

Labor & Human Rights Issues in Palm Oil Industry

Sept, 2017



BSR®

The Business of a Better World

About BSR



Our Mission

Our mission is to work with business to create a just and sustainable world. We envision a world in which everyone can lead a prosperous and dignified life within the boundaries of the Earth's natural resources.



Global Nonprofit Business Network

We are a global nonprofit organization that works with our network of more than 250 member companies to build a just and sustainable world. From our offices in Asia, Europe, and North America, we develop sustainable business strategies and solutions through consulting, research, and cross-sector collaboration.



Why BSR

Mission-Driven

Our mission-based approach and nonprofit status result in consulting services focused on innovation, impact, and long-term, positive change.

Industry Focus

Our consulting teams are organized by industry, creating expert teams that are familiar with industry-specific issues and trends.

Diverse Expertise

Our unique mix of staff—with backgrounds in business, civil society, consulting, investment, government, law, and policy—bring innovative and diverse thinking to global sustainability challenges.

Deep Experience

We are experienced and equally comfortable working across the full range of company operations, and we are uniquely placed to connect points across the value chain.

Demonstrated Leadership

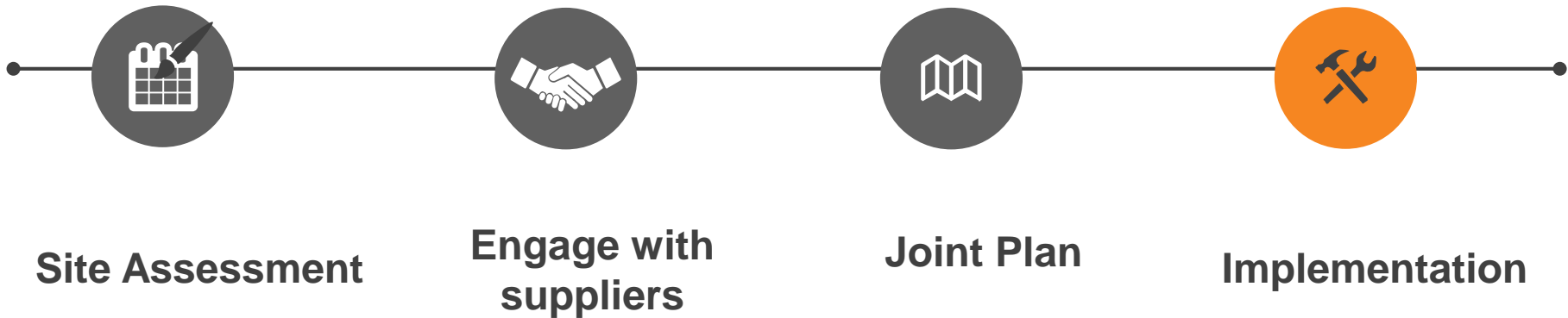
We've shaped the field of corporate responsibility since 1992. Our more than 20 years of experience dedicated to sustainability brings unparalleled expertise and insight.

Labor & Social Assessments

- We are assessing working and living conditions on palm oil plantations in Indonesia and Malaysia in cooperation with major palm oil suppliers, focusing on labor management practices as they relate to international social standards and stakeholder expectations.
- This entails:
 - Desktop review of company documents, benchmarked against national regulations, industry standards, international expectations
 - Interviews with palm oil plantation workers
 - Interviews & discussions with palm oil plantation management



