoption and successful implementation of sustainable and ethical sourcing practices in coffee supply chains.

Moreover, the use of ***RCA as a process*** is more effective than using RCA as a simple tool. Although the process of implementing an RCA can vary depending on the purpose and context of the specific supply chain involved, this guide elaborates on a basic managerial process that can be applied to many of the usual challenges that coffee companies face when sourcing from Latin America.

Root Cause Analysis in Coffee Supply Chains

As a process, RCA has many equally effective pathways or steps. Moreover, the proposed structure incorporates widely recognized tools and methodologies, that have proved effective when used for complex social problems analysis (see graphic 1).

Graphic 1. Framework for Independent Verification of Social Sustainability in the Coffee Sector



The detailed steps in the problem-solving process are as follows:

1. Diagnostic: Identify and Understand the Problem

Prior to the RCA, it is critical to identify the problem or "symptoms" that you are seeking to address (i.e., the presence of children under 15 on smallholder farms). Clearer identification of the problem will facilitate not only the analysis but also aid in the prevention and/or mitigation strategies that could be implemented as part of the RCA process. RCA serves as a structured problem-solving process that helps to identify and address the fundamental issues of causation within supply chains. By identifying and addressing the underlying causes, the related "symptoms" will be mitigated.

The four recommended steps for problem identification are:

First: Recognize that there is a problem or be aware that a problem could be present. It is important to acknowledge that if a coffee producer, trader, or producer refuses to recognize that a problem is present or that this is a risk of labor violations in their supply chains or their operations (or have a perception of these labor issues are "normal" or acceptable), the chances of improving their social performance are minimal.

Second: Adequately identify and define existing problems and call them by their real names. Ideally, everyone affected or involved must agree on this definition.

Third: Understand the nature of the problem and narrow it down. The more specific the description of the problem, the easier it is to identify its root causes. This forms the basis for ultimately solving the problem or creating a long-term strategy for doing so.

Fourth: Establish a goal. Before working to solve a problem, companies must first establish time-bound goals for what they want to accomplish. This allows for the creation of concrete metrics linked to their goals.

Definition and Nature of a Problem

Two basic definitions for a Problem are[1]:

a. a thing that is difficult to deal with or to understand
b. a question that can be answered by using logical thought or mathematics

These definitions suggest two characteristics of a problem that are important:

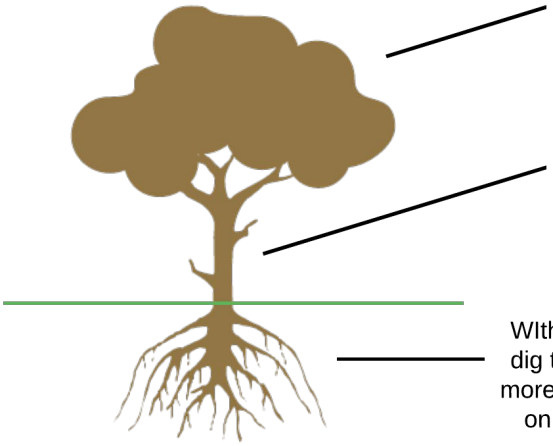
- Having a problem is by its nature a state of affairs plagued with challenges and undesired outcomes.
- A problem represents a challenge that requires the identification and implementation of solutions to arrive at more desirable outcomes.

There are widespread reports of child labor and forced labor on coffee farms. Typical solutions include inspections and monitoring, as well as addressing and increasing awareness of identified labor risks. For companies, this represents a reactive approach that requires a great deal of focus on public relations after labor violations are already uncovered to minimize reputational risk but does not minimize the risk of future occurrences in the future. Root cause analysis looks to avoid this reactive approach by asking why something is happening and focusing on deeper causes to reduce the risk of recurrence. Asking "*why?*" helps to establish a foundation for

creating a proactive approach to identifying and addressing social and labor issues in your company's supply chain.

We must first consider that problems have *different levels of causes*, as detailed in graphic 2.

Graphic 2. Root Cause Analysis: the Three of Causality



In the coffee sector, a ***labor-related problem (e.g., retention of identification documents, deceptive recruitment, or employment of children under 14 years of age in coffee harvesting)*** is any condition, behavior, or practice that has (or could have) a negative consequence for both businesses and/or workers at all levels of the supply chain. Usually, the category of workers most vulnerable to labor violations are farmworkers, who are essential to the coffee sector and carry out a range of activities, from planting to harvesting.

