A photograph of a person riding a motorcycle away from the camera on a wide, muddy, unpaved road. The road is flanked by dense palm trees and lush green vegetation. In the distance, utility poles are visible against a cloudy sky. The road surface is uneven and covered in mud, with some puddles reflecting light.

PROFIT OVER PEOPLE: WORKING CONDITION IN SINAR MAS PALM OIL SUPPLY CHAIN

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Editor:
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Asia Monitor Resource Centre

The Asia Monitor Resource Centre is an independent non-governmental organization focusing on Asian labour concerns. The Centre provides information, research, publications, training, labour networking and related services to trade unions, labour groups, and other development NGOs in the region. The Centre's main goal is to support democratic and independent labour movements in Asia.

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Sawit Watch

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EXECUTIVE SUMMARY

Palm oil has long been the subject of criticism from various quarters. Amidst of criticism, the global demand for palm oil is increasing, and palm oil plantations are also increasing in many places, in particular in Indonesia, the largest palm oil producer in the world.

In 2015 Indonesia exported a total of 28,276,871 tons of both crude palm oil (CPO) and kernel palm oil (KPO), with a value of more than US\$15,413 million. This growing economy is in parallel with the expansion of palm oil plantation areas, which increased from 5,453,817 ha (2005) to 11,260,277 ha (2015). With targeted palm oil expansion started was 28,996,412 ha, the expansion still continues.

The demand for palm oil keeps rising, and there is little attention to the working conditions of palm oil plantation workers. Based on recent investigations, many similarities in working conditions can be found in almost all palm oil plantations. There are frequent practices in terms of irregular employment that have no job security, heavy workloads, unachievable daily targets, discrimination against workers, child labour, inadequate social security and other human rights violations. It can be said that the abusive working conditions is one of the key features of the palm oil supply chain.

Asia Monitor Resource Centre and Sawit Watch conducted a joint-research project to investigate working conditions on palm oil plantations owned by Golden Agri-Resources (GAR), the palm oil division of Sinar Mas. This research was corroborated by mapping the buyers and financier of GAR to see factors that support the existing working conditions.

Sinar Mas, through its subsidiary, was a signatory to UN Global Impact, No Deforestation, No Peat, No Exploitation (NDPE), and also one of the members of the Roundtable on Sustainable Palm Oil (RSPO). These international standards consist of provisions to respect labour, and a commitment to human rights. In addition to those international standards, Sinar Mas also established its own policy concerning employment practices.

This research combined desk research and field research methods. Desk research was applied to trace GAR buyers and financiers, to obtain a framework of the palm oil supply chain, and to have a better understanding of the working conditions of palm oil plantation workers.

The investigation of working conditions was conducted by field research over a period of three months, from September to November 2017, in three estates under two subsidiary companies in Central Kalimantan province, Indonesia. The region was selected as the research sample, based on the assessment that the biggest palm oil plantation owned by Sinar Mas is located on Kalimantan Island. For the purposes of this research, the selected estates are managed by Tapan Nadenggan Inc. and Mitra Karya Agroindo Inc. in the Seruyan District of the Central Kalimantan province.

The data was collected by interviewing workers directly and gathering necessary evidence, including work agreements, and visually examining documentation. Researchers interviewed 49 plantation workers who were engaged directly in the production of palm oil in plantation fields, including harvester, sprayer, picker, fertilizer, nursery worker, etc. In addition, researchers also interviewed 3 ex-workers and two relevant informants from NGO focus on palm oil issue.

AMRC and Sawit Watch was found serious human rights and labour rights abuses on the three plantations owned by Sinar Mas. These included unfair employment system, occupational safety and health problems, low level of wage, bad living conditions, gender discrimination and exclusion of workers from the audit.