Collaborative approach with Suppliers

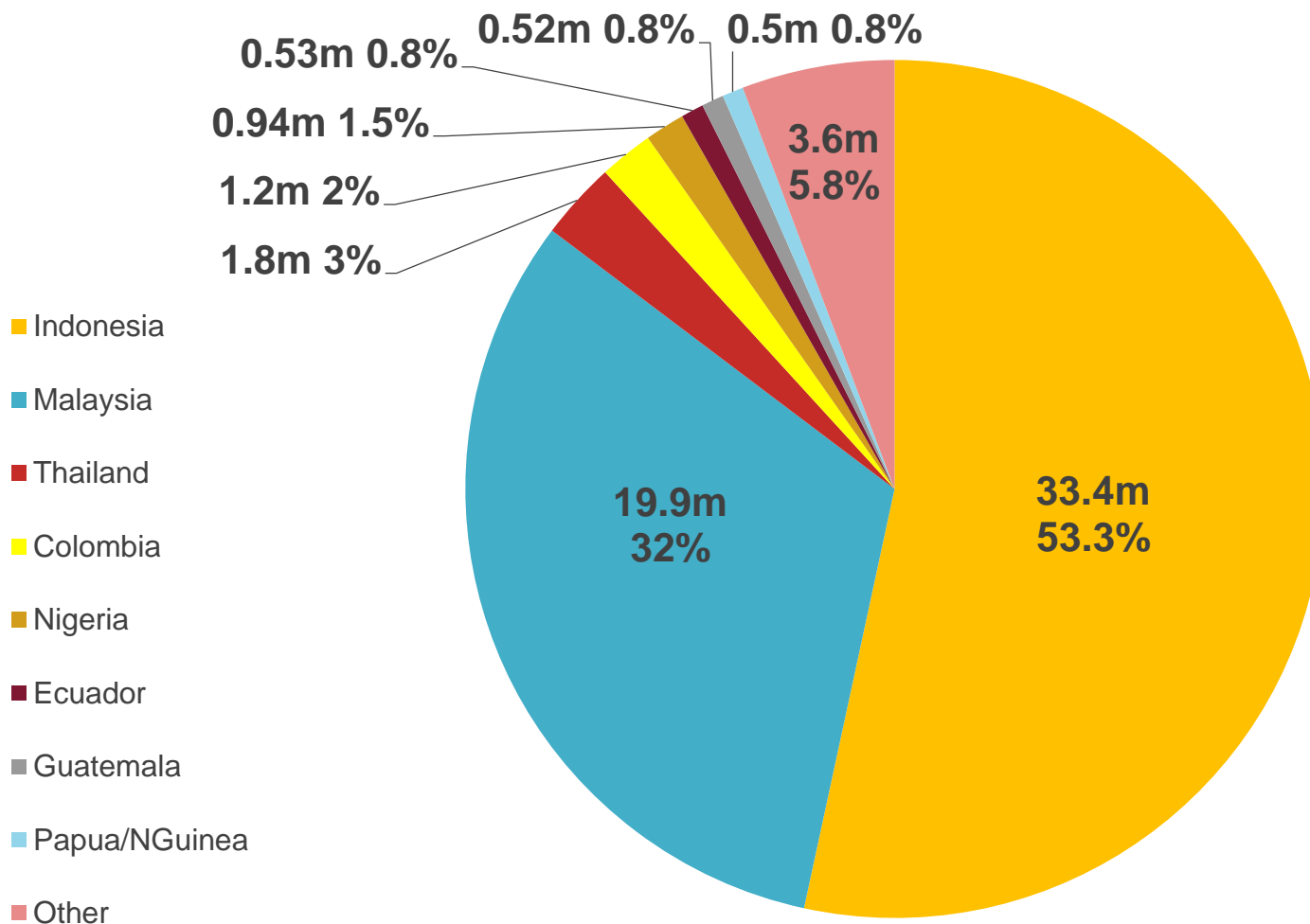


RESULTS

- Helped company gain visibility into and an understanding of the vulnerable workforce hidden in their supply chain
- Support companies and suppliers to set up management system with comprehensive understanding of country/industry specific situation, prevent having possible child labour & forced labour/ trafficking victim.

Labor & Social Issues

Global Palm Oil Production 2015 – MMT



Indonesia & Malaysia = 84 % market share

Data: oil world June 2016 database.

Palm oil: Increasing pressure on social issues

- Palm oil and palm-based ingredients are found in approximately 50% of common consumer products e.g. cooking oil, bread, chocolate, ice cream, detergent, shampoo, biofuels for cars and power plants.
- Certification bodies (RSPO) and stakeholders previously focused mainly on environmental issues: deforestation, biodiversity loss and GHG emissions. Early social focus areas were mainly related to indigenous and community land use rights and related social impacts.
- As RSPO matures and its scope widens, stakeholder concerns about labor issues are increasingly taken on board for a broader definition of 'responsible' palm oil.



