

# GAR – PT Tapisan Nadenggan

## Labour Assessment Executive Summary

### Background

Golden Agri-Resources (GAR) engaged BSR to conduct an assessment of labour management systems and practices in PT Tapisan Nadenggan, Central Kalimantan, Indonesia. The assessment aims to highlight areas and provide recommendations on how GAR's current management systems and tools could be strengthened or improved to help ensure good implementation of GAR's Social and Environmental Policy (GSEP), Code of Conduct and other relevant policies, as well as gradual fulfilment of international stakeholder expectations pertaining to labour-related issues in the palm oil industry.

BSR conducted a field assessment at PT Tapisan Nadenggan (Sei Rindu Estate and Semilar Estate) and Semilar Mill in November 2016.

During the field assessment, BSR conducted in-depth interviews with 71 non-management workers, consisting of permanent workers (i.e. workers with an SKU (Syarat Kerja Umum) contract) and casual workers (i.e. workers with a PKWT (Perjanjian Kerja Waktu Tertentu) contract) across various positions as well as labour union representatives. Interviews were conducted mostly in the form of focus group discussions. All worker interviews were conducted without the presence of management personnel.

BSR also had a series of in-depth discussions with management and reviewed a wide range of GAR documents in detail, encompassing both corporate-level and plantation/ mill-level policies and procedures.

This executive summary contains key observations from the completed assessment.

## Management Systems

- **Existing policies and structures:** GAR and PT Tapan Nadenggan have a good set of policies at the Group level as well as management systems and structures at the plantation level in place to help ensure workers' welfare and well-being, and those of their families, are respected.
- **Alignment and consistency:** Greater alignment is needed to ensure consistency in the content and implementation of plantation-level policies with Group-level policies, across GAR's operations in Indonesia.
  - All Group-level policies, such as the GAR Code of Conduct and the GSEP, should be available in Bahasa Indonesia, referred to and/or integrated within plantation-level policies and practices, and properly socialized among workers.
- **Recruitment:** GAR has good policies in place to help ensure ethical recruitment policies are implemented.
  - The high prevalence of female workers employed under the PKWT status, including those with work tenure significantly higher than 3 years, with no clear opportunity/ pathway to convert to SKU status, presents a potential risk of external stakeholder misperception on gender discrimination.
  - It is also important to highlight the preference/ tendency for certain positions at PT Tapan Nadenggan to be filled by workers from certain areas/ ethnicities (e.g. harvesters from Java; security guards from Kalimantan) – due care should be taken by management to prevent external stakeholder misperceptions of region/ *suku*-based discriminatory practices.
- **Communication with workers:** GAR/ PT Tapan Nadenggan utilizes a combination of written documents (primarily the Collective Labour Agreement/ Perjanjian Kerja Bersama), a tiered top-bottom communication process, and the labour union to disseminate information from management to workers.
  - This process seems to be effective, however there is still an apparent need for communication to be strengthened (e.g. in the form of routine refresher training) to improve worker awareness and understanding of their rights and responsibilities.

## Working Conditions & Terms of Employment

- **Contracts:** It appears all SKU workers are provided with and sign a contract in Bahasa Indonesia.
  - The majority of interviewed PKWT workers indicated that they signed a contract. However, they also expressed their worry/ concern around job security under the PKWT status, and also their lack of clarity/ understanding of their PKWT agreement.
  - GAR should prioritize the clarification/ classification of worker positions and contract status, as well as opportunities/ career development pathways for conversion of PKWT workers to SKU status. Workers who are to be employed as SKU workers (e.g. harvesters, sprayers) should be employed under SKU status, with a maximum probation period of 3 (three) months to comply with Indonesian Labour Law.
- **Minimum wage:** The GSEP states that GAR ensures all workers are paid a wage equal to or exceeding the legal minimum wage.
  - The CLA states that worker wages are set in the Company Decree (Surat Keputusan Direksi Perusahaan) with reference to the Central Kalimantan

Governor Decree on the provincial minimum wage, however the CLA does not explicitly assure all workers will receive minimum wage. The PKWT agreement also lacks assurance of the provision of minimum wage in accordance with provincial regulations. It is recommended that GAR provide written assurance/ clarification that all workers will receive the prevailing minimum wage.

