

## **Sustainable Palm Oil?**

Promoting New Measures to Combat Risks of  
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Palm oil is almost ubiquitous. It is in our food products, our cosmetics and our detergents, increasingly the most common vegetable oil used in our kitchens and a growing staple of the bio-fuels industry around the world. Fifty million tons of the vegetable oil are produced each year, and this figure is growing to meet global demand that is set to double by the year 2020. But this expansion comes at a considerable price. Palm oil plantations are threatening tropical forests, encroaching on protected and traditional lands, and linked to alleged human rights abuses. Palm oil production is also fraught with labor rights violations; yet these violations are often ignored by the global media and in reports by non-governmental organizations (NGOs). This White Paper – which is the fourth in a series that looks at labor standards in supply chains – will address this. It shines a light on the core problems associated with palm oil production, and presents the results of Verité’s recent rapid appraisal research on plantations in Southeast Asia. The paper surveys the key risks of forced labor and human trafficking that face migrant and smallholder workers, and presents a series of solutions to business and other relevant stakeholders. It argues that multiple strategies will be needed to promote a truly sustainable palm oil, involving stakeholders from across business, investors, civil society and public policy working in partnership both inside and outside the Roundtable on Sustainable Palm Oil (RSPO).

## **What is the RSPO?**

The Roundtable on Sustainable Palm Oil was established in 2004. It is the leading multi-stakeholder response to unsustainable palm oil production, and brings together growers, processors and traders alongside retail brands, consumer products manufacturers, investors and civil society groups. The RSPO promotes eight key principles of sustainable production, and requires members to comply with them to become certified. The organization operates an international certification system, which to-date has certified fourteen percent of palm oil globally as sustainably produced. In a relatively short period of time, the RSPO has achieved success in promoting consensus across a diverse set of stakeholders on a diverse set of challenging issues.

Yet the RSPO has not been without its critics over the last few years. Some have argued that it is soft on human rights, while others point to weaknesses in the standards that seek to limit deforestation and greenhouse gas emissions. Historically, the organization has also ignored labor rights, with its Principles and Criteria (P&C) – the code of conduct to which all members must adhere – weak on child labor, equality at work and other core labor standards. This has led some organizations, including Verité, to call for stronger protections for palm oil workers

and for more stringent RSPO standards. On April 25<sup>th</sup>, 2013, this call was answered when RSPO members voted overwhelmingly in favor of a new set of P&C that include stronger labor, employment, human rights and business ethics provisions. It is now incumbent on the RSPO to ensure that these new provisions are respected and implemented across the system, including those prohibiting forced and trafficked labor. Time will tell whether and how well the new standards are enforced, but the current momentum is encouraging.

## **The Problem: Risks of Forced Labor and Human Trafficking in Palm Oil Supply Chains**

In recent years, media and civil society reports have focused the world's attention on the unsustainable environmental practices that often characterize palm oil production in countries such as Malaysia and Indonesia, where up to 85% of the world's palm oil is produced.<sup>1</sup> Building on this, Verité's research has examined the social dimension of the industry, looking at labor and employment conditions through the lens of global supply chains. Over the last year, Verité's research has revealed troubling circumstances for many palm oil workers, particularly those that are migrating for employment onto plantations. These workers can face significant vulnerability, patterns of abuse and malpractice, and coercion at various stages of the recruitment, migration and employment process. This includes policies and regulations in home and host countries that can exacerbate their vulnerability. For businesses linked to such circumstances through business relationships, this amounts to nothing less than clear risks of forced and trafficked labor in their supply chains.

In broad terms, workers on palm oil plantations, like many others in the agricultural sector, face hazardous working conditions that can include long hours of work, physically demanding and arduous jobs, workplace injuries and ill-health, and limited coverage of social protections.<sup>2</sup> This can be compounded by primitive living conditions, particularly on smallholder plantations, and unfavorable employment terms such as low wages and informal or unwritten contracts of employment.

For migrant workers, this situation can often be much worse. Verité's research reveals that plantation workers from countries such as Indonesia, the Philippines, Nepal, Vietnam and Myanmar report restrictions on their freedom of movement, retention of passports and other valuable documents and, in some cases, delayed or non-payment of wages.<sup>3</sup> Research conducted by the International Trade Union

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<sup>1</sup> See: [http://www.wwf.org.au/our\\_work/saving\\_the\\_natural\\_world/forests/palm\\_oil/](http://www.wwf.org.au/our_work/saving_the_natural_world/forests/palm_oil/).

<sup>2</sup> According to the International Labor Organization, agriculture is one of the three most hazardous economic sectors in the world alongside mining and construction. See: <http://www.ilo.org/global/industries-and-sectors/agriculture-plantations-other-rural-sectors/lang-en/index.htm>.

<sup>3</sup> For more information, see Verité's Commodities Atlas: <http://www.verite.org/Commodities/PalmOil>.