Unfair Employment System

A worker named Z said:

“Many daily workers are locals working mostly on maintenance activities which include weeding, spraying and fertilizing. Some of them have been working for 5 years, but others have been there for 17 years. None of them are regular workers. The management claimed they have been registered under the national health insurance in Jakarta, because the local institution could not make it. However, there is no insurance card yet. As a matter of fact, when they are sick they pay for the medical treatment themselves. The clinic provided by management only accepts occupational accidents. No other illness will be treated at the clinic.”¹

A casual woman worker said:

“I have been working here for around 17 years as a casual worker. I do many things depending on the supervisors. I earn Rp. 99.000 (US\$7.20) per day and work a maximum of 20 days each month. As a casual worker, I am not allowed to take any leave.”²

Employment status is a key factor that influences the workers' wages and their

1 Interview with Z, SKU workers at PT Tapan Nadenggan

2 Interview with As, Hy and Lw, workers PT Tapan Nadenggan

access to benefits. There are five types of employment practiced at PT Tapian Nadenggan, namely (1) regular worker; (2) contract worker (for a two-year period); (3) daily-paid casual worker (*Buruh Harian Lepas* or *BHL*); (4) piece-rate casual worker (*Buruh Harian Borongan* or *BHB*); and (5) sub-contract (transport) worker.

In PT Tapian Nadenggan, *daily-paid casual workers* work a maximum of 20 days per month, earning only Rp. 99,173 (US\$7.20) per day, with no entitlement to any benefit, including health insurance. *Piece-rate casual workers* are usually the wives of regular and contract workers, and are employed as palm-loose-fruit pickers with a daily target of 29 buckets. *Subcontract (transport) workers* are third-party workers that are employed by another company (vendor), and whose work is to transport the fresh fruit bunches and the workers.

These harvesters have a work target of 55 fruit bunches per day. If they do not meet the target, they receive only the wage for the day. However, if they exceed their target, they receive an extra Rp. 1,020 (US\$0.074) per fruit bunch. They also receive 18.5kg of rice each month. Any mistake or grievance they make will reduce their rice allowance. They work every day except Sundays and public holidays.

Both PT Tapian Nadenggan and PT Mitra Karya Agroindo have been employing casual workers to do work related to their core business and core plantation production. This work is supposed to be done by workers with a regular status. It is obvious that they have been breaking the labour law (Labour Act Number 13 Year 2013).

Workers at PT Tapian Nadenggan and PT Mitra Karya Agroindo have been exploited. These workers receive a fine if they are considered to have violated the company's rules. Their wages are deducted or their workload increased. Punishment, threat, and penalty are part of management's strategy to control workers to achieve maximum profit at the expense of workers.

*"Working in this plantation is tough. If you make a mistake, no matter what, you will be punished. If you are found leaving fruit you are fined Rp. 5,000 (US\$0.36); if you harvest unripe fruit you are fined Rp. 1500 (US\$0.11)). There are other fines for not taking loose fruit with you, or if fruit is unclean."*³

*"If you do not meet the target of 100 bunches for a day, your wages will be deducted."*⁴

The workers at PT Tapian Nadenggan and PT Mitra Karya Agroindo are forced to work if they do not want their wage deducted. This also means that workers

3 Interview with Z, SKU worker PT Tapian Nadenggan

4 Interview with Spr, harvest worker PT Mitra Karya Agroindo

cannot take any leave. Taking a day's leave, including sick-leave, means their rice for the day will not be provided.

*"Unlike the staff admin, even though you are sick and you have a sick letter from the doctor, if you do not work you will not get the rice allowance of the day. You still get your wage. But if you are absent from working in the field for a day, both wages and half a kilo of rice will be just gone."*⁵

It is very difficult for the workers to get a day-off for any reason, even to attend the funeral of their parent or relative. Management once fired a worker who exceeded his 12 days-annual leave, regardless the reason. Management does not care if a worker has to take a long trip to Flores in East Nusa Tenggara province by ship, which takes at least 7 days for a one-way journey.

