A kernet worker—informal harvester “helper” who has no employment relationship with the company—collects loose palm fruit on an Indonesian plantation.
Certifying Exploitation: Why “Sustainable” Palm Oil Production Is Failing Workers

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In August of 2016, Amnesty International released a detailed report exposing egregious labor violations—including forced labor, child labor, exposure to toxic pesticides, and failure to pay minimum wages—on plantations owned by palm oil giant Wilmar, a supplier to major global brands, including Unilever, Colgate-Palmolive, Kellogg’s, Nestle, and Procter & Gamble. Incredibly, three of the five plantations where the abuses were documented were certified as “sustainable” palm oil producers by the industry certification scheme, the Roundtable on Sustainable Palm Oil (RSPO).

Global demand for palm oil has skyrocketed over the last decade and is estimated to double by 2030 and triple by 2050. Long popular as a cooking oil in Asia, it has become the world’s most consumed edible oil and is present in nearly half the products on our supermarket shelves, from soap to cosmetics, personal care products, along with chocolate, breakfast cereals, ramen noodles, margarine, and even McDonald’s French fries.

While most of the world’s palm oil comes from Indonesia and Malaysia, which account for 85 percent of global production, it is rapidly expanding in Latin America and West Africa. According to a recent report from Oxfam, global production is expected to double by 2050, increasing the land area under cultivation worldwide by sixty million acres, or roughly the size of Michigan.

Over the past few decades, the rapid expansion of palm plantations across Indonesia and Malaysia has repeatedly been linked to unsustainable production practices, including the destruction of rainforests, endangered species’ habitat, and loss of communally held land by indigenous peoples. As a result of non-governmental organization (NGO) campaigns against these practices, many U.S. and E.U. companies have committed to sourcing palm oil only from “sustainable” suppliers that pledge to respect the environment and human rights. By contrast, comparatively little attention has been paid to labor rights, despite the fact that rampant labor abuses, including poverty wages, child labor, exposure to toxic pesticides, and even forced labor and human trafficking, are commonplace across the industry.

Launching the Certification Scheme

In 2004, the palm industry and the World Wildlife Fund (WWF) launched the Roundtable on Sustainable Palm Oil, bringing together palm growers, processors and traders with retail brands, consumer products manufacturers, investors, and civil society groups to promote key principles of sustainable production. To become RSPO certified, palm oil growers must undergo an initial certification audit, followed by annual audits to demonstrate continued...
compliance with the organization’s standards. To date the organization has certified 19 percent of palm oil globally as sustainably produced, and despite uneven compliance, no grower has ever been suspended or decertified for failing to comply with the labor standards.

Among the Principles & Criteria that palm oil growers must meet to become certified is respect for fundamental labor rights—including freedom of association, collective bargaining, and a prohibition on the use of child and forced labor. However, since its inception, the RSPO has lacked direct union or palm worker participation. It counts twelve “social and development” NGOs as members, including Oxfam International, but none that directly represent workers. Without an organized, internal constituency within the RSPO, labor issues have largely been sidelined in favor of addressing environmental and land rights challenges.

In 2005, the organization faced an early test of its commitment to enforcing its own labor standards when workers at a palm plantation in northern Sumatra owned by RSPO Executive Board member Musim Mas decided to form an independent trade union (KAHUTINDO) to demand respect for Indonesian labor laws and an end to the exploitation of plantation workers with casual employment status.

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When Musim Mas refused to engage in collective bargaining, KAHUTINDO appealed to the local labor ministry for help, at which point four union officers were fired, including the union chairperson, and five others were forced to resign. Shortly thereafter, in September 2005, workers went on strike to try to force Musim Mas to the bargaining table, but the company responded by firing more than seven hundred union members and not renewing the contracts of three hundred additional casual workers. The workers and their families were subsequently evicted from the plantation’s estate housing, and three hundred children were expelled from estate schools. In an effort to break the strike, Musim Mas summoned the local police, who arrested six KAHUTINDO leaders who were subsequently sentenced with prison terms ranging from fourteen months to two years. In a campaign launched in 2006, Amnesty International found that the trade union leaders were targeted “because of their legitimate roles as union leaders” and were not provided a fair trial.