Proper solutions must be aimed at identifying and addressing the root causes of a problem and should not be short-term band-aid solutions that seek to address the "symptoms." A typical example of a short-term solution is the imposition of fines for parents who bring their children to work. A more compelling solution to this issue that addresses the root cause of the problem, is the establishment of free child-care centers that provide health care, food, and education services to children so that parents have a safe place to leave their children and prevent any negative economic incentives to bring children to the fields to harvest coffee with them, mitigating the need for child labor.

To arrive at solutions for specific problems, it is essential to define a clear path from problem identification to a focused solution. This allows for reflection and sound decision-making. Focusing on the cause of a problem will help the company to invest in the most effective, sustainable solution, one that is based not only on addressing

the symptoms but at eradicating the underlying causes so that it does not continue to appear time and again.

RCA offers a roadmap for the identification and resolution of problems and their root causes.

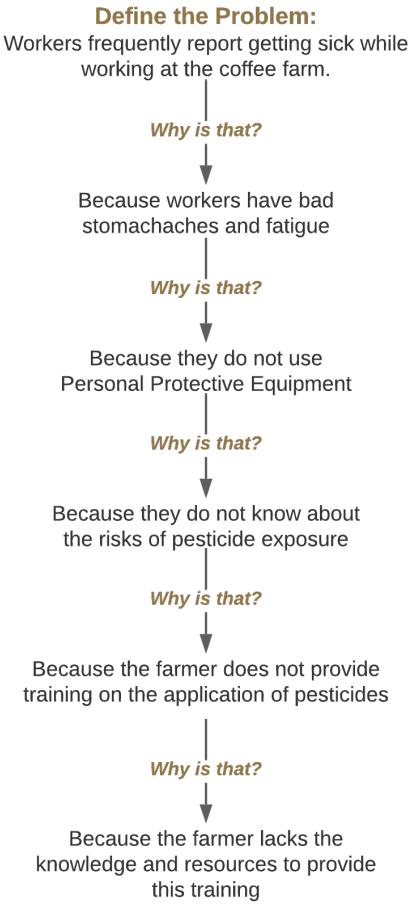
2. Root Cause Analysis

"A little neglect may breed great mischief." —Benjamin Franklin, 1758

A Root Cause is defined as "*the most basic cause that can reasonably be identified, that we have control to fix, and for which effective recommendations for prevention or mitigation can be implemented."*[2]

Root Causes are the "basic cause or causes" of a problem or its symptoms. A common tool used for Root Cause identification is the Five Whys method.

Graphic 3. Illustration of the Five Why's Technique



The Five Whys

As a Total Quality Management (TQM) process, the Five Whys (5W) is used as a simple method for digging through the layers of causality to identify the root cause. The premise is that after answering "Why" a minimum of five times, one can identify or get much closer to identifying the root cause.

The questions and answers provided below are only some examples that can be used for the 5W process, which can provide useful insights during the RCA process. The example above demonstrates different levels of responses, from urgent to strategic, with different timelines for action and differing outcomes. The results are highly dependent on the stakeholders involved and on the facilitation process.

Graphic 4. Example team questions and team answers with 5Whys

Insert your company logo here

The Five Whys

Identified and Defined Problem Statement:

Team Question (Why is that?): Why are there human rights violations (e.g. forced labor and child labor) in the coffee sector?

Team Answer: Because profitability is low in most coffee production regions, increasing the risk of negative coping strategies.

Team Question (Why is that?): Why is it that low profitability creates negative economic incentives that could affect farmworkers?

Team Answer: Because a widespread strategy for mitigating financial risks in coffee production is the use of piece rate payments.

Team Question (Why is that?): Why do piece rate payments increase the risk of labor violations in the coffee sector?

Team Answer: Because piece rate payment systems are prone to wage violations, discrimination, and deception.

Team Question (Why is that?): Why do farmworkers have limited options for better working conditions?

Team Answer: Because dysfunctional markets and weak rural development policies are common in coffee-producing regions.