Confederation (ITUC) also indicates that migrant workers frequently face heavy debt burdens that result from excessive fees charged during the recruitment process. This is compounded by salaries that are significantly lower than what was promised by the recruiter, resulting in a form of debt bondage that ties workers to their employers (or recruiters) for the length of time that it takes them to repay their fees, which in some cases can last over a year.<sup>4</sup> This combination of recruitment, migration and employment terms with poor living conditions on often geographically remote plantations can leave workers extremely isolated and vulnerable. For undocumented migrants, who may also fear forced repatriation by immigration authorities or harassment by police, the result can be systemic restrictions on freedom of movement and heightened vulnerability to forced labor.

## **Key Findings from Verité’s Research on Palm Oil Supply Chains**

In September and October 2012, Verité conducted rapid appraisal research in Malaysia and Indonesia focused on assessing the labor and employment conditions of migrant workers on palm plantations. This research gathered data from three areas in Malaysia (Kota Kinabalu, Sandakan and Tawau in Sabah) and two in West Kalimantan, Indonesia. It was based on field research involving onsite observations of private estates and smallholding plantations, and interviews with plantation workers, their families, management representatives of palm oil companies, community groups, NGOs, and social workers. The following summarizes Verité’s findings.

### Child Labor

- Workers reported that child labor is common on palm plantations from about 12 years of age. Some indicated that this work was performed to support fathers or uncles who were directly employed by the plantation, while others stated that children worked as full-time employees or farmers as soon as their parents thought they were fit to do so.
- Migrant women workers indicated that, by law in Malaysia, their children cannot go to school because of their “stateless” status, so many children begin work on plantations as early as 12 or 13 years of age. Social workers reported that parents commonly take their children to the fields to supplement the harvest of adult males and to avoid leaving them at home unattended.

### Undocumented Status and Passports

- Migrant workers described the hiring process as largely informal or irregular, with no signed contracts or written agreements. Some stated that formal documentation such as passports or work visas were not required during the recruitment process and that, for those without these documents,

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<sup>4</sup> See: ITUC, *From Bahrain to Malaysia: Mobilizing to Defend Migrants’ Rights*, December 2010. (<http://www.ituc-csi.org/from-bahrain-to-malaysia>)

salary deductions were made to pay for processing. In some cases, workers reported that the required passport or visa was never produced.

- Undocumented workers, particularly women and children, reported rarely leaving the plantation for fear of apprehension by authorities and forced repatriation. For workers with valid passports, a majority indicated that these were withheld by the employer, making them fearful of immigration authorities too.

#### Conditions of Work and Life

- Workers are often physically isolated on remote plantations; migrant workers face both physical *and* cultural isolation.
- The harvesting and processing of palm oil is known for its long hours of work; hard, physical labor; and low wages. Social workers reported harsh and often primitive living conditions, with basic housing and sanitation and few protections from the elements. On smallholder plantations, workers reported a lack of potable water and limited access to electricity, medical attention and healthcare.

### **Towards a Solution: How Should Companies Respond to Risks of Trafficking and Forced Labor in Palm Oil Supply Chains?**

With the newly revised P&C offering a higher standard on labor and employment issues and prohibiting forced and trafficked labor explicitly, the RSPO represents an important framework for promoting multi-stakeholder action against these abuses. Working within this framework is an important step for companies, but it should not be the only step. These risks present business and the RSPO itself with clear challenges that cannot be solved overnight. The new standards will need the full weight of the organization as well as its certification system behind them to be effectively realized.

Forced labor and human trafficking are all-too-often hidden from view, deep within the supply chain where social compliance programs have little, if any, visibility. They involve deception and are typically complicated by long chains of labor supply that can sometimes stretch across international borders. Compounding this, coercive practices by employers or third party labor recruiters can be exacerbated by home and host country policies that increase worker vulnerability. This situation requires new and strategic ways of thinking about supply chain due diligence.

To meet these challenges, Verité recommends a comprehensive and “deep-dive” approach to root out problems where they are found. This should include the following key measures:

- **Supply chain assessments** can be an effective tool for identifying non-compliances to corporate or multi-stakeholder codes of conduct. But these

assessments also have their limitations. Social audits face serious obstacles when they need to identify cases of forced labor and human trafficking. Companies and auditors must strengthen their assessment protocols, improve training for staff to enable them to see the problem in the first place, and extend assessments to supply chain “locations” where the risk is greatest. This means focusing on sub-contracting arrangements, the “base” of the supply chain and business relationships that can include third-party labor providers. This kind of engagement will allow auditors to develop a more robust picture of the conditions facing vulnerable workers.