Daily-paid casual workers face even worse conditions. If they take leave, they will get nothing. They are not entitled to any leave. A woman worker said she had to quit the job to take maternity leave and re-apply for the same job afterward, with no benefit or allowance for maternity, so she had to come back to work after giving birth, as she needs money.

Occupational Safety and Health Problems

Two pesticide spraying workers at PT Mitra Karya Agroindo admitted being poisoned, as they take lunch without washing their hands. These two women workers were treated in the clinic, but they returned to work the following day.⁶ They use a number of chemical compounds including Roll Up, Rolixon, Gramoxone and Elly. There is no training or information provided on the hazards and how to deal with the chemicals.

Moreover, a worker in the fertilizing section at PT Tapian Nadenggan was checked by a doctor who advised the worker to take a break and change the job because she was short of breath. However, there has not been any response from management.⁷ Other workers explained that there are medical controls and questions from the doctors. But no results are returned or explained to the workers.

The management provides transportation for daily-paid casual workers using trucks or pick-up vehicles. This has been the practice for the past 11 years. Usually one truck takes up to 40 workers. There was an accident in 2013 when a truck overturned and injured some workers. There was no medical treatment or insurance provided either by the truck company (vendor) or management.⁸

5 Interview with Sm, ex-harvest worker PT Mitra Karya Agroindo, with Ms, harvest worker PT Mitra Karya Agroindo, and with Z, SKU worker PT Tapian Nadenggan.

6 Interview with women worker PT Mitra Karya Agroindo

7 Interview with Hy, spray worker PT Tapian Nadenggan

8 Interview with Mr, BHL worker PT Tapian Nadenggan

A regular worker at PT Mitra Karya Agroindo said that the clinic, which normally has one doctor and two nurses, provides very limited medicine. They did not use anaesthesia for a small surgery that he had, saying they had run out of anaesthetic.⁹ These findings obviously show that PT Tapan Nadenggan and PT Mitra Karya Agroindo are negligent in not providing adequate health and safety for their workers.

Meagre Wages

Ay, a daily-paid casual worker, said:

*"I receive less than Rp. 2,000,000 (US\$145.27) per month. This is not enough to live on. Our meals alone cost Rp. 700,000 (US\$50.85). Then there are school expenses for my two children? I have another job for additional income."*¹⁰

The wages of palm oil workers in Central Kalimantan is based on the local minimum wage (Rp. 2.421.305/US\$175.87 per month). Regular workers at PT. Tapan Nadenggan earn Rp. 99,173 (US\$7.20) per day. Apart from receiving wages, they also receive 0.5 kg of rice per day. In addition, those who live with their family receive an additional 0.3 kg rice per day (for wife) and 0.25 kg rice per day (per child). Daily paid casual workers, who work 20 days a month, earn a wage of Rp. 99,173 (US\$7.20) per day.¹¹

Daily-paid casual workers receive different wages compared with regular workers. The casual workers' wages are adjusted according to what they have done each day. In a month, the daily-paid casual workers at PT Tapan Nadenggan and PT Mitra Karya Agroindo receive a maximum of Rp. 2.000.000 (US\$145.27)

Casual workers do not have a regular monthly income. Their wages depend on what they do every day. They have to buy personal protective equipment and work tools with their own money. They work without access to health insurance, food allowance, annual leave, and job security which is contrast with what GAR stated in their sustainability report.¹²

Bad Living Conditions

*"The water in the housing areas is dirty and smelly. The colour is like tea. We buy water for drinking and other daily needs."*¹³

9 Interview with Spr, harvest worker PT Mitra Karya Agroindo

10 Interview with Ay, BHL workers PT Tapan Nadenggan

11 Discussion with workers PT. Tapan Nadenggan

12 See GAR Sustainability Report, 2017, pp. 44-47

13 Interview with YI, contract worker PT Tapan Nadenggan

“There is no clean water. Workers have to purchase clean water for their everyday needs. Each house has two bedrooms and one bathroom. Electricity is only provided from 5 am to 9 am and from 3 pm to 8 pm. Other areas may have a different schedule, but they are also restricted. The water coming to the houses is not clean, as it comes from dirty trenches, which are also exposed to the plantations’ chemical fertilizers.”¹⁴

The company provides a housing facility for some workers. The housing is built in the middle of the plantation and is always under the surveillance of a security guard. The houses are provided only for those with regular and contract status. Casual workers are not entitled to the housing facility.

