

P R A K A R S A *Policy Brief*

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The Fulfillment of Palm Oil Workers' Rights: One of the Pillars of Sustainable Plantations

Key Points:

- Decent work conditions are the right of every worker and are part of human rights in an economic, social, and cultural sense. Employers must provide decent work for workers, including granting a minimum wage, adequate working hours and rest, safe and healthy working conditions, and social security.
- Decent working conditions are still not fully met by employers in the palm oil plantation sector. Violations of the rights of oil palm plantation workers persist, comprising aspects of employment relations, living wages, OHS, freedom of association, forced labor, severance pay, and child labor.
- The government, financiers or investors, and buying companies need to pay attention to the commitment of palm oil companies regarding the fulfillment of the labor rights and sustainable practices in the upstream industry when they conduct business cooperation with the said companies.

Indonesia is one of the largest producers and exporters of processed palm oil products in the world. The palm oil plantation industry is vital for the national economy. Palm oil plantations spread in the large islands of Sumatra, Kalimantan, Sulawesi, and Papua, contribute significantly to national economic growth.

Palm oil plantations have absorbed a large number of workers. In 2019, the number of workers in palm oil plantations reached 4.42 million, consisting of 4 million or 90.68% working in private plantations, 321,000 or 7.62% working in state-owned plantations, and 91,000 workers or 2.07% working in foreign private plantations (*Kompas.com*, 16/6/2021).

At the global level, stakeholders in the palm oil industry have encouraged sustainable business practices in the upstream palm oil industry. At the international level, global corporations engaged in the palm oil product sector have agreed to promote sustainability practices throughout the supply chain network through the Roundtable on Sustainable Palm Oil (RSPO). In Indonesia, to ensure sustainable practices in palm oil plantations, the government has developed Indonesian Sustainable Palm Oil (ISPO) as the basis for certification of sustainable palm oil products through the Regulation of the Minister of Agriculture No 19/2011.

Even though the RSPO is recognized and Indonesia has its own palm oil certification standard, namely ISPO, issues concerning labor rights in the palm oil industry are still emerging. In the RSPO/ISPO certification mechanism, there is an assessment to measure the extent to which the company applies the principle of sustainability which includes the fulfillment of labor rights. However, often assessors are considered less in favor of workers (Gottwald, 2018).

Violations of rights concerning job security, decent wages, forced labor, occupational safety and health (OHS), child labor, and social security are still happening on the field. *Violations of the rights of palm oil plantation workers* must become a concern of the general public, especially the government, and more specifically, financial institutions and investors as capital providers.

Human Rights and Labor Rights Instruments

An international commitment to fulfill economic, social, and cultural rights was first marked by the adoption of the Universal Declaration of Human

Rights (UDHR) by the UN General Assembly in 1948. In its development, in 1966, the UN General Assembly adopted the International Covenant on Economic, Social, and Cultural Rights (ICESCR).

To reinforce its commitment to protecting labor rights, the UN Human Rights Council in June 2011 ratified The United Nations Guiding Principles on Business and Human Rights (UNGP BHR), which inscribes the Implementation of the "Protection, Respect and Recovery" Framework. The UNGP BHR consists of 31 provisions framed in three main pillars: the obligation of the state to protect workers against human rights violations, the responsibility of companies to respect human rights, and the need to help victims achieve recovery (UNGP BHR, 2011).

The specific international norms regarding decent work are framed under the International Labor Organization (ILO) Conventions. Indonesia has ratified several ILO conventions as a commitment to fulfill labor rights including: (1) Convention No. 29 concerning the Abolition of Forced Labour, (2) Convention No. 87 concerning Freedom of Association and Protection of the Right to Organize, (3) Convention No. 98 concerning the Right to Organize and Conduct Collective Bargaining, (4) Convention No. 100 concerning the Provision of Equal Pay for Men and Women, (5) Convention No. 105 concerning the Elimination of All Forms of Forced Labour, (6) Convention No. 111 concerning Discrimination in Employment and Occupation, (7) Convention No. 138 concerning the Minimum Age for Admission to Employment, and (8) Convention No. 182 concerning the Elimination of the Worst Forms of Child Labour.