The dispute quickly gained international attention when the International Union of Food Workers (IUF), and Building and Woodworkers International (BWI) filed a formal complaint against Musim Mas with the RSPO’s Executive Board for violating the organization’s own standards of sustainable production.

On November 24, 2005, the RSPO Executive Board considered the IUF/BWI complaint but heard only from Musim Mas executives who assured members that the company was in compliance with national laws, including those on worker rights. The Executive Board accordingly declined to take a position on the dispute or order an independent investigation.

Understandably, the RSPO’s handling of the Musim Mas case badly damaged its reputation among trade unions and labor rights advocates. It also raises serious questions about the role of governments in complying with, let alone enforcing, their own labor laws, on plantations throughout the region.

The Palm Oil Production Process

The production of palm oil begins with the growing and harvesting of African oil palm trees, often on large-scale plantations that cover thousands of acres. Managing a palm oil plantation is labor intensive and requires a large workforce to carry out a range of tasks, including cultivating and planting new oil palm seedlings, harvesting fresh fruit bunches (FFBs), maintaining existing oil palm trees, and finally replanting as trees become underproductive. Once they reach maturity, oil palm trees continue to produce an economically profitable harvest for up to twenty to twenty-five years. Large plantations typically maintain trees of varying ages so that a constant production cycle is maintained.
After harvesting, the fresh fruit bunches (FFBs) are taken to mills where the fruit and kernels are pressed or crushed to extract crude palm oil (CPO) and crude palm kernel oil (CPKO). The quality of the oil in palm fruit begins to degrade immediately after harvest, so mills are generally located on or very near the plantation where the fruit is grown. Mills are generally owned by large palm plantations to process their own fruit, but many also buy FFB from smallholders and other growers that do not have their own milling capacity.

Before being suitable for consumption, trade, or use in manufacturing, CPO and CPKO must be further refined into one of several end products. Refining is a highly technical, capital-intensive process that takes place in large industrial facilities, usually located on the coasts near international shipping ports.

Palm oil refiners are typically also traders, selling to consumer goods manufacturers in the United States and Europe such as Unilever, Proctor & Gamble, and PepsiCo. Palm oil refiners and traders play a key role in the supply chain, as they decide from which growers they will purchase palm oil. Cargill and IOI Group are the two largest importers of palm oil into the United States, sourced largely from plantations in Malaysia.

**Employment on Palm Plantations**

In both Indonesia and Malaysia, palm oil plantations are a significant employer and source of export revenue. According to official estimates, the Malaysian palm industry employs roughly 450,000 migrant workers, largely from neighboring Indonesia, to harvest oil palm, but that number is almost certainly considerably higher since it does not account for undocumented migrants. While there is no official Indonesian government data, the World Bank has estimated there are between two and three million workers cultivating oil palm in Indonesia.

The vast majority of workers on palm plantations are assigned to one of two types of work: harvesting and transport of FFBs, exclusively done by men, or maintenance tasks required to keep the palm trees productive, usually done by women.

Mature palm trees can reach a height of twenty meters, so harvesters must use a long pole with a sharp, curved knife at the end, called an *egrek*, to cut the fruit bunches. After the fruit bunch falls to the ground, the harvester (or his helper) loads it into a wheelbarrow and hauls it to a roadside collection point. Harvesters typically need to meet a weight-based quota in FFBs for each day in order to be paid the minimum wage. Since fruit bunches can weigh up to 25 kg, harvesting jobs are exclusively reserved for younger men. Harvesters tend to be hired on permanent contracts with health insurance and other basic benefits.

