

# 2D: Human Rights Issues in the Palm Oil Supply Chain: Labour Case Studies in Indonesia and Malaysia

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# Case Study 1: Indonesia

Characteristics of the mills: non-RSPO certified, preparing to be ISPO-certified; supplying to RSPO members

Locations: North Sumatra, East Kalimantan, Central Kalimantan, Riau, West Sulawesi

- Unlawful use of short-term contracting
  - Risks of child labor and lack of remediation measures
  - Excessive working hours; no provision for rest day
  - Involuntariness of overtime
  - Hybrid pay system; underpayment of wages
  - Age discrimination
  - Gender discrimination, including discriminatory pregnancy testing
  - Undocumented workers (*kernet*, *borongan*)
  - Freedom of association
  - Punitive/ excessive deductions
  - Access to potable water
  - Serious health and safety concerns
- Others:
- Inadequate systems and resources to comply with law and customer requirements
  - Low to very low worker awareness



# Health and Safety: Sample finding

***“Workers do not understand the mill’s accident and emergency procedures. The procedures are not made available to the mill workforce.*”**

*Although there are written procedures to respond to accidents and other emergencies, these are not communicated to workers. There are also no records of accidents available during the assessment, although workers interviewed reported injuries, such as snake bites and one death from a bee sting in recent years.*

***The mill management does not adequately manage risks to health and safety at the mill. Most of the documented policies and procedures are not enforced. EHS auditor also reported unsafe conditions at the mill.”***

# Unpacking Possible Root Causes of Key Issues: **Child Labor**

- Resistance to change is one root cause why child labor persists. This resistance is driven by people who are “profiting” from child labor.
- Another resistance to change is the belief of parents that working children grow up to be better adults.
- There are jobs that inadvertently allow for children to work or participate in their parent’s work.
- High quota is driving harvesters to bring their children and wives to help achieve their targets.



# A word on living wage:

- The issue is not about the living wage.
- It is about not complying with the law regarding overtime and rest day premiums. It's about keeping workers in short-term contracts so that they are unable to receive legally mandated benefits, like retirement or severance pay. It is about a sprayer who has been working for the last 10 years as a minimum wage earner, even though there's supposed to be annual increments as regulated by Ministerial Decree number 1 (2017).
- Living wage guidance released by RSPO on 12 June

# Case Study 2: Malaysia

## Supplier-level (Mill and Plantation): 2017

The following noncompliant practices were detected:

- Excessive recruitment fee charging; questionable legal status of recruitment agent
- Withholding of passports, imposition of deposits
- Excessive overtime work hours and day off not guaranteed
- Underpayment of wages, unauthorized wage deductions
- Illegal employment contract provisions - some items contravene anti-trafficking regulations and immigration restrictions
- No established grievance mechanism; no worker training on job terms & conditions, occupational safety & health
- No health checks conducted; Poor living conditions

## Supplier-level (Mill and Plantation) Assessment: 2019

- Written recruitment policies and procedures, orientation materials developed
- A zero-fee recruitment policy is in place; some workers hired in 2018 did not pay fees, others reported paying an amount less than previous workers reported
- Recruitment agency credentials and legal status confirmed in Estate, but not in Mill // *monitoring of recruitment agent not yet in place*
- Passport access to workers provided, imposition of deposits to borrow passport no longer practiced // *areas for improvement noted in the safekeeping & custody process*
- Overtime hours kept to legal limit
- Minimum wage received, deductions discontinued // *pay rates still not based on time-motion study as recommended*
- Contract clauses revised as recommended by their customer; contract translation in process
- Basic grievance mechanism and worker training on policies, passport, H&S in place // *topics need to be expanded to include all areas of social compliance*
- Noise exposure monitoring and testing conducted ; medical treatment provided, affected worker transferred job assignment as result of test
- Improvements in living conditions noted, some maintenance repairs undertaken, access to potable water improved

# A word on Forced Labour:

- Using the ILO formulation (involuntariness + penalty), forced labour becomes a conclusion of fact, instead of something self-evident
- So what will be helpful is to identify individual indicators so that mills and estates can address them in a programmatic way

## Comparing the 2 case studies:

Case study 1: These suppliers have had little information about their customers' codes of conduct, and no capacity building to date to enable them to meet these standards.

Case study 2: The mill was enrolled in a pilot program, with their customers investing time and resources to build their capacity to enable improvements.



# KEY MESSAGES



1. Press suppliers to comply with legal requirements, as minimum;
2. Buyers play a vital role in building the capacity of their suppliers in managing risks, identifying root causes and developing a systematic approach to addressing issues and risks, e.g., provide templates for policies and SOPs, translate your codes into operational terms, collaborate;
3. Buyers should identify zero-tolerance issues to help suppliers prioritize areas for improvement;
4. Nothing can replace a conversation with a mill or an estate
5. Financial institutions should incentivize good performance and support the laggards, and invest in worker communication systems

A photograph of a tractor pulling a trailer filled with palm oil fruit in a plantation. The tractor is a small, white, four-wheeled vehicle with a black canopy. The trailer is a large, dark metal dump trailer, overflowing with a large pile of palm oil fruit (bunches of red and orange fruits). The background is a dense palm oil plantation with many tall palm trees. The ground is dirt and there is some green vegetation in the foreground. A semi-transparent dark red banner is overlaid on the image, containing white text. A red arrow points to the left from the left edge of the banner.

**DISCUSSION QUESTION:**

HOW HAVE YOU BEEN PREPARING PALM OIL SUPPLIERS TO COMPLY WITH THE NEW LABOUR AND HUMAN RIGHTS STANDARDS IN THE P&C?

# Scope in Focus: Labor and Ethics

## **RSPO Principle 1:**

### **Behave ethically and transparently**

- 1.1: Environmental, social and legal issues relevant to RSPO Criteria
- 1.2: Ethical conduct in all business operations and transactions

## **RSPO Principle 2:**

### **Operate legally and respect rights**

- 2.1: Compliance with all applicable local, national and ratified international laws and regulations
- 2.2: All contractors providing operational services and supplying labour and FFB suppliers, comply with legal requirements
- 2.3: All FFB supplies from outside the unit of certification are from legal sources

## **RSPO Principle 3:**

### **Optimise productivity, efficiency, positive impacts and resilience**

- 3.5: A system for managing human resources is in place
- 3.6: An occupational H&S plan is documented, effectively communicated and implemented

## **RSPO Principle 6:**

### **Respect workers' rights and conditions**

- 6.1: Non-Discrimination
- 6.2: Pay and Conditions
- 6.3: Freedom of Association and Collective bargaining
- 6.4: Children are not employed or exploited
- 6.5: No harassment and abuse
- 6.6: No forms of forced or trafficked labour are used
- 6.7: Health and Safety



***Thank you!***