The ratification of ILO conventions has consequences for Indonesia to respect the basic rights of workers, including freedom of expression, collective bargaining, and the right to strike. One of the state's efforts to fulfill the basic rights of workers is by ensuring that companies respect the rights of workers, as evidenced by a written fair work agreement.

Companies must respect the dignity of workers through fair work regulations and decent wages. Companies may not exploit workers through long working hours without affording overtime pay or short working hours with high work targets. On the other hand, companies must ensure occupational safety and health by providing adequate work facilities and infrastructure, including personal protective equipment (PPE). To create a conducive working relationship, companies must be open to

collective bargaining mechanisms as a form of democracy in the workplace and provide a problem-solving-oriented complaint mechanism. In particular, companies must not use child labor or child labor in the production process.

In the context of translating human rights aspects in the national palm oil plantation industry, one of the approaches used is the certification of sustainable palm oil products through the ISPO scheme, which is mandatory for all palm oil companies and planters under Presidential Decree No 44/2020 concerning the Indonesian Sustainable Palm Oil Plantation Certification System. ISPO contains provisions on labor protection covering aspects of OSH, improvement of workers' welfare, increased ability of workers, child labor, discrimination, and harassment and coercion in the workplace. However, there are still many shortcomings in the ISPO contents, such as guidelines related to OSH, which are too broad, no specifications for welfare quality

standards that must be met, and no provisions for equal pay for the same scope of work.

Violations of Palm Oil Workers' Rights

In a study entitled Violations of the Rights of Palm Oil Plantation Workers (2021), The PRAKARSA found many violations of the rights of palm oil plantation workers in three large-scale companies operating in West Kalimantan (PT 01 and PT 02) and Central Sulawesi (PT 03)¹. The violations found included inequality in employment relations, inadequate wages, negligence of OSH, limiting freedom of association, forced labor practices, non-fulfillment of severance pay, inadequate housing, and child labor. Such practices are believed to be quite common in the palm oil plantation industry. They have even become classic problems that keep happening over and over again.

Table 1. Forms of Violations of Palm Workers' Rights

Aspect	Form of Violation	Description
Work relation	Absence of copy of work agreement	Piece-rate workers and daily casual workers in the harvesting, maintenance, and transportation divisions at PT 01 do not own a copy of their work agreements, resulting in workers being 'blind' of their rights and responsibilities between them and the employer.
	Work relation under the framework of "partnership"	At PT 03, a "partnership" agreement was made between the workers and the Afdeling Association. The weaknesses of this agreement are: (1) at any time there may be changes to the terms of the work agreement; (2) changes made orally can be made at any time as part of work instructions; and (3) an agreement that is essentially an employment relationship denies an employment relationship by stating it is "not an employment relationship in any form".
	Unaccountable status transition from daily casual workers (BHL) to daily permanent workers (BHT)	The unaccountable status transition from daily casual workers (BHL) to daily permanent workers (BHT). In PT 02, the status transition from BHL to BHT does not have clear standards (for example, the length of time for a BHL to become BHT). Some workers have worked for five years but have not been appointed as BHT.
Decent wage	Wage rate is adjusted to the price of fresh fruit bunches and is updated annually	At PT 01, when the fresh fruit bunches (FFB) the prices increase, wages do not automatically increase. However, if the price of FFB falls, wages will fall. As happened in 2019, wages fell by 50% following the falling FFB prices.
	No overtime pay	Transportation workers at PT 01 do not receive overtime pay, even though they work more than normal working hours. But if they are on leave, their wages will be deducted.
	Low wage	The oil palm plantation in PT 02 still has many old shrubs, the plants and weeds are taller than humans. There are wooden saplings that are as big as a palm tree, about 2.5 meters. Meanwhile, the available tool is only machetes, making it heavy for maintenance workers to use, especially female workers. With tough working conditions, the wages for maintenance workers are minimal, around Rp. 1,462,500 for 15 working days.
	High work target	At PT 03, the remuneration system is based on work targets. Due to heavy targets, workers often work past normal hours. However, overtime hours are not compensated by overtime pay. In fact, the daily wage value of Rp 55,225 to Rp 88,360 received by workers is already low.
Occupational Health and Safety	Inadequate personal protective equipment (PPE)	Inadequate personal protective equipment (PPE)/ PT 03 does not provide adequate OHS facilities. For example, gloves that are not suitable for use can cause injuries to workers' palms. Moreover, if the work tool is broken, the workers must afford the replacement themselves.
	Workers pay for certain tools themselves	At PT 01, BHTs pay for certain work tools themselves, such as <i>angkong</i> (FFB transport carts), in six months installments through wage deductions. For piece-rate workers, they provide their own OHS equipment. Meanwhile, PT 03 does not provide working tools for <i>jankos</i> workers. These workers buy and make their tools such as hats, shoes, and rakes.
	Poor quality of work tools	At PT 02, the company provides work tools in the form of shoes for a year. However, it usually breaks before a year because of poor quality, so workers often buy their shoes, especially those in the harvest section.