Malaysia

A global 'hotspot' for international migrant worker issues:

- A large number of migrant workers (>4m) serve as low-cost labor. Over half of these workers are estimated to be undocumented.
- This large population of migrant workers gives rise to forced labor, with a high prevalence of conditions leading to forced labour, including:
 - ✓ High recruitment and contracting fees that lead to debt bondage
 - ✓ Deception around work conditions, wages, etc. in worker contracts
 - ✓ Suspected cases of child labour (stateless children)



TRAFFICKING IN PERSONS REPORT

JULY 2015



Indonesia

More than "Deforestation Issues"

- Stakeholders previously focused mainly on environmental issues due to concerns over deforestation, biodiversity loss in Indonesia
- As RSPO matures and its scope widens, stakeholder concerns about labor issues are increasingly taken on board for a broader definition of 'responsible' palm oil. Challenges include:
 - ✓ Perceived unfairness in the wage system
 - ✓ No proper grievance mechanism
 - ✓ Suspected cases of invisible labour, who are hired to help increase household income such as through the use of child labour



THE GREAT PALM OIL SCANDAL

LABOUR ABUSES BEHIND BIG BRAND NAMES - EXECUTIVE SUMMARY

AMNESTY



Wage system for the palm oil industry

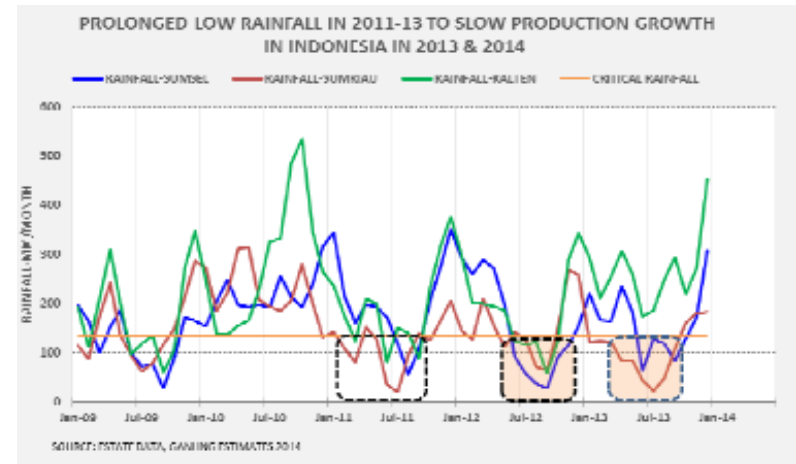
Palm oil industry: Piece rate system

- 1. Piece rate system**
 - 2. Time-based system**
 - 3. Combined wage system**
- Piece rate systems are preferred in industries where employers cannot track the workers' hours, such as in a plantation.
 - Unlike many other workplaces, plantations are borderless, making it difficult to track the hours worked by employees.



When does a piece rate system not work for a company and its workers?

- When piece rates are set too low, thus encouraging overwork and unpaid overtime work
- When the piece rate system fails to take into account external factors beyond workers' effort



Seasonality: Palm oil production is highly dependent on external factors beyond labor such as rainfall, maturity of the trees, and climate.

What constitutes a fair piece rate system?

- A fair piece rate system instils trust in the workers that their efforts will be rewarded.
- The ILO recommends that workers on piece rate systems should be rewarded based on the difficulty and quality of work, where workers can earn “substantially more than the minimum wage” every month.



Setting a fair rate

The U.K. Government sets a “fair rate” by **determining the average rate of work per hour and dividing this by 1.2** to avoid disadvantaging slower workers. This rate is divided by the hourly minimum wage to determine the fair rate for each piece of work

Casual contracts are extensively used

Palm oil companies often prefer to employ workers on a casual, day-hire basis to minimize costs.

Yet in Indonesia, the majority of workers are employed on short-term contracts and/or earning an income that is below the minimum wage.