To ensure maximum productivity, oil palm trees and their surrounding environment require a great deal of maintenance, including spraying pesticides, pruning, and applying fertilizers. Maintenance jobs are often held by women workers who are employed on a casual basis, rather than as full-time permanent employees. Casual workers earn less than permanent workers, lack benefits, and are generally seen as “temporary” with little or no employment security. Despite their “casual” status, maintenance work is a regular, year-round job, and many workers are employed for years without the opportunity to be promoted to permanent status.

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While palm industry proponents often defend continued plantation expansion by citing its capacity to generate employment in poor rural areas, in reality, very few of the jobs created on large plantations are of good quality and offer a reliable path out of poverty. In both Malaysia and Indonesia, large palm oil growers frequently rely on exploitative employment practices that keep wages low and prevent plantation workers from organizing for better pay and working conditions.

**Malaysia: Migrant Workers and Forced Labor**

Since palm plantation jobs are so-called “3D” work—dirty, difficult, and dangerous—the Malaysian palm industry relies heavily on
migrant workers from Indonesia, Bangladesh, the Philippines, and other lower income countries in Asia. Rather than recruit foreign workers directly, most Malaysian palm growers rely on third-party labor recruiters to identify and recruit suitable workers. This reliance helped create a large, poorly regulated Malaysian recruitment industry that is rife with misconduct, including overcharging migrant workers for the fees associated with migration and misrepresenting the nature of the work they will perform. The outsourcing of labor recruitment has also clouded the legal relationship between the migrant worker and their ultimate plantation employer, introducing uncertainty over who is responsible for ensuring worker rights. In recent years, several NGO reports and journalists have uncovered cases of debt bondage, labor trafficking, and other forms of forced labor on Malaysian palm plantations.

Once they arrive on the palm plantation, migrant workers often face serious restrictions on their freedom of movement in the form of employer retention of their passports and, in some cases, delayed or nonpayment of wages to settle any debt accumulated from the migration process. These forms of coercion can be used to prevent migrant workers from leaving abusive working situations, including wages below the statutory minimum and poor housing conditions.

Employer restrictions are compounded by the fact that Malaysian work permits tie migrant workers to a single employer, making it difficult for workers to leave when they face abusive conditions. Even though they have standing to bring complaints against employers under the Malaysian Labor Department’s official complaint mechanism, migrant workers rarely utilize this option for fear that they will lose their legal status and face deportation before obtaining redress.

In the state of Sabah, palm is sometimes harvested by “stateless children”: children born in Malaysia to undocumented Indonesian migrants, who have neither Malaysian nor Indonesian citizenship. Under Malaysian law, “stateless children” cannot attend public schools, access hospitals, or receive other public benefits. Instead, they are often relegated to working on plantations—mostly informally to help family members in meeting the high quotas set by plantation management. In Malaysia, it is estimated that there are at least seventy-two thousand “stateless children” who work on oil palm plantations.

Indonesia: Precarious Work, Low Wages, and Child Labor

Beyond headline-grabbing abuses such as human trafficking and forced labor, the palm oil industry’s use of precarious employment practices, including a complex piece-rate system of pay and various nonstandard forms of employment, has created an insecure work environment where workers cannot effectively challenge abuses or organize for better pay. In Indonesia, where the industry relies exclusively on domestic workers, it is not uncommon for large palm growers to hire the majority of the workforce on various types of temporary or informal contracts, even for core plantation work such as planting oil palms, spraying pesticides, and harvesting FFBs.

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The most common form of precarious employment are the “daily casual workers,” effectively day laborers who have no guaranteed working schedule and are denied benefits provided to permanent workers such as health care and modest pensions. Casual workers tend to perform maintenance tasks and earn half of what their permanent colleagues make on a monthly basis, placing them well below the monthly minimum wage. Under Indonesian law, casual workers are supposed to have written contracts of employment, but employers rarely comply and sometimes do not even know...
how many casual workers are employed on their own plantations. Women tend to comprise a disproportionately high percentage of these casual work positions, while rarely being employed on a permanent basis.

... [L]ow base wages and the piece-rate target system incentivize child labor and have made it a common occurrence in the Indonesian palm industry.