1 PT 01, PT 02 and PT 03 are the anonymous names of the companies that are the case study objects in PRAKARSA's research. For some reason, the companies' names are not mentioned.

Freedom of association	Prohibition of association	This was acknowledged by workers at PT 01, although it cannot be proven in writing.
Forced labor	Unpaid labor	At PT 01, both BHT and BHL work long hours with heavy work targets but without receiving overtime pay. The same thing happened at PT 03. Extremely-high work targets can only be achieved by young workers. There is one case where a worker who is no longer young must involve his wife to achieve work targets. In this case, the worker's wife is included in the category of unpaid labor.
Complaint mechanism	'No sick days'	At PT 01, when workers submit sick notices to be allowed not to work, they must attach a doctor's certificate. Even if there is a doctor's certificate, the company still cuts their daily wage of Rp. 97,750, which means that sick workers are considered absent. At PT 03, almost every medical examination results in workers being told to return to work. Even for female workers, if they menstruate and cannot work, the consequence is that they lose their daily wages.
	'No protests'	In PT 01 and PT 02, protests result in the risk of layoffs, so workers do not dare to protest except to the foreman. The foreman then discusses the complaint with the assistant (the company's staff in the garden). Feedback from complaints submitted usually results in suggestions to be patient in facing heavy workloads. At PT 03, complaints from piece-rate workers are usually responded to with threats of layoffs by the foreman.
Severance pay	No severance pay	At PT 01, workers entering retirement age do not receive severance pay and do not have old-age benefits because the company does not provide them.
	The amount of severance pay does not match the period of service	At PT 03, most workers aged 50 years and over want to keep working rather than resign with low severance pay, which is only one month's salary. Even for workers who have worked for more than five years, if they stop, the amount of severance pay to be received has been determined, Rp. 3 million.
Residence allowance	Inadequate place to live	PT 01 provides a place to live for BHT, but without furniture, so workers buy their own furniture such as curtains, mattresses, stoves, gas, and water pumps. Every technical problem in the afdeling is dealt with by the occupants (BHT). Like PT 01, housing for harvest workers, both BHL and BHT, is not adequate at PT 02. In house repairs, the workers have repaired themselves since the first time they occupied their houses. The use of electricity is limited until 23.00, and it turns back on at 03.00. Sanitation facilities are completely lacking with no toilet facilities, so workers clean themselves in ditches.
Child labor	Involvement of children as labor	At PT 03, high work targets made several workers involve their family members, including children, to help them meet those targets. A family has been working since 2012 involving their children. This incident happened to many piece-rate workers.

Source: PRAKARSA, 2021.

Analysis and Conclusion

Violations of the rights of palm oil workers that continue to occur indicate that the RSPO and ISPO have not been able to effectively become a foothold for the parties to place workers as an important part of the sustainable palm oil industry. This is following with what Gottwald (2018) stated that the assessment in the RSPO/ISPO certification mechanism is less in favor of workers. To enforce sustainability standards, the RSPO and ISPO need to first reprimand, then sanction or suspend, and finally revoke the sustainability certificate if a company repeatedly violates labor rights. In this case, the government needs to involve workers and labor unions in monitoring the implementation of ISPO standards.