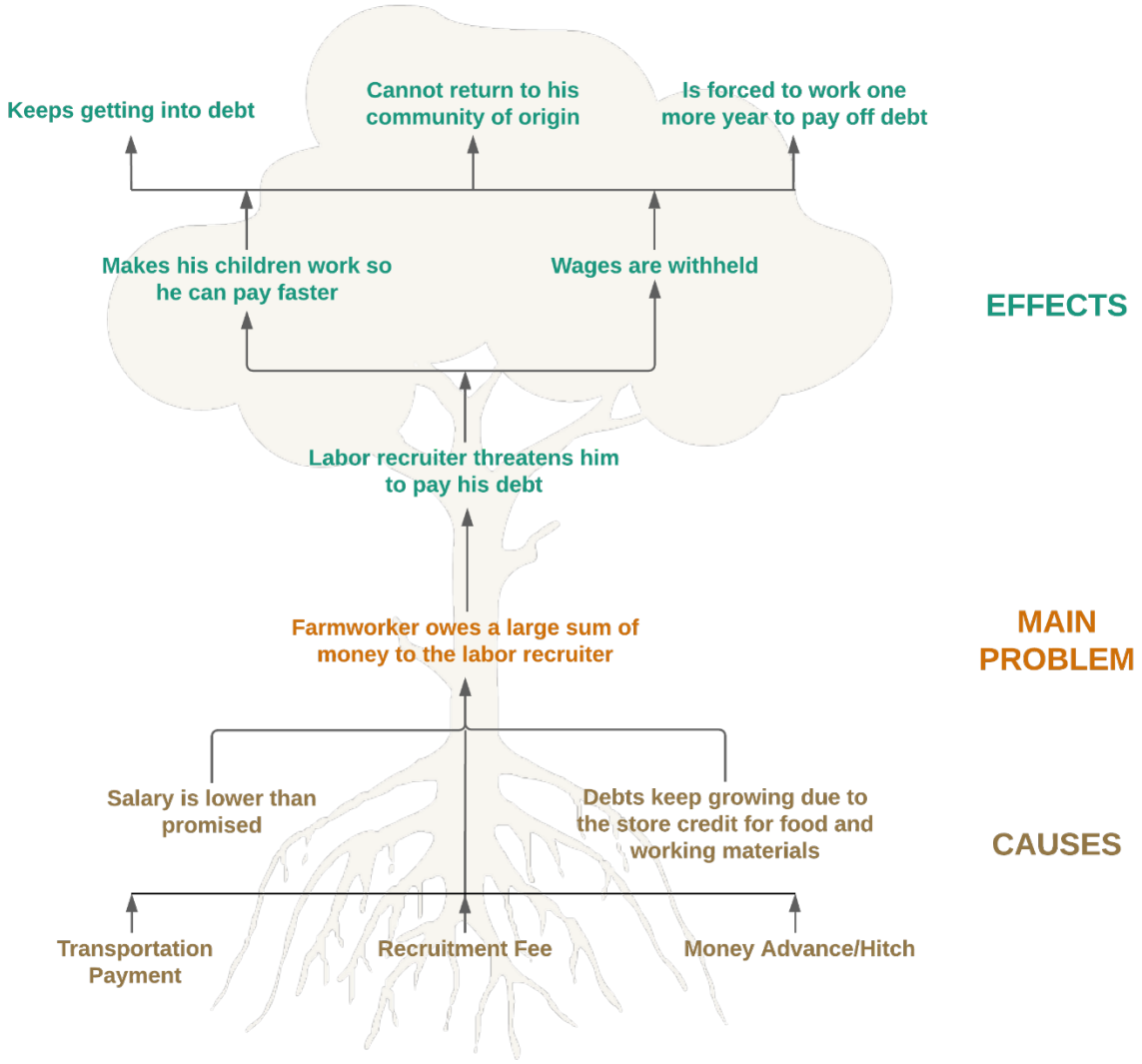
3. Root Causes Visualization: Causality Trees

The results from the 5W process can be diagramed using a causality tree or causality chain. This diagram is helpful when performing an RCA to identify and understand the symptoms that are creating challenges in their supply chains, and how they connect to root cause(s). It is also a powerful tool for carrying out an alternative analysis of the 5W process. An analysis of the causality chain can also be helpful in exploring the feasibility of potential solutions.[3] It is essential to not only understand the root cause(s), but also to identify at which level of the problem the solutions could have the greatest impact. A simplified example of the causality tree or causality chain linked to the 5W process described is included below in graphic 5.

This helps to ensure that the limited time and resources are well-targeted and aimed at the relevant issues (leverage points) that could promote the most valuable results are under your direct sphere of influence and impact your business and stakeholders. Companies must avoid "wasting" their efforts and investments on addressing systemic constraints that cannot be addressed through the targeted interventions of individual companies and must seek to work with other stakeholders (including governments, civil society organizations, international organizations, worker organizations, and industry associations) to collectively address systemic root causes (such as poverty, racism, the fallout from natural disasters and climate change, conflict, labor migration, a lack of enforcement of labor law, etc.). However, having a clear understanding of these constraints is critical to inform high-level strategic decision-making and long-term commitments from the company and its supply chain partners on programming that targets addressing root causes that companies have the power to address.