In addition, palm plantations commonly impose complex, piece-rate wage systems that incentivize workers to bring their spouses and children to work, under a category or workers called kernet, who receive no mandated benefits and are not eligible for work-related injury compensation. Under these schemes, permanent workers are assigned a quota of fruit they must harvest in order to receive the minimum wage. They can earn more than the minimum only by harvesting beyond their quota and hitting various targets to earn bonus premium payments. Harvest quotas are unilaterally set by management and can be set as high as two tons of FFB per day. In order to meet their quota and any bonus targets, harvesters need help, leading many of them to bring their wives and/or children to work as kernet.20 In this manner, low base wages and the piece-rate target system incentivize child labor and have made it a common occurrence in the Indonesian palm industry.21

Raising the Bar on Labor Practices

Since 2012, the International Labor Rights Forum (ILRF) has been working with trade unions and NGOs to challenge the RSPO and member companies to address the serious labor abuses on palm plantations certified as “sustainable.” Following workshops in Indonesia and Malaysia at which palm oil workers and local NGOs spoke about the challenges they face in securing their rights at work, a coalition of twenty-six NGOs and unions from Indonesia, Malaysia, Liberia, Europe, and the United States published the Fair Labor Principles.22 These principles established a new benchmark for labor rights in the palm oil industry by addressing key gaps in the RSPO’s existing labor standards and enforcement regime. In some cases, they addressed key major gaps in the RSPO Principles and Criteria, including on the key issue of precarious work, by adopting fixed limits on the percentage of workers who can be employed on nonpermanent contracts. In others, they closed existing loopholes in Principles and Criteria, for example, by banning employer retention of worker passports and clearly establishing a preference for direct recruitment of migrant workers, including requiring growers to bear the full costs of recruitment.

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While not enforceable by themselves, the Fair Labor Principles have influenced conditions in the industry, including with some palm oil growers. For example, the Palm Oil Innovation Group (POIG), a small coalition of NGOs and palm oil growers committed to going beyond existing RSPO standards, has adopted the Fair Labor Principles as part of its industry-leading labor standards. For its part, the RSPO has responded by proposing revisions to its standards that would incorporate some of the improvements made under the Fair Labor Principles.

Targeted Corporate Campaigns

In recent years, ILRF and its coalition partners have engaged in targeted, market pressure campaigns to get U.S. and European brands, who source palm oil from Indonesia and Malaysia, to adopt clear policies prohibiting labor abuses in their palm supply chains and use their leverage to require their suppliers (palm growers) to end labor abuses.

In June 2016, ILRF co-published a report with the Rainforest Action Network and OPPUK, an Indonesian labor rights organization, that documented serious human and workers’ rights
violations on two Indonesian RSPO-certified plantations owned by IndoAgri, a subsidiary of PepsiCo’s joint-venture partner Indofood. Indofood is one of the largest food companies in Indonesia and the sole manufacturer of PepsiCo’s snack products for the Indonesian market.

Intensive worker interviews on several IndoAgri plantations in northern Sumatra revealed systemic human rights and labor violations, including child labor, workers exposed to highly hazardous pesticides, failure to pay minimum wages, workers with no employment relationship with the company, and the use of company-backed unions to deter independent labor union activity.23 IndoAgri declined to comment on the report’s findings, issuing a short statement claiming that it “complied with all relevant Indonesian laws and regulations.” PepsiCo responded that it was concerned about the report’s findings but that it had limited leverage with IndoAgri since its joint-venture relationship was with Indofood. PepsiCo’s efforts to distance itself from the abuses were not convincing since IndoAgri is a wholly owned subsidiary of Indofood and supplied it with the palm oil used to produce Pepsi-branded snack foods in Indonesia.