The workers housing at both PT Tapan Nadenggan Hanau Estate and PT Mitra Karya Agroindo are located between 8 to 10 kms away from the nearest community, village or local market. Workers spend between an hour and 1.5 hours to reach the local market to purchase their daily needs.

In each housing complex, there is one small clinic with limited facilities and one doctor. It provides basic medicine only for adults, not children. If a worker is sick, he/she has to ask for permission from management, who would advise the person to go to the village health centre, which is a better facility and provides better treatment.¹⁵ This is in contrast to the company’s policy to provide a proper health clinic for workers.

The company does not allow daily workers to put their children in day care, which is against the principle of labour-management relations of GAR and its labour policy. In its sustainable report in 2015, GAR said the company provides day care in all plantations in order to allow women workers to take care of their children.

The majority of daily-paid casual workers at PT Tapan Nadenggan Estate Hanau are locals who live in the villages surrounding the plantation. They do not have access to housing facilities. The company provides them with a truck to transport them to and from the plantation.

Gender Discrimination

“I have been working for 17 years since my daughter was a child, until she graduated from college. Every morning at 5.30 I have to be ready to work in the plantation. My supervisor often scolds me saying that I work very slowly.”¹⁶

Under the UN Global Compact, GAR has committed to eliminate discrimination in employment and to provide employment for women. However, in contrast

14 Interview with Spr, harvest worker PT Mitra Karya Agroindo

15 Interview with YI, contract worker PT Tapan Nadenggan

16 Interview with As, BHL worker PT Tapan Nadenggan

to this commitment, our findings show that the majority of daily-paid casual workers at PT Tapan Nadenggan and PT Mitra Karya Agroindo are women.

Women workers are employed in spraying, fertilizing, and other maintenance activities. They are not entitled to housing, health insurance, or a rice allowance. At PT Tapan Nadenggan Hanau Estate, most of the 104 casual workers who live outside the estate are women. Meanwhile at PT Tapan Nadenggan Tanjung Paring Estate, there are 90 locals who are employed as daily-paid casual workers, and 40 of them are women. These women are among the most precarious workers.

In 2014, some women casual workers demanded to be hired as regular workers. They sent a letter to management but there was no response. Many of these women workers are locals and some of them have been working for 17 years.¹⁷

A woman harvester at PT Mitra Karya Agroindo said that women workers are entitled to two days menstrual leave according to the labour law. However, they have to prove it by showing the blood on cotton wool, which will be taken to the clinic along with the letter from the management. Workers who are having a menstrual period may report to the office and take the letter to the clinic, and the clinic will then issue a statement confirming that the woman is truly menstruating.¹⁸

Exclusion of Workers from the Audit

Our investigation found that PT Tapan Nadenggan in particular are not seriously putting in an effort to improve the working condition of their workers. In our assessment, this could be seen in how the company unlawfully excluding the casual workers from the RSPO audits.

One of the workers revealed, that

“whenever there is an external audit, the management will hide us somewhere, or we won’t work during the day and the work schedule will be changed on Saturday.”¹⁹

Another worker also expressed the same experience,

“I stayed at home today because the company is being audited. Every time there is an audit, management treats us like prisoners with high surveillance. Casual workers have no security.”²⁰

17 Interview with Z, SKU worker PT Tapan Nadenggan

18 Interview with harvest worker PT Mitra Karya Agroindo

19 Interview with Na, BHL workers PT Tapan Nadenggan.

20 Interview with As, Hy and Lw, workers PT Tapan Nadenggan

Workers also said they were asked to hide somewhere or are prohibited from working whenever there is an RSPO audit. This is a situation needs to be addressed since PT. Tapan Nadenggan has already been certified RSPO.²¹ Such situation also happens in many occasions as reported by previous research on plantation workers' working conditions. The fact that PT Tapan Nadenggan tried to hide casual workers from the auditors, which neglects workers' rights, is an act of abuse to the workers. It is unacceptable and illegal.