- **Targets:** It appears GAR has invested an extensive amount of time and resources to develop a wage structure for each job function in plantations, with *basis* and *premi*/ incentive figures calculated and reviewed annually so that workers are enabled to earn the daily minimum wage within reasonable working hours.
  - Management stated that the minimum wage comprises approximately 40% of workers' monthly income which implies that the *basis* target set by management is not too difficult for workers to reach. However, workers still perceive the *basis* targets to be high and not in line with the level of difficulty of the task, resulting in difficulties during low production seasons for workers to earn *premi*, which workers state they need to earn as minimum wage alone is insufficient to cover their basic daily living costs.
  - The lack of understanding among workers on the wage structure and policies may lead to potential misunderstandings on transparency and fairness as well as employee dissatisfaction. The complicated wage structure may also lead to potential misunderstanding by external stakeholders on transparency and fairness for workers.
- **Monetary fines:** Interviewed workers stated that financial penalties are deducted from their monthly income if they conduct misdemeanours such as leaving ripe fruit on the tree or loose fruit on the ground.
  - Financial penalties are not acceptable under international standards/ expectations set by organizations such as the ILO. It is recommended that GAR remove these fines, and disciplinary action only be taken in the form of verbal warnings/ written warnings when necessary.
- **Working hours:** A fingerprint-based attendance management system has been in place for GAR's Central Kalimantan plantations since 2008 to record and monitor workers' working hours, which is commendable. It is also encouraging to see that there appears to be good/ uniform awareness and implementation of this system among all interviewed SKU and PWKT workers.
  - This data can be used to demonstrate compliance with Indonesian labor regulations as well as POIG requirements.
  - There is also an opportunity for the management team to track and analyse this data to gain a deeper understanding of the working hours and subsequent workload of each type of worker, for example the data could be used to validate the amount/ value of *premi* received/ earned in comparison to the amount/ value of overtime which a worker might have earned instead.
- **Benefits:** There appeared to be good awareness and satisfaction among interviewed SKU workers of benefits provided by the company, for example the 13th month religious bonus (*Tunjangan Hari Raya*); an additional annual bonus; and pension benefits (as part of BPJS Ketenagakerjaan), among others.
  - It is recommended that GAR amend the PKWT agreement to confirm that PKWT workers are registered as participants of all BPJS Ketenagakerjaan and BPJS Kesehatan programs.
  - Interviewed SKU workers mentioned they also receive an additional incentive in the form of 17 kg of rice per month for perfect (100%) attendance. The provision of this incentive is commendable, and is seen by workers as an important source

of income to help cover their basic needs. Certain sections of this policy might need a revision, e.g. for the rice allowance to be reduced on a pro-rata basis when workers are unable to work due to illnesses and accidents.

- **Occupational health & safety:** GAR/ PT Tapan Nadenggan has conducted comprehensive hazard identification and risk control assessments (*Identifikasi Bahaya dan Pengendalian Risiko*) at the plantation and mill level. PT Tapan Nadenggan has also established an Occupational Health and Safety Supervisory Committee (*Panitia Pembina Keselamatan dan Kesehatan Kerja/ P2K3*).
  - **Health check-up results:** SMART’s Standard Operating Procedure on Medical Examinations for Workers (*Pemeriksaan Kesehatan Tenaga Kerja*) sets out the objectives, scope, procedure and documentation of worker medical examinations in a structured and detailed manner. BSR omitted to verify the process used to inform workers of health check-up results, nevertheless it is important to emphasize that all information related to workers’ personal health should be informed directly to the each worker first without delay, then subsequently communicated to the relevant management personnel afterwards.
  - **PPE:** Interviewed workers stated they receive new/ replacement PPE once a year, free of charge. Workers also indicated, however, that employees sometimes need to purchase replacement PPE on their own, and the quality/ adequacy of PPE provided has also been questioned by workers. Both of these represent potential risks to worker health and safety.
- **Living wage:** POIG requires that a living wage assessment for all workers (whether employed directly or indirectly by the company) is conducted based on a credible methodology. A living wage assessment was not included in the scope of BSR’s assessment.

## Non-Discrimination

- GAR has a number of key policies/ documents which prohibit non-discriminatory behaviour/ practices in the workplace. There are a few areas/ potential risks which warrant attention:
  - **Gender:** The high prevalence of female workers employed as PKWT workers and the absence of SKU workers for positions which are primarily held by female workers, such as loose fruit collectors and maintenance positions, presents a real risk of external stakeholder misperceptions of discrimination.
    - GAR has advised that a policy is being introduced which would enable the opportunity for PKWT workers to convert to SKU status, for certain positions.
  - **Age discrimination:** Interviewed workers and management have stated that workers who are older than 35 years are unable to attain SKU status. This is not in alignment with the GSEP and CLA, and presents a potential risk of being considered as a form of discrimination by external stakeholders. GAR should consider removing this practice, to enable the opportunity for workers aged 35 years or older with work tenure of over 3 years to convert to SKU status.
  - **Unequal benefits and protection for temporary workers:** PKWT workers receive benefits such as free housing, free annual check-ups and medical treatment for themselves, and annual THR bonus. However, there are a range of other benefits which PKWT workers are not privy to, such as free healthcare treatment for the worker’s dependents (wife and children), rice allowance/ benefits for dependents, and an annual bonus in addition to the THR bonus.