The analytical process should be seen through the continuous improvement lens. Involving a multi-disciplinary team involved in this process will strengthen the diagnostic.

Graphic 5. Causality Chain or Causality Tree analysis example for amplifying 5 Whys



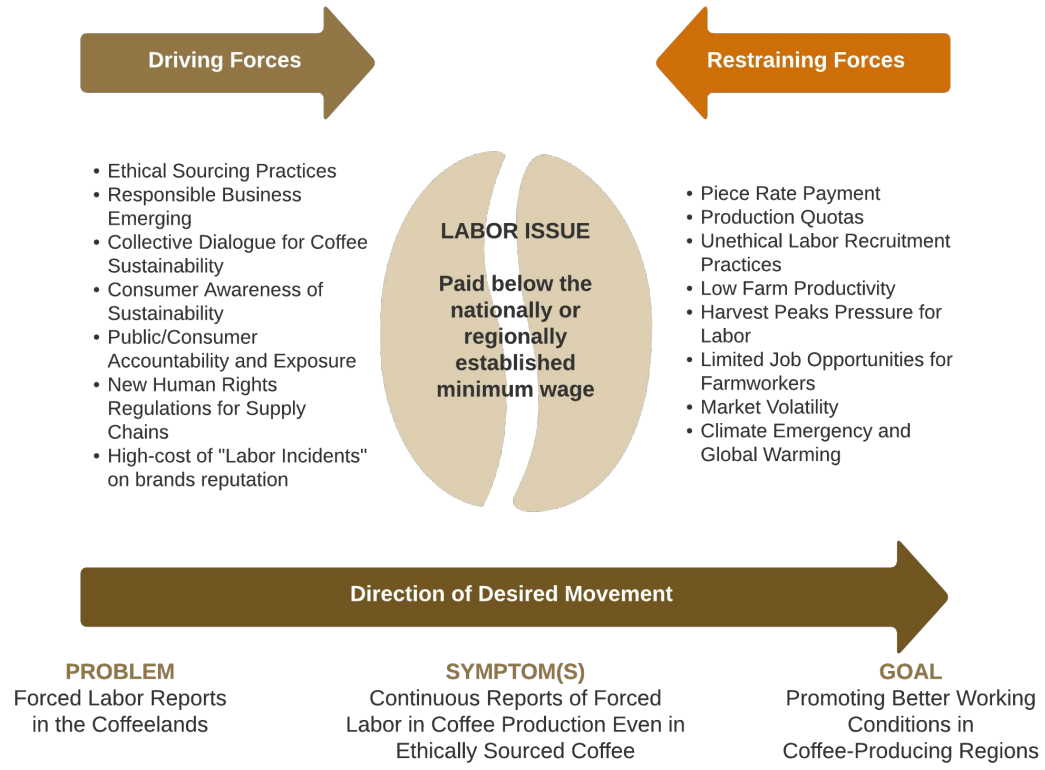
4. Solution Structuring: Force Field Analysis

Even once a problem is clearly identified, it often remains difficult to implement solutions. A Force Field Analysis (FFA) is both a useful tool for constructive brainstorming, as well as a means for reporting out the work of the team leading the RCA. All organizations and their business operations are subject to opposing forces that are balanced due to the interaction between driving forces and restraining forces: nothing changes and we keep seeing problems recur. This balance causes the systems (coffee sourcing systems or coffee market systems in our case) to be static and unchanged, even in the presence of undesirable conditions like forced labor and child labor. Balance is usually desired in any business because a reliable *operations*

environment is ideal, but it also limits the options for addressing negative labor issues affecting vulnerable populations working in coffee production. Eradicating forced labor and child labor in the coffee sector will require a coordinated effort of a diverse group of stakeholders.

In order to promote change, it is necessary to unbalance "the environment", establishing the new goal(s) or desired result(s): e.g. forced labor and child labor eradication and the promotion of better working conditions in the coffee sector. For moving the sourcing system in the desired direction, either the driving forces need to be increased or the restraining forces need to be reduced. As a rule of thumb, to create sustainable results, it is necessary to focus on reducing restraining forces and letting the system flow with minimum increases in existing driving forces. A good example of this could be the use of alternative payment systems for coffee harvesting. Using alternatives to piece rate pay and production quotas reduce labor risks such as minimum wage and overtime violations, gender-based discrimination, and child labor, which based on Verité's research, are linked with this payment mechanism.