In October 2016, ILRF, RAN, and OPPUK escalated the pressure on Indofood and PepsiCo by filing an official complaint against IndoAgri with the RSPO’s complaints mechanism. More than sixteen months later, the complaints panel is still reviewing the complaint and has stated it will not suspend the palm oil grower without further evidence. Meanwhile, IndoAgri continues to enjoy the benefit of selling “sustainable” palm oil while workers suffer abusive working conditions.

In November 2017, ILRF and its partners released a second report showing no improvement in labor conditions on IndoAgri’s plantations.24 PepsiCo responded by announcing that its joint-venture company would no longer use IndoAgri palm oil to produce its products for the Indonesian market.25 However, it did not commit to ending its purchase of IndoAgri palm oil through third-party traders. Meanwhile, some major financiers, including the Norwegian Government Pension Fund, have seen enough and divested from Indofood over its poor social and environmental performance.26

**Toward Independent Trade Unions**

While the palm labor coalition has been able to raise the profile of labor abuses in the palm oil sector and win some ad hoc policy changes by palm growers, systemic change in the sector is unlikely without the development of independent plantation trade unions. Without effective representation, it is very unlikely that individual palm workers will be able to confront abuses such as sexual harassment, illegal dismissals, or underpayment of wages. Unlike regional labor inspectorates or the RSPO’s certification auditors, who may visit the plantation once a year, trade unions have both the incentive and consistent presence necessary to challenge the widespread labor abuses that plague the industry.

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In November of 2013, hundreds of palm oil workers and their allies staged a protest outside of the RSPO’s eleventh annual meeting in Medan, Indonesia, to protest the organization’s failure to include genuine worker voices or uphold its labor standards on certified plantations. The protest was organized and led by Serbundo, an alliance of unions and community organizations in northern Sumatra. Serbundo’s official statement challenged the RSPO to address exploitative labor conditions on Indonesian palm plantations, including widespread use of casual workers with no job security, low wages, exposure to toxic pesticides, and unreasonably high harvest quotas that force them to bring their children and spouses to work.

In the wake of the 2016 Amnesty report, Serbundo has been able to organize independent trade unions on a handful of Wilmar’s plantations in Sumatra. A number of these plantation-level unions have been able to negotiate some of the first meaningful collective bargaining agreements in the Indonesian palm sector, lowering production quotas and providing for
the conversion of many casual workers to regular, permanent employees.

In another step forward, OPPUK and Serbundo have begun to build transnational alliances with trade unions from the Global North, including FNV Mondiaal, the largest trade union confederation in the Netherlands. In July 2017, OPPUK began a three-year project with the FNV Mondiaal to strengthen and develop independent oil palm plantation trade unions in northern Sumatra and Kalimantan. As part of this project, FNV is providing OPPUK and Serbundo with technical and financial assistance to support their outreach to palm workers and engagement with the RSPO and palm companies.

For now, OPPUK, Serbundo, and other independent trade unions operate well outside the RSPO and its glossy promotional materials and conferences in luxury hotels. If the RSPO is serious about sustainable palm oil production that respects workers’ rights, then independent trade unions will need to become the norm in the palm oil sector, not the exception.

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Notes
8. Ibid.
15. Ibid.
18. According to the International Labor Organization (ILO), precarious work is defined as employment characterized by lack of certainty as to its duration, a lack of a direct
employment relationship, lack of access to social protection and benefits usually associated with employment, low pay, and substantial legal and practical obstacles to joining a trade union and bargaining collectively. Precariously employed workers rarely receive social benefits and are often denied the right to join a union. Even if they enjoy the right to unionize under law, they are often unable to organize since they can be replaced easily without just cause.


20. Some *kernet* are more distant relatives or local unemployed men who negotiate a daily wage with the harvester.


**Author Biography**

*Eric Gottwald* is the legal and policy director at the International Labor Rights Forum (ILRF) and is responsible for coordinating programs to end labor abuses in high-risk sectors (including palm oil, seafood, and cotton) and leading efforts to utilize and strengthen accountability mechanisms to promote labor rights in the global economy. He has written on a range of policy issues related to trade, corporate accountability, and labor rights.