- **Training and capacity building** is also essential. This enables relevant staff to better understand the risks associated with trafficking and forced labor and institutionalizes knowledge and expertise within the company and across its supply chain. Collaborative training with suppliers and stakeholders is also advised. It can generate joint understanding and engagement on key challenges, for example fee-charging and passport retention, and can strengthen important supply chain and stakeholder relationships. Training workers to inform them of their rights is also key. This will enable them to better defend themselves in the face of vulnerability, both individually and collectively, and give them the confidence to use appropriate mechanisms to raise and resolve grievances.
- Credible **grievance mechanisms** are very important. These can provide workers with an outlet to lodge complaints and give them recourse if things go wrong. This is particularly important for migrant workers, who may be discriminated against and more vulnerable to abuse. The grievance mechanism must be confidential, effective and trustworthy; and, to account for the unique circumstances of migrants, must be accessible to all and broad enough in scope and mandate to handle problems that may arise during recruitment or migration before the worker even arrives at the workplace. An effective grievance procedure will act as a kind of “feedback” loop to flag key or recurrent issues and promote continuous improvement in employment relations.
- Some problems linked to human trafficking and forced labor are closely associated with public policies and regulations. In this case, corporate compliance programs, no matter how robust, will not be effective in addressing them. Rather, companies need to consider **policy advocacy** and **stakeholder dialogue** as key elements of their larger engagement. This can be done alone, with industry or business peers, and at diverse levels of jurisdiction: local, national and international. Some of the key issues to address include restrictive visa requirements that can tie workers to specific employers (or so-called sponsors) and regulations that allow fee-charging to workers. For more on this issue, see the box below.

### **Solving the Problem of Excessive Fee-Charging by Labor Providers**

Verité's research shows that recruitment fees and other costs associated with migration and transportation are routinely charged to migrant workers in global supply chains. These fees can result in conditions akin to debt bondage, as workers take out loans from loan sharks, borrow money from family members or mortgage their home or land in order to pay for a job. For companies, this represents a clear risk of forced labor, so how can they respond?

- To start, company policies must explicitly prohibit fee-charging to workers at the highest level, and guarantee that all fees associated with recruitment and migration are covered by employers as a cost of doing business. Mechanisms should be in place to implement these policies, including through recruitment, human resource and compliance systems.
- Robust monitoring should assess compliance with company policies and extend to all labor providers contracted by the company, including sub-agents or other business partners that may be involved in the recruitment process.
- Where fees have been charged, companies should have a corrective action plan in place to ensure an organized and effective response. Fees should be repaid to workers, and contracts with agents that are found to be charging them should be terminated.
- For companies that directly contract labor providers, effective screening and evaluation should be in place before contracting in order to verify ethical practices; thereafter, ongoing monitoring should be conducted during the management of business relationships.
- To tackle the policy dimension of the problem, companies should consider advocacy at all relevant levels to encourage greater protection for migrant workers, including adopting the "employer pays" principle and better public regulation and monitoring of recruitment agencies. Partnering with business and industry peers as well as other stakeholders will achieve greater collective influence in policy advocacy.

## **How Verité Provides Solutions**

Verité works with companies, non-profit organizations, international agencies and other stakeholders to leverage collective expertise, share good practice and promote greater understanding of the social dimension of sustainable palm oil. Drawing on more than a decade of experience combating risks of forced labor and human trafficking in supply chains, Verité provides research, training and consultancy services to promote industry and multi-stakeholder leadership on the issues.

Verité's targeted Program on Ethical Labor Practices in Palm Oil Production helps companies and other stakeholders respond to key labor issues. It does so through a series of steps, beginning with understanding and analysis, and ending with direct engagement to resolve problems. The program is supported by assessments, training, supply chain research and resource development, including customized and open-source tools such as:

- Verité's *Fair Hiring Toolkit*, which provides practical guidance to tackle forced labor risks effectively; and
- The *Ethical Framework for Cross-Border Labor Recruitment*, which sets out a normative and verification framework to promote ethical recruitment.

Verité also works within the RSPO to strengthen its protections for supply chain workers. We work with partner NGOs and RSPO members to ensure greater respect for international labor and human rights standards and to promote the social dimension of sustainable palm oil.

## Who is Verité?

Verité is an international not-for-profit training, consulting and research NGO that has been a leader in supply chain social responsibility and sustainability since 1995. For its work, Verité was the winner of the Schwab Social Entrepreneur of the Year Award in 2010 and the Skoll Award for Social Entrepreneurship in 2007.

For more information on Verité's Program on Ethical Labor Practices in Palm Oil Production, please contact Ms. Daryll Delgado (Asia, Africa) at [ddelgado@verite.org](mailto:ddelgado@verite.org), or Mr. Philip Hunter (Americas, Europe) at [phunter@verite.org](mailto:phunter@verite.org).

## Resources

Verité, [Fair Hiring Toolkit](http://www.verite.org/helpwanted/toolkit) (www.verite.org/helpwanted/toolkit)

Verité, [An Ethical Framework for Cross-Border Labor Recruitment](#), 2012.

Verité, [Forced Labor Commodities Atlas](http://www.verite.org/Commodities) (www.verite.org/Commodities)