Conclusion

The exploitative nature of the palm oil industry has been reported many times, along with the story of increasing global demand for palm oil. Despite this, little attention has been paid to the abusive labour practices on palm oil plantations. The working conditions of plantation workers are invisible to the public, resulting in highly precarious employment for workers.

This research contributes to the findings of previous studies, which found that there has been little progress with respect to labour rights. Based on the field study, it can be found that the Sinar Mas-GAR's sustainability policy is not in line with what is actually practiced by its subsidiaries, PT Tapan Nadenggan and PT Mitra Karya Agroindo, in Central Kalimantan. The violation of basic labour rights occurs despite both of GAR's subsidiaries being holders of RSPO certificates.

One of the main issues uncovered during the field study is that workers are employed under a discriminatory and irregular status. Living under this uncertainty, workers thus face precarious working conditions, including underpayment, unpaid overtime, and heavy workloads. Consistent with the investigation by Amnesty International, our field findings show that Sinar Mas-GAR does not have an adequate due-diligence process to identify, prevent, mitigate and take account of human rights violations in its supply chain.

A finding also emerged that the RSPO audit results do not effectively capture actual practices, as the process is often manipulated by the company. Investigation of two Sinar Mas-GAR's subsidiaries show that workers are instructed and prepared by the company prior to being audited to ensure that the 'right answer' is given. The issuance of an RSPO certificate does not mean that the company is in compliance with applicable laws.

Our research findings also show that there is a huge financial interest in maintaining exploitative working conditions on palm oil plantations. As has been mentioned in many investigations, big brands such as Nestle and Unilever, which have been accused of taking advantage of the exploitative nature of palm

²¹ Meanwhile, according to GAR clarification, PT. Mitra Karya Agroindo has not yet certified. Thus, it is make sense that the workers at PT. Mitra Karya Agroindo said that they were never visited by the auditor team.

oil production, still continue to trade with Sinar Mas-GAR. Meanwhile, multinational banks facilitate the palm oil industry by financing production. Neither buyers nor financiers of the palm oil industry have contributed to the prevention of labour abuse, despite most of them having their own 'sustainability' policies. As this situation continues to occur, there is no reason or justification to ignore abusive working conditions on palm oil plantations. The palm oil industry has a proven reputation for destroying the environment, displacing indigenous people and local communities, and violate the labour rights. The 'sustainability campaign' by major players in the palm oil global supply chain has never really been put into concrete practice.

All stakeholders in the palm oil industry, including producers, buyers and financiers should make a concerted effort to put an end to worker exploitation. There is ample evidence that the sustainability policies launched by producers, buyers and financiers have not been applied, in particular at the base supply level—plantations. Weak monitoring has led to the reoccurrence of labour rights violation.

One of the main issues that must be addressed immediately is to ensure a decent standard of living for workers. This should be done by employing all workers under a permanent status, with decent working benefits. That would mean that workers receive the legal minimum wage, instead of wages based on a target or piece-rate achievement, which eventually creates a situation that encourages child labour.

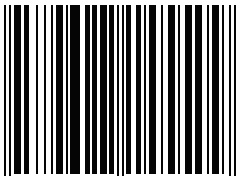
The other issue is how to ensure genuine worker participation during RSPO audits. As reported elsewhere, there is a common practice by companies to prepare workers to give 'the right answer' or excluding them from the audit. This common practice ensures that exploitation remains invisible. Thus, workers should be given latitude to voice their concerns without any intimidation.

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