## Workers' Organization

- The GAR Code of Conduct, GSEP and CLA contain clauses which support and acknowledge workers' freedom of association and the right to collective bargaining.
- There appears to be good awareness among workers about the existence of the independent worker union at PT Tapan Nadenggan. Participation appears to be voluntary in nature, as evidenced by membership application and fee deduction authorization letters (*Surat Permohonan Menjadi Anggota dan Kuasa Pemotongan Iuran*) signed by workers.
- From interviews with workers and union representatives, BSR has noticed that further support could be provided for union leaders and members to help ensure the union operates in a professional and competent manner, representing workers' needs and aspirations effectively.
  - It would be commendable for GAR to provide capacity building opportunities to union officials such as trainings, participation in an industry union. It is also recommended that this training be provided to all workers to enable them to join union leadership (which currently mostly consists of SKU-B workers), so that the union better represents the needs and aspirations of all workers at PT Tapan Nadenggan.

## Grievance Mechanisms

- GAR/SMART's Procedure for Grievance Handling lays out a detailed outline for GAR to manage grievances from stakeholders, as well as recommended methods for grievance resolution at the local, national and international levels.
  - There is an opportunity for this procedure to be integrated/ implemented at the plantation level, as the CLA appears to prioritize the resolution of grievances through labour union-supported/ accompanied *musyawarah* (deliberations/ discussions to achieve consensus) or bipartite discussions.
  - GAR should also consider encouraging workers to raise concerns through the SINARMAS CareLine.
- BSR was unable to see data on worker grievances received by PT Tapan Nadenggan. However, interviews appeared to indicate a low usage rate of current grievance mechanisms, e.g. around 1-2 grievance cases per year were reported to the union, and rare use of the suggestion box.
  - While the low number of reported grievances received by those channels could be seen as an indicator of general satisfaction, it could also be seen as a potential indicator of ineffectiveness/ malfunction. It is recommended that GAR ensure and demonstrate that the current mechanisms are functioning effectively by publicly reporting/ sharing relevant key information, such as number and nature of grievances reported and resolved, and showing all grievances are being handled with an appropriate remediation plan.

## Protection of Workforce

- **Child labour:** There appears to be good awareness among workers on the prohibition of child labour at PT Tapan Nadenggan.
  - Access to free/ affordable education plays a key role in the prevention of child labour, in addition to the reduction of incentives for workers to use 'invisible' labour through target/ wage system adjustments. GAR/ PT Tapan Nadenggan currently provide good support in the form of free early childhood education and

free school buses to neighbouring (primary/junior/senior high) schools. Day care centres are also provided for free, in addition to a 'smart house' (*rumah pintar*).

- GAR may wish to consider introducing additional/ further efforts during school holidays to help ensure children are not helping their parents if the school holiday falls under peak production time.
- The risk of child labour increases as children reach senior -high-school age, therefore GAR should also consider introducing efforts to increase opportunities for children to attend senior high school.
- **Supply chain risk assessment (POIG):** BSR did not conduct research on issues related to the supply chain since this is out of the assessment scope, as such BSR is not aware whether or not GAR has conducted a risk assessment of their FFB supply chain to identify risks of child labour. It is recommended that GAR conduct a supply chain risk assessment including child labour if GAR wishes to fulfil POIG requirements.
- **Clarification of permanent & temporary positions:** As mentioned above, GAR should reassess and confirm positions where PKWT workers are able to convert to SKU status, and clarify the necessary pathways.
- **Outsourced/ contractor workers:** At PT Tapan Nadenggan, BSR was informed that there were no long-term outsourced or contracted workers carrying out core business activities. GAR should conduct a review to investigate and monitor current practices and conditions faced by outsourced and contracted workers across its plantations/ operations in Indonesia to identify relevant risks, such as forced labour, human trafficking or child labour.
- **Migrant workers:** It appears the majority of harvesters and workers who fill other plantation-related positions at PT Tapan Nadenggan come from Java.
  - If this does not yet exist, it is recommended that GAR develop and put in place a special policy and procedures for all domestic migrant workers across its plantations in Indonesia.

## Living Conditions

- There appears to be general satisfaction among workers of housing and other facilities provided by PT Tapan Nadenggan.
  - GAR should consider monitoring and publicly reporting the quality of water provided to workers, to ensure and demonstrate that the quality of water provided to workers is in alignment with World Health Organization (WHO) guidelines for drinking water and community water supplies.