Template 1. Force field analysis example using minimum wage example as a common labor issue linked to piece rate payments



Using the 5W process and the analysis from the causality tree, the team can supplement the brainstorming exercise by identifying the Driving Forces for the specific goal identified (the desired state for the solution or promoting the solution of

the labor issue selected). Used as an RCA process tool, the force field analysis ideally should be facilitated in a way that allows for individual reflection, small-group dialogue, and larger group discussion and feedback. The force field analysis example provided in the template can also be used to communicate with stakeholder groups to verify understanding of labor issues and root causes to establish a plan for proposed approaches to address these root causes.

5. Presenting RCA Results and Action Plans

The RCA process needs to remain "open" and as visible as possible to all stakeholder groups. This allows for continuous improvement and data input (qualitative and quantitative) from as many sources as possible, as well as a verification process before the solutions are implemented. This process should be performed relatively quickly, as many stakeholders have limited time and exposure to the issues, and clarity helps to ensure understanding and alignment on the root causes discovered (and how they contribute to labor issues) and the solutions proposed.

For action plan implementation, a Modified Gantt Chart can serve to monitor progress and establish a clear pathway for activity development. Furthermore, a *success indicator* is a good compass for achievement related to the Goal (see FFA), which will inform the team on the impacts achieved. Additional details on measuring impacts of root cause programming can be found in the *Framework for independent verification of ethical sourcing.*

Template 2. Modified Gantt chart example for action plan implementation of RCA process key activities. The timeline is for guidance only.

Modified Gantt Chart																	
WHAT	WHO	Year 1												Year 2...			
		1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	
Define the social problem to address (overlapped with your material topics & sustainability agenda strategy)	Responsible: person or team																
Develop a 5W (five whys) process (involve key internal/external stakeholder ideally for deeper analysis)	Responsible: person or team																
Incorporate the 5W process results in a causality tree diagram	Responsible: person or team																
Structure solutions leveraging a force field analysis	Responsible: person or team																
Create an action plan and implement it!	Responsible: person or team																

Next Steps

The Root Cause Analysis process described is summarized below:

1. Define the social problem to address: the materiality assessment of social topics described in the *Guide on public reporting for private sector stakeholders* is a useful reference for prioritizing your social topics based on your company's sustainability agenda and ethical sourcing priorities.
2. Five whys process: engage key internal and external stakeholders to understand the causal links to your social topic(s). The *Guidance on stakeholder engagement* provides best practices to help you in the definition of key industry leaders/institutions for this activity.
3. Create a causality tree or causality chain diagram: create a one-page visual explanation of the connection between problems and their root causes to inform the decision-making process and strategies that your company can implement to address social issues.
4. Structure solutions using a force field analysis: clarify the problem, gain an understanding of the barriers and challenges, and establish a goal for your strategy.
5. Create the action plan and implement it from analysis to action and solutions. The *Framework for independent verification of ethical sourcing* is a key resource with additional information on how to connect the root cause analysis with actionable solutions in your sourcing operations.
6. For prioritizing results from the RCA, we recommend a materiality analysis and the use of salience considerations. Content related to these topics is covered in the *Guide on public reporting for private sector stakeholders*. To create actionable activities on the field we strongly encourage the use of the *Guidelines on monitoring for coffee farms* and the *Management systems framework for preventing and remediating labor risks*.

We are including some references that informed this document and that will provide further details and perspectives on the subject:

- Preuss, Paul. "Root Cause Analysis: Using data to dissolve problems." Routledge-Taylor & Francis Group, 2013.
- Andersen, Bjørn; Fagerhaug, Tom. "Root Cause Analysis: Simplified Tools and Techniques (2nd ed.)." American Society for Quality, Quality Press, 2006.

Endnotes

[1] Oxford English Dictionary - OED Online. Oxford University Press, September 2020. Web. 3 September 2020.
[2] Preuss, Paul. "Root Cause Analysis: Using data to dissolve problems." Routledge-Taylor & Francis Group, 2013.
[3] A causality chain can be defined as the path from a symptom to a root cause. In basic terms, it is an ordered sequence of events in which any one event in the chain causes the next. A graphic of this sequence (mapping) is a useful way to analyze the 5W process and generate alternative scenarios for addressing root causes.