Violations of the rights of palm oil workers also occur due to weak labor inspections. The Minister of Manpower, Ida Fauziyah, admits that the number of labor inspectors is not ideal compared to the number of companies that are the object of supervision. With the current number of labor inspectors being only around 1,574 people, inspectors can only supervise 103,680 companies, or 40.9 percent of the total number (Kompas.com, 15/06/2020). In addition to weak supervision, the Manpower Offices at the provincial and district/city levels pay less attention to

reports of violations of the rights of palm oil workers. In this case, the Ministry of Manpower needs to direct the Manpower Office to respond to reports of labor rights violations, both direct reports from palm oil workers and reports from labor unions and civil society organizations.

Although Indonesia has ratified ILO conventions related to decent work, no specific convention for plantation workers has yet been ratified. To strengthen its commitment to decent work for palm oil workers, Indonesia needs to ratify the ILO Convention No. 110 on Working Conditions of Plantation Workers and No. 184 on Safety and Health in Agriculture.

Another factor that still causes violations of palm oil workers' rights to occur is the absence of regulations specifically regulating the protection of plantation workers. Government Regulation (PP) No. 34, PP No. 35, PP No. 36, and PP No. 37^[2] as the implementing regulations of the Employment Creation Law are not yet contextual with the labor conditions of oil palm workers. Therefore, it is necessary to have a Minister of Manpower Regulation translate the contents of the four PPs so that they are contextual with labor conditions in the palm oil plantation sector.

2 PP No. 34/2021 concerning the Use of Foreign Workers; PP No. 35/2021 concerning PKWT, Outsourcing, WK, WI, and layoffs; PP No 36/2021 on Wages; PP No 37/2021 concerning Use of Job Loss Guarantee.

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PRAKARSA Policy Brief is an independent policy analysis and recommendation about various critical issues related to development and welfare.



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Another aspect that can support the fulfillment of the rights of palm oil workers is the increased role of the parties, both labor unions, community organizations, investors, and financial institutions. Financial institutions or financiers need to increase their role in the agenda for fulfilling the rights of palm oil workers by not channeling credit or capital to oil palm companies that continue to violate the rights of palm oil workers.

The palm oil plantation sector plays a major role in the national economy. However, the operations of palm oil plantation companies still do not fully respect the rights of palm oil workers. The government must protect the rights of palm oil workers so that the contribution of palm oil in improving the economy and people's welfare can be realized. Palm oil plantation companies must also respect the rights of palm oil workers by applying sustainable palm oil standards and complying with the principles of decent work so that oil palm plantations become a sustainable source of the national economy.

Policy Recommendations

1. Recommendations to the government:

- There needs to be a regulation on decent working conditions in the palm oil sector. Regulations may take the form of the Minister of Manpower Regulation on the Protection of Palm Plantation Oil Workers to regulate the working relations between companies and daily permanent workers, daily casual workers, and piece-rate workers to guarantee labor rights in palm oil plantations;
- The Ministry of Manpower, together with the local governments and village governments, need to strengthen labor inspection in palm oil plantations with the involvement of multi-stakeholders, including trade unions, through education and training on labor inspection in the palm oil sector as well

as the institutionalization of equal social dialogue; and

- The Ministry of Manpower needs to increase the involvement of Wage Councils at the national and regional levels (provincial and district/city) in setting sectoral minimum wages in palm oil plantations and determining reasonable work targets to ensure decent wages for workers in palm oil plantations.

2. Recommendations to financiers and investors as well as buying companies (buyers)

- Verify the sustainability practices of palm oil plantation companies by not only focusing on one assessor's report but also paying attention to public information such as mass media, labor unions, and reports from civil society organizations;
- Investors not to provide capital or continue capital for palm oil companies that do not comply with the principles of decent work based on the findings of assessors and public information; and
- Buying companies should not buy or continue purchasing contracts with palm oil companies that do not comply with decent work principles based on assessors' findings and public information.

3. Recommendations to the Financial Services Authority

Increase the socialization of the Book of Credit/Financing for the Plantation and Palm Oil Industry so that the understanding of the banking/finance industry on the palm oil business process (which pays attention to the Environmental, Social, and Governance (LST) aspects) is improved.

4. Recommendations to Trade Unions

Strengthen collaboration with various stakeholders in exchanging ideas and information related to labor conditions in the palm oil sector to increase their role in protecting palm oil workers.

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