These workers may work as casual workers for many years, even though they are completing continuous or core tasks for their company.

The lack of secure employment is very stressful and makes it almost impossible for workers to exercise their labour rights

Child Labour

Education

- Quality
- Availability
- Access
- Affordability
- Supporting family income



Water and Hygiene

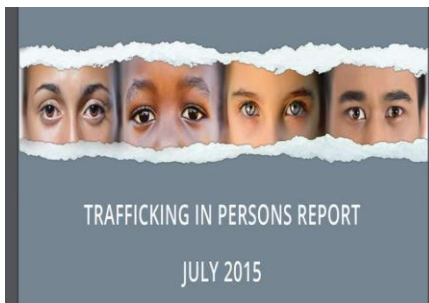
- Lack of clean water sources
- Lack of functional toilets in houses and schools
- Poor handwashing and broader sanitation practices.
- Most common illnesses affecting children across the majority of plantations are derived from poor sanitation (e.g. diarrhea).
- Health caused by poor water quality and inadequate sanitary conditions can negatively impact on school attendance.

Migrant Workers

Malaysia / Migrant Workers / Agriculture

A global 'hotspot' for international migrant worker issues:

- Prevalence of migrant workers in global supply chains (especially manufacturing and agriculture)
- Large numbers of migrant workers (>4m) providing low-cost labor, especially in '3D' jobs in Malaysia. Over half estimated to be undocumented.
- Large numbers of migrant workers gives rise to forced labor, high prevalence conditions leading to forced labor including:
 - ✓ High recruitment and contracting fees that lead to debt bondage
 - ✓ Deception around work conditions, wages, etc. in worker contracts



Recruitment Fees

- Recruitment Fees in Nepal
 - ✓ Legal Recruitment Fees: €593
 - ✓ Actual Recruitment Fees: €1200 – €1500

Box 5: Nepalese Legal Recruitment Fee²⁰

Passport Application	NPR 5,000	€ 52 ²¹
Visa Application	NPR 1,800	€ 18.70
Medical	NPR 2,000	€ 20.80
Government tax	NPR 5,000	€ 52
Language Training	NPR 1,500	€ 15.60
Airport Fees	NPR 1,130	€ 11.75
Air Ticket	NPR 30,000	€ 312
Legal Service	NPR 5,300	€ 55.12
Placement Fee (Malaysia)	NPR 5,300	€ 55.12
TOTAL	NPR 57,030	€ 593.09

Source: *Migrant Workers in a Digital Age, 2010*

Summary of Issues During Employment Process

Before Employment

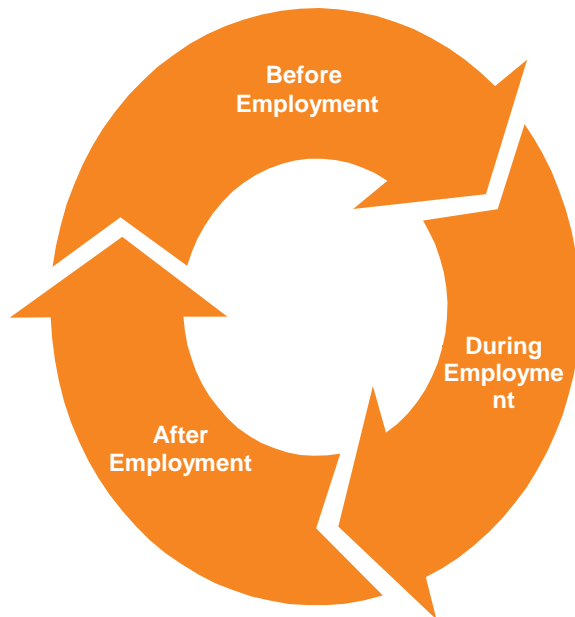
- Information Provision
- Recruitment Fee

During Employment

- Wage (deductions & withhold)
- Passport/Identity Documents
- Overtime
- Harassment, Abuse & Discipline Protections
- Grievance Procedures & Unions
- Worker Accommodations

After Employment

- Freedom to exit employment



Thank you!

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